

BASE PROSPECTUS SUPPLEMENT



INVESTEC plc

(incorporated with limited liability in England and Wales with registered number 3633621)

This base prospectus supplement (the "**Base Prospectus Supplement**") is supplemental to and must be read in conjunction with the base prospectus relating to the £1,000,000,000 Euro Medium Term Note Programme dated 19 March 2015 (the "**Base Prospectus**") prepared by Investec plc (the "**Issuer**") in connection with the application made for Notes to be admitted to listing on the Official List of the Financial Conduct Authority in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**"), and to trading on the Regulated Market of the London Stock Exchange plc.

This Base Prospectus Supplement constitutes a supplement for the purposes of Directive 2003/71/EC (as amended) (the "**Prospectus Directive**") and a supplementary prospectus for the purposes of section 87G of the FSMA Terms defined in the Base Prospectus shall have the same meaning when used in this Base Prospectus Supplement.

To the extent that there is any inconsistency between any statement in this Base Prospectus Supplement and any other statement in or incorporated by reference in the Base Prospectus, the statements in this Base Prospectus Supplement will prevail.

The purpose of this Base Prospectus Supplement is to:

- Disclose that on 30 June 2015, the Issuer published its annual report and consolidated financial information for the year ended ended 31 March 2015 (the "**2015 Annual Report**"), a copy of which is annexed hereto. Any document or information incorporated by reference into the 2015 Annual Report, either expressly or impliedly, does not form part of this Base Prospectus Supplement for the purposes of the Prospectus Directive.

Save as disclosed in this Base Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen since the publication of the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

10 July 2015

ANNEX
INVESTEC PLC

Annual Report for the year ended 31 March 2015



Annual report 2015

VOLUME 1

Investec strategic report incorporating governance,
sustainability and the remuneration report



Out of the Ordinary®

 **Investec**

About this report

The 2015 integrated annual report covers the period 1 April 2014 to 31 March 2015 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.



Audited information

Denotes information in the risk, corporate responsibility and remuneration reports that form part of the group's audited annual financial statements



Reporting standard

Denotes our consideration of a reporting standard



Page references

Refers readers to information elsewhere in this report



Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com



Website

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

VOLUME 1

Strategic report incorporating governance, sustainability and the remuneration report

VOLUME 2

Risk and Basel Pillar III disclosures

VOLUME 3

Annual financial statements

Ongoing and statutory information

During the year the group sold a number of businesses, namely, Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited (as discussed on page 22).

The sale of these businesses has had a significant effect on the comparability of our financial statutory position and results. As a result, comparison on a statutory basis of the 2015 results with 2014 would be less meaningful.

In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. This information is only set out in volume one of our annual report. The additional information presented on an ongoing basis excludes items that in management's view could distort the comparison of performance between periods. Based on this principle, the following items are excluded from underlying statutory profit to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK (as set out on pages 88 and 89).

A reconciliation between the statutory and ongoing income statement is provided on pages 56 and 57. All information in our annual report comprising volumes one, two and three are based on our statutory accounts unless otherwise indicated.



Feedback

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

For queries regarding information in this document

Investor Relations

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1

Overview of the year



Highlights

Delivering on our strategic objectives – continued to grow core franchises and simplified the Specialist Banking business through restructuring and sales

- Continued investments in Asset Management and Wealth & Investment platforms – supported net inflows in excess of £5.8 billion
- The core corporate banking franchise in both the UK and South Africa performed well, benefiting from increased client activity
- The Private Banking and Wealth & Investment businesses in South Africa further entrenched their position as one of the leading integrated private client businesses in the country, successfully launching a number of new products, broadening their client base and leveraging their global platform (One Place)
- The UK Private Banking business enhanced its offering through the launch of its Private Bank Account and the development of its online and digital platforms
- Geographical and operational diversity continued to support a high recurring income base with a sound balance of earnings generated between capital light businesses and capital intensive businesses.

Statutory financial performance

Operating profit* increased 9.4% (increase of 18.0% on a currency neutral basis)

2015	2014
£493.2mn	£450.7mn

Adjusted attributable earnings^ increased 3.9% (increase of 12.5% on a currency neutral basis)

2015	2014
£339.5mn	£326.9mn

Adjusted earnings per share^ increased 4.0% (increase of 12.4% on a currency neutral basis)

2015	2014
39.4p	37.9p

We continued to actively manage down the UK legacy portfolio...

- The legacy portfolio reduced from £3.4 billion at 31 March 2014 to £0.7 billion largely through strategic sales, redemptions, write-offs and transfers to the ongoing book on the back of improved performance in these loans
- The legacy business reported a loss before taxation of £107.7 million (2014: £69.1 million) as the group accelerated the clearance of the portfolio, which resulted in an increase in impairments on these assets
- The group posted a non-operating net loss after tax of £113.7 million on the sale of businesses.

Dividends per share increased 5.3% (increase of 10.7% in Rands)

2015	2014
20.0p	19.0p

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

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

Solid performance from the ongoing business

Operating profit* increased **15.0%** (increase of 22.6% on a currency neutral basis)

2015	2014
£580.7mn	£504.9mn

Adjusted attributable earnings[^] increased **10.2%** (increase of 17.9% on a currency neutral basis)

2015	2014
£409.9mn	£371.9mn

Adjusted earnings per share[^] increased **10.2%** (increase of 17.9% on a currency neutral basis)

2015	2014
47.5p	43.1p

Recurring income as a % of total operating income

2015	2014
71.9%	67.9%

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

2015	2014
0.25%	0.44%

We have a diversified business model...

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



We continued to grow our key earnings drivers...

Funds under management up 13.7% to £124.1 billion

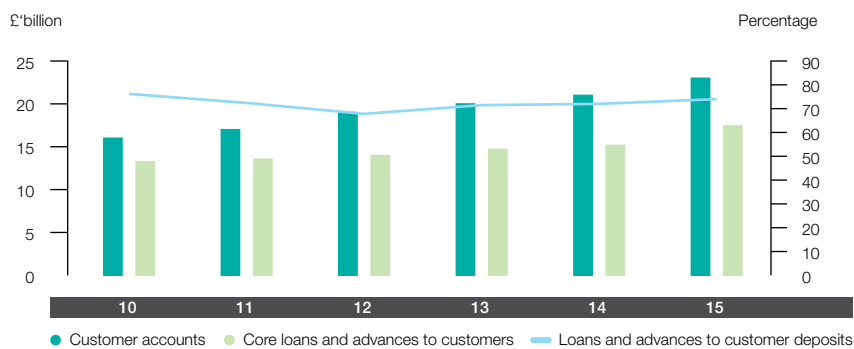
Funds under management ongoing business**



Customer accounts up 7.3% to £22.6 billion

Core loans and advances up 15.4% to £16.5 billion

Customer accounts (deposits) and loans ongoing business**



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

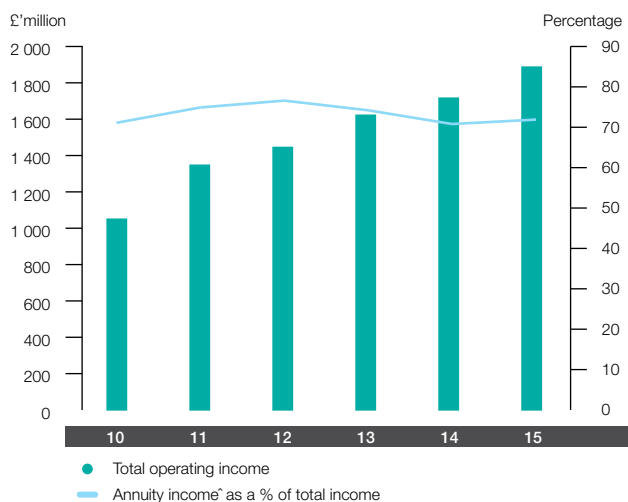
[^] Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.

** Trends in these graphs are done on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2015.

Highlights (continued)

Supporting growth in operating income...

Total operating income ongoing business**



^ Where annuity income is net interest income and annuity fees.

Fixed costs marginally up...

Asset Management

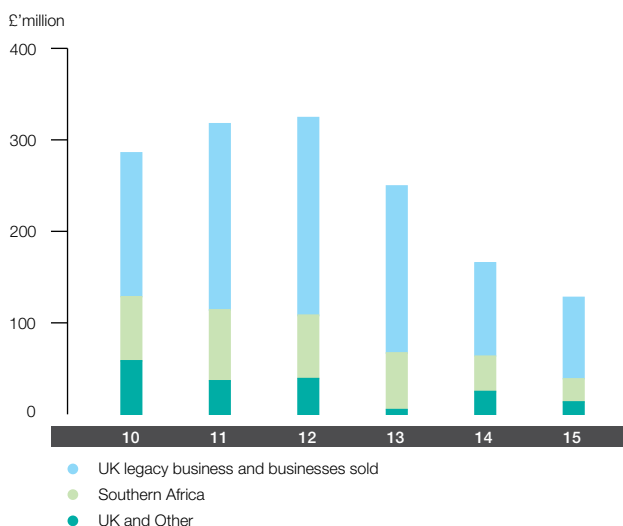
- Headcount increased: 93 people to support growth
- Investment in distribution platforms
- Operating margin: 34.2% (2014: 34.7%)

Wealth & Investment

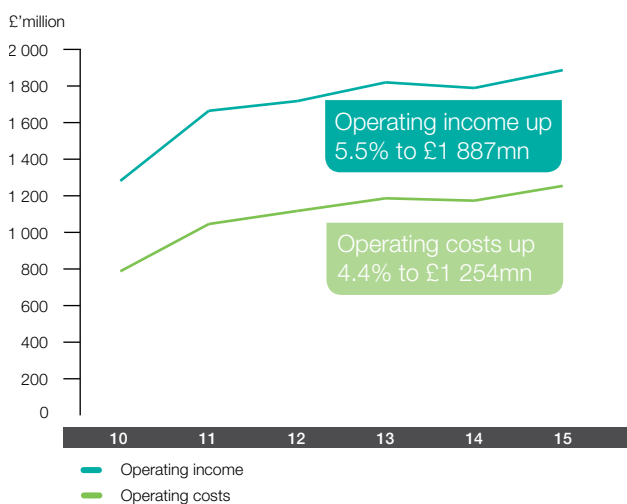
- Headcount increased: 161 people

Impairments continue downward trend...

Impairments



Jaws ratio ongoing business**



Headcount*



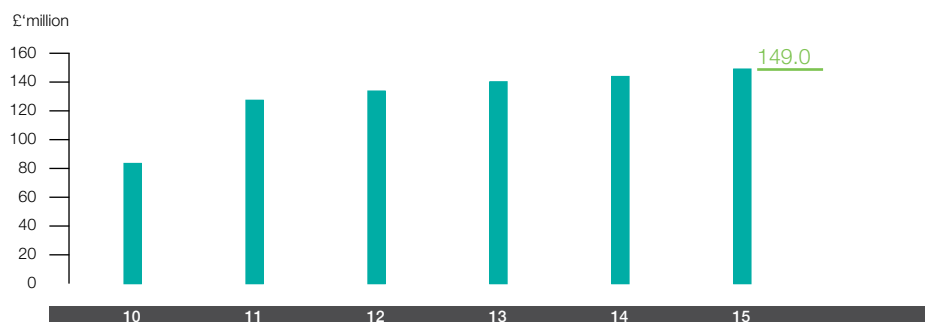
* Permanent headcount and includes acquisitions.

** Trends in these graphs are done on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2015.

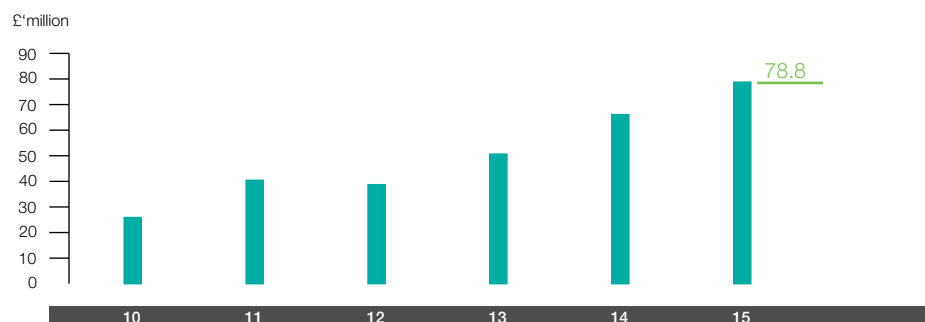
Highlights (continued)

Resulting in increased operating profit* from all three of our businesses...

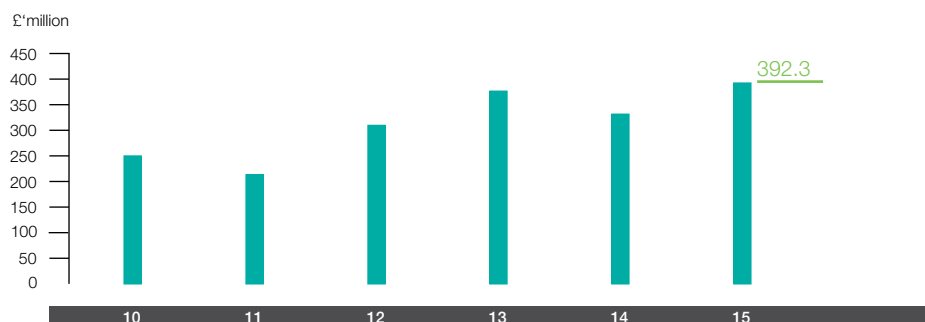
Operating profit – Asset Management**



Operating profit – Wealth & Investment**



Operating profit – Specialist Banking ongoing business**



Progress made on our financial targets...

		Ongoing		Statutory	
Target		March 2015	March 2014	March 2015	March 2014
ROE (post tax)	12% – 16% over a rolling five-year period	13.8%	13.1%	10.6%	10.0%
Adjusted* EPS growth	Target: 10% > UKPRI	10.2%	n/a	4.0%	5.0%
Cost to income	Target: < 65%	66.5%	67.5%	67.6%	67.6%
Dividend cover (times)	Target: 1.7x – 3.0x	n/a	n/a	2.0x	2.0x

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

** Trends in these graphs are done on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2015.

Maintained a sound balance sheet...

Target

Total capital adequacy: 14.0% – 17.0%
Common equity tier 1 ratio: > 10.0% by March 2016
Total tier 1 ratio: > 11.0% by March 2016
Leverage ratio: > 6.0%

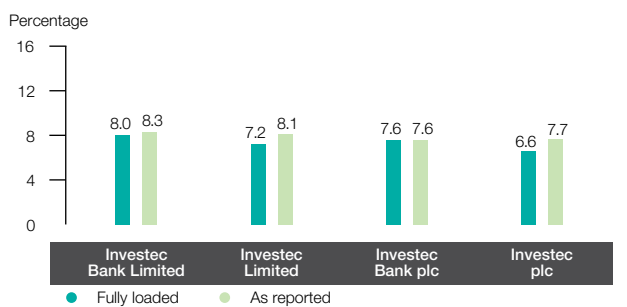
Capital adequacy



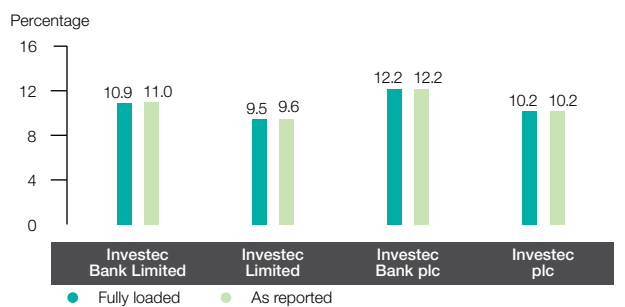
Tier 1



Leverage ratios



Common equity tier 1



Note: Refer to page 181 for detailed definitions and explanations.

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25.0%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk.

The intimate involvement of senior management ensures stringent management of risk and liquidity.

A well-established liquidity management philosophy remains in place.

The group's loan to deposit ratios are as follows:

- Investec Limited: 78.6% (2014: 72.9%)
- Investec plc: 68.5% (2014: 71.0%)

Liquidity remains strong with cash and near cash balances amounting to £10.0 billion (2014: £9.1 billion).

Capital remained well in excess of current regulatory requirements.

Our banking subsidiaries meet current internal targets.

Investec Limited should achieve a common equity tier 1 ratio above 10% by March 2016, and Investec plc already achieves this target.

We are comfortable with our common equity tier 1 ratio target at a 10% level, as our leverage ratios for both Investec Limited and Investec plc are well above 7%.

The value we've added



For further information download the sustainability report available on our website.

Contributing to society, macro-economic stability and the environment

For Investec, sustainability is about building our businesses to ensure we have a positive impact on the economic and social progress of communities and on the environment, while growing and preserving clients and stakeholders' wealth based on strong relationships of trust. This commitment to sustainability means integrating social, ethical and environmental considerations into our day-to-day operations. A key element of this is solid corporate governance that ensures sustainable management with a long-term vision.

Value added statement

£'000	31 March 2015	31 March 2014*
Net income generated		
Interest receivable	1 790 867	1 905 383
Other income	1 292 617	1 267 405
Interest payable	(1 155 890)	(1 253 704)
Other operating expenditure and impairments on loans	(422 829)	(476 905)
	1 504 765	1 442 179
Distributed as follows:		
Employees		
Salaries, wages and other benefits	614 363	637 399
Government		
Corporation, deferred payroll and other taxes	488 189	409 295
Shareholders		
Dividends paid to ordinary shareholders	168 486	150 053
Dividends paid to preference shareholders	36 427	33 812
Retention for future expansion and growth		
Depreciation	197 301	211 620
Retained income for the year	26 264	34 750
	1 504 765	1 442 179

* Restated.

Investec conducts its commitment to sustainability through three key focus areas:

Profit

Our capital light activities contributed 56% to group income and capital intensive activities contributed 44% to group income.

People

Investment in employee learning and development increased 19.1%

2015	2014
£14.1mn	£11.8mn

Total spend on social investment increased 4.1%

2015	2014
£5.4mn	£5.1mn

Planet

Scope 1 emissions (tonnes of CO₂e) decreased 21%

2015	2014
1 986	2 507

Scope 2 emissions (tonnes of CO₂e) decreased 5%

2015	2014
36 548	38 493

Scope 3 (tonnes of CO₂e) emissions increased 17% due to improved data collection processes

2015	2014
31 305	26 734

Committed £1.1 billion to renewable energy

Recognition

Recognition

- Promaths received the *Mail & Guardian's* 2014 Investing in the Future Award
- Investec won the Business Charity Award for Community Impact in the UK for our partnership with the Bromley by Bow Beyond Business incubator
- Investec has been voted one of the most attractive employers in South Africa through the Universum survey. Investec won Best Bank by both professionals and graduates
- Investec Gresham Street was a runner-up in the 2014 Clean City Awards Scheme
- The Gresham Street office was awarded ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark
- Investec South Africa completed its BEE verification and achieved a level 2 rating.



About the Investec group

We strive to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values

Who we are

Founded as a leasing company in Johannesburg in 1974.	We acquired a banking licence in 1980 and were listed on the JSE Limited South Africa in 1986.
In July 2002, we created a dual listed companies structure (DLC) listed in London and Johannesburg.	A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.
Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions.	Today, we have an efficient integrated international business platform offering all our core activities in the UK and South Africa.

1

2

3

4

We value

Distinctive performance

Outstanding talent – empowered, enabled and inspired

Meritocracy

Passion, energy, stamina and tenacity

Entrepreneurial spirit

Client focus

Distinctive offering

Leverage resources

Break china for the client

Cast-iron integrity

Moral strength

Risk consciousness

Highest ethical standards

Dedicated partnership

Respect for others

Embrace diversity

Open and honest dialogue

Unselfish contribution to colleagues, clients and society

Our philosophies

Single organisation

Meritocracy

Focused businesses

Differentiated, yet integrated

Material employee ownership

Creating an environment that stimulates extraordinary performance.

What we do

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets – the UK and Europe, South Africa and Asia/Australia.

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity, namely: Asset Management, Wealth & Investment and Specialist Banking.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist bank and asset manager. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

The Investec distinction

1

Client-focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High level of service by being nimble, flexible and innovative.

2

Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

3

Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

4

Strong culture

- Strong, entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

Our strategic focus

Our strategy

Our strategy for more than 20 years has been to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception, we have expanded through a combination of organic growth and strategic acquisitions.

In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Our current strategy

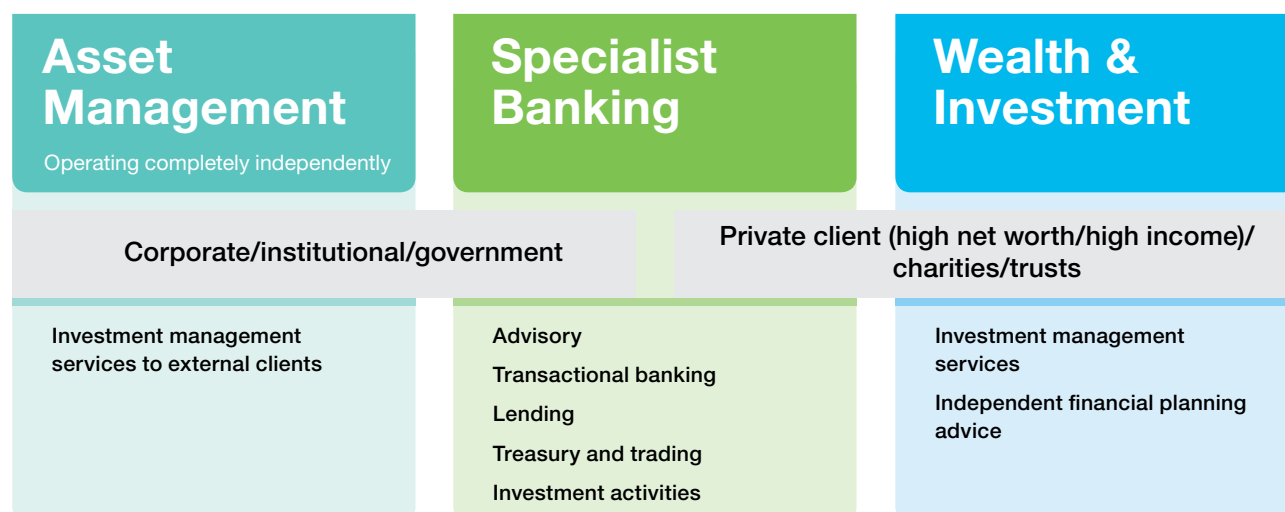
- Maintain momentum in Asset Management
 - focus on investment performance; and
 - maintain strong institutional momentum and continue to build our advisor business.
- Continue to internationalise the Wealth & Investment business
 - focus on organic growth within our key markets by enhancing the range of services offered for the benefit of the client; and
 - extend into jurisdictions where the group already has an established business.
- Grow the Specialist Banking businesses
 - continue to build the private client and corporate and institutional client franchise businesses; and
 - focus on improving the returns within the Specialist Banking business.
- Build on the progress made with the digitisation strategy to ensure a superior client service experience that is both high tech and high touch
- Continue to build client franchise businesses that support our entrepreneurial endeavours and provide appropriate returns to shareholders
- Leverage our extensive client base so we can offer them a broad spectrum of services and products.

Our long-term internationalisation strategy

- Follow our customer base
- Gain domestic competence and critical mass in our chosen geographies
- Facilitate cross-border transactions and flow.

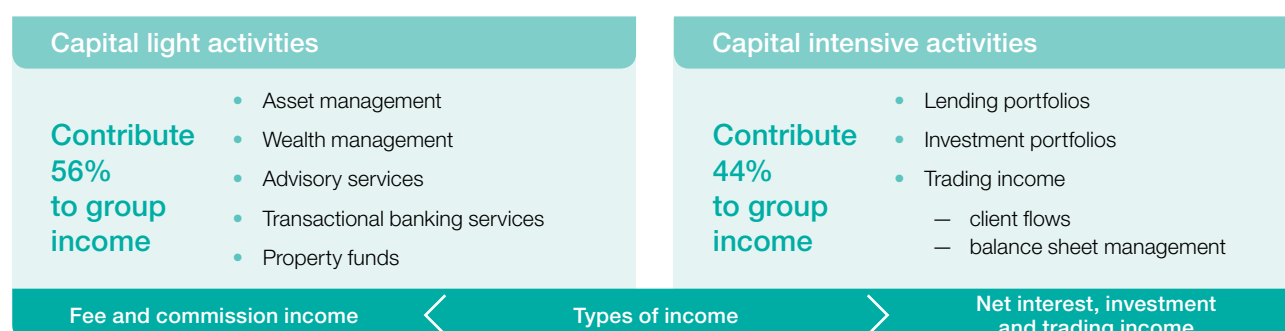
Our diversified and balanced business model supporting long-term strategy

Broadly defined, we operate across three areas of specialisation focused on well defined target clients:



We aim to maintain an **appropriate balance** between revenue earned from operational risk activities and revenue earned from financial risk activities.

This ensures that we are **not over-reliant** on any one part of our businesses to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and supports our long-term strategy.



Our operational structure

Operating structure

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

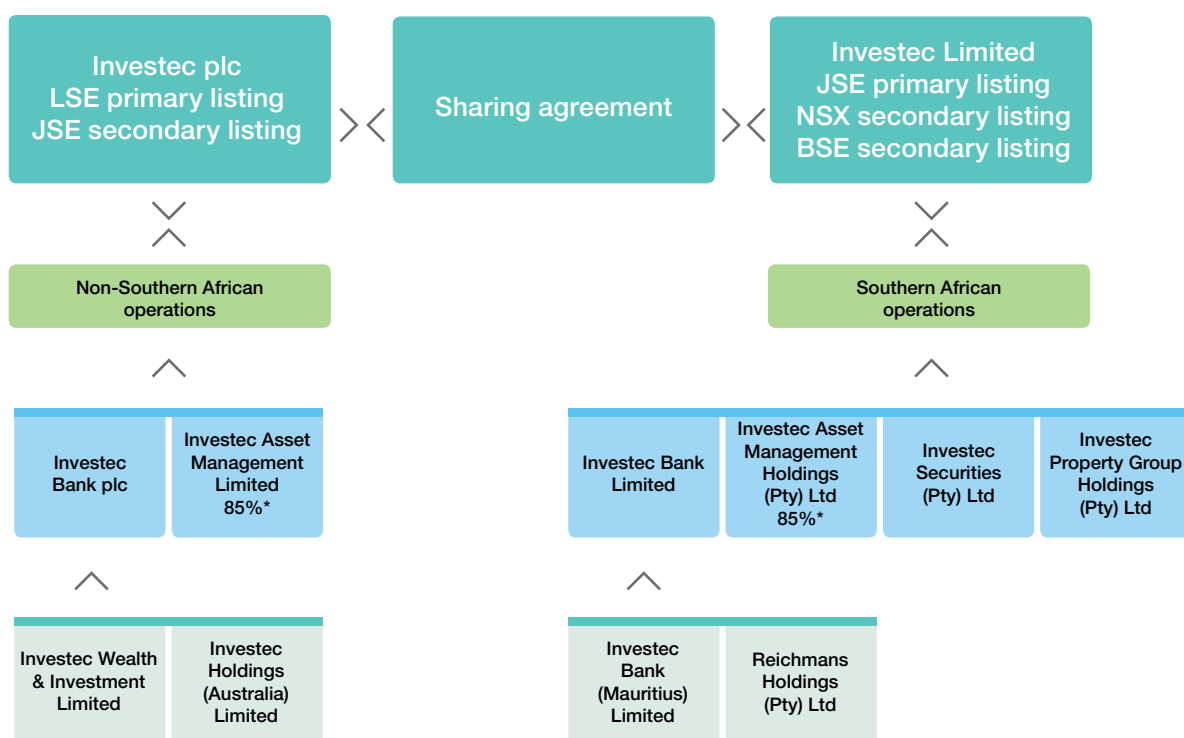
During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.



A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of our DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius, and Investec plc is the controlling company of our non-Southern African businesses.

Our DLC structure and main operating subsidiaries at 31 March 2015



Kensington Group plc was sold on 30 January 2015. Investec Bank (Australia) Limited was sold on 31 July 2014.

* 15% is held by senior management in the company.

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

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

Our operational footprint



UK, Europe and Other

We have built a solid international platform, with diversified revenue streams and geographic diversity

- In 1992 we made our first international acquisition, acquiring Allied Trust Bank in London
- Since that date, we have expanded organically and through a number of strategic acquisitions
- Developed capabilities in all three of our core activities
- Listed in London in July 2002 through the implementation of a dual listed companies structure
- Offices supporting the UK and Other businesses include Australia; Beijing; Channel Islands; Hong Kong; India; Ireland; London; Manchester; North America; Switzerland; and Taiwan.



Southern Africa

- Founded as a leasing company in 1974
- Acquired a banking licence in 1980
- Listed on the JSE Limited South Africa in 1986
- In 2003 we implemented a 25.1% empowerment shareholding transaction
- Market leading position in all three of our core activities
- Fifth largest bank in the country
- Offices supporting the Southern African businesses include Botswana; Cape Town; Durban; East London; Johannesburg; Knysna; Mauritius; Namibia; Nelspruit; Pietermaritzburg; Port Elizabeth; Pretoria; and Stellenbosch.

Investec in total

Operating profit*
£493.2 million

Assets
£44 353 million

NAV**
£2 680.0 million

Permanent employees
7 759

COI^ ROE^
67.6% 10.6%

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

** NAV is tangible shareholders' equity as calculated on page 48.

^ COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on page 50 and page 51.

Our operational footprint (continued)

Operating profit* (statutory) of the UK operations decreased 6.0% to £144.1 million

Operating profit* (ongoing) of the UK operations increased 11.7% to £231.7 million

£10.3bn	£7.1bn	£80.5bn
Total deposit book	Total core loans	Total funds under management



As a % of group		Actual
29.2%	Operating profit*	79.6%
40.5%	Assets	4.9%
47.6%	NAV**	10.0%
44.6%	Permanent employees	
		COI^
		ROE^
		ROE ongoing^

Operating profit* (statutory) of the Southern African operations increased 17.4% to £349.0 million, but was up 28.7% in home currency

£12.3bn	£10.1bn	£43.6bn
Total deposit book	Total core loans	Total funds under management



As a % of group		Actual
70.8%	Operating profit*	51.4%
59.5%	Assets	18.4%
52.4%	NAV**	
55.4%	Permanent employees	
		COI^
		ROE^

Our three distinct business activities are focused on well-defined target clients

Asset Management

Provides investment management services to third party institutions, clients and intermediated savers

Core client base and what we do

Operates independently from Investec's other businesses and its sole focus is the provision of investment management services to its predominantly global institutional client base

Market positioning

Funds under management

1991: £0.4 billion ⇒ 2015: £77.5 billion

Net inflows of £3.1 billion

Good long-term performance with growing traction in our distribution channels

Wealth & Investment

Provides investment management services and independent financial planning advice

Core client base and what we do

Provides investment management services and independent financial planning advice to private clients, charities and trusts

Market positioning

Total funds under management

1997: £0.04 billion ⇒ 2015: £46.1 billion

UK: One of the top five players

SA: Largest player

Specialist Banking

Provides a broad range of services:

- Advisory
- Structuring
- Transactional banking
- Lending
- Treasury and trading
- Investment activities

Core client base and what we do

We offer a broad range of services from advisory, structuring, lending, transactional banking, treasury and trading, and investment activities. These services are aimed at government, institutional, corporate and high net worth and high income clients

Market positioning

Global core loan portfolio: £17.2 billion^^

– Corporate and other clients: £7.1 billion

– Private clients: £10.1 billion^^

Global deposit book: £22.6 billion

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

** NAV is tangible shareholders' equity as calculated on page 48.

^ COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity as calculated on page 52.

^^ Including legacy assets of £0.7 billion as explained on pages 88 and 89.

Our operational footprint (continued)

Operating profit* of Asset Management
increased 3.6% to £149.0 million

£77.5bn

Total funds under
management

As a % of group

Actual

30.2% | Operating
profit*

2.6% | NAV**

18.5% | Permanent
employees

65.8%

COI^

95.2%

ROE^

Operating profit* of Wealth & Investment
increased 19.2% to £78.8 million

£26.6bn

Discretionary
and annuity
funds under
management

£19.5bn

Non-discretionary
and other funds
under management

£46.1bn

Total funds under
management

As a % of group

Actual

16.0% | Operating
profit*

1.5% | NAV**

18.8% | Permanent
employees

74.8%

COI^

25.5%

ROE^

Operating profit* (statutory) of Specialist
Banking increased 9.9% to £304.7 million

Operating profit* (ongoing) of Specialist
Banking increased 18.4% to £392.3 million

£22.6bn

Total deposit
book

£17.2bn

Total core loans^^

As a % of group

Actual

61.8% | Operating
profit*

95.9% | NAV**

62.7% | Permanent
employees

63.1%

COI^

10.7%

ROE^

15.9%

ROE ongoing^

Operational and strategic report

The past year focused largely on the execution of our strategic priorities and our performance reflects the positive progress made

Can you give us an overview of the group's performance for the financial year?

A The group achieved an increase in statutory operating profit of 9.4% to £493.2 million (2014: £450.7 million), an 18.0% increase on a currency neutral basis. Adjusted EPS increased 4.0% from 37.9 pence to 39.4 pence, a 12.4% increase on a currency neutral basis. Distributions to shareholders increased to 20 pence (2014: 19 pence) resulting in a dividend cover of 2.0 times (2014: 2.0 times).

As a result of the strategic sales mentioned above, redemptions, write-offs and transfers to the ongoing book on the back of improved performance in these loans, we were able to reduce the total legacy portfolio to £0.7 billion (2014: £3.4 billion). The consequence of this was a loss before taxation on the legacy business of £107.7 million (2014: £69.1 million).

The ongoing business delivered a solid performance with operating profit up 15.0% to £580.7 million (2014: £504.9 million), a 22.6% increase on a currency neutral basis.

The geographical and operational diversity of our business model continued to support the sound balance of earnings generated between capital light businesses and capital intensive businesses. There was continued growth in key earnings drivers with third party assets under management up 13.7% to £124.1 billion (2014: £109.2 billion). The key banking earnings drivers also enjoyed positive growth with core loans and advances up 15.4% to £16.5 billion (2014: £14.3 billion) and customer deposits up 7.3% to £22.6 billion (2014: £21.1 billion).

The reshaping of the Specialist Bank was completed with the sale of the Kensington Group plc, Start Mortgage Holdings Limited and Investec Bank (Australia) Limited. Significant headway was made in accelerating the run down

of the legacy portfolio in the UK. While at the same time, we continued to grow the core franchises of the Specialist Bank as well as invest in the growth of our Asset Management and Wealth & Investment businesses.

This supported growth in total operating income before impairment losses up 5.5% to £1.9 billion (2014: £1.8 billion) and an improvement in recurring income to 71.9% of total operating income (2014: 67.9%). Impairments continued their downward trend and fixed costs were marginally up, given the investment in growth businesses.

How did the operating environment support performance?

A During the period we experienced a favourable operating environment across all areas of operation although the strength of Pounds Sterling on average against other operating currencies negatively affected overall results.

Global environment

The UK economy recorded the firmest pace of growth of all the advanced economies in 2014 and its fastest growth since 2006 at 2.8%. UK monetary policy remained steady throughout the financial year with overall economic fundamentals continuing to improve.

The US saw its fastest growth rate since 2010. As quantitative easing drew to an end in October 2014, we started to see a normalisation in monetary policy from the US Federal Reserve. Growth in the Euro areas has been more modest and with persistent concerns of deflation, there was further monetary policy easing.

Australia experienced moderate economic performance with the pace of growth on a quarterly basis being slower than historical averages. Headwinds to the economy were

centred on the resources sector where falling commodity prices contributed further to a decline in mining investment.

South Africa

South Africa faced a difficult year in 2014, with strike action in the platinum belt persisting and electricity supply constraints causing GDP growth to slip to 1.5% year on year. Higher interest rates and indebtedness negatively affected consumer spending and further hikes are expected from the current, still low, levels. On a more positive note, upward social mobility improved largely as a result of the ongoing roll-out of social services, particularly spend on education and health. This is a positive step towards further reducing inequality and transforming our society and economy for the benefit of all.

In this regard, we remain focused on the corrective strategies as set out in our updated Employment Equity Plan for the period 2013 to 2017. During the year, we received a level 2 BBBEE rating from Empowerdex (improving from level 3) and made good progress in meeting our employment equity targets. We also witnessed good momentum in the Enterprise Development programme which was launched in the previous financial year.

While the South African economy is currently underperforming its potential and there are many ongoing challenges, strategic level plans have been adopted and we need to see greater focus on execution of these plans. The effective execution of the National Development Plan is key to dealing with the country's structural problems and its current inability to create adequate jobs. We support active involvement of the private sector in these development plans with government creating an enabling environment. The increase in dialogue between government and the private sector is encouraging, but we need to see the undertakings translate into action.

How did the three core areas of activity perform on an ongoing basis?

A All three key business activities achieved growth during the financial year. Asset Management and Wealth & Investment contributed 39.3% to group operating profit on an ongoing basis.

Asset Management

Asset Management increased operating profit by 3.6% to £149.0 million (2014: £143.8 million), benefiting from higher assets under management and net inflows of £3.1 billion. Total funds under management amounted to £77.5 billion (2014: £68.0 billion). Operating margin has remained consistent at 34.2%.

While momentum is positive, the business remains strategically exposed to emerging markets and management are cautious on the outlook for financial asset prices. Notwithstanding this, the business is in good shape with a strong culture and excellent people who are committed to the long-term strategy.

Wealth & Investment

Wealth & Investment benefited from a rise in equity markets with operating profit increasing 19.2% to £78.8 million (2014: £66.1 million). This performance was supported by higher average funds under management, improved operating margins and net inflows of £2.7 billion. Total funds under management have grown to £46.1 billion (2014: £40.1 billion). The UK and European business has benefited from the investment in platforms and additional talent with operating margins improving to 22.7% (2014: 20.1%). The South African

business has continued to successfully leverage off the division's global investment platform and the group's integrated private client offering known as Investec One Place.

This business will continue to focus on organic growth in the group's key markets by enhancing our range of services to benefit clients. At the same time, we continue to perpetuate the strategy to internationalise within jurisdictions where the group already has an established business. We have established a presence in Switzerland and are in the process of commencing operations in Hong Kong. We remain confident in the resilience of the business model and the ability of the current strategy to perform over the medium to longer term.

Specialist Banking

The ongoing business of Specialist Banking increased operating profit 18.4% to £392.3 million (2014: £331.4 million).

The South African business reported operating profit up 36.8% in Rand terms with a good performance from all businesses largely as a result of reasonable activity levels across both the corporate and private client activities franchises. Private Banking launched a number of new products, broadened their client base and leveraged off our global platform, entrenching their position as the leading private bank in SA (Euromoney, 2015). The corporate business benefited from a more focused approach to servicing the corporate market.

The UK and Other business benefited from an improvement in its cost of funding and experienced strong growth in corporate fees, notably in the corporate finance and corporate treasury businesses. Private Banking enhanced its offering through the launch of Voyage and Private Bank account and the development of its online and digital

platforms. Loan book growth was solid and impairments declined over the year with the credit loss ratio amounting to 0.20% (2014: 0.50%). The results were negatively affected by the poor performance of the Hong Kong investment portfolio.

The strategic focus in the Specialist Banking business has shifted from reshaping to growth, particularly in the UK where the legacy portfolio has been significantly reduced and the current environment is favourable. We are seeing good levels of activity which should support continued momentum in the corporate and specialist businesses and the new initiatives in the private banking business are gaining traction. We have invested in infrastructure and are rolling out our strategy of targeting the professional market.

The South African business enjoyed strong growth which may be difficult to sustain. We have, however, built a resilient business model and see meaningful opportunities to continue to grow. To this end, we will continue to organically drive the private banking businesses, perpetuate our position in the corporate and institutional market and take advantage of growth in Sub-Saharan Africa through our Africa platform.

We remain focused on delivering our brand promise to be Out of the Ordinary and providing exceptional client experiences

Can you give us a summary of the year in review from a risk perspective?

A A strong culture of risk and capital management is embedded into our values and entrenched into daily operations across the group. Our robust risk management processes and systems provide a strong foundation to manage and mitigate risks. The focus over the past few years has been to realign and rebalance our portfolios in line with our risk appetite framework. This is evident in the relative changes in asset classes on our balance sheet showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book. We are pleased with the extent to which the group's balance sheet has been derisked as a result of the strategic sales completed during the financial year. As mentioned above, the legacy portfolio in the UK has been actively managed down and we expect the remaining legacy portfolio to take three to five years to wind down.

We continue to maintain healthy capital and leverage ratios and have a robust liquidity profile. The group's core loan book has grown steadily in home currencies, reflecting an increase of approximately 16% in our UK and South African businesses. Impairments on loans and advances decreased to £128.4 million (2014: £166.2 million) and the percentage of default loans to core loans and advances was 2.07% (2014: 2.30%).

We remain comfortable with the performance of our equity investment portfolios which comprise 4.2% of total assets. Market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels.

Operational, reputational, conduct, recovery and resolution risks remain important and we continue to dedicate time and resources to managing these risks. As a result, we enhanced our stress testing framework during the period by developing a repeatable stress testing process which identifies and regularly tests key vulnerabilities under stress. The result is that we are better equipped to identify potential underlying risks and manage them accordingly.

In South Africa, our operations have been tested over the past year by severe disruptions caused by the country's energy constraints. We continue to build and enhance our infrastructure to manage the electricity supply crisis and remain active participants in finding industry solutions.

How do you balance driving profits with corporate responsibility?

A The desire to make a meaningful contribution to the world we live in is at the heart of the Investec values. Not just growing sustainable businesses that contribute to macro-economic stability, but also developing our people and the communities around us and initiatives we support in the natural environment. We are proud of our achievements in this regard and received a number of awards over the past year recognising our efforts to be a better corporate citizen. In the UK, our Gresham Street head office was a runner-up in the 2014 Clean City Awards Scheme and we won the Business Charity Award for our partnership with the Bromley by Bow Beyond Business incubator. With our support, the programme has launched 55 new social enterprise businesses creating over 325 new jobs and generating combined annual turnover of over £4 million. In South Africa, we received the *Mail & Guardian's* 2014 Investing in the Future Award for our Promaths programme which commended Investec for taking a long-term view to social development by improving skills in Maths and Science for the past 10 years.

As a distinctive specialist bank and asset manager, we remain focused on delivering our brand promise to be Out of the Ordinary and providing exceptional client experiences. To do this we need to ensure we employ innovative, proficient and energetic people to best service the needs of all our stakeholders. Hence, we devote time and resources to developing our staff, improving their work environment to ensure that creativity flourishes and appropriately

rewarding them for their efforts. We also invest in technology to ensure we have the strong digital platform that complements the skills of our management and staff and ensures we provide our niche client base with the highest level of service.

Part of our responsibility to remain a sustainable business requires a strong board of directors who have the appropriate balance of knowledge, expertise and independence. During the past year, we had several changes to the board. Sir David Prosser decided to retire and hence stepped down as joint chairman of the board. Further, George Alford, Olivia Dickson and Peter Malungani did not seek re-election as directors at the 2014 annual general meeting. Consequently, the board appointed Charles Jacobs, Lord Malloch-Brown, Khumo Shuenyane, Zarina Bassa and Laurel Bowden as independent non-executive directors. While we are sad to say goodbye to those directors leaving the group and thank them for their invaluable contributions, we are pleased to welcome the new board members to the Investec family.

The board will continue with its structured refreshment programme to ensure its composition is the most appropriate to provide effective entrepreneurial leadership and robust oversight. Diversity in terms of a broad range of skills, experience, background and outlook is required to be effective. Recognising that gender is an important aspect of diversity, we have an aspirational target of 25% female representation on the board by the end of 2015 (currently 24%). Succession planning for key management is also a key area of focus and we continually identify talented future leaders and maintain updated management succession plans to ensure Investec's long-term success.

What is your strategic focus and outlook for the coming year?

A We are pleased that the key strategic initiatives embarked upon over the past two years have been successfully executed. Now that the simplification of the business is complete, the strategic focus for the next financial year is primarily on driving growth in our core businesses. We look to continue the momentum in the Asset Management business by focusing on investment performance with the long-term aim of enabling people to retire with dignity. The Wealth & Investment business continues to increase its market share and grow earnings with opportunities to benefit from extending its international reach. With the reshaping of the Specialist Bank behind us, all efforts are now focused on building the private client and corporate and institutional client franchise businesses.

At the same time, we continue the progress made with the digitisation strategy and will look for further collaboration across our businesses.

The resultant simplification enables the group to enhance the operational focus to grow and develop its core businesses, so that the right outcomes can be delivered for clients and stakeholders including acceptable returns for shareholders. Notwithstanding the structural challenges in the South African economy and the intensified regulatory landscape, we believe there are still opportunities in our key markets and hence we feel positive about the outlook for the year ahead.

On behalf of the boards of Investec plc and Investec Limited



Fani Titi
Chairman



Stephen Koseff
Chief executive officer



Bernard Kantor
Managing director

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

The operating financial review provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read together with the sections that follow on pages 22 to 180 as well as volume two of our integrated annual report, which elaborate on the aspects highlighted in this review.

Financial review

Introduction – understanding our results

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

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of ordinary shareholders of the companies are maintained in equilibrium relative to each other. The directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies.

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

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

Sale of businesses

During the year the group sold a number of businesses namely, Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited as set out below.

Sale of Investec Bank (Australia) Limited

The sale of Investec Bank (Australia) Limited's Professional Finance and Asset

Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This has resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold. We continue to have a presence in Australia, focusing on its core activities of Specialised Finance, Corporate Advisory, Property Fund Management and Asset Management. The remaining business will operate as a non-banking subsidiary of the Investec group. As a result, we have decided to no longer report the activities of our Australian businesses separately, with these activities now reported under the 'UK and Other' geographical segment and the 'UK and Other' Specialist Banking segment.

Sales of Kensington Group plc and Start Mortgage Holdings Limited

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

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

This has resulted in the derecognition of approximately £4.1 billion of assets and approximately £2 billion of external liabilities associated with these businesses sold.

Impact of these sales on our operational performance

The sales of these businesses have had a significant effect on the comparability of our financial statutory position and results. As a result, comparison on a statutory basis of the 2015 results with 2014 would be less meaningful.

In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. This information is only set out in volume one of our annual report. The additional information presented on an ongoing basis excludes items, that in management's view, could distort the comparison of performance between periods. Based on this principle, the following items are excluded from underlying statutory profit to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK (as set out on pages 88 and 89).

A reconciliation between the statutory and ongoing income statement is provided on pages 56 and 57. All information in our annual report comprising volumes one, two and three are based on our statutory accounts, unless otherwise indicated.

Exchange rates

Our reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial position of our individual companies are reported in the local currencies of the countries in which they are domiciled, including South African Rands, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial results. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the period.

Currency per £1.00	31 March 2015		31 March 2014	
	Year end	Average	Year end	Average
South African Rand	17.97	17.82	17.56	16.12
Australian Dollar	1.95	1.85	1.80	1.72
Euro	1.38	1.28	1.21	1.19
US Dollar	1.49	1.62	1.67	1.59

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pounds Sterling exchange rate over the period has depreciated by 10.5% and the closing rate has depreciated by 2.3% since 31 March 2014.

Financial review (continued)

The following tables provide an analysis of the impact of the Rand and Australian Dollar depreciation on our reported numbers.

	Results in Pounds Sterling				
	Actual as reported	Actual as reported	Actual as reported	Neutral currency^	Neutral currency
	Year to	Year to		Year to	
	31 March 2015	31 March 2014 [#]	% change	31 March 2015	% change
Operating profit before taxation* (million)	£493	£451	9.4%	£532	18.0%
Earnings attributable to shareholders (million)	£246	£331	(25.7%)	£273	(17.5%)
Adjusted earnings attributable to shareholders** (million)	£340	£327	4.0%	£368	12.5%
Adjusted earnings per share**	39.4p	37.9p	4.0%	42.6p	12.4%
Basic earnings per share	24.4p	34.3p	(28.9%)	27.3p	(20.4%)
Dividends per share	20.0	19.0p	5.3%	n/a	n/a

	Results in Pounds Sterling				
	Actual as reported	Actual as reported	Actual as reported	Neutral currency^^	Neutral currency
	At 31 March 2015	At 31 March 2014 [#]	% change	At 31 March 2015	% change
Net asset value per share	364.9p	376.0p	(3.0%)	365.2p	(2.9%)
Net tangible asset value per share	308.1p	309.0p	(0.3%)	308.4p	(0.2%)
Total equity (million)	£4 040	£4 016	0.6%	£4 087	1.8%
Total assets (million)	£44 353	£47 142	(5.9%)	£44 981	(4.6%)
Core loans and advances (million)	£17 189	£17 157	0.2%	£17 430	1.6%
Cash and near cash balances (million)	£9 975	£9 136	9.2%	£10 090	10.4%
Customer deposits (million)	£22 615	£22 610	< 0.0%	£22 908	1.3%
Third party assets under management (million)	£124 106	£109 189	13.7%	£125 149	14.6%

The following tables provide a comparison of the group's results as reported in Pounds Sterling and the group's results as translated into Rands.

	Results in Pounds Sterling			Results in Rand		
	Year to	Year to		Year to	Year to	
	31 March 2015	31 March 2014 [#]	% change	31 March 2015	31 March 2014 [#]	% change
Operating profit before taxation* (million)	£493	£451	9.4%	R8 817	R7 309	20.6%
Earnings attributable to shareholders (million)	£246	£331	(25.7%)	R3 970	R5 329	(25.5%)
Adjusted earnings attributable to shareholders** (million)	£340	£327	3.9%	R6 076	R5 293	14.8%
Adjusted earnings per share**	39.4p	37.9p	4.0%	704c	614c	14.7%
Basic earnings per share	24.4p	34.3p	(28.9%)	387c	552c	(29.8%)
Headline earnings per share	35.8p	33.8p	5.9%	640c	548c	16.8%
Dividends per share	20.0p	19.0p	5.3%	362c	327c	10.7%

	At 31 March 2015	At 31 March 2014 [#]	% change	At 31 March 2015	At 31 March 2014 [#]	% change
Net asset value per share	364.9p	376.0p	(3.0%)	6 559c	6 602c	(0.7%)
Net tangible asset value per share	308.1p	309.0p	(0.3%)	5 538c	5 425c	2.1%
Total equity (million)	£4 040	£4 016	0.6%	R72 625	R70 505	3.0%
Total assets (million)	£44 353	£47 142	(5.9%)	R797 218	R827 649	(3.7%)
Core loans and advances (million)	£17 189	£17 157	0.2%	R308 957	R301 224	2.6%
Cash and near cash balances (million)	£9 975	£9 136	9.2%	R179 242	R160 405	11.7%
Customer deposits (million)	£22 615	£22 610	< 0.1%	R406 485	R396 952	2.4%
Third party assets under management (million)	£124 106	£109 189	13.7%	R2 230 197	R1 917 347	16.3%

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

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

^ For income statement items we have used the average Rand: Pounds Sterling and Australian Dollar: Pounds Sterling exchange rates that were applied in the prior year, i.e. 16.12 and 1.72, respectively.

^^ For balance sheet items we have assumed that the Rand: Pounds Sterling and the Australian Dollar: Pounds Sterling closing exchange rates have remained neutral since 31 March 2014.

Restated. Refer to note 59 in volume three.

Ten-year review

Salient features*

For the year ended 31 March	2015	2014	% change 2015 vs 2014
Income statement and selected returns			
Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000) ^o	493 157	450 676	9.4%
Operating profit: Southern Africa (% of total) ^a	70.8%	66.0%	
Operating profit: UK and Other (% of total) ^a	29.2%	34.0%	
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	339 532	326 923	3.9%
Headline earnings (£'000)	308 770	291 561	5.9%
Cost to income ratio	67.6%	67.6%	
Staff compensation to operating income ratio	47.4%	46.3%	
Return on average adjusted shareholders' equity (post-tax)	10.6%	10.0%	
Return on average adjusted tangible shareholders' equity (post-tax)	12.7%	12.3%	
Return on average risk-weighted assets	1.25%	1.14%	
Return on average assets (excluding assurance assets)	0.86%	0.75%	
Operating profit per employee (£'000)	59.7	54.9	8.7%
Net interest income as a % of operating income	32.4%	33.6%	
Non-interest income as a % of operating income	67.6%	66.4%	
Recurring income as a % of total operating income	74.2%	70.7%	
Effective operational tax rate	19.6%	17.1%	
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	5 219	5 355	(2.5%)
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 040	4 016	0.6%
Shareholders' equity (excluding non-controlling interests) (£'million)	3 501	3 572	(2.0%)
Total assets (£'million)	44 353	47 142	(5.9%)
Net core loans and advances to customers (£'million)	17 189	17 157	0.2%
Core loans and advances to customers as a % of total assets	38.8%	36.4%	
Cash and near cash balances (£'million)	9 975	9 136	9.2%
Customer accounts (deposits) (£'million)	22 615	22 610	–
Third party assets under management (£'million)	124 106	109 189	13.7%
Capital adequacy ratio: Investec plc ^o	16.7%	15.3%	
Capital adequacy tier 1 ratio: Investec plc ^o	11.9%	10.5%	
Common equity tier 1 ratio: Investec plc ^{^^o}	10.2%	8.8%	
Leverage ratio: Investec plc ^{^^o}	7.7%	7.4%	
Capital adequacy ratio: Investec Limited ^o	14.7%	14.9%	
Capital adequacy tier 1 ratio: Investec Limited ^o	11.3%	11.0%	
Common equity tier 1 ratio: Investec Limited ^{^^o}	9.6%	9.4%	
Leverage ratio: Investec Limited ^{^^o}	8.1%	7.8%	
Credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.68%	0.68%	
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	2.07%	2.30%	
Gearing ratio (assets excluding assurance assets to total equity)	9.4x	10.3x	
Core loans to equity ratio	4.3x	4.3x	
Loans and advances to customers: customer deposits	74.0%	72.0%	
Salient financial features and key statistics			
Adjusted earnings per share (pence) [#]	39.4	37.9	4.0%
Headline earnings per share (pence) [#]	35.8	33.8	5.9%
Basic earnings per share (pence) [#]	24.4	34.3	(28.9%)
Diluted earnings per share (pence) [#]	23.1	32.3	(28.5%)
Dividends per share (pence) [#]	20.0	19.0	5.3%
Dividend cover (times)	2.0	2.0	–
Net asset value per share (pence) [#]	364.9	376.0	(3.0%)
Net tangible asset value per share (pence) [#]	308.1	309.0	(0.3%)
Weighted number of ordinary shares in issue (million) [#]	862.7	862.6	–
Total number of shares in issue (million) [#]	899.4	891.7	0.9%
Closing share price (pence) [#]	561	485	15.7%
Market capitalisation (£'million)	5 045	4 325	16.6%
Number of employees in the group (including temps and contractors)	8 254	8 258	–
Closing ZAR:£ exchange rate	17.97	17.56	2.3%
Average ZAR:£ exchange rate	17.82	16.12	10.5%

* Refer to definitions on page 181.

[^] Calculation not comparable.

^{^^} The group's expected Basel III 'fully loaded' numbers are provided on page 49.

^o Capital adequacy figures prior to 2008 are disclosed under Basel I. Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014.

Financial review (continued)

2013	2012	2011	2010	2009	2008	2007	2006
426 278	358 625	434 406	432 258	396 766	508 717	466 585	388 767
67.5%	80.7%	69.1%	67.2%	74.0%	66.7%	57.6%	68.3%
32.5%	19.3%	30.9%	32.8%	26.0%	33.3%	42.4%	31.7%
309 310	257 579	327 897	309 710	269 215	344 695	300 704	230 017
265 227	217 253	286 659	275 131	261 627	301 499	294 881	222 805
65.7%	64.7%	61.7%	57.8%	55.9%	56.1%	59.0%	58.7%
43.9%	43.0%	40.7%	36.1%	34.9%	37.2%	40.9%	40.1%
9.4%	7.8%	11.2%	13.5%	14.8%	23.6%	26.1%	25.5%
11.7%	9.6%	13.2%	15.4%	17.4%	28.6%	31.7%	32.7%
1.06%	0.91%	1.23%	1.33%	1.36%	^	^	^
0.67%	0.57%	0.76%	0.83%	0.84%	1.31%	1.46%	1.35%
53.5	47.8	64.4	69.7	62.6	84.4	92.3	91.5
35.2%	36.2%	34.9%	37.0%	46.6%	39.3%	29.2%	26.8%
64.8%	63.8%	65.1%	63.0%	53.4%	60.7%	70.8%	73.2%
68.6%	67.7%	62.3%	60.4%	70.0%	65.1%	58.7%	56.9%
18.4%	18.1%	15.5%	20.6%	21.1%	22.6%	26.3%	27.3%
5 693	5 505	5 249	4 362	3 762	3 275	2 665	2 042
3 942	4 013	3 961	3 292	2 621	2 210	1 820	1 512
3 661	3 716	3 648	2 955	2 297	1 911	1 542	1 226
52 010	51 550	50 941	46 572	37 365	34 224	26 300	23 901
18 415	18 226	18 758	17 891	16 227	12 854	10 095	9 605
35.4%	35.4%	36.8%	38.4%	43.4%	37.7%	38.4%	40.2%
9 828	10 251	9 319	9 117	4 866	5 028	^	^
24 461	25 344	24 441	21 934	14 573	12 133	10 650	8 699
110 678	96 776	88 878	74 081	48 828	52 749	56 121	56 331
16.7%	17.5%	16.8%	15.9%	16.2%	15.3%	24.7%	17.7%
11.0%	11.6%	11.6%	11.3%	10.1%	9.2%	14.8%	11.6%
8.8%	9.3%						
15.5%	16.1%	15.9%	15.6%	14.2%	13.9%	14.7%	16.3%
10.8%	11.6%	11.9%	12.0%	10.8%	10.0%	10.4%	11.5%
8.9%	9.3%						
0.84%	1.12%	1.27%	1.16%	1.08%	0.51%	0.17%	0.11%
2.73%	3.31%	4.66%	3.98%	3.28%	1.29%	0.92%	0.52%
11.6x	11.3x	11.3x	12.5x	13.0x	13.8x	12.2x	12.5x
4.7x	4.5x	4.7x	5.4x	6.2x	5.8x	5.5x	6.4x
71.5%	67.8x	72.4%	76.2%	103.6%	98.4%	89.1%	105.6%
36.1	31.8	43.2	45.1	42.4	56.9	53.3	41.9
31.0	26.8	37.7	40.1	41.2	49.7	52.3	40.6
31.7	25.7	49.7	44.0	38.5	57.7	54.7	53.8
29.8	24.3	46.7	41.5	36.1	54.0	50.4	50.0
18.0	17.0	17.0	16.0	13.0	25.0	23.0	18.2
2.0	1.9	2.5	2.8	3.3	2.3	2.3	2.3
384.2	392.0	416.0	364.0	308.8	260.6	216.0	182.1
310.9	317.0	343.8	324.1	266.3	215.0	178.6	148.9
856.0	809.6	759.8	686.3	634.6	606.2	563.8	548.8
884.8	874.0	810.0	741.0	713.2	657.6	609.3	593.0
459	382	478	539	292	339	658	588
4 061	3 340	3 872	3 993	2 083	2 229	4 009	3 488
8 151	7 781	7 237	6 123	5 951	6 333	5 430	4 453
13.96	12.27	10.88	11.11	13.58	16.17	14.20	10.72
13.44	11.85	11.16	12.38	14.83	14.31	13.38	11.43

[#] For comparative purposes historical information has been adjusted for the 5:1 share split that took place on 4 September 2006.

^o Information prior to 2008 is shown before non-controlling interests and thereafter post other non-controlling interests.

Track record

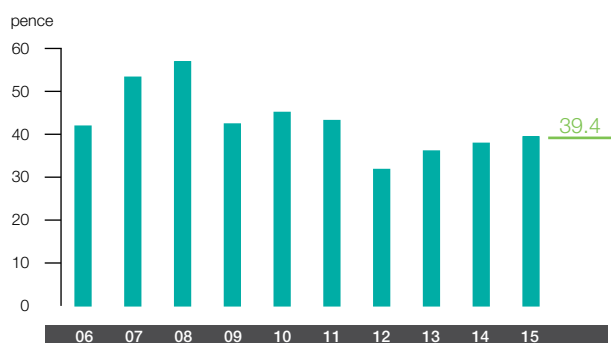


Up 4.0% to 39.4 pence

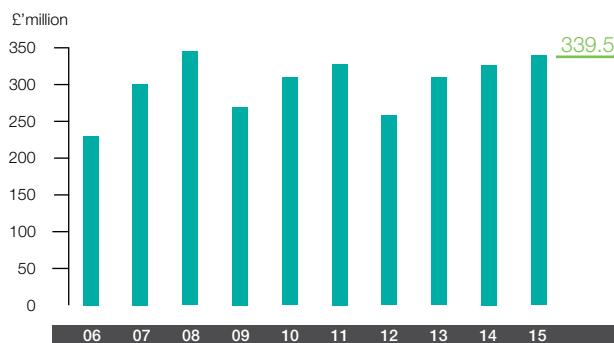


Up 3.9% £339.5 million

Adjusted earnings per share**



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



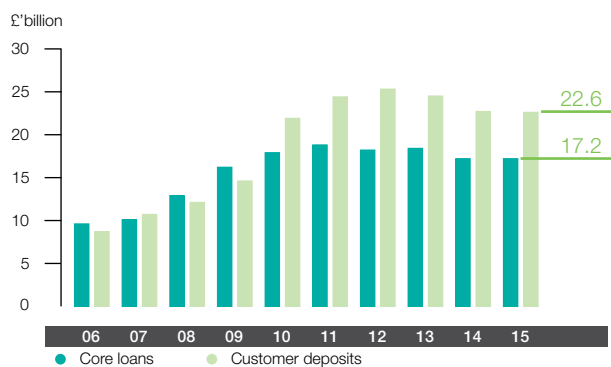
Core loans: flat at £17.2 billion since 31 March 2014
Deposits: flat at £22.6 billion since 31 March 2014

Adjusting for the sale of Investec Bank (Australia) Limited and Kensington (refer to page 22) core loans increased 11.9% and deposits increased 7.3%

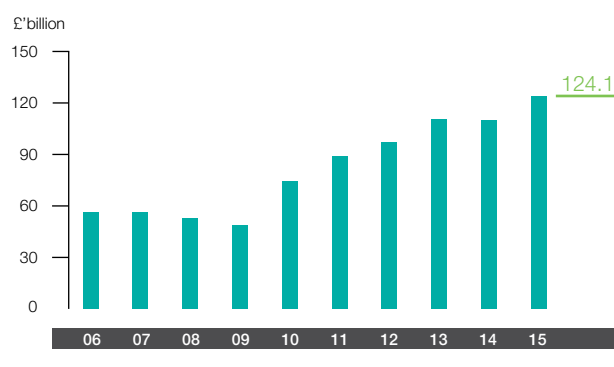


Up 13.7% to £124.1 billion since 31 March 2014

Core loans and customer deposits



Third party assets under management



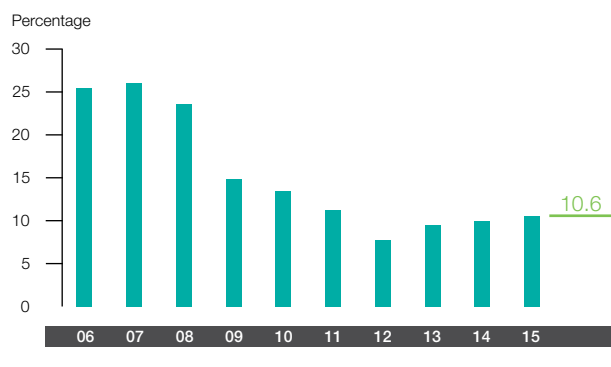
* Historical EPS numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.

Restated. Refer to note 59 in volume three.

Financial targets

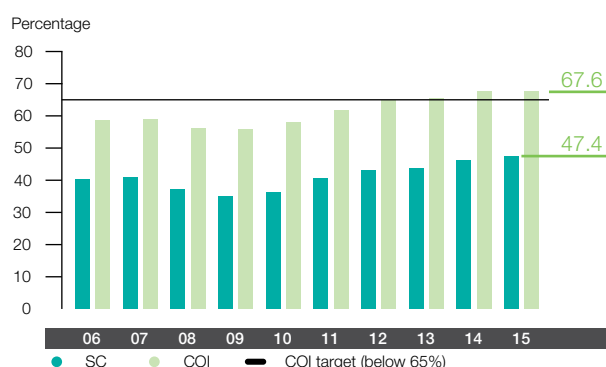
Target > We have set the following target over the medium to long term: Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling

ROE**



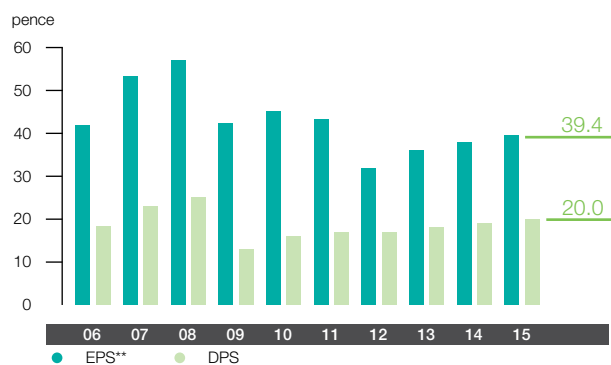
Target > We have set the following target over the medium to long term: Group COI ratio: less than 65% in Pounds Sterling

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



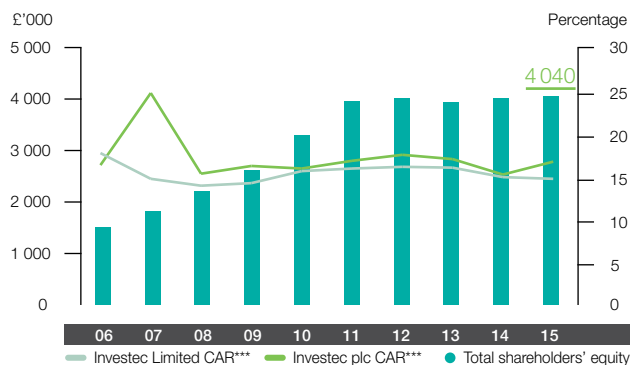
Target > In the medium to long term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as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

Adjusted earnings per share (EPS) and dividends per share (DPS)#



Target > We intend to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long term. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited, and we target a minimum tier 1 ratio of 11.0% (by March 2016) and a common equity tier 1 ratio above 10.0% (by March 2016)

Total shareholders' equity and capital adequacy ratios (CAR)



* ROE is post-tax return on adjusted average shareholders' equity as calculated on page 50.

** Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 181. The numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.

*** Capital adequacy figures prior to 2008 are disclosed under Basel I. Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014.

Restated. Refer to note 59 in volume three.

Note:

The numbers shown in the financial targets graphs on this page are for the years ended 31 March, unless otherwise stated.

An overview of the operating environment impacting our business



South Africa

Our views

South Africa faced a difficult year in 2014, with strike action in the platinum belt persisting for close to two quarters and GDP growth consequently slipping to 1.5% year on year as consumer spending, domestic fixed investment and production were all negatively affected. Nevertheless, gains were still made as GDP per capita rose to R56 122 in real terms from R56 044, and real disposable income per capita also lifted.

1.5%

2014/15
Economic growth

2.2%

2013/14
Economic growth

GDP per capita has risen

2015

R56 122

2014

R56 044

The World Bank evidences that South Africa has established a more equitable society over the past 20 years via social assistance programmes, particularly spend on education and healthcare

Upward social mobility persisted, largely on the ongoing roll-out of social services, which accounted for 68% of government revenue. Redistribution between the rich and poor via direct (personal income) taxation is progressive, and the World Bank shows South Africa achieved the largest reduction in poverty and inequality compared to the other middle income economies studied on the provision of free basic services and direct monetary transfers to households. South Africa's Gini coefficient on income is measured at 0.77 before taxes and social spending and 0.59 after. It is still high, but the fiscal space to spend more to achieve even greater redistribution is extremely limited, with

South Africa already receiving a number of credit rating downgrades over the past few years. More needs to be done to reduce inequality, in particular South Africa needs substantially faster economic growth via a tripling in the size of the private corporate sector in order to achieve single digit unemployment, an eradication of poverty and a further reduction in inequality.

South Africa increased its interest rates by 75bps over 2014 and further hikes are expected from current, still low, levels. Electricity supply constraints have proved an inhibitor to economic performance, while higher interest rates and indebtedness impacted household consumption expenditure in 2014.

2014/15 has seen a more conservative budget released than in recent years, detailing reduced projections on government net debt as a percentage of GDP and projected consolidation of the fiscal deficit, with some reduction in government expenditure. If achieved, this should assist South Africa to maintain its credit rating of BBB- from Standard and Poor's on its long-term foreign currency sovereign debt.



United Kingdom

Our views

The UK recorded the firmest pace of growth of all the advanced economies in 2014, and saw its fastest growth pace since 2006.

2.8%

2014/15
Economic growth

2.1%

2013/14
Economic growth

GDP per capita has risen

2015

£27 770

2014

£26 731

The health of the labour market has also continued to improve markedly with the latest unemployment reading at 5.6% – the lowest level seen since July 2008

UK monetary policy remained steady throughout the financial year, with the bank rate held at 0.5%, marking six years at a record low. Meanwhile the level of the Bank of England's asset purchase scheme was maintained at £375 billion. Over the same period the UK's economic fundamentals continued to strengthen.

Employment growth has also been robust with 617 000 more in work than a year earlier.

The inflation backdrop has been one of very subdued price growth, particularly in the latter part of the fiscal year where CPI inflation fell to a record low of zero in February and March 2015; the main driver has been lower fuel prices, reflecting the sharp decline in the wholesale price of oil. Hence despite the strengthening recovery, there has been little appetite on the MPC for higher interest rates, with the UK Monetary Policy Committee looking to see out the soft price patch and not adjust policy until it gains confidence that inflation is headed back to the 2% target; hence immediate talk of rate hikes has been limited.

The recovery of the UK's housing market stuttered from summer 2014 onwards as the pace of house price growth eased from its 11.9% June 2014 high as activity, particularly mortgage approvals, stumbled after tighter checks on loan affordability and limits on high loan to income ratio mortgage origination were introduced.



Australia

Our views

Australia experienced moderate economic performance over the last calendar year, with GDP growth firming to 2.5%, from the 2.3% that was witnessed over 2013.

2.5%

2014/15
Economic growth

2.3%

2013/14
Economic growth

GDP per capita has risen

2015

A\$68 102

2014

A\$67 061

On a quarterly basis the pace of growth was slower than historical averages, with quarter-on-quarter growth averaging just 0.5% over the year.

Headwinds to the economy were centred on the resources sector where falling commodity prices contributed further to a decline in mining investment, weighing on output overall. Outside of mining activity was mixed, with household consumption below trend, dampened by slow income growth and rising unemployment. Additionally, the strength of the Australian Dollar over the first half of the fiscal year also posed a headwind. Subsequently, the Australian Dollar weakened to A\$0.76 against the US Dollar by the end of the period under review, having started at A\$0.93. The housing market has, however, seen strength, with house prices rising 9.4% over 2014.

Having kept policy stable through almost the whole of the 2014/15 fiscal year the Reserve Bank of Australia cut the cash rate from 2.50% to a new record low of 2.25%, as the economy proceeded at a below trend pace and inflation hit its lowest level since Q2 2012.

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



United States

Our views

The US economy notched up growth of 2.3% in 2014 – the fastest rate since 2010.

The US labour market saw a more substantial improvement over the past financial year with the unemployment rate falling from 6.2% in April 2014 to 5.5% by March 2015 – the lowest level since May 2008

US growth slowed to a near standstill in Q1 2015, recorded at just a 0.2% annualised rate, albeit with several transitory factors, not least adverse weather being a particular drag.

Further, gains in non-farm payrolls averaged 260 000 over the 2014/15 year – the strongest run since the late 1990s.

Reflecting these improvements in the US labour market, the US Federal Reserve's efforts through the first part of the 2014/15 year were focused on bringing its quantitative easing purchases to a close, with the last 'taper' taking place in October 2014 while the Federal funds target rate range was held at 0% – 0.25% throughout the period. From October 2014 onwards the Federal Open Market Committee's (FOMC) communications were focused on adjusting communications to bring the prospect of a near-term rise in interest rates into sight, with the FOMC in its March 2015 communication going as far as removing reference to the committee being 'patient' in beginning its normalisation of monetary policy.



Eurozone

Amidst concerns that deflation was becoming a more serious threat in the Eurozone, the European Central Bank (ECB) eased policy further over the 2014/15 year. It opted to cut the ECB's main lending rates twice, taking the main refinancing rate down to a new record low of 0.05% in September 2014 while the deposit rate reached a low of (0.20%); both rates remained at these levels as the financial year closed. However, ECB policy easing did not stop there as the collapse in oil prices heightened deflation concerns in winter 2014 and culminated in the ECB unveiling a full-scale quantitative easing programme in January 2015, including the purchase of Euro area sovereign bonds. The programme is set to amount to some €1 trillion with purchases of around €60 billion per month running until at least Q3 2016; purchases got underway in March 2015.

The economic background has been one of modest growth with a 0.9% expansion seen in calendar year 2014. Euro area growth has now been mildly positive since Q2 2013 but, with the exception of Q1 2014, has failed to surpass a +0.3% quarterly growth rate in any individual period. However, early indications are that we will see something of a pick-up in growth in 2015.

On the Euro crisis front, Greek troubles reared their head again late in 2014 as the failure of the government to see its presidential candidate elected paved the way for new elections in January 2015. They ushered in a new administration, a coalition between Syriza and the Independent Greeks which has since sought a full-out renegotiation of Greece's existing arrangements with the IMF, ECB and the European Commission. Progress in putting the details to a reform plan which would see Greece granted disbursements of cash under a four-month extension to the existing bailout has stalled. Furthermore, its cash estimates indicate that a third bailout will be needed before the summer. Finally, note that the Euro area expanded geographically over the period as well, with Lithuania becoming the nineteenth member of the currency union.

Operating environment

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

	Period ended 31 March 2015	Period ended 31 March 2014	% change	Average over the period 1 April 2014 to 31 March 2015
Market indicators				
FTSE All share	3 664	3 556	3.0%	3 591
JSE All share	52 182	47 771	9.2%	50 611
Australia All ords	5 862	5 403	8.5%	5 494
S&P	2 068	1 872	10.5%	1 988
Nikkei	19 207	14 828	29.5%	16 256
Dow Jones	17 776	16 458	8.0%	17 180
Rates				
UK overnight	0.42%	0.33%		0.43%
UK 10 year	1.58%	2.74%		2.25%
UK clearing banks base rate	0.50%	0.50%		0.50%
LIBOR – three-month	0.57%	0.52%		0.55%
SA R186	7.80%	8.40%		8.00%
Rand overnight	5.53%	5.33%		5.46%
SA prime overdraft rate	9.25%	9.00%		9.16%
JIBAR – three-month	6.11%	5.73%		6.00%
Reserve Bank of Australia cash target rate	2.25%	2.50%		2.46%
US 10 year	1.93%	2.73%		2.34%
Commodities				
Gold	US\$1 188/oz	US\$1 289/oz	(7.8%)	US\$1 248/oz
Gas Oil	US\$526/mt	US\$904/mt	(41.8%)	US\$746/mt
Platinum	US\$1 129/oz	US\$1 418/oz	(20.4%)	US\$1 236/oz
Macro-economic				
UK GDP (% change over the period)	1.5%	2.1%		
UK per capita GDP (£)	27 770	26 731	3.9%	
South Africa GDP (% real growth over the calendar year in Rands, historical revised)	1.5%	2.2%		
South Africa per capita GDP (real value in Rands, historical revised)	56 122	56 044	0.1%	
Australia GDP (% change over the period)	2.5%	2.3%		
Australia per capita GDP (A\$)	68 102	67 061	1.6%	

Sources: Datastream, Bloomberg's, Office for National Statistics, SARB Quarterly Bulletin, Australian Bureau of Statistics.

Key income drivers

We provide a wide range of financial products and services to a niche client base in three principal markets – the UK and Europe, South Africa and Asia/Australia. We are organised as a network comprising three principal business divisions: Asset Management, Wealth & Investment and Specialist Banking

Specialist Banking

There are therefore a number of key income drivers for our business which are discussed below and alongside.

Asset Management

Key income drivers

- Fixed fees as a percentage of assets under management
- Variable performance fees.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- Movements in the value of the assets underlying client portfolios
- Performance of portfolios against set benchmarks
- Net flows.

Wealth & Investment

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Commissions earned for executing transactions for clients.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- Movement in the value of assets underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
Lending activities.	- Size of portfolios - Clients' capital and infrastructural investments - Client activity - Credit spreads - Shape of yield curve.	- Net interest income - Fees and commission - Investment income.
Cash and near cash balances.	- Capital employed in the business and capital adequacy targets - Asset and liability management policies and risk appetite - Regulatory requirements - Credit spreads.	- Net interest income - Trading income arising from balance sheet management activities.
Deposit and product structuring and distribution.	- Distribution channels - Ability to create innovative products - Regulatory requirements - Credit spreads.	- Net interest income - Fees and commissions.
- Investments made (including listed and unlisted equities; debt securities; investment properties) - Gains or losses on investments - Dividends received.	- Macro- and micro-economic market conditions - Availability of profitable exit routes - Whether appropriate market conditions exist to maximise gains on sale - Attractive investment opportunities - Credit spreads.	- Net interest income - Investment income.
Advisory services.	The demand for our specialised advisory services, which in turn is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals.	Fees and commissions.
Derivative sales, trading and hedging.	- Client activity - Market conditions/volatility - Asset and liability creation - Product innovation - Market risk factors, primarily volatility and liquidity.	- Fees and commissions - Trading income arising from customer flow.
Transactional banking services.	- Levels of activity - Ability to create innovative products - Appropriate systems infrastructure.	- Net interest income - Fees and commissions.



Key risks relating to our operations

In our ordinary course of business we face a number of risks that could affect our business operations

These risks are summarised briefly in the table below with further details provided in volumes one and two of the report.

For additional information pertaining to the management and monitoring of these risks, see the references provided.

12 – 43*

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

72 – 76*

Operational risk may disrupt our business or result in regulatory action.

77*

Legal and regulatory risks are substantial in our businesses.

62 – 71*

Liquidity risk may impair our ability to fund our operations.

22*

We are exposed to **non-traded currency risk** where fluctuations in exchange rates against Pounds Sterling could have an impact on our financial results.

76 and 77*

Reputational, strategic and business risk.

59 – 62*

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

72 – 76*

We may be **vulnerable to the failure of our systems** and breaches of our security systems.

77*

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

44 – 58*

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

78 – 83*

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

72 – 76*

Employee misconduct could cause harm that is difficult to detect.

125 – 129

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

18 – 21, 28 – 30

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

77 and 78*

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

* Refer to volume two.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

Statutory income statement analysis

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



Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 68 to 91.

Total operating income

Total operating income increased by 0.9% to £1 957.5 million (2014: £1 941.0 million). The various components of total operating income are analysed below.

£'000	31 March 2015	% of total income	31 March 2014	% of total income	% change
Net interest income	634 977	32.4%	651 679	33.6%	(2.6%)
Net fee and commission income	1 089 043	55.6%	989 421	51.0%	10.1%
Investment income	128 334	6.6%	166 809	8.6%	(23.1%)
Trading income arising from					
– customer flow	106 313	5.4%	103 914	5.3%	2.3%
– balance sheet management and other trading activities	(13 424)	(0.6%)	10 587	0.5%	(> 100.0%)
Other operating income	12 236	0.6%	18 554	1.0%	(34.1%)
Total operating income before impairments	1 957 479	100.0%	1 940 964	100.0%	0.9%

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

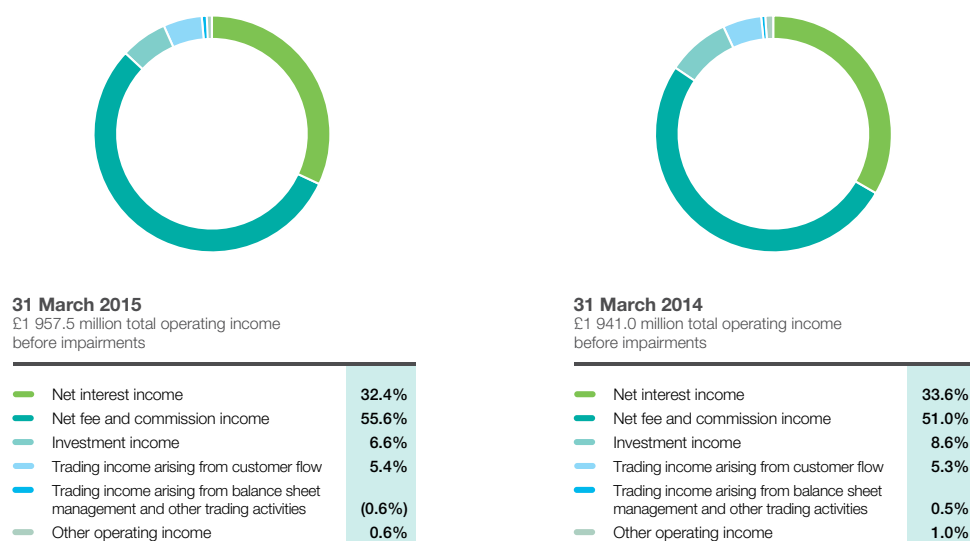
£'000	31 March 2015	% of total income	31 March 2014	% of total income	% change
UK and Other [^]	1 127 081	57.6%	1 174 152	60.5%	(4.0%)
Southern Africa	830 398	42.4%	766 812	39.5%	8.3%
Total operating income before impairments	1 957 479	100.0%	1 940 964	100.0%	0.9%

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

£'000	31 March 2015	% of total income	31 March 2014	% of total income	% change
Asset Management	436 059	22.3%	414 180	21.4%	5.3%
Wealth & Investment	313 217	16.0%	288 033	14.8%	8.7%
Specialist Banking	1 208 203	61.7%	1 238 751	63.8%	(2.5%)
Total operating income before impairments	1 957 479	100.0%	1 940 964	100.0%	0.9%

[^] Includes Australia, which was previously reported separately. Refer to page 22.

% of total operating income before impairments



Net interest income

Net interest income decreased by 2.6% to £635.0 million (2014: £651.7 million) largely due to a lower return earned on the legacy portfolios which are running down; the sales of Investec Bank (Australia) Limited, Kensington UK and Start Irish operations; and the depreciation of the Rand against Pounds Sterling. This was partially offset by solid book growth, a lower cost of funding in the UK and a positive endowment impact in South Africa.

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	4 307	3 918	389	9.9%
Wealth & Investment	6 556	7 857	(1 301)	(16.6%)
Specialist Banking	624 114	639 904	(15 790)	(2.5%)
Net interest income	634 977	651 679	(16 702)	(2.6%)

A further analysis of interest received and interest paid is provided in the tables below.

		UK and Other [^]		Southern Africa		Total group	
		Balance sheet value	Interest income	Balance sheet value	Interest income	Balance sheet value	Interest income
For the year to 31 March 2015	Notes						
£'000							
Cash, near cash and bank debt and sovereign debt securities	1	5 878 855	48 967	6 214 823	274 165	12 093 678	323 132
Core loans and advances	2	7 061 117	424 071	10 127 793	808 754	17 188 910	1 232 825
Private client		3 341 861	169 272	6 726 853	524 190	10 068 714	693 462
Corporate, institutional and other clients		3 719 256	254 799	3 400 940	284 564	7 120 196	539 363
Other debt securities and other loans and advances		775 651	101 816	426 552	23 758	1 202 203	125 574
Other interest earning assets	3	411 983	94 612	368 613	14 724	780 596	109 336
Total interest earning assets		14 127 606	669 466	17 137 781	1 121 401	31 265 387	1 790 867

Notes:

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.
 2. Comprises (as per the balance sheet) loans and advances to customers and own originated loans and advances to customers securitised.
 3. Comprises (as per the balance sheet) other securitised assets.
- [^] Includes Australia, which was previously reported separately. Refer to page 22.

Financial review (continued)

		UK and Other [^]		Southern Africa		Total group	
For the year to 31 March 2015		Balance	Interest	Balance	Interest	Balance	Interest
£'000	Notes	sheet value	expense	sheet value	expense	sheet value	expense
Deposits by banks and other debt related securities	4	1 997 208	41 869	2 905 400	51 519	4 902 608	93 388
Customer accounts (deposits)		10 298 493	157 813	12 316 375	702 722	22 614 868	860 535
Other interest bearing liabilities	5	330 526	82 421	396 336	16 503	726 862	98 924
Subordinated liabilities		596 923	59 881	581 376	43 162	1 178 299	103 043
Total interest bearing liabilities		13 223 150	341 984	16 199 487	813 906	29 422 637	1 155 890
Net interest income			327 482		307 495		634 977

		UK and Other [^]		Southern Africa		Total group	
For the year to 31 March 2014		Balance		Balance		Balance	
£'000	Notes	sheet value	Interest income	sheet value	Interest income	sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 532 675	61 907	6 515 392	295 811	12 048 067	357 718
Core loans and advances	2	8 222 264	542 480	8 935 103	765 050	17 157 367	1 307 530
Private client		5 146 582	267 408	6 037 359	488 165	11 183 941	755 573
Corporate, institutional and other clients		3 075 682	275 072	2 897 744	276 885	5 973 426	551 957
Other debt securities and other loans and advances		1 642 858	74 598	656 089	31 088	2 298 947	105 686
Other interest earning assets	3	2 798 158	124 783	778 368	9 666	3 576 526	134 449
Total interest earning assets		18 195 955	803 768	16 884 952	1 101 615	35 080 907	1 905 383

		UK and Other [^]		Southern Africa		Total group	
For the year to 31 March 2014		Balance		Balance		Balance	
£'000	Notes	sheet value	Interest expense	sheet value	Interest expense	sheet value	Interest expense
Deposits by banks and other debt related securities	4	3 140 805	76 542	2 493 082	62 435	5 633 887	138 977
Customer accounts (deposits)		10 938 789	222 458	11 670 995	655 969	22 609 784	878 427
Other interest bearing liabilities	5	2 823 683	80 766	947 286	41 531	3 770 969	122 297
Subordinated liabilities		740 949	67 268	597 803	46 735	1 338 752	114 003
Total interest bearing liabilities		17 644 226	447 034	15 709 166	806 670	33 353 392	1 253 704
Net interest income			356 734		294 945		651 679

[^] Includes Australia, which was previously reported separately. Refer to page 22.

Notes:

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

Financial review (continued)

Net fee and commission income

Net fee and commission income increased by 10.1% to £1 089.0 million (2014: £989.4 million) as a result of higher average funds under management and net inflows in the asset management and wealth management businesses. The Specialist Banking business benefited from a solid performance from the corporate finance and corporate treasury businesses, notably in the UK, and the private banking business in South Africa continued to perform well.

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	428 555	409 341	19 214	4.7%
Wealth & Investment	299 663	275 377	24 286	8.8%
Specialist Banking	360 825	304 703	56 122	18.4%
Net fee and commission income	1 089 043	989 421	99 622	10.1%

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

For the year to 31 March 2015 £'000	UK and Other [^]	Southern Africa	Total group
Asset management and wealth management businesses net fee and commission income	505 772	222 446	728 218
Fund management fees/fees for assets under management	540 050	201 372	741 424
Private client transactional fees	59 566	32 302	91 868
Fee and commission expense	(93 844)	(11 230)	(105 074)
Specialist Banking net fee and commission income	225 325	135 500	360 825
Corporate and institutional transactional and advisory services	219 870	115 220	335 090
Private client transactional fees	25 019	32 856	57 875
Fee and commission expense	(19 564)	(12 576)	(32 140)
Net fee and commission income	731 097	357 946	1 089 043
Annuity fees (net of fees payable)	541 327	276 143	817 470
Deal fees	189 770	81 803	271 573

For the year to 31 March 2014 £'000	UK and Other [^]	Southern Africa	Total group
Asset management and wealth management businesses net fee and commission income	462 375	222 343	684 718
Fund management fees/fees for assets under management	497 863	191 271	689 134
Private client transactional fees	61 887	33 287	95 174
Fee and commission expense	(97 375)	(2 215)	(99 590)
Specialist Banking net fee and commission income	172 195	132 508	304 703
Corporate and institutional transactional and advisory services	177 053	118 667	295 720
Private client transactional fees	29 871	27 003	56 874
Fee and commission expense	(34 729)	(13 162)	(47 891)
Net fee and commission income	634 570	354 851	989 421
Annuity fees (net of fees payable)	461 427	257 662	719 089
Deal fees	173 143	97 189	270 332

[^] Includes Australia, which was previously reported separately. Refer to page 22.

Financial review (continued)

Investment income

Investment income decreased by 23.1% to £128.3 million (2014: £166.8 million). Our unlisted investment portfolio in the UK and South Africa delivered a solid performance. This was offset, however, by a poor performance from the Hong Kong portfolio.

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	22	28	(6)	(21.4%)
Wealth & Investment	4 123	2 183	1 940	88.9%
Specialist Banking	124 189	164 598	(40 409)	(24.6%)
Investment income	128 334	166 809	(38 475)	(23.1%)

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

For the year to 31 March 2015 £'000	UK and Other [^]	Southern Africa	Total group
Realised	80 014	65 746	145 760
Unrealised	(90 296)	48 097	(42 199)
Dividend income	5 878	24 808	30 686
Funding and other net related (costs)/income	2 194	(8 107)	(5 913)
Investment (loss)/income	(2 210)	130 544	128 334

For the year to 31 March 2015 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other[^]	(7 577)	(14 681)	8 726	11 322	(2 210)
Realised	63 395	8 494	–	8 125	80 014
Unrealised	(76 850)	(23 175)	8 726	1 003	(90 296)
Dividend income	5 878	–	–	–	5 878
Funding and other net related income	–	–	–	2 194	2 194
Southern Africa	83 168	12 055	29 910	5 411	130 544
Realised	42 214	3 814	19 741	(23)	65 746
Unrealised	29 358	8 241	10 169	329	48 097
Dividend income	24 808	–	–	–	24 808
Funding and other net related (costs)/income	(13 212)	–	–	5 105	(8 107)
Total investment income	75 591	(2 626)	38 636	16 733	128 334

* Including embedded derivatives (warrants and profit shares).

[^] Includes Australia, which was previously reported separately. Refer to page 22.

Financial review (continued)

For the year to 31 March 2014
£'000

	UK and Other [^]	Southern Africa	Total group
Realised	53 986	19 534	73 520
Unrealised	34 991	14 899	49 890
Dividend income	10 885	38 569	49 454
Funding and other net related costs	(763)	(5 292)	(6 055)
Investment income	99 099	67 710	166 809

	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
For the year to 31 March 2014 £'000					
UK and Other[^]	100 573	(1 380)	–	(94)	99 099
Realised	37 822	11 457	–	4 707	53 986
Unrealised	52 059	(12 837)	–	(4 231)	34 991
Dividend income	10 692	–	–	193	10 885
Funding and other net related costs	–	–	–	(763)	(763)
Southern Africa	43 092	(2 851)	23 450	4 019	67 710
Realised	12 607	–	8 610	(1 683)	19 534
Unrealised	1 746	(2 851)	16 374	(370)	14 899
Dividend income	38 569	–	–	–	38 569
Funding and other net related (costs)/income	(9 830)	–	(1 534)	6 072	(5 292)
Total investment income	143 665	(4 231)	23 450	3 925	166 809

* Including embedded derivatives (warrants and profit shares).

[^] Includes Australia, which was previously reported separately. Refer to page 22.

Trading income

Trading income arising from customer flow increased by 2.3% to £106.3 million (2014: £103.9 million) while trading income from other trading activities reflected a loss of £13.4 million (2014: profit of £10.6 million) due to foreign currency losses largely offset in non-controlling interests as discussed on page 47.

Arising from customer flow

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	–	–	–	–
Wealth & Investment	1 024	1 324	(300)	(22.7%)
Specialist Banking	105 289	102 590	2 699	2.6%
Trading income arising from customer flow	106 313	103 914	2 399	2.3%

Financial review (continued)

Arising from balance sheet management and other trading activities

£'000	31 March 2015	31 March 2014	Variance	% change
Asset Management	1 485	(1 982)	3 467	> 100.0%
Wealth & Investment	574	58	516	> 100.0%
Specialist Banking	(15 483)	12 511	(27 994)	(> 100.0%)
Trading loss arising from balance sheet management and other trading activities	(13 424)	10 587	(24 011)	(> 100.0%)

Other operating income

Other operating income includes associate income and income earned on an operating lease portfolio.

Impairment losses on loans and advances

Impairments on loans and advances decreased from £166.2 million to £128.4 million. Since 31 March 2014, gross defaults have improved from £658.7 million to £608.4 million. The percentage of default loans (net of impairments, but before taking collateral into account) to core loans and advances amounted to 2.07% (2014: 2.30%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.37 times (2014: 1.27 times).



Further information is provided on pages 31 to 33 in volume two.

£'000	31 March 2015	31 March 2014	Variance	% change
UK and Other	(102 707)	(126 911)	24 204	(19.1%)
Southern Africa	(25 674)	(39 241)	13 567	(34.6%)
Total impairment losses on loans and advances	(128 381)	(166 152)	37 771	(22.7%)
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(456)	(636)	180	(28.3%)

Operating costs

The ratio of total operating costs to total operating income was 67.6% (2014: 67.6%). Total operating costs grew by 1.2% to £1 322.7 million (2014: £1 307.2 million) reflecting: an increase in headcount in the asset management and wealth management businesses to support growth initiatives; inflationary increases in fixed costs in the Specialist Bank in home currencies; an increase in variable remuneration given increased profitability in certain businesses; and a reduction in costs arising from the sale of certain businesses in Australia.

£'000	31 March 2015	% of total expenses	31 March 2014*	% of total expenses	% change
Staff costs	(927 980)	70.1%	(897 743)	68.4%	3.4%
– fixed	(590 896)	44.6%	(592 192)	45.1%	(0.2%)
– variable	(337 084)	25.5%	(305 551)	23.3%	10.3%
Business expenses	(193 529)	14.6%	(198 008)	15.0%	(2.3%)
Premises expenses (excluding depreciation)	(63 201)	4.8%	(70 477)	5.4%	(10.3%)
Equipment expenses (excluding depreciation)	(54 433)	4.1%	(56 386)	4.3%	(3.5%)
Marketing expenses	(58 833)	4.4%	(55 923)	4.3%	5.2%
Depreciation and impairment of property, plant, equipment and software	(24 729)	1.9%	(28 706)	2.1%	(13.9%)
Total operating expenses	(1 322 705)	99.9%	(1 307 243)	99.5%	1.2%
Depreciation on operating leased assets	(1 535)	0.1%	(6 044)	0.5%	(74.6%)
Total expenses	(1 324 240)	100.0%	(1 313 287)	100.0%	0.8%

* Restated as per note 59 in volume three.

Financial review (continued)

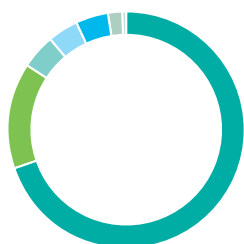
The following table sets out certain information on total expenses by geography for the year under review.

£'000	31 March 2015	% of total expenses	31 March 2014*	% of total expenses	% change
UK and Other	(897 121)	67.7%	(896 706)	68.3%	< 0%
Southern Africa	(427 119)	32.3%	(416 581)	31.7%	2.5%
Total expenses	(1 324 240)	100.0%	(1 313 287)	100.0%	0.8%

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

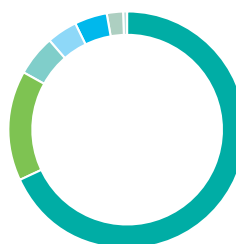
£'000	31 March 2015	% of total expenses	31 March 2014*	% of total expenses	% change
Asset Management	(287 084)	21.7%	(270 361)	20.6%	6.2%
Wealth & Investment	(234 436)	17.7%	(221 934)	16.9%	5.6%
Specialist Banking	(763 408)	57.6%	(784 548)	59.7%	(2.7%)
Group costs	(39 312)	3.0%	(36 444)	2.8%	7.9%
Total expenses	(1 324 240)	100.0%	(1 313 287)	100.0%	0.8%

% of total expenses



31 March 2015
£1 324.2 million total expenses

Staff costs	70.1%
Business expenses	14.6%
Premises expenses	4.8%
Equipment expenses	4.1%
Marketing expenses	4.4%
Depreciation	1.9%
Depreciation on operating leased assets	0.1%



31 March 2014*
£1 313.3 million total expenses

Staff costs	68.4%
Business expenses	15.0%
Premises expenses	5.4%
Equipment expenses	4.3%
Marketing expenses	4.3%
Depreciation	2.1%
Depreciation on operating leased assets	0.5%

* Restated as per note 59 in volume three.

Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests

As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests increased by 9.4% from £450.7 million to £493.2 million.

The following tables set out information on operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests by geography and by division for the year under review.

For the year to 31 March 2015 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	75 491	73 484	148 975	3.6%	30.2%
Wealth & Investment	56 871	21 910	78 781	19.2%	16.0%
Specialist Banking	41 795	262 918	304 713	9.9%	61.8%
	174 157	358 312	532 469	18.1%	108.0%
Group costs	(30 048)	(9 264)	(39 312)	7.9%	(8.0%)
Total group	144 109	349 048	493 157	9.4%	100.0%
Other non-controlling interest – equity			11 701		
Operating profit			504 858		
% change	(6.0%)	17.4%	9.4%		
% of total	29.2%	70.8%	100.0%		

For the year to 31 March 2014* £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	67 585	76 234	143 819	31.9%
Wealth & Investment	46 065	20 034	66 099	14.7%
Specialist Banking	67 277	209 925	277 202	61.4%
	180 927	306 193	487 120	108.0%
Group costs	(27 672)	(8 772)	(36 444)	(8.0%)
Total group	153 255	297 421	450 676	100.0%
Other non-controlling interest – equity			10 849	
Operating profit			461 525	
% of total	34.0%	66.0%	100.0%	

* Restated as per note 59 in volume three.

Key income drivers in our core businesses

The information below reflects our key income drivers in our core businesses.

Asset Management

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Global business (in Pounds Sterling)						
Operating margin	34.2%	34.7%	34.5%	35.7%	37.0%	33.4%
Net inflows in funds under management as a % of opening funds under management	4.6%	3.7%	6.7%	8.8%	16.0%	16.2%
Average income yield earned on funds under management [^]	0.60%	0.60%	0.62%	0.62%	0.66%	0.67%

Wealth & Investment

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Global business (in Pounds Sterling)						
Operating margin	25.2%	22.9%	20.3%	19.7%	25.9%	n/a*
Net organic growth in funds under management as a % of opening funds under management	6.6%	3.5%	2.0%	(5.3%)	6.2%	n/a*
Average income yield earned on funds under management [^]	0.72%	0.71%	0.66%	0.61%	0.55%	n/a*
UK and Other ^{^^} (in Pounds Sterling)						
Operating margin	22.7%	20.1%	17.3%	16.3%	24.5%	n/a*
Net organic growth in funds under management as a % of opening funds under management	7.1%	5.1%	1.3%	(7.4%)	3.5%	n/a*
Average income yield earned on funds under management [^]	0.89%	0.89%	0.86%	0.80%	0.68%	n/a*
South Africa (in Rands)						
Operating margin	35.1%	33.9%	31.3%	28.5%	28.9%	35.5%
Net organic growth in discretionary and annuity funds under management as a % of opening discretionary funds under management	8.5%	13.6%	13.9%	8.7%	6.0%	3.4%
Average income yield earned on funds under management ^{^**}	0.41%	0.41%	0.37%	0.39%	0.41%	0.41%

* Prior to 25 June 2010, Rensburg Sheppards plc was an associate of Investec and not a 100% owned subsidiary.

** A large portion of the funds under management are non-discretionary funds.

[^] The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not take into account the impact of market movements throughout the period on funds under management or the timing of acquisitions and disposals during the respective periods.

^{^^} Other comprises European Wealth Management, which prior to 1 July 2010 was part of the Private Bank, Investec Wealth & Investment Ireland (formerly NCB), which was acquired on 12 June 2012 and Investec Wealth & Investment Channel Islands.

Specialist Banking – statutory basis

	31 March 2015	31 March 2014 ^o	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Global business (in Pounds Sterling)						
Cost to income ratio	63.1%	63.2%	63.1%	62.4%	60.1%	56.4%
ROE post-tax [^]	8.6%	7.9%	6.4%	5.1%	8.2%	11.4%
ROE post-tax (ongoing business) [^]	12.8%	11.9%	–	–	–	–
Growth in net core loans	0.2% ^{^^}	(6.8%)	1.0%	(2.8%)	4.8%	10.3%
Growth in risk-weighted assets	(4.9%) ^{^^}	(6.0%)	4.7%	1.5%	13.3%	16.1%
Defaults (net of impairments) as a % of core loans	2.07%	2.30%	2.73%	3.31%	4.66%	3.98%
Credit loss ratio on core loans	0.68%	0.68%	0.84%	1.12%	1.27%	1.16%
UK and Other[#] (in Pounds Sterling)						
Cost to income ratio	78.9%*	72.5%*	69.0%	68.3%	64.1%	61.4%
ROE post-tax [^]	2.1%	3.6%	1.7%	(1.8%)	2.6%	6.9%
ROE post-tax (ongoing business) ^{**^}	9.6%	10.9%	–	–	–	–
Growth in net core loans	(14.1%) ^{^^}	(0.3%)	6.6%	0.3%	6.2%	(1.6%)
Growth in risk-weighted assets	(15.5%) ^{^^}	0.4%	7.7%	4.6%	9.6%	5.3%
Defaults (net of impairments) as a % of core loans	3.00%	3.21%	3.75%	4.10%	5.67%	4.94%
Credit loss ratio on core loans	1.16%	0.99%	1.16%	1.65%	2.05%	1.72%
Southern Africa (in Rands)						
Cost to income ratio	47.2%*	51.0%*	55.5%	55.2%	54.7%	49.8%
ROE post-tax [^]	15.2%	12.5%	10.0%	9.6%	10.7%	13.8%
Growth in net core loans	16.1%	10.6%	10.2%	6.6%	0.3%	1.9%
Growth in risk-weighted assets	8.3%	11.0%	16.5%	11.9%	13.8%	3.6%
Defaults (net of impairments) as a % of core loans	1.43%	1.46%	1.89%	2.73%	3.97%	3.32%
Credit loss ratio on core loans	0.28%	0.42%	0.61%	0.65%	0.71%	0.68%

[^] Divisional ROEs are reported on a pre-tax basis. For the purpose of this calculation, we have applied the group's effective tax rate to derive post-tax numbers. Capital as at 31 March 2015 was c.£1.2 billion in the UK and c.R24.6 billion in South Africa.

^{^^} Impacted by sale of assets.

* Excludes group costs.

** Further information is provided on page 66.

[#] Includes UK, Europe, Australia and the legacy businesses.

^o Restated as per note 59 in volume three.

Impairment of goodwill

The goodwill impairment largely relates to the restructure of the Australian business.



The decrease in goodwill relates to the sale of Investec Bank (Australia) Limited, Kensington UK and Start Irish operations as detailed on page 22.

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2015	31 March 2014
UK and Other[^]	356 090	427 011
Asset Management	88 045	88 045
Wealth & Investment	242 126	242 951
Specialist Banking	25 919	96 015
Southern Africa	5 437	6 560
Asset Management	3 320	4 346
Wealth & Investment	1 877	1 963
Specialist Banking	240	251
Total goodwill	361 527	433 571
Intangible assets	147 227	159 169
Total goodwill and intangible assets	508 754	592 740

Amortisation of acquired intangibles

Amortisation of acquired intangibles largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Net loss after tax on sale of subsidiaries

Net loss on sale of subsidiaries comprises a net profit on the sale of Investec Bank (Australia) Limited offset by a net loss on the sale of the Kensington UK and Start Irish operations as detailed on page 22.

Net loss after taxation can be analysed further as follows:

	£'million
Net loss before goodwill and taxation	(28.1)
Goodwill	(64.9)
Net loss on sale of subsidiaries	(93.0)
Related tax expense	(20.7)
Net loss after tax	(113.7)

[^] Includes Australia, which was previously reported separately.

Financial review (continued)

Taxation

The effective tax rate amounts to 19.6% (2014: 17.1%).

	Effective tax rates		31 March 2015 £'000	31 March 2014* £'000	% change
	2015	2014			
UK and Other	23.0%	18.8%	(28 362)	(30 770)	(7.8%)
Southern Africa	18.7%	15.5%	(70 661)	(48 294)	46.3%
Australia	–	1.1%	–	154	> 100%
Tax	19.6%	17.1%	(99 023)	(78 910)	25.5%

* Restated as per note 59 in volume three.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests mainly comprises:

- £18.2 million profit attributable to non-controlling interests in the Asset Management business
- £31.7 million profit attributable to non-controlling interests in the Investec Property Fund Limited
- A reduction of £20.7 million relating to Euro-denominated preferred securities issued by a subsidiary of Investec plc, which are reflected on the balance sheet as part of non-controlling interests. (The transaction is hedged and a forex transaction loss arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to non-controlling interests.)

Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders decreased from £330.8 million to £245.5 million.

Dividends and earnings per share



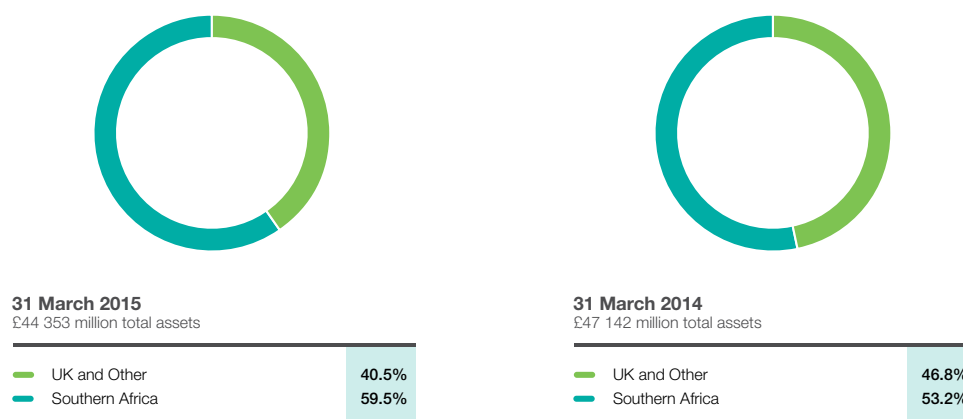
Information with respect to dividends and earnings per share is provided on pages 5, 6 and 53 - 55 in volume three.

Statutory balance sheet analysis

Since 31 March 2014:

- Total shareholders' equity (including non-controlling interests) increased by 0.6% to £4.0 billion
- Net asset value per share decreased 3.0% to 364.9 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased by 0.3% to 308.1 pence
- The return on adjusted average shareholders' equity increased from 10.0% to 10.6%.

Assets by geography



Statutory net tangible asset value per share

The group's net tangible asset value per share is reflected in the table below.

£'000	31 March 2015	31 March 2014*
Shareholders' equity	3 500 837	3 572 296
Less: perpetual preference shares issued by holding companies	(326 693)	(330 890)
Less: goodwill and intangible assets (excluding software)	(494 111)	(577 816)
Net tangible asset value	2 680 033	2 663 590
Number of shares in issue (million)	899.4	891.7
Treasury shares (million)	(29.5)	(29.7)
Number of shares in issue in this calculation (million)	869.9	862.0
Net tangible asset value per share (pence)	308.1	309.0
Net asset value per share (pence)	364.9	376.0

* Restated as per note 59 in volume three.

Statutory return on risk-weighted assets

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

	31 March 2015	31 March 2014*	Average	31 March 2013	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	339 523	326 923	333 223	309 310	318 117
Investec plc risk-weighted assets (£'million)	11 608	13 711*	12 660	13 705*	12 936
Investec Limited risk-weighted assets^ (£'million)	14 992	14 125	14 559	16 036	15 360
Total risk-weighted assets (£'million)	26 601	27 836	27 219	29 744	28 296
Return on average risk-weighted assets	1.25%	1.14%		1.06%	
^Investec Limited risk-weighted assets (R'million)	269 466	248 040	258 753	223 865	235 953

* Restated as per note 59 in volume three.

Capital management and allocation

We held capital in excess of regulatory requirements targeting a minimum tier 1 capital ratio of 10.5% (11.0% by March 2016) and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited.



Further information is provided on pages 78 to 83 in volume two.

A summary of capital adequacy and leverage ratios

As at 31 March 2015	Investec plc ^{^*}	IBP ^{^*}	Investec Limited [*]	IBL [*]
Common equity tier 1 (as reported)	10.2%	12.2%	9.6%	11.0%
Common equity tier 1 ('fully loaded') ^{^^}	10.2%	12.2%	9.5%	10.9%
Tier 1 (as reported)	11.9%	12.2%	11.3%	11.4%
Total capital adequacy ratio (as reported)	16.7%	17.6%	14.7%	15.4%
Leverage ratio ^{**} – permanent capital	8.1%	7.6%	8.5% [#]	8.5% [#]
Leverage ratio ^{**} – current	7.7%	7.6%	8.1% [#]	8.3% [#]
Leverage ratio ^{**} – 'fully loaded' ^{^^}	6.6%	7.6%	7.2% [#]	8.0% [#]

As at 31 March 2014 ^{##}	Investec plc ^{^*}	IBP ^{^*}	Investec Limited [*]	IBL [*]
Common equity tier 1 (as reported)	8.8%	11.0%	9.4%	10.3%
Common equity tier 1 ('fully loaded') ^{^^}	8.9%	11.0%	9.3%	10.2%
Tier 1 (as reported)	10.5%	11.0%	11.0%	10.8%
Total capital adequacy ratio (as reported)	15.3%	16.0%	14.9%	15.3%
Leverage ratio ^{**} – permanent capital	7.7%	7.4%	8.1% [#]	7.9% [#]
Leverage ratio ^{**} – current	7.4%	7.4%	7.8% [#]	7.9% [#]
Leverage ratio ^{**} – 'fully loaded' ^{^^}	6.2%	7.4%	6.7% [#]	7.5% [#]

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

[^] The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable dividends when calculating common equity tier 1 as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £57 million for Investec plc and £15 million for Investec Bank plc would be around 50bps and 10bps, respectively. At 31 March 2014 the impact of the final proposed ordinary and preference dividends totalling £61 million for Investec plc and £32 million for IBP would be around 40bps and 30bps, respectively.

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

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

[#] Based on revised BIS rules.

^{##} The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.

Return on equity by country and business – statutory

£'000	31 March 2015	31 March 2014*	Average	31 March 2013*	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	3 174 144	3 241 406	3 207 775	3 287 551	3 264 479
Goodwill and intangible assets (excluding software)	(494 111)	(577 816)	(535 964)	(626 870)	(602 343)
Adjusted tangible shareholders' equity	2 680 033	2 663 590	2 671 811	2 660 681	2 662 136

£'000	31 March 2015	31 March 2014*
Operating profit before goodwill impairment and non-operational items	504 858	461 525
Minority interests	(29 885)	(21 880)
Accrued preference dividends, adjusted for currency hedge	(36 427)	(33 812)
Revised operating profit	438 546	405 833
Tax on ordinary activities	(99 023)	(78 910)
Revised operating profit after tax	339 523	326 923
Pre-tax return on average adjusted shareholders' equity	13.7%	12.4%
Post-tax return on average adjusted shareholders' equity	10.6%	10.0%
Pre-tax return on average adjusted tangible shareholders' equity	16.4%	15.2%
Post-tax return on average adjusted tangible shareholders' equity	12.7%	12.3%

* Restated as per note 59 in volume three.

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

Return on equity by geography

£'000	UK and Other statutory	Southern Africa	Total group	UK and Other ongoing
Total operating profit	127 253	377 605	504 858	214 799
Tax on profit on ordinary activities	(28 362)	(70 661)	(99 023)	(45 521)
Non-controlling interests	6 803	(36 688)	(29 885)	6 803
Preference dividends paid	(14 884)	(21 543)	(36 427)	(14 884)
Profit on ordinary activities after taxation – 31 March 2015	90 810	248 713	339 523	161 197
Profit on ordinary activities after taxation – 31 March 2014*	103 448	223 475	326 923	148 392
Ordinary shareholders' equity – 31 March 2015	1 764 017	1 410 127	3 174 144	1 675 247
Goodwill and intangible assets (excluding software)	(488 674)	(5 437)	(494 111)	(488 674)
Tangible ordinary shareholders' equity – 31 March 2015	1 275 343	1 404 690	2 680 033	1 186 573
Ordinary shareholders' equity – 31 March 2014*	1 942 284	1 299 122	3 241 406	1 562 284
Goodwill and intangible assets (excluding software)	(571 257)	(6 559)	(577 816)	(571 257)
Tangible ordinary shareholders' equity – 31 March 2014*	1 371 027	1 292 563	2 663 590	991 027
Ordinary shareholders' equity – 31 March 2013	1 885 819	1 401 732	3 287 551	1 405 819
Goodwill and intangible assets (excluding software)	(616 610)	(10 260)	(626 870)	(616 610)
Tangible ordinary shareholders' equity – 31 March 2013	1 269 209	1 391 472	2 660 681	789 209
Average ordinary shareholders' equity – 31 March 2015	1 853 150	1 354 625	3 207 775	1 618 765
Average ordinary shareholders' equity – 31 March 2014*	1 914 052	1 350 427	3 264 479	1 484 052
Average tangible shareholders' equity – 31 March 2015	1 323 184	1 348 627	2 671 811	1 088 799
Average tangible shareholders' equity – 31 March 2014*	1 320 118	1 342 018	2 662 136	890 118
Post-tax return on average ordinary shareholders' equity – 31 March 2015	4.9%	18.4%	10.6%	10.0%
Post-tax return on average ordinary shareholders' equity – 31 March 2014*	5.4%	16.5%	10.0%	10.0%
Post-tax return on average tangible shareholders' equity – 31 March 2015	6.9%	18.4%	12.7%	14.8%
Post-tax return on adjusted tangible shareholders' equity – 31 March 2014*	7.8%	16.7%	12.3%	16.7%
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2015	6.4%	23.6%	13.7%	12.8%
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2014*	7.0%	20.1%	12.4%	12.1%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2015	9.0%	23.7%	16.4%	19.0%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2014*	10.2%	20.2%	15.2%	20.1%

* Restated as per note 59 in volume three.

Return on equity by business^o

£'000	Asset Management	Wealth & Investment [^]	Specialist Banking statutory	Specialist Banking ongoing
Total operating profit after other non-controlling interests	148 975	78 781	304 713	392 259
Notional return on regulatory capital	2 906	1 306	(4 212)	(4 212)
Notional cost of statutory capital	(3 570)	(9 152)	12 722	12 722
Cost of subordinated debt	(1 165)	(735)	1 900	1 900
Cost of preference shares	(642)	(328)	(35 456)	(35 456)
Adjusted earnings – 31 March 2015	146 504	69 872	279 667	367 213
Adjusted earnings – 31 March 2014*	143 227	54 586	255 495	309 710
Ordinary shareholders' equity – 31 March 2015	160 648	255 318	2 599 130	2 510 360
Goodwill and intangible assets (excluding software)	(91 365)	(216 017)	(27 679)	(27 679)
Tangible ordinary shareholders' equity – 31 March 2015	69 283	39 301	2 571 451	2 482 681
Ordinary shareholders' equity – 31 March 2014*	147 123	292 650	2 642 583	2 098 875
Goodwill and intangible assets (excluding software)	(92 391)	(229 279)	(97 096)	(97 096)
Tangible ordinary shareholders' equity – 31 March 2014*	54 732	63 371	2 545 487	2 001 779
Ordinary shareholders' equity – 31 March 2013	127 955	256 747	2 743 799	2 237 318
Goodwill and intangible assets (excluding software)	(95 495)	(243 313)	(129 012)	(129 012)
Tangible ordinary shareholders' equity – 31 March 2013	32 460	13 434	2 614 787	2 108 306
Average ordinary shareholders' equity – 31 March 2015	153 886	273 984	2 620 856	2 304 617
Average ordinary shareholders' equity – 31 March 2014*	137 539	274 699	2 693 191	2 168 097
Average tangible shareholders' equity – 31 March 2015	62 008	51 336	2 558 469	2 242 229
Average tangible shareholders' equity – 31 March 2014*	43 596	38 403	2 580 137	2 055 043
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2015	95.2%	25.5%	10.7%	15.9%
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2014*	104.1%	19.9%	9.5%	14.3%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2015	236.3%	136.1%	10.9%	16.4%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2014*	328.5%	142.1%	9.9%	15.1%

^o The return on equity by business is based on the level of internal capital required by each business, inclusive of an allocation of any surplus capital held by the group. The operating profit is adjusted to reflect a capital structure that includes common equity, additional tier 1 capital instruments and subordinated debt.

[^] The Wealth & Investment is consistent with the group computation, except for an adjustment of £159.1 million between ordinary shareholders' funds and goodwill, which represents historical accounting gains with a corresponding effective increase in goodwill. These gains were excluded from group.

* Restated as per note 59 in volume three.

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

By division	Asset Management	Wealth & Investment	Specialist Banking	Total group
Number of employees – 31 March 2015	1 508	1 533	5 213	8 254
Number of employees – 31 March 2014	1 468	1 383	5 407	8 258
Number of employees – 31 March 2013	1 268	1 332	5 551	8 151
Average employees – year to 31 March 2015	1 488	1 458	5 310	8 256
Average employees – year to 31 March 2014	1 368	1 358	5 479	8 205
Operating profit* – year to 31 March 2015 (£'000)	148 975	78 781	304 713	532 469
Operating profit* – year to 31 March 2014 ^o (£'000)	143 819	66 099	277 202	487 120
Operating profit per employee [^] – 31 March 2015 (£'000)	100.1 ^{^^}	54.0	57.4	59.7
Operating profit per employee [^] – 31 March 2014 ^o (£'000)	105.1 ^{^^}	48.7	50.6	54.9

By geography	UK and Other [#]	Southern Africa	Total group
Number of employees – 31 March 2015	3 729	4 525	8 254
Number of employees – 31 March 2014	3 854	4 404	8 258
Number of employees – 31 March 2013	3 983	4 168	8 151
Average employees – year to 31 March 2015	3 791	4 465	8 256
Average employees – year to 31 March 2014	3 919	4 286	8 205
Operating profit – year to 31 March 2015 (£'000)	144 109	349 048	493 157
Operating profit – year to 31 March 2014 ^o (£'000)	153 255	297 421	450 676
Operating profit per employee [^] – 31 March 2015 (£'000)	38.0	78.2	59.7
Operating profit per employee [^] – 31 March 2014 ^o (£'000)	39.1	69.4	54.9

* Operating profit excludes group costs.

[^] Based on average number of employees over the year.

^{^^} For Investec Asset Management, operating profit per employee includes Silica, its third party administration business.

[#] Includes Australia, which was previously reported separately. Refer to page 22.

^o Restated as per note 59 in volume three.

Total third party assets under management

£'million	31 March 2015	31 March 2014
Asset Management	77 510	68 017
UK and Other	50 622	42 006
Southern Africa	26 888	26 011
Wealth & Investment*	46 076	40 772
UK and Other	29 562	26 574
Southern Africa	16 514	14 198
Property activities	412	272
Southern Africa	244	144
Australia	168	128
Australia other funds	108	128
Total	124 106	109 189

A further analysis of third party assets under management

At 31 March 2015 £'million	UK and Other	Southern Africa	Australia	Total
Asset Management	50 622	26 888	–	77 510
Mutual funds	19 398	11 179	–	30 577
Segregated mandates	31 224	15 709	–	46 933
Wealth & Investment*	29 562	16 514	–	46 076
Discretionary and annuity assets	21 602	4 974	–	26 576
Non-discretionary	7 740	11 540	–	19 280
Other	220	–	–	220
Property activities	–	244	168	412
Australia other funds	–	–	108	108
Total third party assets under management	80 184	43 646	276	124 106

At 31 March 2014 £'million	UK and Other	Southern Africa	Australia	Total
Asset Management	42 006	26 011	–	68 017
Mutual funds	15 386	11 180	–	26 566
Segregated mandates	26 620	14 831	–	41 451
Wealth & Investment*	26 574	14 198	–	40 772
Discretionary and annuity assets	18 513	4 189	–	22 702
Non-discretionary	7 823	10 009	–	17 832
Other	238	–	–	238
Property activities	–	144	128	272
Australia other funds	–	–	128	128
Total third party assets under management	68 580	40 353	256	109 189

* Restated to reflect internal adjustments to the jurisdiction in which funds under management are recognised.

Ongoing information



The tables that follow provide information on our ongoing results as explained on page 22.

	Results in Pounds Sterling			Results in Rand		
	Year to 31 March 2015	Year to 31 March 2014	% change	Year to 31 March 2015	Year to 31 March 2014	% change
Operating profit before taxation* (million)	£581	£505	15.0%	R10 377	R8 186	26.8%
Adjusted earnings attributable to shareholders** (million)	£410	£372	10.2%	R7 330	R6 020	21.8%
Adjusted earnings per share**	47.5p	43.1p	10.2%	849.7c	697.9c	21.8%

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

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

Consolidated summarised ongoing income statement

For the year to £'000	31 March 2015	31 March 2014	Variance	% change
Net interest income	539 041	495 043	43 998	8.9%
Net fee and commission income	1 090 435	969 517	120 918	12.5%
Investment income	151 848	188 366	(36 518)	(19.4%)
Trading income arising from				
– customer flow	106 588	103 514	3 074	3.0%
– balance sheet management and other trading activities	(13 041)	14 158	(27 199)	(192.1%)
Other operating income	12 188	18 464	(6 276)	(34.0%)
Total operating income before impairment losses on loans and advances	1 887 059	1 789 062	97 997	5.5%
Impairment losses on loans and advances	(39 352)	(64 326)	24 974	(38.8%)
Operating income	1 847 707	1 724 736	122 971	7.1%
Operating costs	(1 254 009)	(1 203 551)	(50 458)	4.2%
Depreciation on operating leased assets	(1 294)	(5 446)	4 152	(76.2%)
Operating profit before goodwill and acquired intangibles	592 404	515 739	76 665	14.9%
Profit attributable to other non-controlling interests	(11 701)	(10 849)	(852)	7.9%
Profit attributable to Asset Management non-controlling interests	(18 184)	(11 031)	(7 153)	(64.8%)
Operating profit before taxation	562 519	493 859	68 660	13.9%
Taxation	(116 182)	(88 181)	(28 001)	(31.8%)
Preference dividends accrued	(36 427)	(33 812)	(2 615)	(7.7%)
Adjusted attributable earnings to ordinary shareholders	409 910	371 866	38 044	10.2%
Number of weighted average shares (million)	862.7	862.6		
Adjusted earnings per share (pence)	47.5	43.1		10.2%
Cost to income ratio	66.5%	67.5%		

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the year to 31 March 2015 £'000	Statutory as disclosed [^]	Removal of: ^{**}			Ongoing business
		UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	
Net interest income	634 977	12 526	71 143	12 267	539 041
Net fee and commission income	1 089 043	756	(4 876)	2 728	1 090 435
Investment income	128 334	(16 204)	(5 443)	(1 867)	151 848
Trading income arising from					
– customer flow	106 313	350	(415)	(210)	106 588
– balance sheet management and other trading activities	(13 424)	19	(248)	(154)	(13 041)
Other operating income	12 236	–	–	48	12 188
Total operating income before impairment losses on loans and advances	1 957 479	(2 553)	60 161	12 812	1 887 059
Impairment losses on loans and advances	(128 381)	(83 468)	(4 085)	(1 476)	(39 352)
Operating income	1 829 098	(86 021)	56 076	11 336	1 847 707
Operating costs	(1 322 705)	(21 648)	(34 245)	(12 803)	(1 254 009)
Depreciation on operating leased assets	(1 535)	–	(241)	–	(1 294)
Operating profit before goodwill and acquired intangibles	504 858	(107 669)	21 590	(1 467)	592 404
Profit attributable to Asset Management non-controlling interests	(18 184)	–	–	–	(18 184)
Profit attributable to other non-controlling interests	(11 701)	–	–	–	(11 701)
Operating profit before taxation	474 973	(107 669)	21 590	(1 467)	562 519
Taxation*	(99 023)	21 103	(4 232)	288	(116 182)
Preference dividends accrued	(36 427)	–	–	–	(36 427)
Adjusted attributable earnings to ordinary shareholders	339 523	(86 566)	17 358	(1 179)	409 910
Number of weighted average shares (million)	862.7				862.7
Adjusted earnings per share (pence)	39.4				47.5
Cost to income ratio	67.6%				66.5%

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

[^] Refer to page 16 in volume three.

^{**} Where:

- The UK legacy business is as described on pages 88 and 89.
- Sale assets UK refer to the sale of Kensington and Start as discussed on page 22.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 22.

Reconciliation from statutory summarised income statement to ongoing summarised income statement (continued)

		Removal of:**			
		UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	Ongoing business
For the year to 31 March 2014 £'000	Statutory as disclosed ^				
Net interest income	651 679	19 355	94 715	42 566	495 043
Net fee and commission income	989 421	8 981	749	10 174	969 517
Investment income	166 809	(11 793)	(9 764)	–	188 366
Trading income arising from					
– customer flow	103 914	695	(625)	330	103 514
– balance sheet management and other trading activities	10 587	(1 762)	(875)	(934)	14 158
Other operating income	18 554	–	–	90	18 464
Total operating income before impairment losses on loans and advances	1 940 964	15 476	84 200	52 226	1 789 062
Impairment losses on loans and advances	(166 152)	(59 157)	(38 898)	(3 771)	(64 326)
Operating income	1 774 812	(43 681)	45 302	48 455	1 724 736
Operating costs	(1 307 243)	(25 370)	(41 136)	(37 186)	(1 203 551)
Depreciation on operating leased assets	(6 044)	–	(598)	–	(5 446)
Operating profit before goodwill and acquired intangibles	461 525	(69 051)	3 568	11 269	515 739
Profit attributable to Asset Management non-controlling interests	(11 031)	–	–	–	(11 031)
Profit attributable to other non-controlling interests	(10 849)	–	–	–	(10 849)
Operating profit before taxation	439 645	(69 051)	3 568	11 269	493 859
Taxation*	(78 910)	11 808	(610)	(1 927)	(88 181)
Preference dividends accrued	(33 812)	–	–	–	(33 812)
Adjusted attributable earnings to ordinary shareholders	326 923	(57 243)	2 958	9 342	371 866
Number of weighted average shares (million)	862.6				862.6
Adjusted earnings per share (pence)	37.9				43.1
Cost to income ratio	67.6%				67.5%

* Applying the group's effective taxation rate of 17.1%.

[^] Refer to page 16 in volume three.

^{**} Where:

- The UK legacy business is as described on pages 88 and 89.
- Sale assets UK refer to the sale of Kensington and Start as discussed on page 22.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 22.

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

For the year to 31 March 2015 £'000	UK and Other Specialist Banking statutory as disclosed [^]	Removal of: ^{**}			UK and Other Specialist Banking ongoing business
		UK legacy business excluding sale assets	Sale assets UK	Sales assets Australia	
Net interest income	320 973	12 526	71 143	12 267	225 037
Net fee and commission income	225 325	756	(4 876)	2 728	226 717
Investment income	(5 696)	(16 204)	(5 443)	(1 867)	17 818
Trading income arising from					
– customer flow	87 364	350	(415)	(210)	87 639
– balance sheet management and other trading activities	(30 043)	19	(248)	(154)	(29 660)
Other operating income	9 227	–	–	48	9 179
Total operating income before impairment losses on loans and advances	607 150	(2 553)	60 161	12 812	536 730
Impairment losses on loans and advances	(102 707)	(83 468)	(4 085)	(1 476)	(13 678)
Operating income	504 443	(86 021)	56 076	11 336	523 052
Operating costs	(477 969)	(21 648)	(34 245)	(12 803)	(409 273)
Depreciation on operating leased assets	(1 535)	–	(241)	–	(1 294)
Operating profit before goodwill and acquired intangibles	24 939	(107 669)	21 590	(1 467)	112 485
Profit attributable to other non-controlling interests	16 856	–	–	–	16 856
Operating profit before taxation	41 795	(107 669)	21 590	(1 467)	129 341

For the year to 31 March 2014 £'000	UK and Other Specialist Banking statutory as disclosed [^]	Removal of: ^{**}			UK and Other Specialist Banking ongoing business
		UK legacy business excluding sale assets	Sale assets UK	Sales assets Australia	
Net interest income	348 470	19 355	94 715	42 566	191 834
Net fee and commission income	172 195	8 981	749	10 174	152 291
Investment income	97 224	(11 793)	(9 764)	–	118 781
Trading income arising from					
– customer flow	76 655	695	(625)	330	76 255
– balance sheet management and other trading activities	(6 922)	(1 762)	(875)	(934)	(3 351)
Other operating income	14 910	–	–	90	14 820
Total operating income before impairment losses on loans and advances	702 532	15 476	84 200	52 226	550 630
Impairment losses on loans and advances	(126 911)	(59 157)	(38 898)	(3 771)	(25 085)
Operating income	575 621	(43 681)	45 302	48 455	525 545
Operating costs	(505 020)	(25 370)	(41 136)	(37 186)	(401 328)
Depreciation on operating leased assets	(6 044)	–	(598)	–	(5 446)
Operating profit before goodwill and acquired intangibles	64 557	(69 051)	3 568	11 269	118 771
Profit attributable to other non-controlling interests	2 720	–	–	–	2 720
Operating profit before taxation	67 277	(69 051)	3 568	11 269	121 491

[^] Refer to pages 39 and 41 in volume three.

^{**} Where:

- The UK legacy business is as described on pages 88 and 89.
- Sale assets UK refer to the sale of Kensington and Start as discussed on page 22.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 22.

Segmental geographical and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests – ongoing business

For the year to 31 March 2015 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	75 491	73 484	148 975	3.6%	25.7%
Wealth & Investment	56 871	21 910	78 781	19.2%	13.6%
Specialist Banking	129 341	262 918	392 259	18.4%	67.5%
	261 703	358 312	620 015	14.5%	106.8%
Group costs	(30 048)	(9 264)	(39 312)	7.9%	(6.8%)
Total group	231 655	349 048	580 703	15.0%	100.0%
Other non-controlling interest – equity			11 701		
Operating profit			592 404		
% change	11.7%	17.4%	15.0%		
% of total	39.9%	60.1%	100.0%		

For the year to 31 March 2014 £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	67 585	76 234	143 819	28.5%
Wealth & Investment	46 065	20 034	66 099	13.1%
Specialist Banking	121 491	209 925	331 416	65.6%
	235 141	306 193	541 334	107.2%
Group costs	(27 672)	(8 772)	(36 444)	(7.2%)
Total group	207 469	297 421	504 890	100%
Other non-controlling interest – equity			10 849	
Operating profit			515 739	
% of total	41.1%	58.9%	100.0%	

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

£'000	31 March 2015	31 March 2014	% change
Total ongoing UK and Other Specialist Banking per above	129 341	121 491	6.5%
UK legacy remaining	(107 669)	(69 051)	55.9%
UK sale assets	21 590	3 568	> 100.0%
Australian sale assets	(1 467)	11 269	> 100.0%
Total UK and Other Specialist Banking per statutory accounts	41 795	67 277	(37.9%)

Ongoing segmental business and geographic analysis – summarised income statement

For the year to 31 March 2015 £'000	Asset Management			Wealth & Investment		
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total
Net interest income	300	4 007	4 307	6 209	347	6 556
Net fee and commission income	267 111	161 444	428 555	238 661	61 002	299 663
Investment income	–	22	22	3 486	637	4 123
Trading income arising from						
– customer flow	–	–	–	895	129	1 024
– balance sheet management and other trading activities	1 501	(16)	1 485	356	218	574
Other operating income	136	1 554	1 690	1 276	1	1 277
Total operating income before impairment losses on loans and advances	269 048	167 011	436 059	250 883	62 334	313 217
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	269 048	167 011	436 059	250 883	62 334	313 217
Operating costs	(193 557)	(93 527)	(287 084)	(194 012)	(40 424)	(234 436)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill and acquired intangibles	75 491	73 484	148 975	56 871	21 910	78 781
Profit attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	75 491	73 484	148 975	56 871	21 910	78 781
Profit attributable to Asset Management non-controlling interests	(10 053)	(8 131)	(18 184)	–	–	–
Operating profit before goodwill, acquired intangibles and after non-controlling interests	65 438	65 353	130 791	56 871	21 910	78 781
Selected returns and key statistic						
Cost to income ratio	71.9%	56.0%	65.8%	77.3%	64.9%	74.8%

Financial review (continued)

Specialist Banking			Group costs			Total group
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	
225 037	303 141	528 178	–	–	–	539 041
226 717	135 500	362 217	–	–	–	1 090 435
17 818	129 885	147 703	–	–	–	151 848
87 639	17 925	105 564	–	–	–	106 588
(29 660)	14 560	(15 100)	–	–	–	(13 041)
9 179	42	9 221	–	–	–	12 188
536 730	601 053	1 137 783	–	–	–	1 887 059
(13 678)	(25 674)	(39 352)	–	–	–	(39 352)
523 052	575 379	1 098 431	–	–	–	1 847 707
(409 273)	(283 904)	(693 177)	(30 048)	(9 264)	(39 312)	(1 254 009)
(1 294)	–	(1 294)	–	–	–	(1 294)
112 485	291 475	403 960	(30 048)	(9 264)	(39 312)	592 404
16 856	(28 557)	(11 701)	–	–	–	(11 701)
129 341	262 918	392 259	(30 048)	(9 264)	(39 312)	580 703
–	–	–	–	–	–	(18 184)
129 341	262 918	392 259	(30 048)	(9 264)	(39 312)	562 519
76.4%	47.2%	60.9%	n/a	n/a	n/a	66.5%

Ongoing segmental business and geographic analysis – summarised income statement (continued)

For the year to 31 March 2014 £'000	Asset Management			Wealth & Investment		
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total
Net interest income	277	3 641	3 918	7 987	(130)	7 857
Net fee and commission income	244 962	164 379	409 341	217 413	57 964	275 377
Investment income	–	28	28	1 875	308	2 183
Trading income arising from						
– customer flow	–	–	–	389	935	1 324
– balance sheet management and other trading activities	(2 314)	332	(1 982)	(72)	130	58
Other operating income	(129)	3 004	2 875	1 232	2	1 234
Total operating income before impairment losses on loans and advances	242 796	171 384	414 180	228 824	59 209	288 033
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	242 796	171 384	414 180	228 824	59 209	288 033
Operating costs	(175 211)	(95 150)	(270 361)	(182 759)	(39 175)	(221 934)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill and acquired intangibles	67 585	76 234	143 819	46 065	20 034	66 099
Profit attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	67 585	76 234	143 819	46 065	20 034	66 099
Profit attributable to Asset Management non-controlling interests	(5 535)	(5 496)	(11 031)	–	–	–
Operating profit before goodwill, acquired intangibles and after non-controlling interests	62 050	70 738	132 788	46 065	20 034	66 099
Selected returns and key statistic						
Cost to income ratio	72.2%	55.5%	65.3%	79.9%	66.2%	77.1%

Financial review (continued)

Specialist Banking			Group costs			Total group
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	
191 834	291 434	483 268	–	–	–	495 043
152 291	132 508	284 799	–	–	–	969 517
118 781	67 374	186 155	–	–	–	188 366
76 255	25 935	102 190	–	–	–	103 514
(3 351)	19 433	16 082	–	–	–	14 158
14 820	(465)	14 355	–	–	–	18 464
550 630	536 219	1 086 849	–	–	–	1 789 062
(25 085)	(39 241)	(64 326)	–	–	–	(64 326)
525 545	496 978	1 022 523	–	–	–	1 724 736
(401 328)	(273 484)	(674 812)	(27 672)	(8 772)	(36 444)	(1 203 551)
(5 446)	–	(5 446)	–	–	–	(5 446)
118 771	223 494	342 265	(27 672)	(8 772)	(36 444)	515 739
2 720	(13 569)	(10 849)	–	–	–	(10 849)
121 491	209 925	331 416	(27 672)	(8 772)	(36 444)	504 890
–	–	–	–	–	–	(11 031)
121 491	209 925	331 416	(27 672)	(8 772)	(36 444)	493 859
73.6%	51.0%	62.4%	n/a	n/a	n/a	67.5%

Ongoing segmental geographic analysis – summarised income statement

For the year to £'000	31 March 2015			31 March 2014		
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total
Net interest income	231 546	307 495	539 041	200 098	294 945	495 043
Net fee and commission income	732 489	357 946	1 090 435	614 666	354 851	969 517
Investment income	21 304	130 544	151 848	120 656	67 710	188 366
Trading income arising from						
– customer flow	88 534	18 054	106 588	76 644	26 870	103 514
– balance sheet management and other trading activities	(27 803)	14 762	(13 041)	(5 737)	19 895	14 158
Other operating income	10 591	1 597	12 188	15 923	2 541	18 464
Total operating income before impairment losses on loans and advances	1 056 661	830 398	1 887 059	1 022 250	766 812	1 789 062
Impairment losses on loans and advances	(13 678)	(25 674)	(39 352)	(25 085)	(39 241)	(64 326)
Operating income	1 042 983	804 724	1 847 707	997 165	727 571	1 724 736
Operating costs	(826 890)	(427 119)	(1 254 009)	(786 970)	(416 581)	(1 203 551)
Depreciation on operating leased assets	(1 294)	–	(1 294)	(5 446)	–	(5 446)
Operating profit before goodwill and acquired intangibles	214 799	377 605	592 404	204 749	310 990	515 739
Profit attributable to other non-controlling interests	16 856	(28 557)	(11 701)	2 720	(13 569)	(10 849)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	231 655	349 048	580 703	207 469	297 421	504 890
Profit attributable to Asset Management non-controlling interests	(10 053)	(8 131)	(18 184)	(5 535)	(5 496)	(11 031)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	221 602	340 917	562 519	201 934	291 925	493 859

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

	Removal of:**				
	Statutory as disclosed [^]	UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	Ongoing business
31 March 2015 (£'000)					
Gross core loans and advances to customers	17 440 985	871 491	–	–	16 569 494
Total impairments	(252 075)	(142 871)	–	–	(109 204)
Portfolio impairments	(43 727)	–	–	–	(43 727)
Specific impairments	(208 348)	(142 871)	–	–	(65 477)
Net core loans and advances to customers	17 188 910	728 620	–	–	16 460 290
31 March 2014 (£'000)					
Gross core loans and advances to customers	17 421 930	1 257 077	427 690	1 363 146	14 374 017
Total impairments	(264 563)	(150 636)	(54)	(2 086)	(111 787)
Portfolio impairments	(26 337)	–	–	–	(26 337)
Specific impairments	(238 226)	(150 636)	(54)	(2 086)	(85 450)
Net core loans and advances to customers	17 157 367	1 106 440	427 636	1 361 060	14 262 230

[^] Refer to page 31 in volume two.

** Where:

- The UK legacy business is as described on pages 88 and 89, adjusted for the transfer of assets to the ongoing business.
- Sale assets UK refer to the sale of Kensington and Start as discussed on page 22.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed on page 22.

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

	UK and Other		Southern Africa		Total group	
£'000	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Gross core loans and advances to customers	6 378 070	5 367 654	10 191 424	9 006 363	16 569 494	14 374 017
Total impairments	(45 573)	(40 527)	(63 631)	(71 260)	(109 204)	(111 787)
Portfolio impairments	(34 182)	(16 437)	(9 545)	(9 900)	(43 727)	(26 337)
Specific impairments	(11 391)	(24 090)	(54 086)	(61 360)	(65 477)	(85 450)
Net core loans and advances to customers	6 332 497	5 327 127	10 127 793	8 935 103	16 460 290	14 262 230
Average gross core loans and advances to customers	5 872 862	5 055 817	9 598 894	9 634 116	15 471 756	14 689 933
Current loans and advances to customers	6 237 545	5 153 666	9 916 754	8 724 114	16 154 299	13 877 780
Past due loans and advances to customers (1-60 days)	71 669	92 662	29 343	42 504	101 012	135 166
Special mention loans and advances to customers	30 013	66 595	37 080	38 042	67 093	104 637
Default loans and advances to customers	38 843	54 731	208 247	201 703	247 090	256 434
Gross core loans and advances to customers	6 378 070	5 367 654	10 191 424	9 006 363	16 569 494	14 374 017
Total income statement charge for impairments on core loans and advances	(11 993)	(25 085)	(27 359)	(39 241)	(39 352)	(64 326)
Gross default loans and advances to customers	38 843	54 731	208 247	201 703	247 090	256 434
Portfolio impairments	(34 182)	(16 437)	(9 545)	(9 900)	(43 727)	(26 337)
Specific impairments	(11 391)	(24 090)	(54 086)	(61 360)	(65 477)	(85 450)
Defaults net of impairments before collateral held	(6 730)	14 204	144 616	130 443	137 886	144 647
Collateral and other credit enhancements	12 297	31 401	207 561	202 153	219 858	233 554
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–
Ratios:						
Total impairments as a % of gross core loans and advances to customers	0.71%	0.76%	0.62%	0.79%	0.66%	0.78%
Total impairments as a % of gross default loans	117.33%	74.05%	30.56%	35.33%	44.20%	43.59%
Gross defaults as a % of gross core loans and advances to customers	0.61%	1.02%	2.04%	2.24%	1.49%	1.78%
Defaults (net of impairments) as a % of net core loans and advances to customers	–	0.27%	1.43%	1.46%	0.84%	1.01%
Net defaults as a % of net core loans and advances to customers	–	–	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.20%	0.50%	0.28%	0.42%	0.25%	0.44%

Financial review (continued)

Return on equity by country and business – ongoing basis

£'000	31 March 2015	31 March 2014	Average	31 March 2013	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	3 085 374	2 861 406	2 973 390	2 807 551	2 834 479
Goodwill and intangible assets (excluding software)	(494 111)	(577 816)	(535 964)	(626 870)	(602 343)
Adjusted tangible shareholders' equity	2 591 263	2 283 590	2 437 426	2 180 681	2 232 136

£'000	31 March 2015	31 March 2014
Operating profit before goodwill impairment and non-operational items	592 404	515 739
Minority interests	(29 885)	(21 880)
Accrued preference dividends, adjusted for currency hedge	(36 427)	(33 812)
Revised operating profit	526 092	460 047
Tax on ordinary activities	(116 182)	(88 181)
Revised operating profit after tax	409 910	371 866
Pre-tax return on average adjusted shareholders' equity	17.7%	16.2%
Post-tax return on average adjusted shareholders' equity	13.8%	13.1%
Pre-tax return on average adjusted tangible shareholders' equity	21.6%	20.6%
Post-tax return on average adjusted tangible shareholders' equity	16.8%	16.7%

2

Divisional review



Group divisional structure

Investec is a focused specialist bank and asset manager striving to be distinctive in all that it does

Our strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in our principal business areas. Our core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from

financial risk businesses. This ensures that we are not over-reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives.

Our current strategic objectives include increasing the proportion of our non-lending revenue base which we largely intend to achieve through the continued strengthening and development of our wealth and asset management businesses.

Asset Management

What we do

4Factor™ equities
Quality
Frontier and emerging market equities
Value
Commodities and resources
Emerging market fixed income
Multi-Asset

Where we operate

Africa
Americas and Japan
Asia Pacific
Europe
UK

Wealth & Investment

What we do

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

Where we operate

Southern Africa
UK and Europe

Specialist Banking

What we do

Property activities
Private Banking activities
Corporate Advisory and Investment activities
Corporate and Institutional Banking activities
Group Services and Other activities

Where we operate

Australia
Canada
Hong Kong
India
Southern Africa
UK and Europe
USA

Integrated global management structure

Global roles

Chief executive officer Managing director		Executive director Group risk and finance director		Hendrik du Toit Glynn Burger	
Geographical business leaders	 South Africa Andy Leith Glynn Burger	Specialist Banking Property activities Sam Hackner Private Banking activities Ciaran Whelan Corporate Advisory and Investment activities Andy Leith Corporate and Institutional Banking activities David van der Walt	Asset Management Hendrik du Toit	Support structures	Banking and institutions David Lawrence
	 United Kingdom David van der Walt Steve Elliott				Chief integrating officer Allen Zimble
					Corporate governance and compliance Bradley Tapnack
					Marketing Raymond van Niekerk
			Wealth & Investment Steve Elliott		Finance and risk management Glynn Burger
					Share schemes and secretarial Les Penfold

Asset Management

At Investec Asset Management, we want to assist people around the globe to retire with dignity. We do this by assisting institutional asset owners and financial advisors to meet the investment objectives of their members and clients. Our business is to manage clients' investments to the highest standard possible by exceeding their investment and client service expectations

Investec Asset Management is a global provider of active investment management services. Established in 1991 in South Africa, we have built a successful global investment management firm from emerging markets. We are still managed by our founding members whose tenure and continuity has balanced stability and growth.

Our investment team of approximately 175 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our target clients around the globe. These teams are supported by our global investment and operational infrastructure.

Global head of Asset Management: Hendrik du Toit (chief executive officer)

Our value proposition

- Organically built an independent global platform from an emerging market base
- Independently managed entity within the Investec group
- Competitive investment performance in chosen specialities
- Global approach:
 - global investing
 - global client base
 - global operations platform
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership.

Annual highlights

**Net inflows of
£3.1 billion
(2014: £2.6 billion)**

**Assets under management
£77.5 billion
(2014: £68.0 billion)**

**Operating profit before
non-controlling interests
increased by 3.6% to
£149.0 million, contributing
25.7% to group profit**

**Operating margin
34.2%
(2014: 34.7%)**

Global executive committee

Chief executive officer
Hendrik du Toit

Chief operating officer
Kim McFarland

Global head of client group
John Green

Co-chief investment officer
Domenico (Mimi) Ferrini

Co-chief investment officer
John McNab

Capabilities and organisational structure

Equity	Fixed Income	Multi-Asset	Alternative
- Global - Regional - Income - Emerging markets - Frontier markets	- Developed markets - Emerging markets - Multi-strategy	- Global growth - Emerging markets - Global income	- Commodities and resources - Private equity - Private debt

What we do

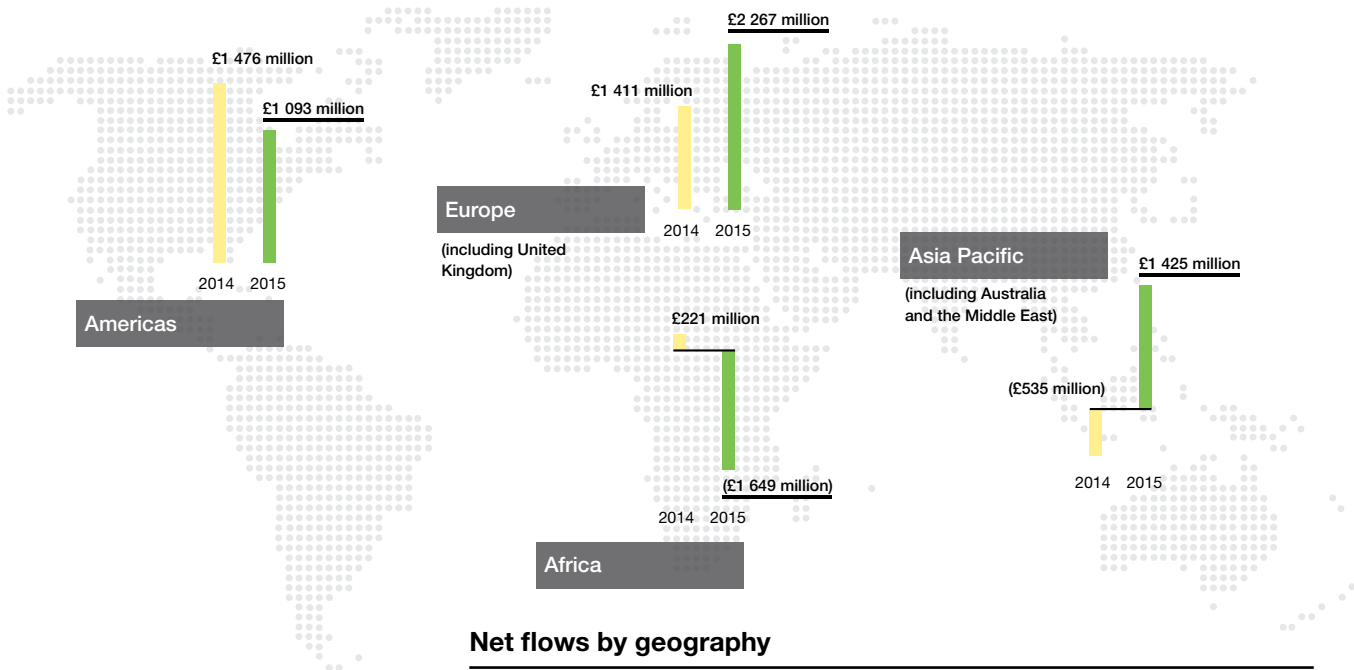


Client groups

United Kingdom	Africa	Americas	Asia Pacific	Europe

Global investment and operational infrastructure

Where we operate

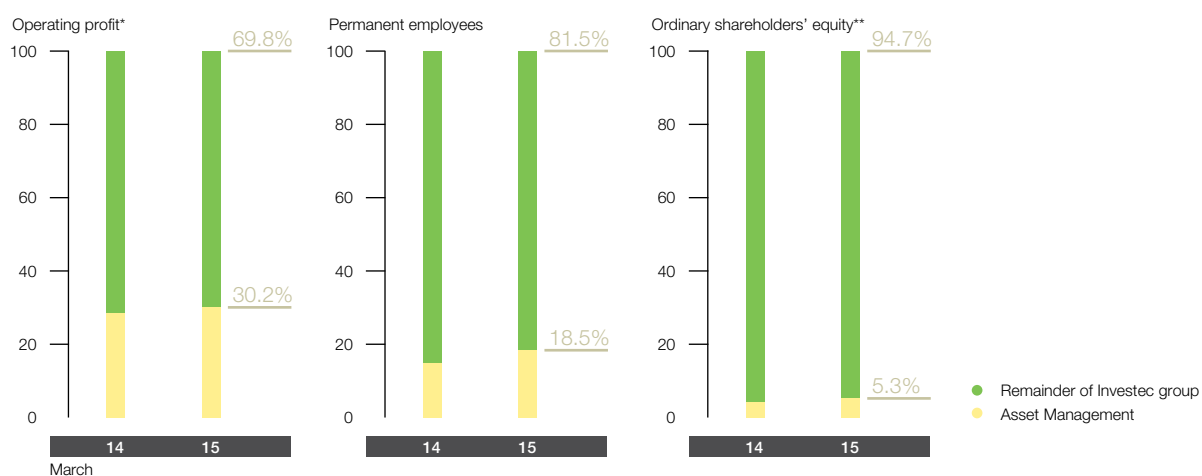


Net flows by geography

Financial years to 31 March 2014 and 31 March 2015.

Asset Management (continued)

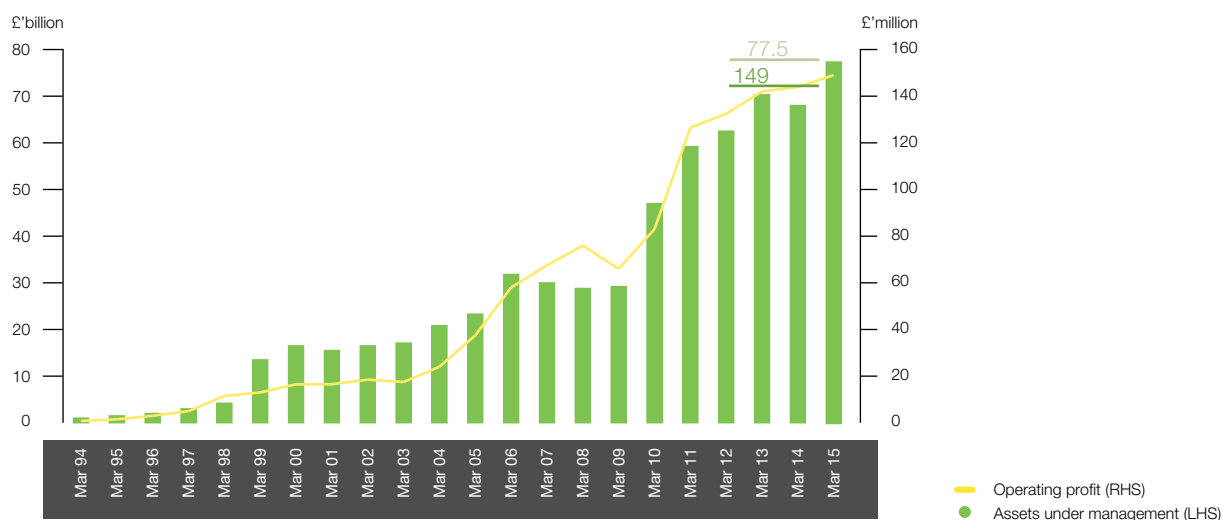
Financial analysis



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

** As calculated on page 52, based on regulatory capital requirements.

Historical financial performance



Income statement analysis

£'000	31 March 2015	31 March 2014	Variance	% change
Net interest income	4 307	3 918	389	9.9%
Net fee and commission income	428 555	409 341	19 214	4.7%
Investment income	22	28	(6)	(21.4%)
Trading income arising from balance sheet management and other trading activities	1 485	(1 982)	3 467	> 100.0%
Other operating income	1 690	2 875	(1 185)	(41.2%)
Total operating income	436 059	414 180	21 879	5.3%
Operating costs	(287 084)	(270 361)	(16 723)	6.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests	148 975	143 819	5 156	3.6%
Profit attributable to Asset Management non-controlling interests**	(18 184)	(11 031)	(7 153)	(64.8%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	130 791	132 788	(1 997)	(1.5%)
UK and Other	65 438	62 050	3 388	5.5%
Southern Africa	65 353	70 738	(5 385)	(7.6%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	130 791	132 788	(1 997)	(1.5%)
Selected returns and key statistics				
Ordinary shareholders' equity*	160 648	147 123	13 525	9.2%
ROE (pre-tax)*	95.2%	104.1%		
Return on tangible equity (pre-tax)*	236.3%	328.5%		
Operating margin	34.2%	34.7%		
Operating profit per employee (£'000)*^	169.5	176.5	(7.0)	(4.0%)

* As calculated on pages 52 and 53, based on regulatory capital requirements.

** Earnings after tax attributable to non-controlling interests includes the portion of earnings attributable to the 15% shareholding in the business by employees.

^ Operating profit per employee excludes Silica, our third party administration business.

The variance in operating profit over the year can be explained as follows:

- Rising equity markets and strong fixed income and real estate markets, on the back of quantitative easing, continued to support the performance of asset management firms over the year, including our business. The volatility in emerging markets, specifically emerging market currencies, continued throughout the financial year and has impacted our more recent earnings growth. Performance fees also decreased over the year and impacted our more recent earnings growth.
- Against this backdrop, our operating profit before non-controlling interests, grew by 3.6%. We continue to invest for the longer term and do not focus on short-term earnings.
- Performance fees decreased over the year (£30.5 million) as compared with the prior year (£36.4 million).

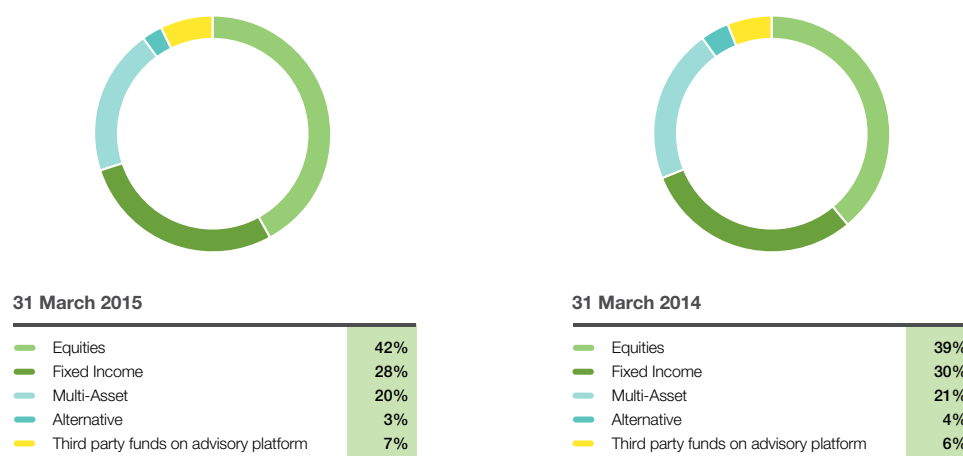
Asset Management (continued)

Assets under management and flows

£'million	AUM 31 March 2015	Net inflows	AUM 31 March 2014 [^]
Equities	32 494	2 234	26 310
Fixed Income	21 950	1 122	20 193
Multi-Asset	15 122	(444)	14 179
Alternative	2 657	(184)	3 050
Third party funds on advisory platform	5 287	408	4 285
Total	77 510	3 136	68 017

[^] The asset class splits for 31 March 2014 have been restated due to a reclassification of some investment mandates over the financial year.

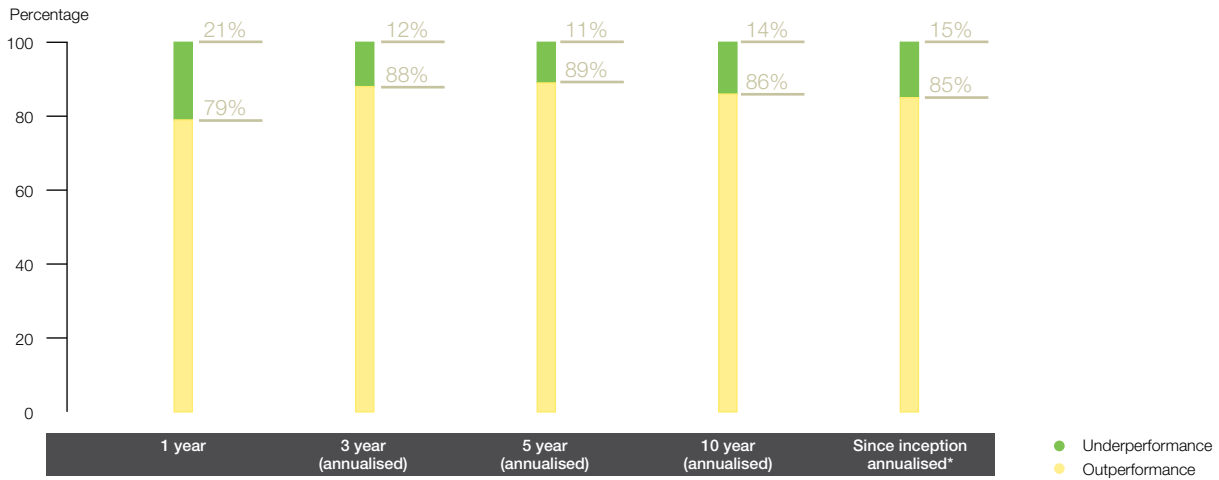
Assets under management by asset class



Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients' expectations around agreed, well-defined return and risk parameters. We measure our investment performance relative to peer groups and against benchmarks over one, three, five and 10-year periods, and since inception. Our long-term track record remains competitive.

Segregated mandates performance



* Since the inception date of each portfolio, only annualised if inception date is older than 12 months.

Source: Calculated by Investec Asset Management gross of fees, portfolio weighted. Performance to 31 March 2015.

Note: Outperformance (underperformance) is calculated as the sum of the total market values for those portfolios that have positive active returns (negative active returns) expressed as a percentage of total assets under management. Market values for the indicated date are used for all periods shown.

Independent recognition

Financial year 2015

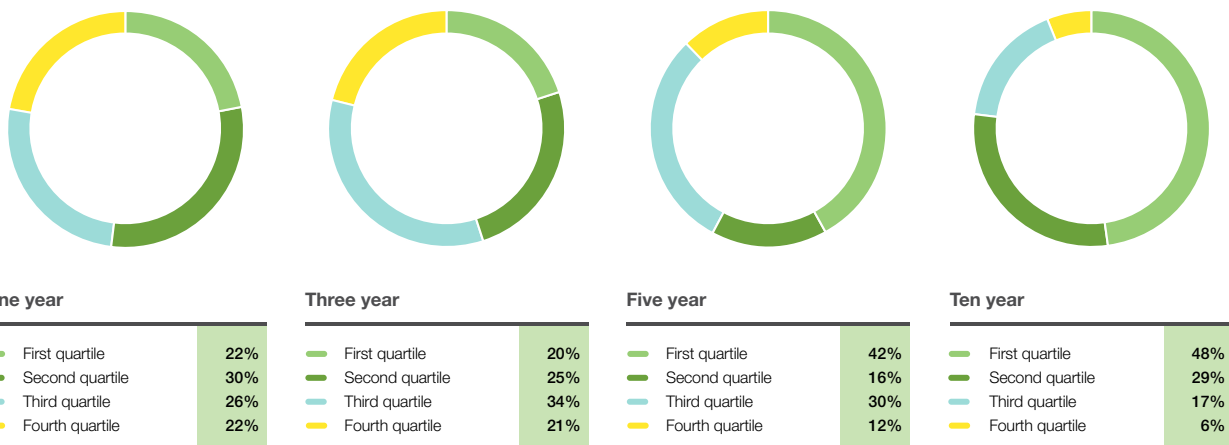
Winner of CIO Industry Innovation Award in the Emerging Markets category

Winner of EMEA Finance's Best Asset Manager in Africa Award for the fourth year running

Winner of Private Equity Africa Award for house recognition

Winner of African Banker Award for Fund of the year

Mutual funds investment performance



Source: Calculated from Morningstar data by value; excludes cash, cash plus and liquidity funds. Performance to 31 March 2014.

Questions and answers



Hendrik du Toit

Chief executive officer

Can you give us an overview of the environment in which you operate?

A Superficially rising markets have created a benign environment for investment managers, but this year was not without its challenges. The volatility in emerging markets, specifically emerging market currencies, continued throughout the financial year and has impacted our short-term growth as well as demand for some of our services. Furthermore, we have had some capacity constraints across some of our strategies. These were caused by the extremely low levels of liquidity available in financial markets. Without these constraints our net inflows would have been substantially higher.

Regulatory initiatives continue across geographies and, given the global nature of our business, consume more and more resources and management time. We do not see this changing in the near term for our industry. Our industry remains fiercely competitive thus requiring constant productivity increases to assure margin retention.

What have been the key developments in the business over the financial year?

A This financial year we continued to invest in growth initiatives across the business. We have invested in building out our Equities and Multi-Asset capabilities, expanded our footprint in most of our large markets and continued to invest in our global support functions. Big wins for the past year were the excellent performance of our global equities business, the graduation of our global Multi-Asset offering onto many consultants' buy lists and evidence of significant institutional traction in this important growth area.

Our European and Asia Pacific client groups delivered strong net inflows after years of hard work and investment. Our South African business has experienced outflows but we have simplified and focused the business with a clear plan to turn the momentum decisively over the next few years.

Our firm is well positioned in our target markets around the world and as a result of this we are pleased to report the eighth consecutive year of positive net inflows. We continue to attract top talent into our business while maintaining stability across our firm.

What are your strategic objectives in the coming year?

A Our primary goal is to deliver on our clients' mandates. Our reason for existence is to look after other people's money. If we pursue their interests, we will do well.

With a long-term horizon and through five geographically defined client groups, we serve the largest and most sophisticated institutional investors and asset platforms, irrespective of where they may be based. We are also committed to building a strong presence in the advisor market in select regions.

Our strategic objectives are to invest in and nurture growth opportunities, enhance depth and quality, and position the firm for long-term sustainability.

Furthermore, recognising that this is, above all, a people's business, we continue to do our best to attract, develop and promote talent within a stable environment with a long future.

What is your outlook for the coming year?

A Our business has a long-term horizon and as such we do not manage our business for the short-term. However, we believe that the opportunity for growth over the next five years is significant. Our momentum is positive and we are confident that we are well positioned to face the future.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

A In our role as a global asset manager, our primary goal is to deliver on our clients' mandates. We want to assist our clients to retire with dignity or meet their financial objectives. The essential purpose of which is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this by assuming a stewardship role over our clients' assets, including exercising of their ownership rights. This includes ensuring that our investments adhere to appropriate ESG standards and considers both risk and opportunities stemming from ESG issues. We believe this approach benefits both our clients and the social realms in which we invest and operate.

Wealth & Investment

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

Global head: Steve Elliott

UK head: Jonathan Wragg

South Africa head: Henry Blumenthal

Switzerland head: Peter Gyger

Ireland Wealth Management head: Eddie Clarke



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

Today the business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities. Through the alliance of Investec Private Client Securities in South Africa, Investec Wealth & Investment Limited in the UK, Investec Bank Switzerland, Investec Wealth & Investment Ireland and Investec Wealth & Investment Channel Islands, Investec Wealth & Investment is one of the UK's leading private client investment managers, the largest in South Africa, and has a significant European presence.

Our value proposition

Annual highlights

- Investec Wealth & Investment has been built via the acquisition and integration of businesses and organic growth over a long period of time
- Well-established platforms in the UK, South Africa, Switzerland, Ireland and Guernsey
- The business currently has four distinct channels: direct, intermediaries, charities and international, and is progressing developing its online capabilities to form a fifth 'digital' distribution channel
- Strategy to internationalise within jurisdictions where the Investec group already has an established business
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

Operating profit up 19.2% to £78.8 million, contributing 13.6% to group profit

Assets under management up 13.0% to £46.1 billion

Operating margin 25.2% (2014: 22.9%)

Net new flows of £2.7 billion

What we do and where we operate

UK and Europe

Investments and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Independent financial planning advice for private clients
- Specialist portfolio management services for international clients.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pensions (SIPPs)
- Advice and guidance on pension schemes, life assurance and income protection schemes.

Tax planning

- Succession planning
- ISAs
- Retirement planning
- Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS).

The European operations are conducted through Investec Wealth & Investment Limited in the UK, Investec Bank Switzerland, Investec Wealth & Investment Ireland, and in Guernsey through Investec Wealth & Investment Channel Islands.

Over 1 150 staff operate from offices located throughout the UK and Europe, with combined funds under management of £29.6 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

South Africa

Investec Wealth & Investment South Africa provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts, operating from eight offices across South Africa with R89.4 billion of discretionary and annuity managed assets, and a further R207.4 billion of funds under various other forms of administration.



Europe

Brand well established

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

One of the leading private client investment managers

Proven ability to attract and recruit investment managers



South Africa

Strong brand and positioning
Largest player in the market

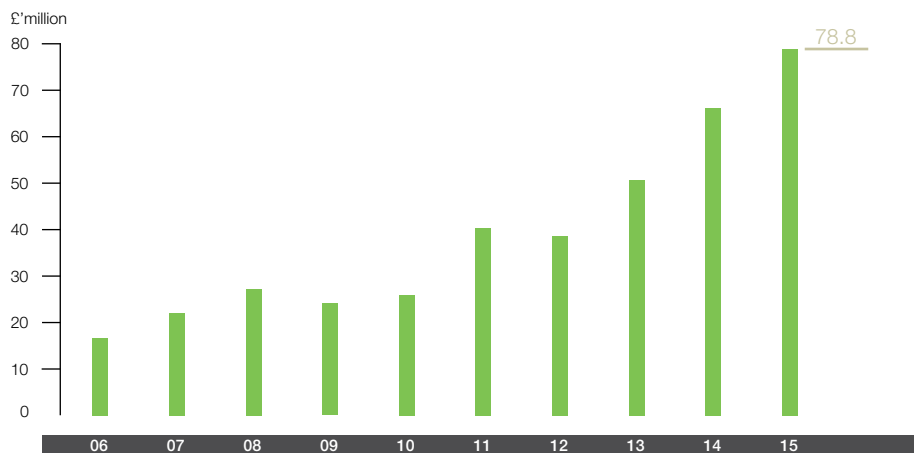
Financial analysis



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

** As calculated on page 52, based on regulatory capital requirements.

Operating profit[^] — track record



[^] Trend reflects numbers as at the year ended 31 March. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. Prior to 2008, amounts have not been adjusted for non-controlling interests.

Income statement analysis

£'000	31 March 2015	31 March 2014	Variance	% change
Net interest income	6 556	7 857	(1 301)	(16.6%)
Net fee and commission income	299 663	275 377	24 286	8.8%
Investment income	4 123	2 183	1 940	88.9%
Trading income arising from				
– customer flow	1 024	1 324	(300)	(22.7%)
– balance sheet management and other trading activities	574	58	516	> 100.0%
Other operating income	1 277	1 234	43	3.5%
Total operating income	313 217	288 033	25 184	8.7%
Operating costs	(234 436)	(221 934)	(12 502)	5.6%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests	78 781	66 099	12 682	19.2%
UK and Europe	56 871	46 065	10 806	23.5%
South Africa	21 910	20 034	1 876	9.4%
Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests	78 781	66 099	12 682	19.2%
Selected returns and key statistics				
Ordinary shareholders' equity*	255 318	292 650	(37 332)	(12.8%)
ROE (pre-tax)*	25.5%	19.9%		
Return on tangible equity (pre-tax)*	136.1%	142.1%		
Operating margin	25.2%	22.9%		
Operating profit per employee (£'000)*	54.0	48.7	5.3	10.9%

* As calculated on pages 52 and 53, based on regulatory capital requirements.

The variance in operating profit over the year can be explained as follows:

- The UK and Europe operations have benefited from higher average funds under management in the UK, with a 9% increase in the closing relevant market indices compared to the prior year. Continued investment in the division's platforms and the employment of additional professional investment managers has supported solid net inflows during the year. Operating margins have improved from 20.1% in 2014 to 22.7%
- The South African business posted an operating profit of R390 million, an increase of 20.7% over the prior year, benefiting from higher average funds under management and solid discretionary and annuity asset net inflows. In addition, the business has continued to successfully leverage off the division's global investment platform and the group's integrated Private Client offering (One Place).

Analysis of key earnings drivers (funds under management)

£'million	31 March 2015	31 March 2014*	% change
UK and Europe	29 562	26 574	11.2%
Discretionary	21 602	18 513	16.7%
Non-discretionary and other	7 960	8 061	(1.3%)
South Africa	16 514	14 198	16.3%
Discretionary and annuity assets	4 974	4 189	18.7%
Non-discretionary and other	11 540	10 009	15.3%
Total	46 076	40 772	13.0%

* Restated to reflect internal adjustments to the jurisdiction in which funds under management are recognised.

Wealth & Investment (continued)

UK and Europe: analysis of key drivers (funds under management and flows)

Funds under management

£'million	31 March 2015	31 March 2014*	% change
Investec Wealth & Investment Limited (UK)	27 319	24 176	13.0%
Discretionary	21 128	18 185	16.2%
Non-discretionary	5 971	5 753	3.8%
Other	220	238	(7.6%)
Rest of Europe	2 243	2 398	(6.5%)
Discretionary	474	328	44.5%
Non-discretionary	1 769	2 070	(14.5%)
Total	29 562	26 574	11.2%

* Restated as per note on page 79.

Further analysis of the Investec Wealth & Investment Limited UK business

Funds under management and flows

£'billion	31 March 2015	31 March 2014***	% change
At the beginning of the year	24.18	22.27	
Inflows	2.90	2.48	
Outflows	(1.02)	(1.23)	
Market adjustment^	1.34	0.70	
Transfers*	(0.08)	(0.04)	
At the end of the year	27.32	24.18	13.0%
WMA Private Investors Balanced Index (at year end)	3 684	3 385	8.8%
Annualised underlying rate of net organic growth in total funds under management**	7.8%	5.6%	
% of total funds managed on a discretionary basis	78.1%	76.2%	

^ Impact of market movement and relative performance.

* Reflects the transfer of clients from Investec Bank Switzerland and the reclassification of assets between jurisdictions.

** Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.

*** Restated as per note on page 79.

South Africa: analysis of key earnings drivers (funds under management and flows)

Funds under management

R'million	31 March 2015	31 March 2014*	% change
Discretionary and annuity assets	89 382	73 558	21.5%
Non-discretionary	207 379	175 757	18.0%
Total	296 761	249 315	19.0%

* Restated as per note on page 79.

Net inflows/(outflows) at cost over the period

R'million	31 March 2015	31 March 2014*
Discretionary and annuity assets	6 261	4 959
Non-discretionary	8 065	(2 616)^
Total	14 326	2 343

^^ Largely relating to clients who have moved their portfolios to another institution to serve as collateral in a transaction they were concluding.

* Restated as per note on page 79.

Questions and answers



Steve Elliott

Global head

Can you give us an overview of the environment in which you operated over the past year?

A UK equity markets saw much greater volatility during the second half of the financial year than the first half. Equity indices had begun the year in a positive mood, but by September 2014 political and economic risks caused the main indices to fall sharply. Despite a period of volatility, equity indices recovered their lost ground and the FTSE 100 reached an all-time high, finally breaking through 7 000 points. While the UK business has benefited from this recovery during the second half, income growth has been pegged back somewhat by the level of transactional volumes, which have remained subdued in reflection of the element of caution which remains in investor sentiment.

The regulatory environment continues to place increasing pressures on UK investment management businesses. This is contributing to consolidation within the UK investment management sector, which remains a continuing feature of the landscape. We continue to pursue opportunities to recruit experienced investment managers who are attracted by the strength of our offering.

Recent events in the Swiss financial markets have given us a chance to examine a wider range of opportunities to grow the business.

The recent positive momentum and growth in the Irish economy continued. With confidence returning, clients are actively seeking investment solutions, particularly in light of the low interest rate environment, and there has been greater demand for portfolio management, diversification, and risk-adjusted returns.

In South Africa, the 12 months to end March 2015 proved to be volatile with the JSE reaching a peak of 53 575 and a low during the period of 46 068. This volatility occurred as a result of global economic conditions with accommodative monetary policy and the downturn in commodity prices. Global growth was modest with two of the world's largest economies, China and the Eurozone, having seen economic growth slow significantly. The spread between US and German 10-year government bond yields widened considerably and Euro quantitative easing weakened the Euro even further. Investors favoured comparatively higher yielding US debt, strengthening the US Dollar with purchases into the safe haven currency.

The Rand has lost significant ground on US Dollar strength although Euro weakness saw the Rand strengthening against the common currency, but not against the UK Pound. The outlook for inflation has been lowered both globally and in South Africa, which has lowered global interest rate expectations. South Africa's benchmark government bond has seen its yield drop below 7.00% after starting the period at 8.39%, with foreign net purchases of South African bonds and equities recorded at R24.6 billion – a figure which obscures the swings in investor sentiment to some degree.

What have been the key developments in the business over the past financial year?

A In the UK, we recognised the increasing need for investment management services to be delivered digitally. Hence we recently announced the development of Investec Click & Invest, which will be one of the first online discretionary investment management services. This new offering

will complement our core investment management service and ensure that we are ready to meet the needs of our clients as they change over time, and reach out to individuals who may not otherwise have formed part of our traditional client base. Our business is built on delivering a bespoke service to our clients, which is tailored to the need of each individual, and our digital capability must reflect this. Consequently, we are continuing to enhance those elements of our core offering that can be delivered digitally, in addition to the development of Investec Click & Invest.

The UK business has formally launched its Private Office service during the year, which draws on all of the resources we can offer to meet the needs of higher net worth individuals. Our ability to offer clients a choice of jurisdictions in which to custody their assets, along with access to banking services that the wider Investec group can provide, enables us to meet the more complex needs of these individuals.

While we pursue specific and measured opportunities for growth, our focus on ensuring that we provide our existing clients with the highest possible service will always be fundamental to what we do. Our offices across the UK have achieved rates of net organic growth in funds under management during the year that are ahead of our long-term target. This achievement reflects our continuing focus on the quality of our service and the strength of our investment processes.

In South Africa, we have focused on the expansion of our investment range, the further integration of our global investment forums and the practical application of technology to provide a transparent and cohesive view of the investor's domestic and international investment holdings. Central to this was the roll-out of the One Place strategy which focused strategically on bringing the Private Banking and Wealth & Investment capabilities closer together around the client. We also opened an office in Stellenbosch to service and grow our client base in that region.

During the year, the South African business continued to enhance its range of domestic and international investment mandates for investors and has been able to deliver positive performance across a number of these. This, together with the depth of investment process and stability of experienced staff, allowed for robust growth in assets under management.

The expansion of the South African offshore offering included launching the segregated Global Leaders Portfolio, a high conviction, concentrated portfolio of leading companies listed in the major developed markets. We have also enhanced our digital capabilities to offer our local and international discretionary investment management services through our Online Portfolio Management service at lower minimum investment levels to existing Wealth & Investment clients and soon to all Investec private clients.

What are your strategic objectives in the coming year?

A Serving our existing client base to the best of our ability is central to the strategy of our global Wealth & Investment business, and the foundation on which our future growth and success will be built. We strive to always look forward to predict how our clients' needs will change over time, in order that we can plan to meet those needs into the future. We expect that an increasing portion of our clients will demand more of the service they receive from us to be delivered digitally going forward. With this in mind, we are investing resources to enhance our digital offering to our current and future clients across all geographies.

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In the UK, a key priority is the development of the Investec Click & Invest service, which we aim to launch during the 2016 financial year. We are also developing digital enhancements to our core service, which are becoming increasingly relevant to our clients. While the digital world brings with it opportunities to enhance the service we provide to our clients, it also brings challenges and risks. The security of our clients' assets is imperative and we continue to invest in our security infrastructure as our digital offering develops.

We remain committed to the continuous development and expansion of our financial planning capability, which is key to our offering and enables clients to access advice in relation to their wider financial position and objectives. Financial planning seems to be growing in importance and the complexity of the personal financial world continues to increase.

We are also seeking to selectively broaden our international presence and build on the opportunities that the geographical spread of our platforms presents. We expect to launch a small operation hosted by the group's Hong Kong office over the coming months, which will enable us to explore the potential for growth in that market.

In Switzerland we will continue to look for opportunities in the domestic market by offering services mainly to external asset managers and expatriates.

In South Africa, we continue to reinforce our leading market position by focusing on our clients' needs and on internationalising the offering. Our strategy of working together with the Private Banking business to offer our private clients an integrated banking and investment solution, both locally and internationally, has proved successful and we will continue to enhance and improve this offering.

We are starting to gain traction with our Independent Financial Advisors' strategy and look to develop it further, investing in dedicated resources to drive and build the business. We are also looking at the Charitable Trust business to manage charitable funds and trusts for our high net worth clients.

What is your outlook for the coming year?

A While UK equity indices have recovered from the low point of the second half of the financial year and the FTSE 100 has reached a record high, there remain significant economic and geopolitical risks which have the potential to cause further volatility.

In South Africa, the JSE entered a more volatile period during the last quarter of the financial year. Nevertheless, our positive outlook remains with many of the global threats slowly receding. Electricity load shedding and general weak demand have dampened a potential recovery in economic growth, and will likely continue to weigh on the economy going forward. Despite its challenges, there is still a case to own South African equities, particularly those with global exposure. The big picture remains the same, 'risk' assets are cheap relative to 'insurance' assets, and the corporate sector that supports these risk assets is healthy.

The proven resilience of our business model and the opportunities which we are pursuing through our strategy means we look forward to the forthcoming financial year with confidence.

Specialist Banking

Specialist expertise delivered with dedication and energy

Global heads

Andy Leith

Sam Hackner

David van der Walt

Ciaran Whelan

Corporate Advisory and Investment activities

Property activities

Corporate and Institutional Banking activities

Private Banking activities

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



Further information on the Specialist Banking management structure is available on our website: www.investec.com

Our value proposition

- High-quality specialist banking solution to corporate, institutional and private clients with leading positions in selected areas
- Provide high touch personalised service
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Balanced business model with good business depth and breadth.

Annual highlights

Operating profit (ongoing)
up 18.4% to
£392.3 million

Operating profit (statutory)
up 9.9% to
£304.7 million

63.1%
cost to income
(2014: 63.2%)

Loans and advances
£17.2 billion

15.9%
ROE (pre-tax) (ongoing
business)
(2014: 11.8%)

Customer deposits
£22.6 billion

What we do

High income and high net worth private clients

Private Banking activities

Transactional banking and foreign exchange
Lending
Deposits
Investments

Southern Africa
UK and Europe

Corporates/government/institutional clients

Corporate Advisory and Investment activities

Advisory
Principal investments
Property investment fund management

Australia
Hong Kong
India
Southern Africa
UK and Europe

Corporate and Institutional Banking activities

Treasury and trading services
Specialised lending, funds and debt capital markets
Institutional research sales and trading

Australia
Hong Kong
India
Southern Africa
UK and Europe
USA

Integrated systems and infrastructure

Where we operate



North America

Distribution platform
Growing advisory and PFI capabilities



UK and Europe

Brand well established
Sustainable business on the back of client flow



Beijing

Representative office



Hong Kong

Investment activities
Distribution platform



India

Established a presence in 2010
Facilitates the link between India, UK and South Africa



South Africa

Strong brand and positioning
Leading in corporate institutional and private client banking activities



Mauritius

Established in 1997
Leading in corporate institutional and private client banking activities

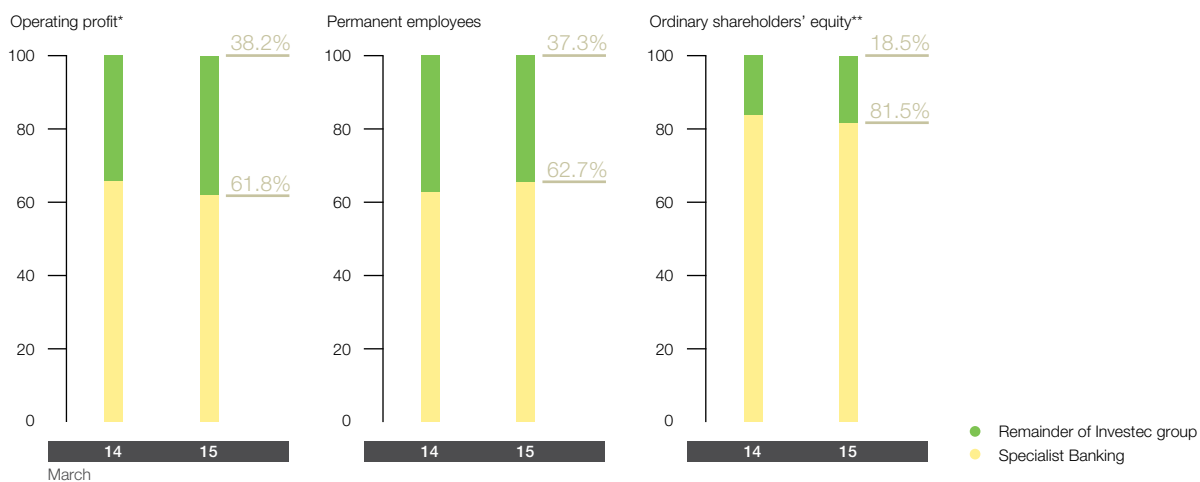


Australia

Experienced local team in place with industry expertise
Focus is on entrenching position as a boutique operation

Specialist Banking (continued)

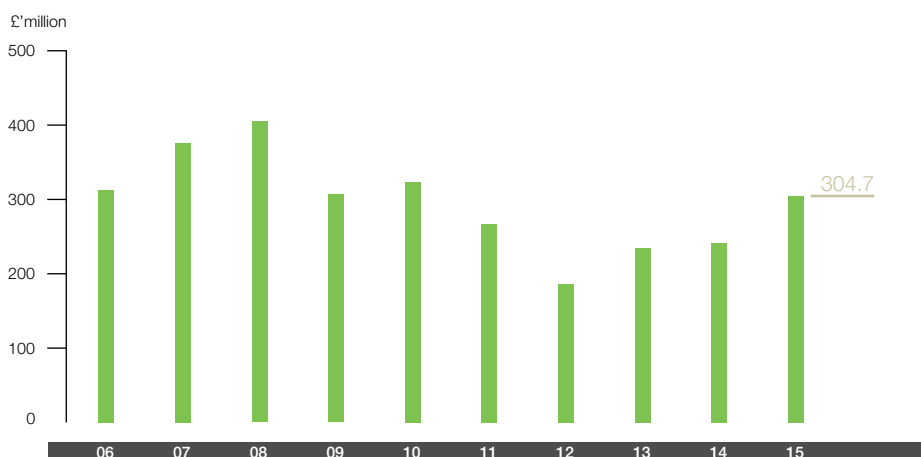
Financial analysis



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

** As calculated on page 52, based on regulatory capital requirements.

Operating profit[^] – track record



[^] Trend reflects numbers as at the year ended 31 March. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.

Income statement analysis

£'000	31 March 2015	31 March 2014*	Variance	% change
Net interest income	624 114	639 904	(15 790)	(2.5%)
Net fee and commission income	360 825	304 703	56 122	18.4%
Investment income	124 189	164 598	(40 409)	(24.6%)
Trading income arising from				
– customer flow	105 289	102 590	2 699	2.6%
– balance sheet management and other trading activities	(15 483)	12 511	(27 994)	(> 100.0%)
Other operating income	9 269	14 445	(5 176)	(35.8%)
Total operating income before impairment on loans and advances	1 208 203	1 238 751	(30 548)	(2.5%)
Impairment losses on loans and advances	(128 381)	(166 152)	(37 771)	(22.7%)
Operating income	1 079 822	1 072 599	7 223	0.7%
Operating costs	(761 873)	(778 504)	(16 631)	(2.1%)
Depreciation on operating leased assets	(1 535)	(6 044)	4 509	74.6%
Operating profit before goodwill, acquired intangibles and non-operating items and taxation	316 414	288 051	28 363	9.8%
Operating losses attributable to non-controlling interests	(11 701)	(10 849)	(852)	(7.9%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	304 713	277 202	27 511	9.9%
UK and Other	41 795	67 277	(25 482)	(37.9%)
Ongoing^	129 341	121 491	7 850	6.5%
Legacy remaining^	(107 669)	(69 051)	(38 618)	55.9%
Sale assets^	20 123	14 837	5 286	35.6%
Southern Africa	262 918	209 925	52 993	25.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	304 713	277 202	27 511	9.9%
Selected returns and key statistics				
Ordinary shareholders' equity**	2 599 130	2 642 583	(43 453)	(1.6%)
Southern Africa	1 369 078	1 226 089	142 989	11.7%
Ongoing UK and Other	1 141 282	872 786	268 496	30.8%
Remaining Legacy	88 770	231 000	(142 230)	(61.6%)
Sale assets	–	312 708	(312 708)	(< 100.0%)
Statutory ROE (pre-tax)**	10.7%	9.5%		
Ongoing ROE (pre-tax) **	15.9%	14.3%		
Southern Africa	18.7%	14.8%		
Ongoing UK and Other	12.3%	13.7%		
Cost to income ratio	63.1%	63.2%		
Operating profit per employee (£'000)**	57.4	50.6	6.8	13.4%

* Restated as per note 59 in volume three.

** As calculated on pages 52 and 53, based on regulatory capital requirements.

^ Detailed income statement provided on page 58.

The variance in the operating profit in the UK ongoing business over the year can be explained as follows:

- Net interest income increased as a result of an increase in core loans and advances of 16.4% and an improvement in the cost of funding
- Net fee and commission income increased substantially as a result of a solid performance from the corporate finance, corporate treasury team and aircraft finance business
- Investment income decreased as a result of a lower return generated on the Hong Kong investment portfolio
- Trading income from customer flow improved due to increased corporate treasury activity
- Other trading income includes the impact of accounting for the Euro-denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of non-controlling interests. (The transaction is hedged and a forex transaction loss arising on the hedge is reflected in other trading income and the opposite impact is reflected in earnings attributable to non-controlling interests)
- Other operating income includes associate income and income earned on an operating lease portfolio acquired during December 2010
- Total operating income decreased by 2.5%
- Impairments decreased by 45.5%. Further information is provided on pages 32 and 33 in volume two
- Operating expenses increased largely as a result of higher compensation costs.

Specialist Banking (continued)

The variance in the operating profit in Southern Africa over the year can be explained as follows:

- The analysis and variances described below for the South African Specialist Banking division are based on the Rand numbers reported
- Results in Pounds Sterling have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 11% over the year. The Specialist Banking division reported operating profit before taxation of R4 695 million (2014: R3 431 million)
- Net interest income increased as a result of an increase in core loans and advances of 16.0% and a positive endowment impact
- Net fee and commission income improved as a result of good performances from the private banking professional finance and property businesses, with corporate fees remaining largely in line with the prior year
- Investment income was supported by a solid performance from the unlisted investments and investment property portfolios
- Trading income arising from customer flow declined and other trading activities decreased reflecting less activity on the balance sheet
- Total operating income increased by 23.4%
- Impairments decreased by 28.4%. Further information is provided on pages 32 and 33 in volume two
- Operating expenses increased by 14.7% largely as a result of increased variable remuneration given improved profitability, with fixed costs growing in line with inflation.

Analysis of key earnings drivers

Net core loans and advances

	£'million			Home currency 'million		
	31 March 2015	31 March 2014	% change	31 March 2015	31 March 2014	% change
UK	7 061 [^]	6 064*	16.4%	£7 061	£6 064*	16.4%
Southern Africa	10 128 [^]	8 935	13.4%	R182 058	R156 899	16.0%
Total	17 189	14 999	14.6%			

* Excluding Kensington sale assets.

[^] The assets that were not sold as part of the sale of Investec Bank (Australia) Limited were transferred to the UK and South African balance sheets (approximately R1.4 billion in South Africa and approximately £140 million in the UK). The 2015 numbers above include these balances.

Net core loans and advances

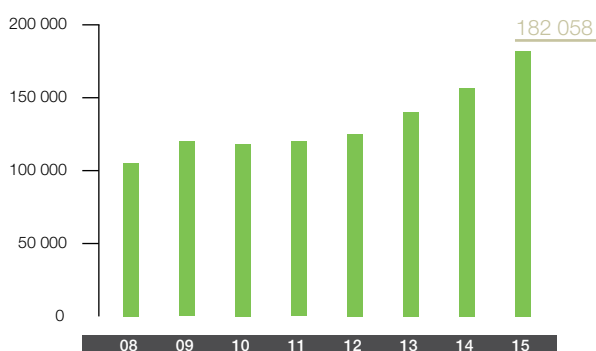
United Kingdom

£'million



Southern Africa

R'million



Trend reflects numbers as at the year ended 31 March.

Specialist Banking (continued)

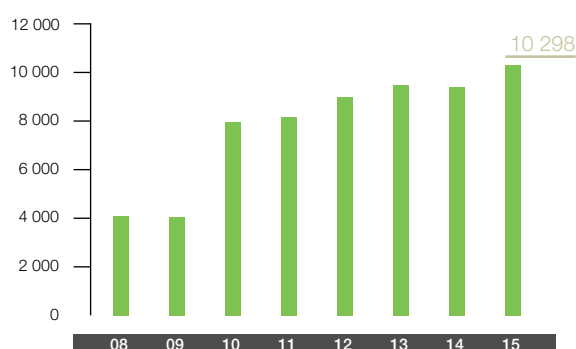
Total deposits

	£'million			Home currency 'million		
	31 March 2015	31 March 2014	% change	31 March 2015	31 March 2014	% change
UK	10 298	9 407	9.4%	£10 298	£9 407	9.4%
Southern Africa	12 317	11 671	5.5%	R221 377	R204 943	8.0%
Total	22 615	21 078	7.3%			

Total deposits

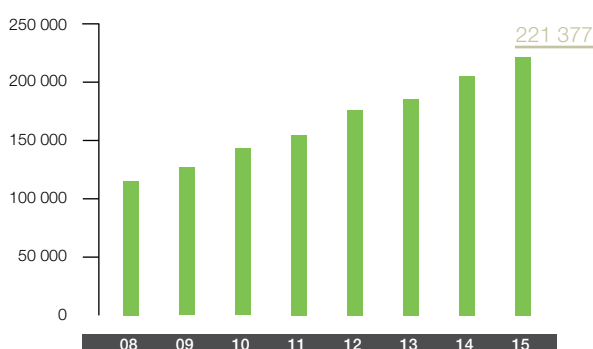
United Kingdom

£'million



Southern Africa

R'million



Trend reflects numbers as at the year ended 31 March.

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.

During the year management performed a comprehensive review of the group's legacy portfolio on the back of improved market performance. As a result, assets of £0.9 billion were transferred to the ongoing book (core loans and other assets) where assets generate yields that support targeted return on equity, are performing and no longer meet the definition of the legacy business.

Legacy business – overview of results

The group's legacy portfolio in the UK has been actively managed down from £3.4 billion at 31 March 2014 to £0.7 billion largely through strategic sales (mentioned on page 22), redemptions, write-offs and transfers (at the end of the period) to the ongoing book on the back of improved performance in these loans. The total legacy business over the period reported a loss before taxation of £107.7 million (2014: £69.1 million) as the group accelerated the clearance of the portfolio, which resulted in an increase in impairments on these assets. The remaining legacy portfolio will continue to be managed down as the group sees opportunities to clear the portfolio. Management believes that the remaining legacy book will still take three to five years to wind down. Total net defaults in the legacy book amount to £218 million.

An analysis of assets within the legacy business

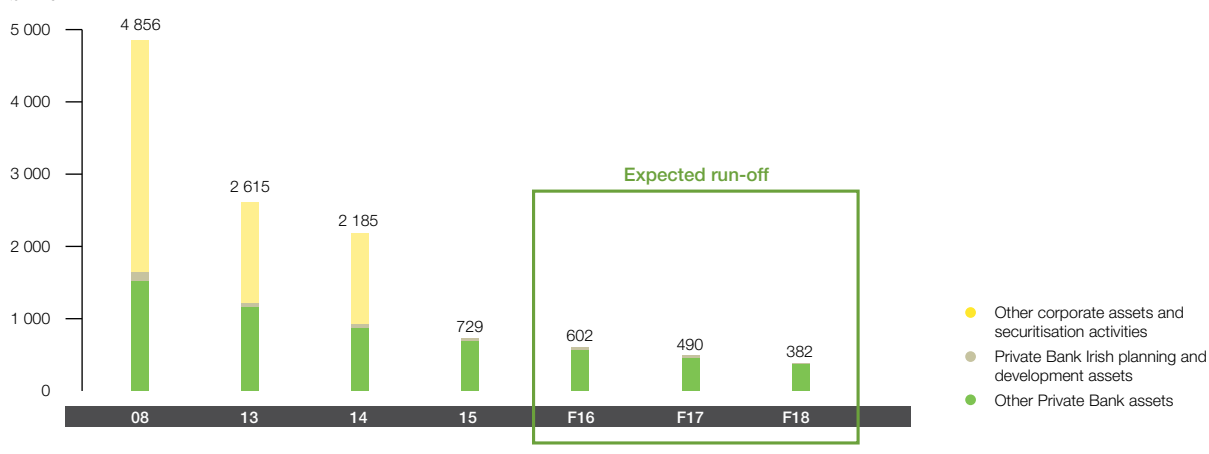
£'million	31 March 2015 Total net assets (after impairments)	31 March 2015 Total balance sheet impairment	31 March 2014 Total net assets (after impairments)	31 March 2014 Total balance sheet impairment
Kensington – UK warehouse assets	–	–	768	4
Kensington – Ireland	–	–	474	138
Total Kensington warehouse assets*	–	–	1 242	142
Performing	–	–	813	1
Non-performing	–	–	429	141
Other corporate assets and securitisation activities	–	–	864	51
Private Bank Irish planning and development assets	47	50	60	59
Other Private Bank assets	682	93	1 261	82
Total other legacy assets	729	143	2 185	192
Performing	511	–	1 798	4
Non-performing	218	143	387	188

* Assets sold during the year as explained on page 22.

Expected run-off of legacy assets

Total other legacy assets excluding Kensington

£'million



Questions and answers



David van der Walt

Geographical business leader

United Kingdom

Can you give us an overview of the environment in which you have operated over the past year?

A The UK recorded the firmest pace of growth of all the advanced economies in 2014 and saw its fastest growth pace since 2006. Indeed, at 2.8%, UK growth surpassed that of the United States (2.4%) and our Eurozone neighbours (0.9%). Furthermore, with 2014/15 having been a quieter year for Euro crisis developments, the UK benefited from a more positive risk backdrop. Responding to the solid recovery momentum, the health of the labour market continued to improve markedly over the financial year with the latest unemployment reading at 5.6%, the lowest level seen since July 2008.

The UK inflation background has been one of very subdued price growth, particularly in the latter part of the financial year where CPI inflation fell to a record low of zero in February and March 2015; the main driver has been lower fuel prices, reflecting the sharp decline in the wholesale price of oil. Hence despite the strengthening recovery, there has been little appetite on the UK Monetary Policy Committee (MPC) for higher interest rates, with the MPC not keen to adjust policy until it gains confidence that inflation is headed back to the 2% target. Hence, the bank rate remained at 0.5% through the financial year, marking six years at a record low. Meanwhile the level of the BoE's asset purchase scheme was maintained at £375 billion.

Geopolitical concerns combined with the regulatory effects on liquidity has meant that volatility in markets has increased.

The conditions above translated into a very favourable business environment with good levels of activity.

What have been the key developments in the business over the last financial year?

A The major development during the year has been the effective execution of our strategy to divest ourselves of the Professional Finance business in Australia and the sale of Kensington and Start. This completes the process of simplifying the business and allows us to now focus all our energy on building the core business.

In addition to this we have made substantial progress on reducing our legacy portfolio, which was helped by the sale of Kensington and Start, however, good progress was also made on the other corporate, structured credit and property assets. Impairment losses have been higher than budget mostly as a result of accelerating the tidy up of the legacy portfolio.

Corporate activity was very good. M&A activity was at a high helping a very good performance from the Investment Banking and Securities business. The high levels of activity also drove good underlying lending growth in both the Corporate and Specialist Banking activities.

Good progress was made within the Private Banking business. The Private Bank account was successfully launched and very good progress was made with our online and digital platforms. Particular emphasis has been placed on improving the client experience with improvements in security and functionality. We are now in a position to roll out our offering and we are working closely with the Wealth & Investment teams to ensure our clients have the benefit of our full product offering.

Overall, we have made very good progress with the only disappointment being the underperformance of the Hong Kong investment portfolio.

What are your strategic objectives in the coming year?

A The business is now simplified and focused. We have significant momentum in the corporate and specialist business. Our main objective in the coming year is to grow and increase our core businesses with particular emphasis on growing and gaining traction in the Private Banking business.

To this end we will continue to invest in our private banking infrastructure to ensure our customer experience is the best in the market. In addition, we will roll out our strategy of targeting the professional market with particular emphasis on the accounting, legal and medical professions.

In addition to the client strategy we have a number of projects running to focus on cost efficiencies, reducing the overall cost of funds and the drag from surplus liquidity following the sale of Kensington.

We will continue to actively manage the legacy portfolio and reduce our exposure in the most appropriate manner.

What is your outlook for the coming year?

A Our central view is that we should see another year of good economic growth in the UK with some of the early election uncertainty out of the way. The event of a Grexit may lead to a drop in confidence and business activity. A certain amount of volatility is to be expected given the geopolitical situation and overall reduced liquidity in markets. Overall, we are expecting our growth momentum to continue.

How do you incorporate environmental and sustainability considerations into your business?

A We continue to focus on developing our people and investing in our communities and the environment, receiving a number of awards for our efforts in the past year. We won the Business Charity Award for our partnership with the Bromley by Bow Beyond Business incubator. With our support, the programme has launched 55 new social enterprise businesses creating over 325 new jobs and generating combined annual turnover of over £4 million. We also received recognition for our environmental efforts with the Gresham Street head office placed as a runner-up in the 2014 Clean City Awards Scheme. We continue to raise awareness around environmental concerns with staff through Team Green which was extended to 14 of our other UK offices during the year. Further, volunteerism remains core to our values and community efforts and through employees' ongoing support of the Amherst School initiative we have volunteered over 50 days per year consistently for the past five years.

Questions and answers



Stephen Koseff Glynn Burger Bernard Kantor

Geographical business leaders

South Africa

Can you give us an overview of the environment in which you operated over the past year?

A The South African operating environment has been mixed. On the one hand, the economic and political environments have been fragile. There has been slow economic growth which impacted spending, domestic fixed investment and production. The Rand continues to weaken against major currencies. Furthermore, strike action persisted and electricity supply constraints have proved an inhibitor to economic performance, while high indebtedness impacted consumer spending.

On the other hand, we have had very positive growth in the equity markets with the JSE All Share Index up 9.2% for the period and overall good activity in corporate South Africa.

What have been the key developments in the business over the past financial year?

A Notwithstanding the economic environment, it has been a particularly good year for the specialist bank in South Africa with operating profit up 36.8% in Rand terms. All businesses have done well largely as a result of reasonable activity levels across both corporates and private clients. We have experienced strong growth in our key drivers with underlying lending up some 16% over the past year and a positive endowment impact.

We continued to be recognised for this focus and performance. From a corporate perspective, the Aviation Finance team won the Corporate Jet Investor award again this

past year and our Corporate Finance team came out top in both value and volume of transactions in the DealMakers awards. In the private client space, the Retail Funding business has increased its profile and we were once again recognised as the Best Private Bank in South Africa by *Financial Times* and *Euromoney*.

It has been particularly rewarding to see how the collaboration between the Private Bank and Wealth & Investment businesses has benefited the overall business. Furthermore, good progress has been made with rolling out our digitisation strategy as we continually look to enhance this offering to ensure it's the best solution for our clients.

What are your key strategic objectives for the coming year?

A We will continue with the existing strategy of building and developing our client franchises, which remain integral to the growth and development of our business. This is focused on delivering integrated solutions to both our private and corporate clients, extending the quality of our service and products to attract new clients and ensuring we deepen our existing client relationships.

In the private client space, we will continue to organically grow the existing businesses of transactional banking, property and private capital. Our strategy of cross-selling products across different client bases, providing services between the Private Bank and the Wealth & Investment businesses has proved successful and we will continue to leverage these relationships.

What is your outlook for the coming year?

A The South African business has had a particularly good year and this may be hard to sustain going forward. There are structural challenges in the economy and we are cautious about the political uncertainty which can create a difficult environment for our business. However, the recent national budget proposed is more conservative than in recent years and, if achieved, should assist South Africa in maintaining its investment grade rating. Furthermore, South African corporates tend to be more resilient in a disrupted environment and there are potential opportunities to support them both domestically, on the continent and internationally.

How do you incorporate environmental and sustainability considerations into your business?

A Developing the communities and environment in which we operate is critical to the upliftment of our economy. During the year, we received the *Mail & Guardian's* 2014 Investing in the Future Award for our Promaths programme which commended Investec for taking a long-term view to social development by improving skills in Maths and Science for the past 10 years. We also experienced good momentum in the Enterprise Development programme which was launched in the previous financial year and which continues to share valuable strategic, financial and marketing skills to selected entrepreneurs. Our staff remain vital in delivering on our promise to provide exceptional client experiences and hence we continue to focus on attracting, retaining and developing talent. In this regard, Investec was voted one of the most attractive employers in the 2015 Universum Most Attractive Employer awards where Investec was voted Best Bank by both professionals and graduates.

3

Corporate governance and corporate responsibility



Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure

Chairman's introduction

Dear Shareholder

It is pleasing to present the 2015 annual corporate governance report which sets out Investec's approach to corporate governance.

Continuing and embedding our structured board refreshment programme has been a particular area of focus over the past year. It is pleasing that a thorough selection process, overseen by the nominations and directors affairs' committee (NOMDAC) has led to the appointment of five independent non-executive directors, bringing further diversity of background, skills and experience to the board.

The last year also saw Sir David Prosser stepping down as joint chairman of the board. The transition from a joint chairmanship to a sole chairman has been a smooth one due, in no small part, to the invaluable role Sir David played in chairing the board and supporting me during this time.

Our culture and values

Our culture, values and philosophies provide the framework for how we conduct our business and measure behaviour and practices to ensure that we demonstrate the characteristics of good governance. Our values require that directors and employees act with moral strength and integrity, and conduct themselves to the highest ethical standard to promote and maintain trust.

Sound corporate governance is therefore implicit in our values, culture, processes, functions and organisational structure. Structures are designed to ensure that our values remain embedded in all businesses and processes. We continually refine these structures, and a written statement of values serves as our code of ethics.

Regulatory context

The disclosure of our governance practices requires a description of the regulatory context that Investec, as a dual listed company (DLC), operates within.

We operate under a DLC structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group which also complies with requirements in both jurisdictions. All international business units operate in accordance with the

above determined corporate governance principles, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

The board, management and employees of Investec are committed to complying with the disclosure, transparency and listing rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) Listings Requirements the UK Corporate Governance Code (the Code) which was issued by the UK's Financial Reporting Council in 2010, revised in September 2012 with the most recent version being published in September 2014 for reporting periods commencing after 1 October 2014, and the King Code of Governance Principles for South Africa (King III).

Therefore, all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

The past year in focus

Sir David Prosser

Sir David decided in 2014 that it would be an appropriate time for him to retire and therefore stepped down from the board following the annual general meetings of Investec plc and Investec Limited held on 7 August 2014.

Consequently, I assumed the role of sole chairman of the board, with effect from 8 August 2014.

Composition of the board and board refreshment

The board, on the recommendation of the NOMDAC, implemented a structured refreshment programme so as to ensure that we are recruiting new independent non-executive directors and retiring some of our longer serving non-executive directors. Accordingly, the following changes were made to the composition of the board:

- George Alford, Olivia Dickson and Peter Malungani did not seek re-election as directors at the 2014 annual general meeting, and accordingly stepped down from the board at the conclusion of the 2014 annual general meeting
- The board appointed, with effect from 8 August 2014, Charles Jacobs, Lord Malloch-Brown and Khumo Shuenyane as independent non-executive directors
- Perry Crosthwaite was appointed as the senior independent director in place of George Alford on 8 August 2014

Corporate governance (continued)

- Zarina Bassa was appointed as an independent non-executive director of the board, with effect from 1 November 2014, and Laurel Bowden was appointed as an independent non-executive director on 1 January 2015.

Additionally, discussions have been concluded with Haruko Fukuda, who has served on the board for a period exceeding nine years, who has agreed that she will not stand for re-election at the August 2015 annual general meeting.

The board continues to monitor the impact of the evolving regulatory landscape in the UK, and consideration is being given to appoint a UK independent non-executive director with specific and recent financial services knowledge to the board.

Composition of the DLC remuneration committee

- Charles Jacobs was appointed as a member of the committee, effective from 8 August 2014
- Bradley Fried stepped down as a member of the committee, with effect from 18 September 2014.

Composition of the audit committees

- Khumo Shuenyane was appointed as a member of the committees with effect from 8 August 2014
- Zarina Bassa became a member of the committees on 1 November 2014
- Laurel Bowden was appointed to the committees with effect from 1 January 2015.

Composition of NOMDAC

- Perry Crosthwaite and David Friedland were appointed as members of NOMDAC on 16 September 2014.

Board and directors' effectiveness review

The 2015 review of the board's effectiveness took the form of a detailed questionnaire and a series of structured interviews between the chairman and each individual director (the 2015 review). All directors completed the questionnaire and were interviewed during the course of the 2015 review.

Key themes to emerge from the effectiveness review included:

- Board composition: bedding down the board refreshment programme
- Management succession planning

- Continuing to improve management information
- Strengthening the structures of the regulated subsidiaries
- Directors ongoing development particularly within the context of the changing regulatory landscape
- Streamlining the working between the group risk and capital committee (GRCC) and the board risk and capital committee (BRCC)
- The number of directors on the board.

An externally facilitated board effectiveness evaluation last took place in 2013.

The board has agreed that the 2016 review of the board's effectiveness will be conducted by an external independent facilitator.

Priorities for the new year

In broad terms, our priorities for 2015, from a corporate governance perspective, are as follows:

Board diversity and effectiveness

The board will continue with its structured refreshment programme to ensure its composition is the most appropriate to provide effective entrepreneurial leadership and robust oversight.

The board believes that diversity in terms of a broad range of skills, experience, background and outlook is required for it to be effective. While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC is mindful of all aspects of diversity when making recommendations for appointments to the board.

Per Lord Davies' report on 'Women on Boards', the board has an aspirational target of 25% female representation on the board by the end of 2015. The board recognises that gender is an important aspect of diversity. The NOMDAC continues to implement the structured refreshment programme referred to above so as to ensure that we are retiring some of our longer serving non-executive directors over a period of years. At the date of this report, the board had adopted a board diversity policy and female directors currently comprise 24% of the board.

Management succession

Succession planning for senior management is also a key area of focus and the identification of talented future leaders is essential for Investec's long-term success.

The NOMDAC received a detailed presentation from the executive management regarding senior management succession, and the NOMDAC is satisfied that there is a formal management succession plan in place. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date and the respective succession plans in the three core activities continue to be implemented within the respective businesses.

Regulatory and governance best practice

In the United Kingdom, the year ahead will see the group's implementation of the Financial Services (Banking Reform) Act 2013, bringing about a new Senior Managers Regime which will include specific responsibilities for non-executive directors. A revised UK Corporate Governance Code, published in September 2014, effective for reporting periods beginning on or after 1 October 2014, will see changes to its provisions relating to remuneration, engagement with shareholders and risk management.

Conclusion

The following pages of this report describe in more detail the governance framework, and the structures that are in place to ensure that Investec is able to maintain the highest standards of corporate governance. However, it is important to emphasise once again that underpinning all of this, and at the core of everything we do, are Investec's culture, values and philosophies.

Increasingly, the importance of organisational culture and its part in ensuring good corporate governance and conduct is understood by other organisations and by our regulators. Our culture and values have always been at the heart of how we operate, and we believe the strength with which these are embedded and lived throughout the organisation distinguishes Investec from others. We believe that these will, as ever, provide the group with a strong foundation to enable it to meet the challenges of the future.

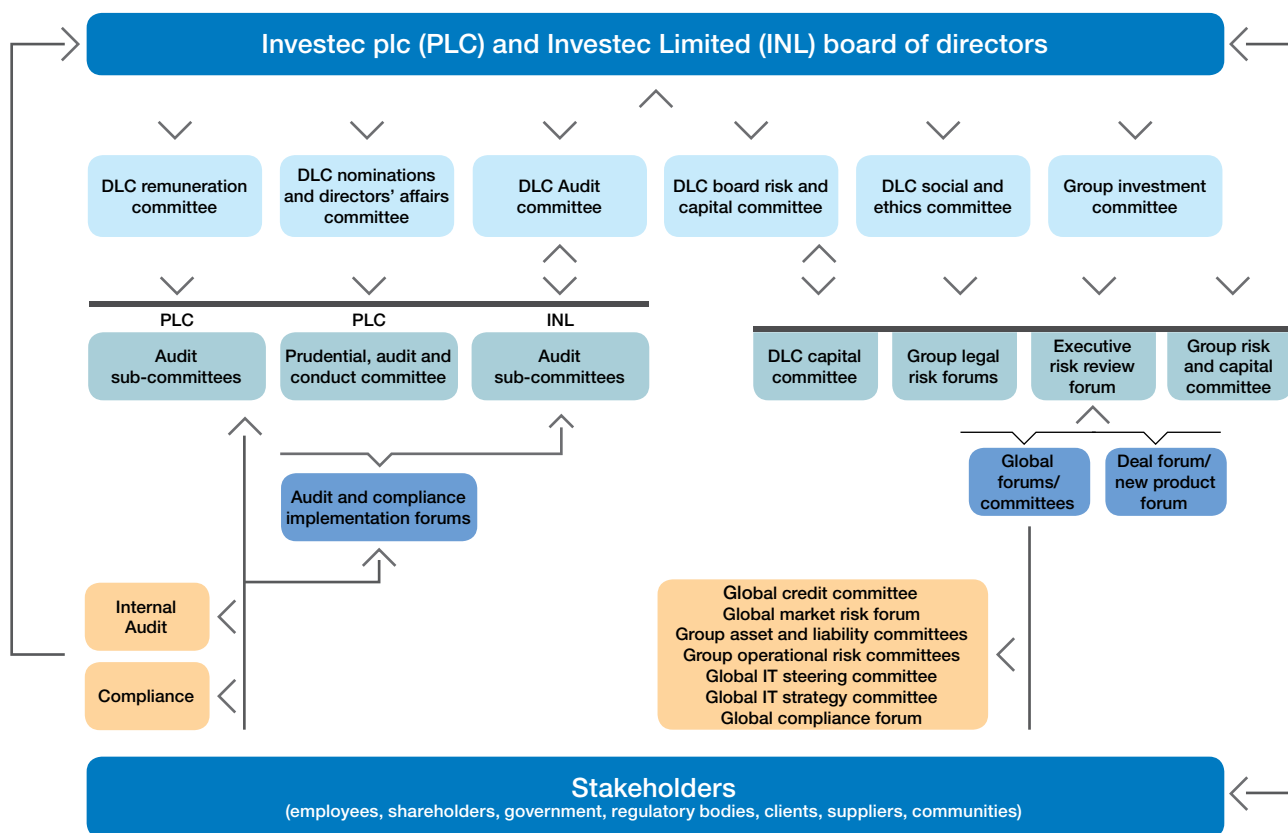


Fani Titi
Chairman

10 June 2015



Governance framework



Statement of compliance

UK Corporate Governance Code

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the group has complied with the relevant provisions set out in the UK Corporate Governance Code, save that Bradley Fried, was appointed as a member of the DLC remuneration committee (Remco) on 3 April 2013. Bradley Fried was not considered to be independent as he was employed as Investec Bank plc CEO during the five years prior to his appointment as a director. The board believes that Bradley Fried's knowledge and experience was beneficial to the work of the Remco for the period of his appointment, that he exercised independent judgement, and that the balance of independent non-executive directors on the Remco meant that it was able to effectively discharge its responsibilities. Bradley Fried stepped down as a member of the Remco with effect from 18 September 2014.

King III

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation throughout the year under review, Investec has applied the King III principles.



For a complete list of all principles and a reference to demonstrate how Investec has applied these principles, please refer to our website.

Financial reporting and going concern

The directors have confirmed that they are satisfied that the group, as well as Investec plc and Investec Limited individually, have adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial results by the board and these include:

- Budgeting and forecasts
- Profitability

- Capital
- Liquidity
- Solvency.

The board is of the opinion, based on its knowledge of the group, key processes in operation and enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future.



Further information on our liquidity and capital position is provided on pages 62 to 71 and pages 78 to 83 in volume two.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control operate effectively.

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited combined consolidated financial statements, accounting policies and the information contained in the integrated annual report, and to ensure that the annual financial statements are fair, balanced and understandable.



In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the key risks Investec faces in preparing the financial and other information contained in this integrated annual report. This process was in place for the year under review and up to the date of approval of this integrated annual report and annual financial statements.

The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board.



Further information is provided on pages 103 to 112.

Our annual financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Nature and complexity of our business
- Risks we assume, and their management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital
- Needs of all our stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

Management and succession planning

Global business unit heads, geographic management and the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed-term employment contracts and there are no employment contracts with managers for a term of more than three years.



Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network as depicted on page 68.

Each strategic business unit has a management committee and is responsible for implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

The NOMDAC receives a detailed presentation from the executive regarding senior management succession and the NOMDAC is satisfied that there is a formal management succession plan in place.

The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date. Senior management succession plans are also presented annually to the banking regulators.

Internal control

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The DLC board risk and capital committee (BRCC), group risk and capital committee (GRCC) and audit committees assist the board in this regard.

Sound risk management practices are promoted by the group risk management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision as well as oversight forums, and assurance and control functions such as group risk management, internal audit and compliance.

Internal Audit reports any control recommendations to senior management, group risk management and the relevant audit committee. Appropriate processes, including review by the audit committees' support structures, ensure that timely corrective action is taken on matters

raised by Internal Audit. Significant risks are regularly considered by the executive risk review forum (ERRF) and by the GRCC and BRCC. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC and the audit committees. Reports from the audit committees, BRCC and risk and control functions are reviewed at each board meeting.

Conflict of interest

Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 and the South African Companies Act 2008, as amended. In accordance with these Acts and the Articles of Association (Articles) of Investec plc and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the Articles and MOI, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committees and are independently assessed by Internal Audit and Compliance. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. Group Finance and Investor Relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the external audit process.

Directors' dealings



The remuneration report on pages 140 to 180, contains details of Investec shares held by directors.



Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on regulatory requirements and governance best practice. All directors' dealings require the prior approval of the Compliance division and the chairman, the senior independent director or the chairman of the audit committees.

All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and the chairman.

Board of directors

In terms of the DLC arrangements, the boards of Investec plc and Investec Limited are identical and the group is managed as a unified economic enterprise. The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and affairs of Investec. It provides leadership for the group within a framework of prudent and effective controls which allow risks to be assessed and managed.

The board has adopted a board charter which is reviewed annually and which provides, a framework of how the board operates as well as the type of decisions to be taken by the board and which decisions should be delegated to management.

The Investec board:

- Approves the group's strategy
- Monitors group compliance with the applicable laws and regulations and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as a focal point for and custodian of corporate governance
- Provides effective leadership on an ethical foundation
- Ensures the group is, and is seen to be, a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the group's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are

understood and met, understanding the key risks, determining our risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of supporting board committees.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities. The board has formally defined and documented, by way of terms of reference, the authority it has delegated to the various board committees, group forums and chief executive officer.

In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board. Furthermore, directly or through its committees, the Investec board:

- Has delegated the review of the integrated annual report and annual financial statements to the audit committees. The audit committees recommended that, taken as a whole, the integrated annual report is fair, balanced and understandable and the board is satisfied with the recommendation
- Assesses the quantitative and qualitative aspects of Investec's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors the group's compliance with relevant laws, regulations and codes of business practice
- Assisted by the audit committees' support structures and BRCC, ensures that conduct risk is adequately mitigated, managed and addressed
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders and monitors our communication with all stakeholders and disclosures made to ensure transparent and effective communication
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of the internal systems of control

- Assisted by the Social and Ethics Committee, ensures we adopt sustainable business practices, including our social and environmental activities
- Assisted by the audit committees, ensures appropriate IT governance processes are in place, the implementation of which management is responsible for, and ensuring that the process is aligned to the performance and sustainability objectives of the board
- Assisted by the audit committees' support structures and BRCC, monitors cyber risks and mitigating factors to prevent cybercrime
- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures the appropriate risk governance, including IT, is in place including continual risk monitoring by management, determines the levels of risk tolerance and that risk assessments are performed on a continual basis
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

Membership

At the end of the year under review, the Investec board, including the chairman, comprised four executive directors and 13 non-executive directors.



Biographical details of the directors are set out on pages 114 and 115.

Haruko Fukuda will not offer herself for re-election at the August 2015 annual general meeting. In accordance with the UK Corporate Governance Code, the remainder of the board will offer themselves for re-election at the August 2015 annual general meeting.

Corporate governance (continued)

The names of the directors at the date of this report, the year of their appointment and their independence status for the year under review are set out below:

	Date of appointment:		Independent
	Investec plc	Investec Limited	
Executive directors			
S Koseff (chief executive officer)	26 Jun 2002	6 Oct 1986	–
B Kantor (managing director)	26 Jun 2002	8 Jun 1987	–
GR Burger (group risk and finance director)	3 Jul 2002	3 Jul 2002	–
HJ du Toit	15 Dec 2010	15 Dec 2010	–
Non-executive directors			
F Titi (chairman)	30 Jan 2004	30 Jan 2004	Yes
ZBM Bassa	1 Nov 2014	1 Nov 2014	Yes
LC Bowden	1 Jan 2015	1 Jan 2015	Yes
CA Carolus	18 Mar 2005	18 Mar 2005	Yes
PKO Crosthwaite (senior independent director)	18 Jun 2010	18 Jun 2010	Yes
B Fried	1 Apr 2010	1 Apr 2010	No
D Friedland	1 Mar 2013	1 Mar 2013	Yes
H Fukuda OBE	21 Jul 2003	21 Jul 2003	Yes
CR Jacobs	8 Aug 2014	8 Aug 2014	Yes
IR Kantor	26 Jun 2002	30 Jul 1980	No
Lord Malloch-Brown KCMG	8 Aug 2014	8 Aug 2014	Yes
KL Shuenyane	8 Aug 2014	8 Aug 2014	Yes
PRS Thomas	26 Jun 2002	29 Jun 1981	Yes

Independence

Chairman	1	65% of board independent
Executives	4	
Non-executives	13	

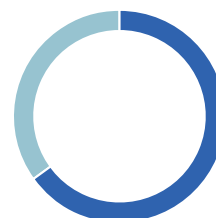
Balance of non-executive and executive directors

Pre-2014 AGM



Independent	50.0%
Non-independent	50.0%

Post-2014 AGM



Independent	65.0%
Non-independent	35.0%

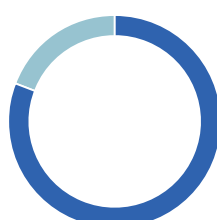
Diversity

Aspirational target:

Per the Davies Report: 25% female representation by 2015

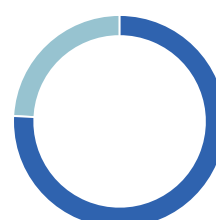
Board gender balance:

Pre-2014 AGM



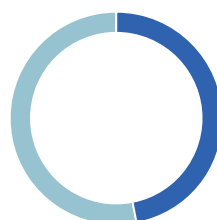
Male	81.0%
Female	19.0%

Post-2014 AGM



Male	76.0%
Female	24.0%

Geographical mix



South Africa	47.0%
UK including Europe	53.0%

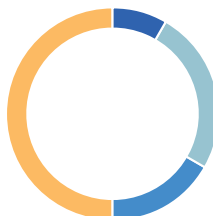
Tenure

Average length of service:
(Length of service by band)
for non-executive directors

UK Corporate Governance recommendations:

Recommendation that non-executives should not serve longer than nine years from the time of their appointment.

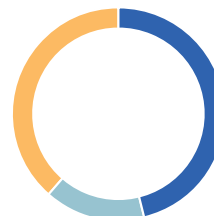
Pre-2014 AGM: 8 years average



0 – 3 years
3 – 6 years
6 – 9 years
9 years plus

1
3
2
6

Post-2014 AGM: 5 years average



0 – 3 years
3 – 6 years
6 – 9 years
9 years plus

6
2
–
5

Details of directors' attendance at the six board meetings held during the financial year ended 31 March 2015:

	Number of meetings eligible to attend	Meetings attended
Executive directors		
S Koseff (chief executive officer)	6	6
B Kantor (managing director)	6	6
GR Burger (group risk and finance director)	6	6
HJ du Toit	6	6
Non-executive directors		
Sir David J Prosser* (joint chairman until 7 August 2014)	2	2
F Titi (sole chairman from 8 August 2014)	6	6
GFO Alford (senior independent director to 7 August 2014)*	2	2
ZBM Bassa**	3	3
LC Bowden***	2	2
CA Carolus	6	6
PKO Crosthwaite (senior independent director from 8 August 2014)	6	5
OC Dickson*	2	2
B Fried	6	6
D Friedland	6	6
H Fukuda OBE	6	5
CR Jacobs****	4	4
IR Kantor	6	5
Lord Malloch-Brown KCMG****	4	4
MP Malungani*	2	2
KL Shuenyane****	4	4
PRS Thomas	6	6

* Sir David J Prosser, GFO Alford, OC Dickson and MP Malungani did not offer themselves for re-election at the annual general meeting held on 7 August 2014, and were therefore only eligible to attend meetings held prior to 7 August 2014.

** ZBM Bassa was appointed to the board with effect from 1 November 2014, and was therefore only eligible to attend meetings held after 1 November 2014.

*** LC Bowden was appointed to the board with effect from 1 January 2015, and was therefore only eligible to attend meetings held after 1 January 2015.

**** CR Jacobs, Lord Malloch-Brown and KL Shuenyane were appointed to the board with effect from 8 August 2014, and were therefore only eligible to attend meetings held after 8 August 2014.

The number of meetings held during the year excludes the single separate meeting for each of Investec plc and Investec Limited.

Board meetings

The combined boards of Investec plc and Investec Limited meet jointly at least six times annually, excluding the annual two-day board strategy session. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure.

Furthermore, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa, respectively. Special (unscheduled) meetings are called as the need arises.

The chairman is responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretaries. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

Board diversity

The board has a broad range of skills and experience. All appointments are made on merit, in the context of the diversity of skills, experience, background and gender required to be effective.

Corporate governance (continued)

Details of directors' attendance at the one non-regular board meeting held during the financial year ended 31 March 2015:

	Meetings attended
Executive directors	
S Koseff (chief executive officer)	1
B Kantor (managing director)	1
GR Burger (group risk and finance director)	1
HJ du Toit	1
Non-executive directors	
Sir David J Prosser (joint chairman until 7 August 2014)*	–
F Titi (sole chairman from 8 August 2014)	1
GFO Alford (senior independent director until 7 August 2014)*	1
ZBM Bassa**	–
LC Bowden***	–
CA Carolus	–
PKO Crosthwaite (senior independent director from 8 August 2014)	1
OC Dickson*	–
B Fried	1
D Friedland	1
H Fukuda OBE	1
CR Jacobs****	–
IR Kantor	1
Lord Malloch-Brown KCMG****	–
MP Malungani*	–
KL Shuenyane****	–
PRS Thomas	1

* Sir David J Prosser, GFO Alford, OC Dickson and MP Malungani did not offer themselves for re-election at the annual general meeting held on 7 August 2014, and were therefore only eligible to attend meetings held prior to 7 August 2014.

** ZBM Bassa was appointed to the board with effect from 1 November 2014, and was therefore only eligible to attend meetings held after 1 November 2014.

*** LC Bowden was appointed to the board with effect from 1 January 2015, and was therefore only eligible to attend meetings held after 1 January 2015.

**** CR Jacobs, Lord Malloch-Brown and KL Shuenyane were appointed to the board with effect from 8 August 2014, and were therefore only eligible to attend meetings held after 8 August 2014.

Independence

- At 31 March 2015, the board is compliant with Principle B.1.2 of the UK Corporate Governance Code in that at least half the board, excluding the chairman, comprises independent non-executive directors
- At 31 March 2015, the board is compliant with Chapter 2, Principle 2.18 of King III in that the majority of non-executive directors are independent.

A summary of the factors the board uses to determine the independence of non-executive directors is detailed below:

Relationships and associations

- Ian Kantor is the brother of Bernard Kantor, Investec's managing director. Ian is also the founder and was previously CEO of Investec. Accordingly, the board concluded that Ian could not be considered independent under the UK Corporate Governance Code and King III

- Bradley Fried was previously CEO of Investec Bank plc and given that role and his ongoing relationship with Grovepoint, the board concluded that Bradley could not be considered independent. Bradley has an interest in Grovepoint, which has entered into various transactions in the ordinary course of business with Investec.
- Prior to joining the board on 1 March 2013, David Friedland was a partner of KPMG. KPMG along with Ernst & Young, are joint auditors of Investec Limited. The board concluded that, notwithstanding his previous association with KPMG, David retains independence of judgement given he was never Investec Limited's designated auditor or relationship partner and was not involved with its Investec account.

Despite the board concluding that Ian and Bradley cannot be considered independent for the reasons explained above, the board is of the view that their skills, knowledge, experience and attributes are nonetheless valuable to the organisation and believe they use their independent judgement when making decisions that affect the organisation and stakeholders.

Tenure

The board is also mindful of its responsibility to ensure that there remains an appropriate balance of skills and experience on the board, and it is therefore of the view that retention of certain members beyond nine years may in certain circumstances be beneficial in ensuring this balance and that orderly succession can take place.

The board follows a thorough process of assessing independence on an annual basis for each director whose tenure exceeds nine years. The board does not believe that tenure of any of the current non-executive directors interferes with their independence of judgement and their ability to act in Investec's best interests.

Accordingly, the board has concluded that Fani Titi, Cheryl Carolus, Peter Thomas and Haruko Fukuda, despite having been directors of Investec for nine years or more, retain both financial independence and independence of character and judgement.

Haruko Fukuda will not, however, offer herself for re-election at the upcoming annual general meeting.



Notwithstanding the guidelines set out in the UK Corporate Governance Code and King III, the board is of the view that these non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision-making. The board believes that it functions effectively and evaluates its performance annually.

Attendance at credit meetings

David Friedland and Peter Thomas regularly attend, by invitation, certain credit committees of the group dealing with large exposures requiring sign off by non-executive directors in terms of the delegation of authority. The board considers their attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business. This further allows David to discharge his responsibilities more effectively as chairman of the Investec plc and Investec Limited audit committees and board risk and capital committee. The board concluded that David and Peter retain their independence of character and judgement.

Skills, knowledge, experience, diversity and attributes of directors

The board considers that the skills, knowledge, experience, diversity and attributes of the directors as a whole are appropriate for their responsibilities and the group's activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which the group operates
- Knowledge of the regulatory environments in which the group operates
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed by the NOMDAC to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

Board and directors' performance evaluation

In 2013, the board commissioned a board effectiveness review conducted by an external independent facilitator, Professor Rob Goffee of the London Business School (the 2013 review).

Professor Goffee has no connection with the group. The detailed outcomes of that review were disclosed in the previous integrated annual report. The 2015 review of the board's effectiveness was accordingly not conducted by an external independent facilitator and took the form of a detailed questionnaire and a series of structured interviews between the chairman and each individual director (the 2015 review).

All directors completed the questionnaire and were interviewed during the course of the 2015 review.

The board was felt to be operating effectively and the key themes, as well as the actions proposed to be taken, were as follows:

- As noted above, the board appointed five new non-executives, and inducting and integrating the new board members has been a key focus during the period under review. The board requested further opportunities for executives and non-executives to meet outside the formal setting of the boardroom and, as a result, informal events were held to facilitate this
- Ensure that the management information strikes an appropriate balance between regulatory, business and strategic issues. The board continues to make refinements to the management information it receives.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member. We have an insurance policy that insures directors against liabilities they may incur in carrying out their duties. On the recommendation of the NOMDAC, non-executive directors will be appointed for an expected term of nine years (three times three-year terms) from the date of their first appointment to the board.

Ongoing development

On appointment, directors are provided with an induction pack and participate in an induction programme tailored to their needs, including meeting with the business unit and central services' heads to ensure they become familiar with business operations, senior management, our business environment and internal controls, policies, processes and systems for managing risks.

Directors' ongoing development is a standing board agenda item, including updates on various training and development initiatives. Board members receive regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units. Topics covered during the past year included recovery and resolution planning, cybercrime, twin peaks legislation in South Africa, advanced internal risk-based modelling, senior management regime and customer outcomes.

The company secretaries liaise with directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Following the board's and directors' performance evaluation process, any training needs are communicated to the company secretaries who ensure these needs are addressed.

During the year under review, a number of director workshops were arranged outside of board meetings.

Independent advice

Through the senior independent director or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2015 financial year.

Remuneration

Details of the directors' remuneration and remuneration processes are set out in the remuneration report on pages 140 to 180.



Chairman and chief executive officer

The roles of the chairman and chief executive officer are distinct and separate. The chairman leads the board and is responsible for ensuring that the board receives accurate, timely and clear information to ensure that the directors can perform their duties effectively.



Details of the chairman's external directorships are set out on page 114.

The board does not consider that the chairman's external commitments interfere with his performance and responsibilities to Investec. The board is satisfied that the chairman makes sufficient time available to serve Investec effectively. There have been no changes to the significant commitments of the chairman during the period under review. The chairman resides in South Africa but spends approximately a week a month in the UK.

The board has not appointed a deputy chairman.

Senior independent director

George Alford was the senior independent director until he stepped down from the

board on 7 August 2014. On 8 August 2014, Perry Crosthwaite became the senior independent director. He is available to address any concerns or questions from shareholders and non-executive directors. In addition, he leads the board in the assessment of the effectiveness of the chairman.

Company secretaries

David Miller is the company secretary of Investec plc and Benita Coetsee was the company secretary of Investec Limited until she stepped down on 30 June 2014. From 1 July 2014, Niki van Wyk assumed the role of company secretary of Investec Limited. The company secretaries are professionally qualified and have experience gained over a number of years. Their services are evaluated by board members during the annual board evaluation process. They are responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretaries whose appointment and removal are a board matter.

In compliance with the JSE Listings Requirements, the board has considered and is satisfied that each of the company

secretaries is competent, has the relevant qualifications and experience and maintains an arm's length relationship with the board. In evaluating these qualities, the board has considered the prescribed role and duties pursuant to the requirements codified in the South African and the UK Companies Acts and the listings and governance requirements as applicable.

In addition, the board confirms that for the period 1 April 2014 to 31 March 2015 neither of the company secretaries served as a director on the board nor did they take part in board deliberations and only advised on matters of governance, form or procedure.

Board committees

In exercising control of the group, the directors are empowered to delegate to various board and executive committees. The committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.



The full terms of reference are available on our website.

The following table indicates non-executive board representation on the board committees as at the date of this report:

Members	Independent	DLC audit	Investec plc audit	Investec Limited audit	DLC remuneration	DLC NOMDAC	DLC BRCC	DLC social and ethics committee
F Titi (chairman)	Yes				✓	Chair	✓	Chair
ZBM Bassa*	Yes	✓	✓	✓			✓	
LC Bowden**	Yes	✓	✓	✓				
CA Carolus	Yes							✓
PKO Crosthwaite	Yes				Chair	✓		
B Fried***	No						✓	
D Friedland	Yes	Chair	Chair	Chair		✓	Chair	
H Fukuda OBE	Yes						✓	
CR Jacobs****	Yes				✓			
Lord Malloch-Brown KCMG*****	Yes							✓
KL Shuenyane*****	Yes	✓	✓	✓			✓	
PRS Thomas	Yes	✓	✓	✓		✓	✓	✓

* ZBM Bassa was appointed to the audit committees with effect from 1 November 2014.

** LC Bowden was appointed to the audit committees with effect from 1 January 2015.

*** B Fried stepped down from the DLC remuneration committee with effect from 18 September 2014.

**** CR Jacobs was appointed to the DLC remuneration committee with effect from 8 August 2014.

***** Lord Malloch-Brown was appointed to the DLC social and ethics committee with effect from 8 August 2014.

***** KL Shuenyane was appointed to the audit committees with effect from 8 August 2014.



Audit committees

Introduction

The audit committee is an essential part of the group's governance framework to which the board has delegated oversight of the group's financial reporting, risk management, compliance, internal and external audit.

This report provides an overview of the work of the committee and details how it has discharged its duties over the year.

Following the annual cycle of work of the committees, we concluded that sound risk management and internal controls have been maintained during the year. The committees were satisfied that the integrated annual report presents fairly and provides a fair, balanced and understandable assessment of the group's financial position at 31 March 2015, and the results of its operations for the year then ended.

Background

In terms of Investec's DLC structure, the board has mandated authority to the Investec plc audit committee and the Investec Limited audit committee to be the audit committees for those respective companies and their subsidiaries with each having their own regulatory requirements to meet. A DLC audit committee – which is the combined audit committee of Investec plc and Investec Limited – has responsibility to the board for matters common to both Investec plc and Investec Limited and, in particular, the combined group annual financial statements and results.

The audit committees comply with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules, and apply the corporate governance principles for audit committees as required by the UK Disclosure and Transparency Rules (7.1.3R), the UK Corporate Governance Code and King III.

The board recognises the important role of the audit committees as part of the risk management and corporate governance processes and procedures of the Investec group. In this regard, the audit committees have oversight of and monitor:

- Financial reporting process and risks
- Fraud and IT risks as they relate to financial reporting

- The effectiveness of the group's internal controls, internal audit and risk management systems
- The statutory audit and group annual financial statements and the integrated annual report
- The independence and performance of the statutory and internal auditor.

At each audit committee meeting, the group chief executive officer, group managing director and group risk and finance director provide an in-depth assessment of their current risk-related concerns and the procedures introduced by management to control or mitigate these risks.

Following the completion of all group audit committee meetings, a written report is provided to the next meeting of the board of directors highlighting matters of which the audit committee believes the board should be aware.

All responsibilities are covered in the audit committees' terms of reference.



The board has approved the terms of reference for the audit committees which can be found on our website.

The audit committees approve the annual internal audit plan. The heads of Internal Audit for both Investec plc and Investec Limited have free access to the chairman of the audit committees or any member of the audit committees and they attend all audit committee meetings by invitation.

External auditors from both the UK and South Africa attend audit committee meetings.

Membership and attendance

The audit committees are comprised entirely of independent non-executive directors who must meet predetermined skills, competency and experience requirements.

George Alford and Olivia Dickson did not seek re-election as directors of the group and as such resigned from the audit committees with effect from 7 August 2014.

Our sincere thanks for their wise counsel and contribution over the many years they served as valued members of the audit committees.

The committees have been bolstered following the appointments of Khumo Shuenyane, Zarina Bassa and Laurel Bowden during the year.

In aggregate the audit committees meet 12 times per year. The chairman, chief executive officer, managing director, finance and risk director, heads of Compliance, IT, Operational Risk, Internal Audit, Finance and representatives of the external auditors attend meetings by invitation.

A comprehensive meeting pack is prepared with written reports received from the external auditors and each of the above functions. They present on the significant matters included in their reports.

The chairman of the audit committees regularly meets with the heads of Internal Audit as well as the lead external audit partners outside formal committee meetings.

At the final results audit committee meetings, the external auditors and internal auditors meet separately with the committee members to enable them to have a frank and open debate without the executives being present.



Attendance by members at audit committee meetings during the financial year ended 31 March 2015:

Members	DLC audit committee		Investec plc audit committee		Investec Limited audit committee	
	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended	Number of meetings	Number of meetings attended
D Friedland (chairman)	4	4	4	4	4	4
GFO Alford*	4	2	4	1	4	1
ZBM Bassa**	4	2	4	2	4	2
LC Bowden***	4	–	4	2	4	2
OC Dickson*	4	2	4	1	4	1
KL Shuenyane****	4	2	4	3	4	3
PRS Thomas	4	4	4	4	4	4
CB Tshili*****	4	2	n/a	n/a	4	1

* GFO Alford and OC Dickson stepped down from the audit committees with effect from 7 August 2014 and were therefore only eligible to attend meetings held prior to 7 August 2014.

** ZBM Bassa was appointed to the audit committees with effect from 1 November 2014 and was therefore only eligible to attend meetings held after 1 November 2014.

*** LC Bowden was appointed to the audit committees with effect from 1 January 2015 and was therefore only eligible to attend meetings held after 1 January 2015.

**** KL Shuenyane was appointed to the audit committees with effect from 8 August 2014 and was therefore only eligible to attend meetings held after 8 August 2014.

***** CB Tshili was a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represented its interest on this committee. CB Tshili stepped down from the audit committees with effect from 7 August 2014 and was therefore only eligible to attend meetings held prior to 7 August 2014.

Summary of conclusions reached by the audit committees for the year ended 31 March 2015

The individual and combined audit committees, to the best of our knowledge and belief, are satisfied that:

- The finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries are adequately skilled, resourced and experienced
- The group risk and finance director, GR Burger, has the appropriate expertise and experience to meet the responsibilities of the position
- The group's internal financial controls are effective and all identified weaknesses in financial control are being addressed
- The external auditors of both Investec plc and Investec Limited are, and remain, independent
- The external auditors perform their functions with the appropriate expertise, competence and experience.

In fulfilling our duties, the audit committees have:

- Considered whether the integrated annual report taken as a whole was fair, balanced and understandable and provided the information necessary for stakeholders to assess the group's performance
- Reviewed and discussed with the external auditors material areas in which significant judgements were applied
- Reviewed the Internal Audit function including the process for evaluating the control environment, approved the internal audit plan and considered internal audit reports
- Reviewed and considered representations by management on the going concern statement for the group and recommended the adoption of the going concern concept to the board
- Discussed with management the process used to identify, measure and oversee tax risks
- Reviewed the risk assessment process and the manner in which significant business risks are managed

- Recommended to the board the reappointment of our external auditors. (See external auditors on the next page)
- Focused on information security, due to the ever increasing threat posed by cybercrime and risks associated with mobile technology and social media
- Confirmed the absence of any indicators of fraud with regard to financial reporting.

The audit committees recommended the adoption of the integrated annual report to the board.

In this regard the audit committees:

- Considered facts and risks that may impact on the integrity of the integrated annual report
- Reviewed and commented on the annual financial statements included in the integrated annual report
- Reviewed the disclosure of sustainability issues in the integrated annual report to ensure they are reliable and do not conflict with the financial information
- Obtained confirmation from the chief executive officer and group risk and finance director that they considered the disclosures to be fair, reasonable and balanced

- Reviewed the annual report to ensure that taken as a whole, it is fair, reasonable and balanced and have advised the board to that effect
- Engaged Grant Thornton to verify all the environmental data included in the report. None of the audit firms engaged in the group's external audit was considered for the project.

The board subsequently approved the integrated annual report, including the annual financial statements, which will be tabled for approval at the forthcoming annual general meeting.

External auditors

Appointment and independence

The committee considers the reappointment of the external auditor each year before making a recommendation to the board and shareholders. It assesses the independence of the external auditor on an ongoing basis. The external auditor is required to rotate the lead audit partner every five years and other senior audit staff every seven years. Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period. The lead partner rotated last year so 2015 was the first year of the new lead partner's five-year rotation.

Although Ernst & Young has been the group's auditors since listing on the London Stock Exchange in 2002, we believe that partner rotation, limitations on non-audit services and the confirmation of the independence of both Ernst & Young and the audit team are adequate safeguards to ensure that the audit process is both objective and effective.

Non-audit services

The committees have adopted a policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the committees.

The committees review whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the group.



For further details on non-audit services see note 6 on page 48 in volume three.

Internal Audit

The committees are responsible for monitoring and reviewing the scope and the effectiveness of the Internal Audit function. Both the Investec Limited and Investec plc heads of Internal Audit have a direct reporting line to the chairman of the audit committees and they regularly meet to discuss progress with the audit plans, and setting annual objectives. Internal Audit was subject to a 'quality assurance review' in 2014. The areas identified for improving efficiency and streamlining the audit process were implemented during the financial year.

Risks addressed during the year under review

Detailed below are significant audit risks the committees focused on:

- Monitoring of credit quality and the appropriateness of the allowance for credit losses

We discussed with management and the auditors the specific and collective loan provision process, and considered the reasonableness of the allowance relative to the quality of the book and related collateral

- Valuation of financial instruments and unlisted investments

Unlisted investments often require a large degree of subjectivity surrounding the various inputs to their valuations. We discussed with management the assumptions used in the valuations of unlisted investments, including embedded derivatives

- Accounting and financial reporting of large or complex transactions

Discussions were held with management and the external auditors with regard to large and complex transactions to ensure compliance with the Accounting Standards including estimates of levels of taxation expected to be payable

The internal and external auditors provided detailed reporting in respect of these key areas.

In addition, the audit committees considered the following themes:

- Cybercrime

The group experienced an escalation in attempted IT fraud and other forms of cybercrime. Considerable effort

and time have been devoted by management to ensure that IT controls are robust and appropriate solutions are deployed to protect the group from increased threat levels

- Liquidity risk

The adequacy and appropriateness of liquidity management throughout the group's operations

- Compliance with laws and regulations

Adherence to key regulatory issues facing the group

- Control weaknesses

Assessing the internal control weaknesses identified by the assurance providers and ensuring appropriate steps are taken within prescribed and specified time limits to mitigate and remedy such weaknesses.

IFRS 9 Financial Instruments

The new standard includes revised guidance on classification and measurement of financial assets including a new expected credit loss model for calculating impairments.

Although the new standard is only effective from the 2019 financial year, the finance team has commenced addressing a number of challenges and uncertainties inherent in implementing the new standard.

Among the key issues are:

- The need to develop more forward-looking estimates of future credit losses
- The transfer of assets between impairment categories is likely to be highly dependent on judgement and internal management processes
- Interpretation of the terms 'significant increase' in credit risk and of 'default' will also require judgement

The audit committees will use the lead time to challenge management's assessment of the standard's effect and remain abreast of its implementation plans.

We are still in the process of assessing the impact of IFRS 9.

Audit committees' structure

The table below depicts the Investec group audit committees' structure and ambit of activities.

Audit committees of Investec plc and Investec Limited			
External auditors - Planning/budget - Conflict/audit independence confirmations - Non-attest services and fees - Reports to regulators - Management letter - Quality of earnings (audit differences schedule) - Appointment/reappointment Compliance - Planning - Resources - High level reporting of possible compliance breaches - Monitoring of special projects - Regulatory matters Tax - High level only - Tax sub-committee Prudential audit and conduct committee - Distil only major issues to the Investec plc audit committee	Audit sub-committees - Distil only major issues to audit committees - High level reports Audit compliance implementations forum (ACIF) - Reviews higher rated findings from all assurance providers - Monitors mitigation of above risks Information technology - Status - Major risks, including cybercrime - Change control - Capacity management - Security and fraud awareness - Staffing - Projects - Governance - Disaster recovery	Current risk review - Chief executive officer - Managing director - Financial director Internal auditors - Annual audit plan - Adequacy of staffing complement - Succession planning - Internal audit charter - Status of audit work plan - Report of findings and monitoring of outstanding issues - Special ad hoc work - Review of high level reports - Internal controls - Sustainability report Operational risk - Fundamental internal controls - Fraud and loss statistics - Insurance coverage	- Corporate governance (South African Banks Act requirements) - Disaster recovery and business continuity - Key staff issues Finance - Accounting policies - Annual financial statements - Half-year results - Year-end results - Production of audited annual financial statements of companies and subsidiaries - Accounting for one-off transactions - Accounting updates and conventions – IFRS - Basel - Reconciliations - Regulatory reports - Representation letters

Support structures

Audit sub-committees for Investec plc and Investec Limited, and other regulated subsidiaries, have been established. Reports on the risk and control environment of all business units and principal operating subsidiaries are made to one of the audit sub-committees, with significant issues being escalated to the audit committees. These allow senior managers of the business units, who do not attend the main Investec plc and Investec Limited audit committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of their business units. Members of the Investec plc and Investec Limited audit committees are entitled to attend these meetings and, as a general rule, at least one non-executive director attends these meetings.

The forums are key to enhancing risk and control consciousness and the associated control environment of the group.

The forums support and provide important insight to the audit committees. Essentially, the forums act as a filter, enabling the audit committees to concentrate their efforts on matters of appropriate materiality.

Audit tendering

In June 2014, European Union (EU) audit legislation came into force. Among other provisions, it imposes mandatory audit firm rotation. The legislation will take effect in June 2016. Special transition arrangements apply to the provisions on mandatory firm rotation.

In December 2014 the UK Government (Department for Business Innovation and Skills (BIS)) and Financial Reporting Council (FRC), respectively, launched a discussion document and detailed consultation paper. Both explore options for the implementation of the EU's audit legislation. Subject to the responses, BIS is expected to issue a detailed consultation in the last quarter of 2015. Once the FRC has considered the

responses to its questions, and decided which options to take forward, it will amend its standards via a further consultation in 2015. BIS will proceed, for the remainder of 2015, drafting amendments to the Companies Act 2006 and the European Communities Act 1972, which will be subject to parliamentary approval, in readiness for June 2016 when the EU legislation takes effect.

The committees will continue to monitor these developments and consider the impact of these regimes on Investec's external audit arrangements as the UK implementation rules become clearer.



David Friedland
Chairman, audit committees

10 June 2015



DLC remuneration committee



The report by the chairman of the DLC remuneration committee, including a summary of the roles and responsibilities, is set out in the remuneration report on pages 140 and 141.

Membership and attendance

Attendance by members at remuneration committee meetings during the financial year ended 31 March 2015:

Members	Number of meetings held during the year	Number of meetings attended during the year
PKO Crosthwaite (chairman)	9	9
OC Dickson*	9	3
B Fried**	9	4
CR Jacobs***	9	5
Sir David J Prosser****	9	3
F Titi	9	8

* OC Dickson stepped down from the DLC remuneration committee with effect from 7 August 2014.

** B Fried stepped down from the DLC remuneration committee with effect from 18 September 2014.

*** CR Jacobs was appointed to the DLC remuneration committee with effect from 8 August 2014.

**** Sir David J Prosser stepped down from the DLC remuneration committee with effect from 8 August 2014.

Role and responsibilities

The NOMDAC is responsible for, amongst other things:

- Identifying and nominating candidates to the board to fill board vacancies as and when they arise
- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group
- Establishing and maintaining a board directorship continuity and refreshment programme
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the board and board committees compared with their current situations and making recommendations to the board regarding any changes
- Reviewing the succession plan of the key positions in Investec Limited and Investec plc and all their major subsidiaries, in order to ensure that an updated management succession plan remains in place.

DLC nominations and directors' affairs committee (NOMDAC)

Introduction

This report to the board and shareholders, on how the NOMDAC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The NOMDAC has combined the duties of a nominations committee as well as that of a directors' affairs committee as required under section 64B of the South African Banks Act.

Major operating subsidiaries in the group are exempt from having their own nominations or directors' affairs committee, as the NOMDAC fulfils the duties for these companies as well.

The NOMDAC complies with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules and corporate governance principles.



The board has approved terms of reference for the NOMDAC which can be found on our website.



Membership and attendance

Attendance by members at NOMDAC meetings during the financial year ended 31 March 2015:

Members	Number of meetings held during the year	Number of meetings attended during the year
F Titi (chairman)	5	5
SE Abrahams*	5	4
GFO Alford**	5	2
PKO Crosthwaite***	5	3
D Friedland***	5	3
Sir David J Prosser**	5	2
KXT Socikwa*	5	4
PRS Thomas	5	5

* SE Abrahams and KXT Socikwa are non-executive directors of Investec Bank Limited, a major subsidiary of Investec Limited, and represent its interest on this committee.

** GFO Alford and Sir David J Prosser stepped down from the NOMDAC on 7 August 2014.

*** PKO Crosthwaite and D Friedland were appointed as members of the committee on 30 July 2014 and were only eligible to attend meetings from this date.

Summary of conclusions reached and key recommendations made to the board during the year under review

Board composition

- Reviewed the structure, size and composition of the board and subsidiary boards and the principal board committees and has carefully reviewed the balance of independent non-executives relating to executive directors
- As noted on page 94, the committee considered that it was appropriate to increase the number of independent non-executive directors on the board while ensuring that there is a sufficient number of non-executive directors with experience and knowledge of the business. Accordingly, the board adopted a structured programme of refreshing the board
- The board acknowledges the value to be derived from bringing together on the board individuals with a broad range of backgrounds, experience and outlooks. Gender is recognised to be an important part of that diversity, and currently the board comprises four women
- While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC will be mindful of the value of diversity as it progresses the structured refreshment programme described above
- The NOMDAC has recommended to the board that going forward, non-executive

appointments are made for an expected period of nine years (three times three years) from the date the non-executive director was first appointed.

Board succession

The NOMDAC continued to focus on ensuring that the board has the appropriate balance of skills, experience, independence and knowledge of the group. The board agreed, on the recommendation of the NOMDAC, to implement a structured refreshment programme so as to ensure that we are recruiting new, independent non-executive directors and retiring some of our longer serving non-executive directors over a period of years.

In this regard:

- George Alford and Peter Malungani, both of whom successfully served on the board for a period exceeding nine years, did not stand for re-election at the August 2014 annual general meeting
- Olivia Dickson did not offer herself for re-election at the August 2014 annual general meeting
- The board, on the recommendation of the NOMDAC and following regulatory approval, appointed Charles Jacobs, Lord Malloch-Brown and Khumo Shuenyane as independent non-executive directors with effect from 8 August 2014. Zarina Bassa was appointed with effect from 1 November 2014 and Laurel Bowden, with effect from 1 January 2015.

Process for board appointments

Appointments to the board were made following a thorough and extensive

recruitment process. The NOMDAC completed an analysis of the skills, experience and diversity of the current board, and recorded this on a detailed skills matrix. This was used to help identify the core competencies desired from new appointments to the board. The NOMDAC retained the services of Woodburn Mann and Zygos Partnership to identify potential candidates and to assist with the selection process. Neither of the external search consultancies has any connections to the companies. A shortlist of candidates was drawn up and selected candidates were interviewed by the chairman and members of the NOMDAC to assess amongst other things their knowledge, commitment and understanding of the role. Following this the NOMDAC made its recommendations to the board.

Management succession

The NOMDAC received a detailed presentation from the executive regarding senior management succession, and the NOMDAC is satisfied that there is a formal management succession plan in place. The NOMDAC derives comfort from the fact that people development is an integral part of Investec's culture and values creating a deep pool of talent to draw from. The board approved a plan proposed by executive management whereby the chief executive officer and managing director will, in the medium term, delegate more of their operational responsibilities to the executive teams reporting to them. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date and the respective succession plans in the three pillars continue to be implemented within the respective businesses.

Governance

The NOMDAC:

- Considered changes to the UK Corporate Governance Code published in September 2014
- Monitored the induction programme of new directors
- Ensured that the directors' ongoing development programme remains relevant and appropriate
- Considered the independence of board members and where necessary made recommendations to the board
- Reviewed the expertise of the company secretaries and made recommendations to the board.

Board effectiveness

- In 2013, the board commissioned a board effectiveness review conducted



by an external independent facilitator, Professor Rob Goffee of the London Business School (the 2013 review). Professor Goffee has no connection with the group. The detailed outcomes of that review were disclosed in the previous integrated annual report

- The 2015 review of the board's effectiveness was accordingly not conducted by an external independent facilitator and took the form of a detailed questionnaire and a series of structured interviews between the chairman and each individual director (the 2015 review). All directors completed the questionnaire and were interviewed during the course of the 2015 review.

Fani Titi
Chairman, DLC nominations and directors' affairs committee

10 June 2015

DLC social and ethics committee (SEC)

Introduction

This report to the board and shareholders, on how the SEC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The SEC is mandated by the board to be the social and ethics committee of Investec plc and Investec Limited and their subsidiaries. The South African Companies

Act 2008, as amended (the Act), provides that all listed public companies must establish a social and ethics committee. The Act enables the group to appoint a social and ethics committee for the holding company, which will fulfil the required functions on behalf of the subsidiary companies. Due to the required functions of the committee which are universal in nature, the board resolved to constitute the committee to monitor the activities for the group and not just Investec Limited.

Role and responsibilities

The DLC SEC is responsible for monitoring the group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development
- Good corporate citizenship
- Monitoring Investec Limited and its subsidiaries' activities, with regard to matters relating to:
 - the Employment Equity Act;
 - the Broad-Based Black Economic Empowerment Act; and
 - contribution to development of the communities in which its activities are predominantly conducted or within which its products and services are predominantly marketed.
- Talent, retention and attraction of employees
- Culture and ethics.



The committee's terms of reference are available on our website.

Summary of monitoring activities during the year under review

Employment equity

- The committee monitors progress made against Investec Limited's Employment Equity Plan
- The committee engages with the management of Human Resources to discuss challenges around matters such as diversity and employment equity targets
- The committee engages with members of the employment equity forum
- The committee monitors and reviews diversity across the group and considers any regulatory developments in this regard.

Skills development

- The committee monitors the various learning and leadership programmes on offer by the group
- The committee monitors the group's spend on skills development and discusses initiatives with Human Resources in this regard.

Corporate social investment (CSI)

- The committee receives regular reports on the group's CSI initiatives and the CSI strategy and spend.

Transformation

- The committee monitors Investec Limited's empowerment rating and discusses with management how to improve the rating
- The committee received detailed information on the recent developments with respect to the Department of Trade and Industry Codes and the impact on the Financial Sector Charter and scorecards going forward.

Sustainability

- The committee receives regular, detailed reports on all matters relating to sustainability
- The committee monitors the group's initiatives to reduce the carbon footprint.

Conservation

- The committee receives presentations about the group's initiatives around conservation.

Reputational risk

- The committee receives reports regarding matters that could impact the group's reputation.

Fani Titi
Chairman, DLC social and ethics committee

10 June 2015

Membership and attendance

Attendance by members at SEC meetings during the financial year ended 31 March 2015:

	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
B Kantor	2	2
S Koseff	2	2
Non-executive directors		
F Titi (chairman)	2	2
CA Carolus	2	2
Lord Malloch-Brown KCMG*	2	1
PRS Thomas	2	2

* Lord Malloch-Brown was appointed to the committee on 30 July 2014 and was therefore only eligible to attend meetings held after this date.



DLC board risk and capital committee (BRCC)

Introduction

This report to the board and shareholders, on how the BRCC has discharged its duties, has been prepared in accordance with sound governance principles.

Background

The BRCC is the appointed board committee to meet the requirements of the UK and SA regulators for the board of directors of a bank.

The purpose of the BRCC is to determine, under delegated authority from (and as a sub-committee of) the board, the categories of risk, specific risk and the extent of such risks which the group on a consolidated basis, and its banks on a solo basis, should undertake.

Role and responsibilities

The committee will ensure that:

- All decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec
- The risk management structure is adequate, with sufficient resources and budget, and exceptions are reported to the board
- Exposure limits for market, counterparty and credit risk are ratified; liquidity and operational risk are also monitored
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives and the basis of measuring risk
- There is sufficient capital in relation to existing and potential risks to the organisation.

Over the past year the committee has spent a considerable amount of time reviewing and monitoring matters relating to cybercrime and conduct risk across all geographies in which the group operates. The BRCC defines the processes by which internal financial control, risk and capital management are assumed and monitored. The Group Risk Management division provides the expertise, processes and techniques from which the processes can be built and monitored daily.

A number of committees are dedicated to aspects of risk management and report directly to the board and the BRCC. These include the DLC capital committee, ERRF, asset and liability committees, group credit committees, group market risk forum, group deal forum, operational risk committees/forums and group legal risk forum.



The committee's terms of reference are available on our website.

Membership and attendance

Attendance by members at BRCC meetings during the financial year ended 31 March 2015:

	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
S Koseff	6	6
B Kantor (managing director)	6	6
GR Burger (group risk and finance director)	6	6
Non-executive directors		
SE Abrahams*	6	5
B Fried	6	5
D Friedland (chairman)**	6	6
H Fukuda OBE	6	6
MP Malungani***	6	1
Sir David J Prosser***	6	2
KXT Socikwa*	6	4
PRS Thomas	6	6
F Titi****	6	5
KL Shuenyane	6	2
ZBM Bassa	6	3

* SE Abrahams and KXT Socikwa are non-executive directors of Investec Bank Limited, a major subsidiary of Investec Limited, and represent its interests on this committee.

** D Friedland became the chairman of the BRCC with effect from 12 September 2014.

*** MP Malungani and Sir David J Prosser did not offer themselves for re-election at the annual general meeting held on 7 August 2014, and were therefore only eligible to attend meetings held prior to 7 August 2014.

**** F Titi represented Investec at the World Economic Forum in Davos and as such could not attend one meeting.

Additional meetings are held throughout the year when necessary. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC, ERRF, GRCC as well as the audit committees.

For more information on the group's risk management processes, please refer to volume two.

David Friedland
Chairman

Board risk and capital committee

10 June 2015

Group risk and capital committee (GRCC)

The GRCC is mandated by the BRCC to be the group risk and capital committee of Investec Limited and Investec plc and their banking and other subsidiaries, as regards enterprise-wide risk and its measurement, monitoring and mitigation.

The purpose of the GRCC is to supplement the BRCC and ERRF.

Executive risk review forum (ERRF)

The ERRF is mandated by the BRCC to be the ERRF of Investec plc and Investec Limited and their subsidiaries, as regards enterprise-wide risk and its measurement, monitoring and mitigation.

The purpose of the ERRF is to supplement the BRCC. It assists in determining the categories of risk, the specific risks and the extent of such risks which the group should undertake.

Role and responsibilities

The ERRF:

- Evaluates the most significant risks Investec faces in the ordinary course of business
- Reviews the risk models (including, but not limited to, credit models) which need to be incorporated appropriately into the allocation of capital
- Ensures that limits are adhered to and that agreed recommendations to mitigate risk are implemented
- Acts as agent of the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout the group
- Ensures the group-wide risk management structure is adequately resourced and has an appropriate budget
- Provides regular reports to the board focusing on effectiveness of the control framework
- Provides regular reports on group-wide adherence to regulatory requirements and advises on how changes to regulatory requirements will affect us

- Ensures that there is an ongoing process of risk and control identification, particularly in line with any changes to business objectives, such as the commencement of a new trading area or product stream.

Meetings take place every Monday except on the BRCC dates.

DLC capital committee

The DLC capital committee is mandated by the BRCC to be the capital committee of Investec plc and Investec Limited and their subsidiaries, as regards capital allocation and structuring, performance measurement, investment decisions and capital-based incentivisation.

Role and responsibilities

The DLC capital committee is responsible for:

- Determining the DLC group's capital requirements
- Reviewing capital adequacy submissions to be made to regulators
- Considering the ongoing requirements and consequences of Basel III and other regulatory requirements and their impacts on regulatory capital requirements
- Reviewing the risk models which need to be incorporated appropriately into the allocation of capital
- Considering, determining and approving capital issues relating to any corporate structuring for acquisitions
- Monitoring the capital positions and returns on internal capital of each business unit
- Submission of capital recommendations to the BRCC.



Stephen Koseff
Chairman

Group risk and capital committee,
Executive risk review forum and
DLC capital committee

10 June 2015

Risk management

The board is responsible for the total process of risk management and the systems of internal control. A number of committees and forums assist in this regard. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls within their businesses.

The independent group risk management functions, accountable to the board, are responsible for establishing, reviewing and monitoring the process of risk management. Group Risk Management reports regularly to the BRCC, the GRCC and the ERRF.

Risk management is discussed in more detail in volume two.

Internal Audit

Each significant jurisdiction has an internal audit presence that is appropriate for the size, nature and extent of business conducted. Smaller geographies are supported by the Internal Audit teams of the Investec plc and Investec Limited groups.

A risk-based audit approach is followed and the audit committee approves annual audit plans.



For further details on the Internal Audit, see page 97 in volume two.

External audit

Investec's external auditors are Ernst & Young LLP and Ernst & Young Inc, at a DLC level. Ernst & Young Inc and KPMG Inc are joint auditors of the Investec Limited silo and Ernst & Young LLP are the auditors of the Investec plc silo. The independence of the external auditors is reviewed by the audit committees each year.

The audit committees meet with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters.

The external auditors are invited to attend audit committee meetings and have access to the chairman of each audit committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3 as well

as Directive 6/2008 of the South African Banks Act, were adhered to during the year under review.

Non-audit services are dealt with in terms of an agreed policy which states that:

- External audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the audit committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors.

Total audit fees paid to all auditors for the year ended were £16.4 million (2014: £12 million), of which £3.2 million (2014: £2.1 million) related to the provision of non-audit services.



For further details on non-audit services see note 6 on page 48 in volume three.

Compliance

The Compliance function ensures that Investec continuously complies with existing and emerging regulation impacting on its operations. We recognise our responsibility to conduct business in accordance with the laws and regulations in the countries and areas in which we operate. The Compliance function is managed by group Compliance and supported by the compliance officers in the business units.



For further details on the Compliance function, see pages 98 to 100 in volume two.

Regulation and supervision

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the UK Prudential Regulation Authority and the Financial Conduct Authority (the UK regulators), the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB), Bank of Mauritius

and the Australian Securities and Investment Commission. Some of our businesses are subject to supervision by the South African Financial Services Board, the South African National Credit Regulator and the South African Financial Intelligence Centre.

The SARB is the lead supervisor of the combined Investec group, comprising Investec plc and Investec Limited. The SARB is the supervisor of Investec Limited, while the UK regulators supervise Investec plc. We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report regularly to the regulators and supervisory bodies. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

Dealings in securities

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlights the potential conflicts of interest between the interests of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UK's disclosure and transparency rules require us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their 'connected persons'. These include directors and senior executives of the group.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares

which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such award, unless the remuneration committee determines otherwise.

Values and code of conduct

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as our code of ethics and is continually reinforced.

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such all new employees are invited, and are strongly encouraged, to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our Organisation Development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the human resources practices manual, available on the intranet.

Approved and authorised for issue by the board of directors on 10 June 2015 and signed on its behalf by:

David Miller
Company secretary
Investec plc

Niki van Wyk
Company secretary
Investec Limited

Directorate Investec plc and Investec Limited



Executive directors

(details as at 30 June 2015)

Stephen Koseff (63)

Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Board committees: DLC board risk and capital, DLC capital and DLC social and ethics

Appointed to the board in October 1986.

Stephen joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking.

Other directorships include: Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

Bernard Kantor (65)

Managing director
CTA

Board committees: DLC board risk and capital, DLC capital and DLC social and ethics

Appointed to the board in June 1987.

Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the Trading division, marketing manager and chief operating officer.

Other directorships include: Phumelela Gaming and Leisure Limited, Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

Glynn R Burger (58)

Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Board committees: DLC board risk and capital and DLC capital

Appointed to the board in July 2002.

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Other directorships include: Investec Bank Limited and a number of Investec subsidiaries.

Hendrik J du Toit (53)

Investec Asset Management chief executive officer
BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)

Appointed to the board in December 2010.

After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 as portfolio manager and later chief executive officer of Investec Asset Management.

Other directorships include: Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited as well as their subsidiaries.

Non-executive directors

(details as at 30 June 2015)

Fani Titi (53)

Chairman
BSc (Hons), MA, MBA

Board committees: DLC remuneration, DLC board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and DLC capital

Appointed to the board in January 2004. Following the retirement of Sir David Prosser in August 2014, Fani became the sole chairman.

Fani is chairman of Investec Bank Limited, Investec Bank plc and former chairman of Tiso Group Limited and former deputy chairman of the Bidvest Group.

Other directorships include: Investec Bank Limited (chairman), Investec Bank plc (chairman), Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, Kumba Iron Ore Limited (chairman), MTN Group Limited and MRC Media (Pty) Ltd.

Zarina BM Bassa (51)

BAcc, DipAcc, CA(SA)

Board committees: DLC audit, Investec plc audit and Investec Limited group audit and DLC board risk and capital

Appointed to the board in November 2014.

Zarina is the executive chairman of Songhai Capital. A former partner of Ernst & Young Inc., she joined the Absa Group in 2002 and was an executive director and a member of the bank's executive committee, with accountability for private banking. She has previously chaired the Public Accountants' and Auditors' Board and the Auditing Standards Board and has been a member of the JSE GAAP Monitoring Panel.

Other directorships include: Financial Services Board, Investec Bank Limited, Kumba Iron Ore Limited, Lewis Group Limited, Oceana Group Limited, Senwes Limited, Sun International Limited, Vodacom Proprietary Limited and Woolworths Holdings Limited.

Laurel C Bowden (50)

National Higher Diploma Engineering, BSc, MBA

Board committees: DLC audit committee, Investec plc audit and Investec Limited group audit

Appointed to the board in January 2015.

Laurel is a partner at 83 North, where her areas of focus include internet, enterprise software and fintech. Laurel has over 15 years' investment experience and was previously a director at GE Capital in London, where she was responsible for acquisitions in consumer and transport finance in Europe.

Other directorships include: Bluevine Capital Inc., Edbury Partners Limited, 83 North, GE Ventures Limited, iZettle AB, Notonthehighstreet Enterprises Limited, and Wonga Group Limited.

Cheryl A Carolus (57)

BA (Law), BEd, Honorary doctorate in Law

Board committees: DLC social and ethics

Appointed to the board in March 2005.

Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was chief executive officer of South African Tourism.

Other directorships include: De Beers Consolidated Mines Limited, Gold Fields Limited, Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, The IQ Business Group (Pty) Ltd, Ponahalo Capital (Pty) Ltd, Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, executive chairperson of Peotona Group Holdings (Pty) Ltd and director of a number of the Peotona group companies and International Crisis Group.

Perry KO Crosthwaite (66)

Senior independent director
MA (Hons) in modern languages

Board committees: DLC remuneration and DLC nominations and directors' affairs

Directorate Investec plc and Investec Limited (continued)

Appointed to the board in June 2010.

Perry is a former chairman of Investec Investment Banking and Securities and director of Investec Bank plc.

Other directorships include: Investec Bank plc, Jupiter Green Investment Trust plc, Melrose Industries plc, Investec Holdings (Ireland) Limited and Investec Capital and Investments (Ireland) Limited.

Bradley Fried (49)

BCom, CA(SA), MBA

Board committees: DLC board risk and capital

Appointed to the board in April 2010.

Bradley previously held the positions of joint head of investment banking and chief executive of Investec Bank plc. He is the chief executive in residence at Judge Business School.

Other directorships include: Investec Wealth & Investment Limited, Grovepoint Capital LLP and deputy chairman of the Court of Bank of England.

David Friedland (62)

BCom, CA(SA)

Board committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC board risk and capital, DLC capital and DLC nominations and directors' affairs

Appointed to the board in March 2013.

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG, Cape Town office.

Other directorships include: Investec Bank Limited, Investec Bank plc, The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les (Pty) Ltd.

Haruko Fukuda OBE (68)

MA (Cantab), DSc

Board committees: DLC board risk and capital

Appointed to the board in July 2003.

Haruko was previously chief executive officer of the World Gold Council, and senior adviser at Lazard. She is former vice chairman of Nikko Europe plc and a partner of James Capel & Co and a former director of AB Volvo and of Foreign and Colonial Investment Trust plc.

Other directorships include: Investec Bank plc, director of Aberdeen Asian Smaller Companies Investment Trust Plc. She is an adviser to Braj Binani Group of India.

Charles R Jacobs (48)

LLB

Board committees: DLC remuneration

Appointed to the board in August 2014.

Charles Jacobs is a senior partner of Linklaters LLP specialising in public and private M&A, capital raisings and initial public offerings, joint ventures, corporate governance and other corporate work. Charles also heads Linklaters' global mining team and much of his work is in this sector. Charles has been a solicitor at Linklaters for over 20 years and has been a partner since 1999.

Other directorships include: Linklaters LLP and Fresnillo plc (Director and chairman of the remuneration committee)

Ian R Kantor (68)

BSc (Eng), MBA

Appointed to the board in July 1980.

Other directorships include: Insinger de Beaufort Holdings SA (in which Investec Limited indirectly holds an 8.6% interest), Bank Insinger de Beaufort NV (where he is chairman of the management board) Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited.

Lord Malloch-Brown KCMG (61)

BA (Hons) History, MA (Political Science)

Board committees: DLC social and ethics

Appointed to the board in August 2014.

Lord Malloch-Brown is a former chairman of Europe, Middle East and Africa at FTI Consulting.

From 2007 to 2009, Lord Malloch-Brown was a UK government minister. Lord Malloch-Brown was formerly the deputy secretary-general of the United Nations as well as development specialist at the World Bank and United Nations and a communications consultant and journalist with wide ranging experience of boards.

Other directorships include: Gadco Cooperatief U.A., Seplat Petroleum Development Company plc and Smartmatic Limited.

Khumo L Shuenyane (44)

Associate CA (Member of the Institute of Chartered Accountants in England and Wales)

Bachelor in Social Science (International studies with Economics)

Board committees: DLC audit, Investec plc audit and Investec Limited group audit and DLC board risk and capital

Appointed to the board in August 2014.

Khumo is a chartered accountant (England and Wales), BEcon and International Studies and was previously group chief officer (Mergers and Acquisitions and International Business Development) of MTN Group Limited. Until 2007, Khumo was head of Principal Investments at Investec Bank Limited.

Other directorships include: Investec Bank Limited and Famous Brands Limited.

Peter RS Thomas (70)

CA(SA)

Board committees: DLC audit, Investec plc audit, Investec Limited group audit, DLC board risk and capital, DLC nominations and directors' affairs, DLC social and ethics and DLC capital

Appointed to the board in June 1981.

Peter was the former managing director of The Unisec Group Limited.

Other directorships include: Investec Bank Limited, various Investec subsidiaries, JCI Limited and various unlisted companies.

Footnotes

- George FO Alford, Olivia C Dickson and M Peter Malungani resigned as directors with effect from 7 August 2014
- Charles R Jacobs, Lord Malloch-Brown and Khumo L Shuenyane were appointed as directors with effect from 8 August 2014
- Zarina BM Bassa was appointed as a director with effect from 1 November 2014
- Laurel C Bowden was appointed as a director with effect from 1 January 2015.



Details of the Investec committees can be found on pages 103 to 112.



Details of the board members of our major subsidiaries are available on our website.

Shareholder analysis

Investec ordinary shares

As at 31 March 2015, Investec plc and Investec Limited had 613.6 million and 285.7 million ordinary shares in issue respectively.

Spread of ordinary shareholders as at 31 March 2015

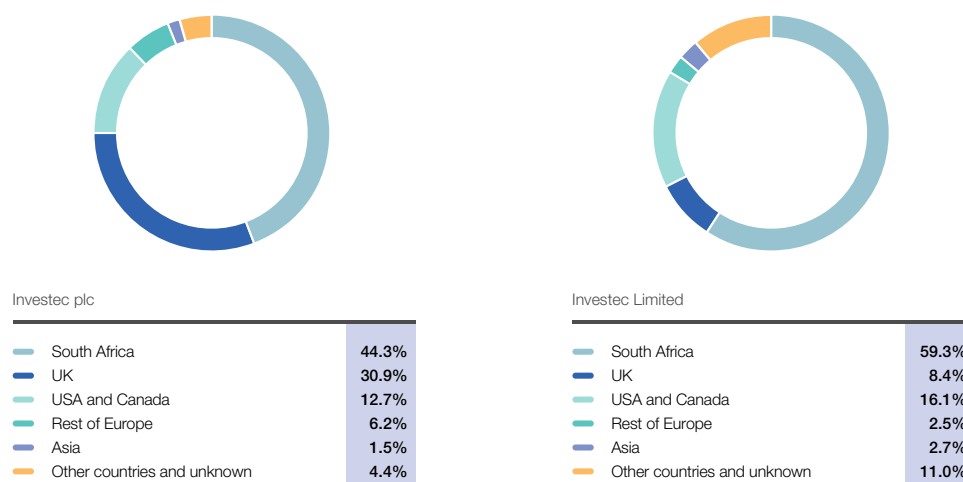
Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
13 872	1 – 500	52.9%	2 455 958	0.4%
4 284	501 – 1 000	16.4%	3 306 452	0.5%
5 224	1 001 – 5 000	19.9%	11 904 952	1.9%
960	5 001 – 10 000	3.7%	7 021 993	1.1%
1 013	10 001 – 50 000	3.9%	23 509 064	3.8%
297	50 001 – 100 000	1.1%	21 028 850	3.4%
542	100 001 and over	2.1%	544 382 373	88.9%
26 192		100.0%	613 609 642	100.0%

Investec Limited ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 018	1 – 500	41.1%	656 916	0.2%
1 320	501 – 1 000	18.0%	1 022 894	0.4%
1 716	1 001 – 5 000	23.4%	3 966 211	1.4%
379	5 001 – 10 000	5.2%	2 821 930	1.0%
517	10 001 – 50 000	7.0%	12 611 455	4.4%
154	50 001 – 100 000	2.1%	11 035 521	3.8%
238	100 001 and over	3.2%	253 633 696	88.8%
7 342		100.0%	285 748 623	100.0%

Geographical holding by beneficial ordinary share owner as at 31 March 2015



Shareholder analysis (continued)

Largest ordinary shareholders as at 31 March 2015

In accordance with the terms provided for in section 793 of the UK Companies Act, 2006 and section 56 of the South African Companies Act, 2008, as amended, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below.

Investec plc

Shareholder analysis by manager group	Number of shares	% holding
1. Public Investment Corporation (ZA)	44 869 699	7.3%
2. Allan Gray (ZA)	40 919 413	6.7%
3. BlackRock Inc (UK and US)	30 602 600	5.0%
4. Sanlam Group (ZA)	23 730 568	3.9%
5. Old Mutual (ZA)	23 168 373	3.8%
6. T Rowe Price Associates (UK)	20 065 100	3.3%
7. Prudential Group (ZA)	19 544 351	3.2%
8. Legal & General Investment Mgt (UK)	15 362 770	2.5%
9. Royal London Mutual Assurance Society (UK)	15 278 506	2.5%
10. State Street Corporation (UK and US)	14 887 417	2.4%
	248 428 797	40.5%

The top 10 shareholders account for 40.5% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Investec Limited

Shareholder analysis by manager group	Number of shares	% holding
1. Public Investment Corporation (ZA)	34 960 421	12.2%
2. Old Mutual (ZA)	21 575 597	7.6%
3. Investec Staff Share Scheme (ZA)	21 172 494	7.4%
4. Sanlam Group (ZA)	15 804 721	5.5%
5. Allan Gray (ZA)	14 322 145	5.0%
6. Entrepreneurial Development Trust (ZA)*	11 793 607	4.1%
7. BlackRock Inc (UK and US)	10 695 017	3.7%
8. Dimensional Fund Advisors (UK)	10 281 382	3.6%
9. Vanguard Group (US and UK)	7 846 243	2.7%
10. MMI Holdings (ZA)	7 178 025	2.5%
	155 629 652	54.5%

The top 10 shareholders account for 54.5% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

* In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited.

Shareholder analysis (continued)

Shareholder classification as at 31 March 2015

	Number of Investec plc shares	% holding	Number of Investec Limited shares	% holding
Public*	593 522 426	96.7%	258 209 089	90.4%
Non-public	20 087 216	3.3%	27 539 534	9.6%
Non-executive directors of Investec plc/Investec Limited	3 650 183	0.6%	325	–
Executive directors of Investec plc/Investec Limited	8 111 062	1.3%	6 366 715	2.2%
Investec staff share schemes	8 325 971	1.4%	21 172 494	7.4%
Total	613 609 642	100.0%	285 748 623	100.0%

* As per the JSE Listings Requirements.

Share statistics

Investec plc

For the period ended	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Closing market price per share (Pounds)							
– year ended	5.61	4.85	4.59	3.82	4.78	5.39	2.92
– highest	6.06	5.08	5.14	5.22	5.50	5.62	4.21
– lowest	4.91	3.66	3.10	3.18	4.29	2.87	1.69
Number of ordinary shares in issue (million) ¹	613.6	608.8	605.2	598.3	537.2	471.1	444.9
Market capitalisation (£'million) ¹	3 442	2 953	2 778	2 286	2 568	2 539	1 299
Daily average volumes of share traded ('000)	2 170	1 985	1 305	1 683	1 634	1 933	2 604
Price earnings ratio ²	14.2	12.8	12.7	12.0	11.1	12.0	6.9
Dividend cover (times) ²	2.0	2.0	2.0	1.9	2.5	2.8	3.3
Dividend yield (%) ²	3.5	3.9	3.9	4.5	3.6	3.0	4.5
Earnings yield (%) ²	7.0	7.8	7.9	8.3	9.0	8.4	14.5

Investec Limited

For the period ended	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Closing market price per share (Rands)							
– year ended	100.51	84.84	64.26	47.16	52.80	62.49	38.86
– highest	107.35	85.04	69.89	57.36	65.50	65.40	63.19
– lowest	86.02	59.00	41.31	42.00	49.49	37.51	27.20
Number of ordinary shares in issue (million) ³	285.7	282.9	279.6	276.0	272.8	269.8	268.4
Market capitalisation (R'million) ³	90 388	75 652	56 857	41 232	42 768	46 299	27 715
Market capitalisation (£'million) ³	5 045	4 325	4 061	3 340	3 872	3 378	2 083
Daily average volume of shares traded ('000)	739	810	980	1 033	794	1 068	1 168

¹ The LSE only includes the shares in issue for Investec plc, i.e. currently 613.6 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

² Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.

³ The JSE Limited agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited in calculating market capitalisation, i.e. currently a total of 899.3 million shares in issue.

Shareholder analysis (continued)

Investec perpetual preference shares

Investec plc, Investec Limited and Investec Bank Limited have issued perpetual preference shares.

Spread of perpetual preference shareholders as at 31 March 2015

Investec plc perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
135	1 – 500	12.6%	35 263	0.2%
156	501 – 1 000	14.6%	128 958	0.9%
521	1 001 – 5 000	48.8%	1 108 245	7.3%
79	5 001 – 10 000	7.4%	600 669	4.0%
117	10 001 – 50 000	11.0%	2 556 637	17.0%
30	50 001 – 100 000	2.8%	2 108 240	14.0%
30	100 001 and over	2.8%	8 543 137	56.6%
1 068		100.0%	15 081 149	100.0%

Investec plc (Rand denominated) perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
85	1 – 500	23.0%	23 417	1.0%
71	501 – 1 000	19.2%	55 451	2.4%
150	1 001 – 5 000	40.4%	340 114	15.0%
26	5 001 – 10 000	7.0%	189 132	8.3%
28	10 001 – 50 000	7.6%	543 226	23.9%
5	50 001 – 100 000	1.4%	370 903	16.3%
5	100 001 and over	1.4%	753 697	33.1%
370		100.0%	2 275 940	100.0%

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
851	1 – 500	15.7%	278 159	0.9%
1291	501 – 1 000	23.8%	1 104 921	3.4%
2445	1 001 – 5 000	45.0%	5 759 366	17.9%
421	5 001 – 10 000	7.8%	3 013 111	9.4%
362	10 001 – 50 000	6.7%	7 040 681	21.9%
22	50 001 – 100 000	0.4%	1 723 855	5.4%
37	100 001 and over	0.7%	13 294 406	41.3%
5 429		100.0%	32 214 499	100.0%

Shareholder analysis (continued)

Investec Limited redeemable preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
867	1 – 500	90.0%	121 181	20.4%
60	501 – 1 000	6.3%	41 620	7.0%
27	1 001 – 5 000	2.8%	57 709	9.7%
2	5 001 – 10 000	0.2%	18 000	3.0%
5	10 001 – 50 000	0.5%	77 959	13.1%
1	50 001 – 100 000	0.1%	100 000	16.8%
1	100 001 and over	0.1%	177 493	30.0%
963		100.0%	593 962	100.0%

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
812	1 – 500	21.2%	235 948	1.5%
1 081	501 – 1 000	28.2%	953 728	6.4%
1 476	1 001 – 5 000	38.5%	3 525 606	22.8%
245	5 001 – 10 000	6.4%	1 810 119	11.7%
180	10 001 – 50 000	4.7%	3 296 473	21.3%
16	50 001 – 100 000	0.4%	1 167 111	7.5%
23	100 001 and over	0.6%	4 458 645	28.8%
3 833		100.0%	15 477 630	100.0%

Largest perpetual preference shareholders as at 31 March 2015

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec plc perpetual preference shares

Pershing Nominees Limited	5.6%
Chase Nominees Limited (Artemis)	10.6%

Investec plc (Rand denominated) perpetual preference shares

NES Investments (Pty) Limited	5.3%
Liberty Active Investment	6.5%
Regent Insurance Company	6.6%
Standard Chartered Bank – Cadiz Absolute Yield fund	9.6%

Investec Limited perpetual preference shares

Standard Chartered Bank – Coronation Capital Plus fund	5.2%
Standard Chartered Bank – Coronation Strategic Income fund	5.2%

Investec Limited redeemable preference shares

Investec Securities (Pty) Limited	8.6%
National Savings and Investment (Pty) Limited	24.5%

Investec Bank Limited perpetual preference shares

There were no shareholders holding beneficial interests in excess of 5% of the issued preference shares in Investec Bank Limited as at 31 March 2015.

Communication and stakeholder engagement



Building trust and credibility among our stakeholders is vital to good business



The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UKLA and JSE and other exchanges on which our shares are listed and with any public disclosure obligations as required by the UK Regulators and SARB. We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations.

The Investor Relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial division, ensures that we meet our public disclosure obligations.

We have a board-approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

Employees

- Communication policy
- Quarterly magazine (*Impact*)
- Comprehensive intranet site
- Staff updates hosted by executive management

Investors and shareholders

- Annual general meeting
- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website

- Shareholder roadshows and presentations
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Government and regulatory bodies

- Active participation in policy forums
- Response and engagement on regulatory matters
- Industry consultative bodies

Clients

- Four investor presentations
- Regular email and telephonic communication

- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Tailored client presentations
- Annual and interim reports
- Client relationship managers within the business

Suppliers

- Centralised negotiation process

Rating agencies

- Four investor presentations
- Regular email and telephonic communication

- Comprehensive investor relations website
- Regular meetings with Investor Relations team, Group Risk Management and executive management
- Tailored presentations
- Annual and interim reports

Media

- Regular email and telephonic communication

- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management

Equity and debt analysts

- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with Investor Relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Corporate responsibility

Sustainable business practices

Our sustainability philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet.

Investec as a responsible corporate

At Investec we recognise that while our shareholders remain at the forefront, our purpose ultimately is not only about driving profits. We strive to be a distinctive specialist bank and asset manager, demonstrating cast-iron integrity, moral strength and behaviour which promote trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstanding and empowered talent, entrepreneurial spirit and regard for the planet are other qualities that align with the culture of our organisation and our approach to responsible business.

Our culture and values demonstrate our belief that as an organisation we can and must have a positive impact on the success and well-being of communities local to our offices, the environment, and on overall macro-economic stability.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive or exhaustive, but

allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our sustainability efforts while the individual business units provide the key drivers behind our activities, in a manner that best makes sense to each.



Please refer to the website for Investec's full Corporate Citizenship statement.

Sustainability at Investec

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet:

Profit

Financial strength and resilience (of the business and the economy)

- Balanced and resilient business model.

Risk management and compliance

- Strong risk consciousness
- Responsible banking practices
- Responsible lending and investing.

Governance

- Strong culture and values to underpin our processes, functions and structures.

Sustainability at Investec

People

Internal employees:

- Strong, diverse and capable workforce
- Provide a progressive work environment.

External CSI initiatives:

- Education
- Entrepreneurship
- Environment.

Planet

Internal

- Reduce operational impacts.

External

- Embed environmental considerations into business activities.

Sustainability at Investec is about:

- Managing and positioning the group for the long term
- Building a sustainable business model that allows Investec to make a valuable contribution to society, to macro-economic stability and to our environment
- Developing a strong, diverse and capable workforce
- Growing and preserving clients' and stakeholders' wealth based on strong relationships of trust.



Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Sustainability initiatives

Investec participates and has maintained its inclusions in the following international initiatives:

- The Dow Jones Sustainability Investment Index
- The JSE Limited Socially Responsible Investment Index
- The FTSE4Good Index
- UN Principles for Responsible Investment (PRI)
- UN Global Compact
- The Carbon Disclosure Project – Investec is a member and Investec Asset Management is a signatory investor.



Responsibility



The social and ethics committee is responsible for monitoring the non-profit elements of sustainability (see page 110).

The mandate of this committee places a strong emphasis on the responsibility of the group towards the communities in which we operate, on social transformation in the workplace, and on preserving the well-being and dignity of our employees.

We also have sustainability representatives in each of the major geographies in which we operate who drive our sustainability objectives as well as various forums discussing sustainability considerations. Feedback on relevant sustainability issues is provided to board members at each board meeting.

Reporting

Our approach to sustainability is documented throughout this integrated annual report with further detail available in a more extensive sustainability report on our website.

Our approach to reporting has followed guidance from the King Code of Governance Principles for South Africa (King III), the Global Reporting Initiative's (GRI) G3.1 sustainability reporting guidelines. An index of these indicators together with our response to each of them can be found in our separate sustainability report. We have self-assessed our reporting to be application level B.

Assurance



Investec Internal Audit performed a limited review of the quantitative and qualitative sustainability information disclosed on pages 124 to 138 of this report. This included the review of corporate social spend, learning and development spend, employee headcount and carbon footprint.

Grant Thornton has provided limited assurance over selected environmental, human resources and corporate social spend key performance indicators, as set out in the corporate responsibility review of this integrated annual report, which have been extracted from the 2015 sustainability report. For a better understanding of the scope of Grant Thornton's assurance process, the extracted environmental, human resources and corporate social key performance indicators in this report should be read in conjunction with the full 2015 sustainability report containing their assurance statement.



Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Materiality

In identifying material issues for the group, consideration is given to those issues we believe have the potential to significantly influence our ability to have a positive impact on the success and well-being of communities local to our offices, the environment and on overall macro-economic stability. In identifying these issues, we consider Investec's values and philosophies and input obtained from our stakeholders in the context of our three key focus areas of profit, people and planet.

Material issue	Why it is important to us	How we managed in 2015
Profit		
Balanced and resilient business model	The financial strength and resilience of Investec depends on a balanced business model that supports our long-term growth vision through varying economic cycles. We aim to maintain an appropriate balance between revenue earned from operational risk activities and revenue earned from financial risk activities.	Our capital light activities contributed 56% to group income and capital-intensive activities contributed 44% to group income. Please refer to the operational and strategic report on pages 18 to 21 for more information.
Responsible banking practices	We strive to demonstrate cast-iron integrity by displaying moral strength, risk consciousness and holding ourselves to the highest ethical standards. Our robust risk management processes and governance systems provide a strong foundation for responsible banking practices.	The Compliance function ensures that Investec continuously complies with existing and emerging regulation impacting on its operations. Organisation Development (OD) acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation. Please refer to pages 98 to 100 of volume two for more detail on the Compliance function.
People		
Engaging, developing and retaining our employees	The sustainability of our business depends largely on our people and positioning Investec as an attractive employer in the financial services industry. We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance.	In 2015, we invested £14.1 million in the learning and development of our employees, compared to £11.8 million in 2014. Investec has been voted one of the most attractive employers in the 2015 Universum Most Attractive Employer awards. Investec was voted Best Bank by both professionals and graduates. Please refer to pages 140 to 180 for our remuneration report.
Making an unselfish contribution to society	Our approach to CSI focuses on education, entrepreneurship and the environment. We believe that to focus on education and entrepreneurship is an effective way to create opportunities for employment, wealth creation and to stimulate socio-economic growth.	We invested £5.4 million in corporate social investment, (2014: £5.1 million). Promaths received <i>Mail & Guardian's</i> 2014 Investing in the Future Award. Investec won the 2015 Business Charity Award for community impact in the UK for our partnership with Bromley by Bow Beyond Business incubator. During our period of involvement, the programme has launched 55 new social enterprise businesses, creating 325 new jobs.
Planet		
Sustainable finance and investment	As a niched, specialist financial services organisation with a small physical presence, the direct environmental and social impacts of Investec's daily operations are limited. The area in which Investec can make the most meaningful contribution to the environment is through responsible financing and investing and supporting businesses involved in renewable energy and green developments.	We committed £1.1 billion to renewable energy. Investec, in partnership with Vuselesa Energy, launched a first of its kind co-generation power plant in South Africa, Eternity Power. Our Asset Management business designed an ESG tool that enables databases of ESG information to be built, and will ultimately monitor the ESG performance of investments.
Reducing our operational impacts	While the direct environmental impacts of Investec's daily operations are limited, we seek to reduce our resource consumption and waste generation and thereby limit our environmental impact.	Scope 1 emissions decreased by 21% and scope 2 emissions by 5% as a result of a number of greening initiatives across our offices. Scope 3 emissions increased due to improved data collection processes which resulted in the coverage of our smaller offices. Investec Gresham Street was a runner-up in the 2014 Clean City Awards Scheme.

Our people

Investec employees remain critical to continued business success and to overall sustainability efforts. The expertise and dedication of staff are fundamental in meeting our clients' needs and delivering distinctive results. It is therefore vital that we engage, develop and retain a high-value workforce. One of the group's values is to ensure open and honest communication and hence we encourage active and open dialogue between staff and senior management. As a responsible employer, Investec aims to offer staff a stimulating and progressive working environment in which they can flourish and realise their true potential.

In assuming responsibility for our people we seek to promote sustainability through:



Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisational Development (OD), which serve to supplement the ongoing people focus of our individual business units. The Investec Careers and HR teams are mandated to enable the attraction, development and retention of talent who can perform in a

manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

The HR division participates in local and international forums to ensure alignment of HR strategy with business strategy. As our operating jurisdictions have different legal

and regulatory requirements, our various HR functions operate in a differentiated but integrated way adhering to the group philosophical approach. Senior responsibility for reporting employee-related issues falls under Marc Kahn who heads our Human Resources and Organisational Development.

 Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Number of employees

By division – permanent employees	31 March 2015	31 March 2014
Asset Management		
UK and Other*	457	428
Southern Africa^	977	913
Total	1 434	1 341
Wealth & Investment		
UK and Other*	1 164	1 014
Southern Africa	297	286
Total	1 461	1 300
Specialist Banking		
UK and Other*	1 939	2 229
Southern Africa	2 925	2 787
Total	4 864	5 016
Total number of permanent employees	7 759	7 657

* Includes Australia, which was previously reported separately.

^ Includes Silica employees, its third party administration business.

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

By geography – total employees	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
UK and Other*	3 560	3 671	3 827	3 625	3 036	2 142
Southern Africa	4 199	3 986	3 748	3 661	3 680	3 542
Permanent employees	7 759	7 657	7 575	7 286	6 716	5 684
Temporary employees and contractors	495	601	576	495	521	439
Total number of employees	8 254	8 258	8 151	7 781	7 237	6 123

* Includes Australia, which was previously reported separately.

Employee strategy

The core areas of emphasis regarding our people strategy are:

To attract, retain and motivate the right people who can perform extraordinarily

Our internal resourcing function forms an integral part of our broader talent management as it enables us to source and redeploy talent internally and, where required, to recruit externally to address any skills gaps identified.

We invest significantly in a number of opportunities for developing and training employees and in leadership programmes to develop current and future leaders of the group. Our Learning and Development Centre plays a critical role in the development of our employees as well as assisting the business areas to achieve their learning objectives. Such

learning objectives are always aligned to the business strategy and market trends. The centre is also involved in group-wide activities such as an induction programme for new employees, providing learning advice to individual employees and facilitating the development of generic programmes in the fields of information technology, banking and finance, compliance, e-learning, talent retention and mentoring.

To retain and motivate staff through appropriate remuneration and reward structures

Our remuneration practices comply with the principles of local regulations, while continuing to reward people meaningfully for performance and contribution. Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment

that encourages and fosters extraordinary performance. In line with our philosophy of employee ownership, staff share schemes provide all employees, at all levels of the organisation, with the opportunity to participate in our long-term growth.



Further information is provided on pages 140 to 180.

To ensure that performance management is effectively and constructively practised

Our culture of open and honest dialogue promotes immediate and direct performance-related feedback between manager, employee and team to help individuals identify and address their development needs.

Spend on employee learning and development

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

	31 March 2015		31 March 2014	
	£	R	£	R
Southern Africa				
Asset Management	290 966	5 185 006	417 008	6 722 164
Wealth & Investment	247 232	4 405 680	426 252	6 871 175
Specialist Banking	8 618 315	153 578 374*	5 759 135	92 837 252
Total	9 156 513	163 169 060	6 602 395	106 430 591
UK and Other[^]				
Asset Management	727 241	12 959 426	723 303	11 659 649
Wealth & Investment	927 208	16 522 854	548 596	8 843 364
Specialist Banking	3 308 440	58 956 400	3 978 840	62 212 366
Total	4 962 889	88 438 680	5 250 739	82 715 379
Total group training spend	14 119 402	251 607 740	11 853 134	189 145 970

[^] Includes Australia, which was previously reported separately.

* In order to better align our reporting on training spend with the South African Financial Sector Codes, we have included costs incurred for our skills and learning teams as well as our graduate programmes in 2015 spend.

Working at Investec

The policies and business practices of Investec are outlined in *Becoming Acquainted with Investec* (BAWI) or regional equivalents; and in the compliance handbook. They are intended to guide our conduct and ensure that at all times our actions and attitude reflect the group's values and philosophies.

These policies and business practices can be found on our website, including more details on the following:

Promoting equity and diversity in the workplace

Our promotion of equal opportunity and workplace diversity is not merely a social responsibility, but a means of ensuring that we foster a culture of diversity in the belief that this brings business advantage. We have various processes to encourage debate and dialogue around appreciating diversity and different cultures. Emerging and established leaders are invited to participate in talent discussions with executive management around all issues

related to talent management. In addition, our Zebra Crossing initiative, which is aligned to our employment equity plan, aims to raise levels of multi-cultural awareness of staff at Investec and enable them to appreciate and celebrate the richness of our diverse population and to take these insights back into the business. Over 2 500 employees have participated in this programme since its inception in 2009.



Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Employee gender composition – permanent employees

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

	Southern Africa			UK and Other [^]		
	31 March 2015			31 March 2015		
	Male	Female	Total	Male	Female	Total
Executive directors						
Asset Management	–	–	–	1	–	1
Wealth & Investment	–	–	–	–	–	–
Specialist Banking	2	–	2	1	–	1
Total	2	–	2	2	–	2
Senior managers*						
Asset Management	117	63	180	31	5	36
Wealth & Investment	88	30	118	77	8	85
Specialist Banking	547	336	883	62	14	76
Total	752	429	1 181	170	27	197
Rest of employees						
Asset Management	300	497	797	237	183	420
Wealth & Investment	63	116	179	569	510	1 079
Specialist Banking	766	1 274	2 040	1 144	718	1 862
Total	1 129	1 887	3 016	1 950	1 411	3 361
Total group	1 883	2 316	4 199	2 122	1 438	3 560

[^] Includes Australia, which was previously reported separately.

* A senior manager is defined as a person who: (a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and (b) is an employee of the company.

Transformation

In South Africa, Investec remains committed to black economic empowerment. Our approach involves:

- Using our entrepreneurial expertise to foster the creation of new black entrepreneurial platforms
- Serving as a leading source of empowerment financing
- Encouraging internal transformation by bringing about greater representivity in our workplace. In this regard, we are focusing on creating black entrepreneurs within the organisation.

During the year we received a level 2 BBBEE rating status from Empowerdex, up from a level 3. We are committed to achieving and sustaining an equitable workplace that encourages and manages diversity and as such remains focused on the corrective strategies as set out in our Employment Equity Plan for the period 2013 to 2017. In terms of numerical targets for 2014 we met the targets for top management, and at the senior

management level were just shy of meeting our targets. We did not meet our targets for junior management, however, we exceeded our targets at the middle management level and at the semi-skilled level (due to the implementation of various learnership programmes).

Recognising that enterprise development is vital to South Africa's transformation aspirations, we continue to run an enterprise development programme in partnership with Raizcorp to back entrepreneurs who are managing their own businesses and have potential to grow and create jobs. The entrepreneurs selected for the programme are assigned a dedicated team of trained Raizcorp guides who focus on key areas of strategy, finance and marketing to sales and personal development. The selected entrepreneurs are directly responsible for the creation of over 300 jobs through their businesses.



Further information on the employment equity statistics of our South African business is available on our website.

Discrimination

We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, religion, age and sexual preference (or any other basis as envisaged by the South African Bill of Rights in the Constitution or regional equivalents). Investec has a formal grievance procedure (and a written policy) to deal appropriately with any incident which may occur. Furthermore, there are several informal avenues for employees who wish to discuss concerns, for example, OD, HR, Employee Relations and our independent external consultants.

There are no recorded incidents of discrimination for the period under review.

Health and safety

A group-wide formal health and safety programme identifies and manages all health and safety risks, and carries out regular safety audits. Health and safety is overseen by a health and safety committee that meets quarterly to review health and safety concerns.

This management comprises:

- Craig Gunnel – head of facilities SA
- Tony Grimes – head of facilities UK

In South Africa, Investec's HIV/Aids policy and management forum extends to all permanent employees.

Employee wellness

To enable and develop employee health and well-being, Investec provides employees with a bespoke employee assistance and wellness programme. The comprehensive and integrated health and wellness programme, which expresses our focus of care and concern for the wellness of employees, provides personalised wellness interventions offered in face-to-face counselling and coaching. The wellness interventions are provided by a multi-disciplinary team of select health professionals who are all specialists in their fields of practice. Investec values the physical and psychological health, welfare and safety of our people. Our offices also host wellness days for staff to raise awareness and education around health issues through a unique, fun and interactive approach which focuses on physical and mental health.

Retrenchment policy

Where it becomes necessary for Investec to terminate employment based on operational requirements, the procedure to be followed will be in accordance with Investec's retrenchment policy which is more favourable than the local regulatory requirements. We conduct consultation for a period which exceeds the minimum prescribed period during which we attempt to find a suitable alternative position for the affected employee.

Whistle-blowing policy and protected disclosures

One of Investec's values requires employees to 'conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust'. Integrity and confidentiality are critical to our reputation and sustainability. The purpose of our whistle-blowing policy is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behaviour or workplace misconduct in total confidentiality and anonymity and without fear of retribution. We seek to protect all employees who disclose unlawful or irregular conduct by the company, its employees or other stakeholders.



To review the full details on employees and our policies relating to business practices, please refer to the separate sustainability report on our website.

Corporate social investment (CSI)

Our CSI endeavours are central to the group's values of making an unselfish contribution to society, valuing diversity and respecting others, and also underpins Investec's aim of being a good corporate citizen. Our approach to CSI focuses on education, entrepreneurship and the environment. We believe that to focus on education and entrepreneurship is an effective way to create opportunities for employment, wealth creation and to stimulate socio-economic growth.

In keeping with our business model of independent, highly autonomous business units supported by a strong centre, there is no single overriding approach to social investment within the group, although clear commonalities exist. Each of the regions has pursued social investment as deemed appropriate to their circumstances and where they are in the evolution of their business.

The active involvement of our people, through volunteering, remains at the core of our social investment strategy. We have many well-established charitable partnerships and volunteering initiatives to support these partners. Further, we make donations to charities in response to requests for assistance across all regions and business areas within the group. This allows us to allocate meaningful grants in areas which might not fall within our main focus areas.



Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Corporate responsibility (continued)

Group CSI spend

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

	31 March 2015		31 March 2014	
	£	R	£	R
Southern Africa				
Asset Management	50 129	893 300	10 994	177 221
Wealth & Investment	55 827	994 841	27 047	435 995
Specialist Banking	260 795	4 647 365	196 871	3 173 564
Group Corporate Social Investment division	3 427 900	61 085 174	3 461 272	55 795 709
Total	3 794 651	67 620 680	3 696 184	59 582 489
UK and Other*				
Asset Management	308 044	5 489 339	92 594	1 492 613
Wealth & Investment	21 666	386 081	29 959	482 944
Specialist Banking	249 898	4 453 181	318 915	5 150 476
Group Corporate Social Investment division	989 889	17 639 820	1 014 990	16 363 462
Total	1 569 497	27 968 421	1 456 458	23 489 495
Total Investec CSI spend	5 364 148	95 589 101	5 152 642	83 071 984
Total Investec CSI spend as a % of operating profit before tax	1.13%		1.17%	

* Includes Australia, which was previously reported separately.

UK and Other

The corporate social investment programme plays a key role in the fulfilment of Investec's core values focusing on making an unselfish contribution to society.

Our approach encompasses the principal elements of:

- Facilitating employee volunteering with local charitable partners
- Granting charitable donations to small local charities
- Facilitating and recognising fundraising endeavours of employees through organised events and Employee Charity Funding
- Providing a Give-As-You-Earn facility to encourage employee payroll giving.

We champion sustainable social investment by:

- Building dedicated charitable partnerships
- Engaging all of our people in making a positive difference
- Harnessing our diverse resources and collective talent.

We support many causes through sponsorships and charitable donations, but our social investment programme is focused on education, entrepreneurship and the environment – areas identified by employees as best aligned with Investec's culture and core values.

Highlights during the period

- Employees continue to support our partner Amherst School, volunteering over 50 days per year consistently for the past five years. We support the core activities of reading, maths and vocabulary, alongside a variety of annual activities such as the Lihou Island year six camp. We continue to subsidise the breakfast club and funded new tables and chairs at the club, which now runs five mornings a week with our volunteers providing cover each morning
- Investec is a founding partner in Arrival Education's four-year talent development programme. We have indirectly supported 908 Arrival students this year, with approximately 205 students impacted directly through life skills workshops and programme sessions hosted at Investec. Volunteers across our business have dedicated more than 280 hours toward positively impacting Arrival students this year. We have also been shortlisted in the Business Charity awards 2015 for our partnership with Arrival Education in the Community Impact category
- Morpeth School is a mixed comprehensive secondary school situated in east London. The pupils are from diverse backgrounds and ethnic groups and an above average proportion is disabled. Various opportunities provided by Investec in the last year resulted in the attendance of 300 pupils. This year's group was chosen from a variety of backgrounds and some were targeted because they are feared to be at risk of becoming disengaged. Many from this group are going on to take one or two GCSE exams early and 85% of the group are expected to achieve at least one A* – C grade in the coming year, with 30% being predicted an A or A*
- Investec won the Business Charity awards for Community Impact in 2015 for the Beyond Business social enterprise incubation programme we run in partnership with the Bromley by Bow Centre. The programme focuses on economic regeneration in Tower Hamlets. Twenty-two volunteers from 10 different business areas volunteered more than 91 hours in office time to support the programme this year. Over the last financial year, six new social enterprises were launched, 66% of which are Black Minority or Ethnic-led; and 50% are run by women
- We were also shortlisted in The Card & Payments awards 2015 for Best CSR programme (for our London-based programme) and, with the Lord's Taverners, in the Corporate Engagement awards 2014, for best collaboration of a single event for the Investec Ashes Cycle Challenge. This is a bespoke cricket-themed challenge, created in partnership with the Lord's Taverners charity. It successfully engaged employees, partners and clients of several of our offices and raised more than £279 000 for the Lord's Taverners and other local charities
- The Investec Foundation in Australia embodies our philanthropic commitment to the community. This commitment is illustrated primarily through supporting meaningful health, welfare and

education programmes. The Australia office contributed A\$276 226 (2014: A\$253 009) to various programmes.

Southern Africa

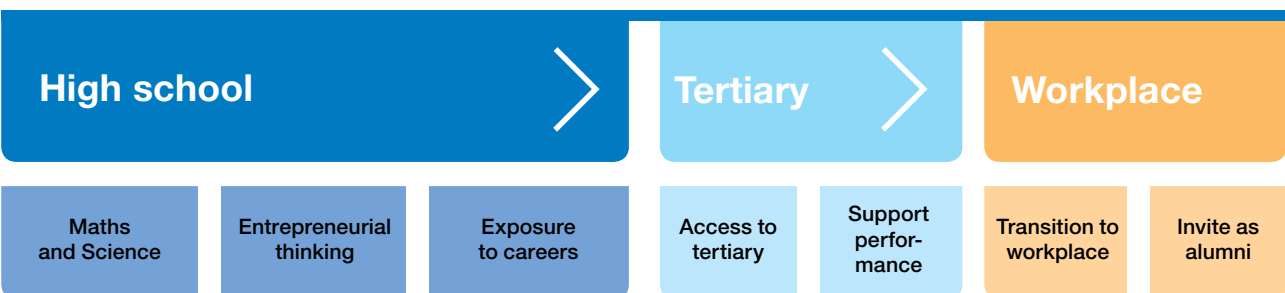
Aligned with the group approach, our CSI endeavours in South Africa focus on education and entrepreneurship. Wherever possible, we seek to collaborate with partners so as to leverage resources and expertise and help ensure enduring impact and long-term sustainability for our projects. In all cases, we look to clear indications that projects are enduring, sustainable and replicable (where appropriate) and are guided by strategic intent, rather than philanthropic well-meaning.

Our CSI strategy is to focus on a more clearly defined pipeline of educational and entrepreneurial projects. The strategy is aimed at facilitating the empowerment of talented individuals within a defined continuum of interventions through school and university to the workplace. The following two key objectives have been identified:

- To facilitate an increase in the number of entrepreneurially-minded matriculants as well as those with a decent pass in English, Maths and Science who have an aspiration to proceed beyond matric
- To facilitate access to quality tertiary education.

The illustration below shows how various components of our strategy form a pipeline of interventions starting at high school and progressing to the workplace.

Southern African pipelines of interventions



 Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Highlights during the period

- Promaths is a partnership between Investec and Kutlwanong Centre for Maths, Science and Technology that has been giving extra Maths and Science lessons to learners in grades 10 to 12 for almost 10 years. The initiative received *Mail & Guardian's* 2014 Investing in the Future Award. The judges labelled Promaths a winning formula for tomorrow's leaders and commended Investec for taking a long-term view to social development by constantly looking to improve the programme
- In the 2014 academic year, 203 Promaths students obtained greater than 80% in their matric Maths, Physical Science or Maths and Physical Science
- As part of the expansion of the Promaths programme, Investec, Kutlwanong and the Promaths Alumni embarked on starting and running Promaths Kutlwanong Societies on different university campuses. Societies have been launched at Wits University, University of Cape Town, University of Pretoria and University of Johannesburg
- Investec, in partnership with Study Trust, awards young South Africans who have academic potential and financial need with the opportunity to study towards financial sector-related degrees at selected local universities. The programme currently has 89 bursary recipients from first year to honours level. In 2014, 19 of our bursary recipients graduated and entered the world of work, bringing the total number of our ex-bursary holders who are now professionals and part of our alumni to 86
- Investec has continued its partnership with the Independent Schools Association of Southern Africa (ISASA) and the Department of Education. The main objective of the initiative is to develop quality teachers of Maths, Science and English, producing a new breed of teachers. In the 2015 academic year an additional 60 new teacher interns were recruited, bringing the number of interns to over 120. The total number of schools where teacher interns can be placed has grown to over 40 schools across the country
- The Mini Enterprise programme is an entrepreneurship programme, a partnership with Junior Achievement South Africa (JASA), that runs over 11 weeks. The programme covers skills ranging from financial planning to forming management structures and selling company shares. In 2014, 45 finalists spent four days refining their initial concepts and participating in the Junior Innovators Competition. The winner received a R60 000 bursary for her 'Heating Cooling Bottle', a water bottle that can perform the function of a household kettle without the use of electricity
- The Cradle Project, a group of Investec employees who volunteer their time and resources to improving the lives of those less fortunate in our surrounding communities, allocated R570 303 (2014: R628 297) to a variety of worthy causes
- Mandela Day is a campaign driven across the country by the Nelson Mandela Foundation in which Investec participates. In 2014, staff members were encouraged to find ways of giving back during the month of July and entered our Mandela Day competition in which they stood a chance to win a donation for their charity. As a result, R100 000 was distributed to various charities
- Investec Bank Mauritius' CSI strategy focuses on projects and initiatives in education, environment and sports development. The office contributed £64 520 (2014: £58 269) to a number of corporate social investment projects during the financial year.



Please refer to pages 56 to 58 of the Investec Bank (Mauritius) Limited's annual report for more detail.



Our planet

Investec's environmental policy takes into account the challenges that climate change presents to the global economy and we will consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet. We believe that as a bank, and given our positioning in the first and emerging worlds, we can make a meaningful impact in addressing climate change.

As a niched and specialist financial services organisation with a limited physical presence, the direct environmental and social impacts of Investec's daily operations are limited. However, in promoting sustainability as part of Investec's core strategy, we believe there needs to be a balance between economic and financial imperatives, the needs of society and their combined impact on the environment.

Our internal environmental strategy is focused on creating awareness and encouraging behavioural change in recognition of our environmental responsibilities. Investec recognises that effective environmental management is an essential part of embedding this philosophy into the organisation. We are committed to operating an effective environmental management system. The Gresham Street office was awarded ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark.

Sustainability principles are further integrated into our daily operations through the environmental programmes communicated to staff through our team of environmental champions – Team Green.

The teams are made up of representatives from across the business areas and aim to raise awareness around our environmental impact and to encourage positive and sustainable behaviour change amongst our staff through education and engagement.

Externally, we focus on incorporating environmental considerations into our daily operations. We recognise the significant opportunities for our clients and our various businesses in areas such as cleaner and renewable energy sources, energy efficiency and responsible lending and investing.

Direct environmental impact

Our respective carbon footprints have been calculated according to the international Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (revised edition), and data has been gathered to fulfil our requirements under the CRC Energy Efficiency scheme. We use the operational control method to determine what is included in our scope of reporting. Materiality set at a group level was 5% with all facilities estimated to contribute > 1% of total emissions included.

Carbon footprint for the group

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

		31 March 2015	31 March 2014
Tonnes of CO ₂ equivalent:			
Scope 1			
Energy	Gas consumption	532	718
	Diesel	221	71
	Refrigerant	1 002	1 343
Employee travel	Vehicle fleet	231	375
Total Scope 1		1 986	2 507
Scope 2			
Energy	Electrical energy consumption	36 548	38 493
Scope 3			
Paper	Paper consumption	559	436
Waste	General waste	29	26
	Waste recycled	18	112
Employee travel	Rail travel	106	99
	Road business travel	45	397
	Taxi	406	75
	Commercial airlines*	30 142	25 589
Total Scope 3		31 305	26 734
No Scope			
Water	Water consumption via mains	0	0
Total emissions		69 839	67 734
Emissions per average employee		8.46	8.39
Emissions per m² office space		0.43	0.39

* The increase in commercial airlines is a result of an improved data collection process which has resulted in commercial air flights being recorded for all UK and Other offices.



Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Corporate responsibility (continued)

Highlights for the UK

- We have smart meters in 70% of our UK offices which help us to monitor and better manage our energy usage; 100% of our Gresham Street energy is monitored via smart meters. We continue to exceed our energy reduction targets, despite a headcount increase of 7% this period. With a base year of 2008/09, in 2014/15 our electricity reduction was 29% against a target reduction of 27%, while our gas reduction was 66% against a target of 27%. Our overall carbon reduction in electricity and gas was 24%
- Where we have direct control over our energy suppliers, we have selected green energy tariffs. This constitutes five of our UK offices. The bulk of the supply

to our head office is from wind power, while the bulk of the supply to the other four offices is hydropower

- Our environment programme is communicated to staff through our dedicated team – Team Green – who have run campaigns, primarily in our UK head office and Dublin offices, since 2006. During 2015 the programme was rolled out to 14 of our other UK offices. Each of these offices has their own Team Green groups and communicates directly with their own offices, focusing on local environmental issues. All teams work together to communicate cohesive environmental messages across all offices
- The main campaign run across all offices in this period was the Watch

Your Waste campaign. The aim of the campaign was to reduce overall waste across our offices. The campaign demonstrated the connections between creating waste and the unintended consequences on human and planetary health. The two specific focuses of the campaign were paper waste and plastic waste

- Investec Gresham Street was a runner-up in the 2014 Clean City Awards Scheme. The scheme is run by the Corporation of London and promotes best practice with regards to waste minimisation and waste management in the Square Mile, following the waste hierarchy. There are 1 600 participants in the scheme. We continue to operate a zero-to-landfill waste policy, and our current recycling rate is 82%, 30%

Carbon footprint for the UK and Other

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

UK and Other [^] consumption		Units	31 March 2015	31 March 2014
Scope 1				
Energy	Gas consumption	kWh	2 789 241	3 773 803
	Diesel	l	2 812	1 440
Refrigerant	Refrigerant	kg	55	–
Scope 2				
Energy	Electrical energy	kWh	14 445 398	16 016 326
Scope 3				
Material	Paper*	t	57	39**
Waste	General waste*	t	34	37
	Waste recycled*	t	494	460
	Food waste to anaerobic digestion	t	111	–
	Incinerated waste to energy	t	75	85
Employee travel	Rail	km	2 266 368	2 053 646
	Road business travel	km	1 296 121	1 783 638
	Taxi	km	46 723	63 151
	Hotel nights	night	5 763	–
	Commercial airlines*	km	42 220 111	23 735 658
No scope				
Water	Water consumption	kl	19 060	26 729
Emissions				
Total emissions			25 465	20 363
Total average employees			3 827	3 355
Emissions per average employee			6.65	5.76
m ² office space			49 653	51 491
Emissions per m² office space^{^^}			0.51	0.38

* Due to improved data collection processes, the coverage of paper, general waste, waste recycled and commercial airline business travel increased to include smaller UK and other offices. In the past only the major offices were included.

[^] Includes Australia, which was previously reported separately.

^{^^} As a result of the business sold, Southampton, Clywd and Dublin NCB have been excluded. Australia office space and headcount decreased.

** Restated.

of which is food waste converted to biofuel/biofertiliser via anaerobic digestion

- In Gresham Street we continue to bottle our own pure drinking water into Investec branded glass bottles for use in our hospitality suite. We refilled 27 282 litre bottles during 2015, helping reduce our delivery footprint, and reducing our glass waste by 7 638 kg
- Investec was one of the first City businesses to sign up to the Air Quality Pledge. The pledge commits us to try to raise the profile of air quality, to reduce gas consumption, to promote walking and cycling, to reduce the number of deliveries servicing our business and to encourage 'no engine idling'. We continue to promote the pledge and participated in the City of London's Cleaner Action Days during this reporting period
- Our commitment to reducing our environmental impact includes promoting sustainable travel. We remain members of a UK car club, and a UK car-sharing social enterprise. Our Cycle2Work scheme continues to grow, with membership rolled out to all UK offices during this period. We ran a series of lunchtime Cycle Safety seminars for our staff in our Gresham Street office in September
- The remaining two of our UK HR teams switched from supplying monthly paper payslips to online payslips. The paper payslip system used to involve the annual distribution of 30 000 paper payslips across our UK offices – travelling 29 458 miles. As well as a more secure means of delivery and reducing our annual travel footprint by over 29 000 miles, moving to paperless payslips will help us reduce our annual paper consumption by at least 195 kg

- In Australia, in order to decrease our electricity usage at our Sydney office, an audit of high-power usage supplementary air-conditioning systems was performed and amenities in the kitchens were consolidated to reduce running time on supplementary fridges.

Highlights for Southern Africa

- Electricity is the largest contributor to our direct environmental impact. With rising electricity costs, energy supply concerns in South Africa and pending carbon tax costs it is becoming more imperative that we reduce our energy consumption. As such Investec Sandton (our largest office, comprising 49% of group floor space) has set an energy reduction target of 10% by 2020, with 2014 as a base year. We have set 2014 as a base year because we spent R4.5 million on energy efficiency initiatives in 2009 and have already seen reductions of 26% from 2008 to 2014. We seek to further increase our efficiencies by 2020
- Our biggest energy consumers are heating, ventilation and air-conditioning systems, lighting and information technology. During 2015 we focused on energy efficiency initiatives such as data centre efficiencies and the use of specialised database appliances
- In order to encourage recycling and simultaneously support surrounding communities, Investec staff partnered with Interwaste, a waste management company, in an initiative called 'Tops and Tags' where companies or individuals collect plastic bottle tops and plastic bread tags to be recycled. When

contributors have collected 100 000 tops and tags they exchange these for a wheelchair which is then donated to a charity of their choice. Since inception, staff have collected enough tops and tags to donate 24 wheelchairs to the community

- During the period, we reaffirmed our recycling programme to remind staff of recycling options available at Investec. Staff were made aware that Investec recycles paper, cans, plastic and glass. Food waste that is fit for consumption is distributed to charities. E-waste is sent to an outside organisation to refurbish or dispose of the computers in an environmentally-friendly manner. Refurbished computers are then distributed to selected Investec charities
- Given that travel emissions are a major contributor to overall carbon footprint, we launched a Bike to Work campaign to raise awareness of alternative modes of transport available to staff to reduce their travel footprint. Staff were encouraged to either walk, run, cycle, use the Gautrain or share a lift to work. Investec partnered with Liftshare to offer staff the possibility of car-sharing with fellow Investec employees through a secure online system. Staff were also made aware of the video conferencing rooms in the building which are equipped with state-of-the-art video conferencing facilities and could be used as an alternative to travelling to meetings.



Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

Corporate responsibility (continued)

Carbon footprint for Southern Africa

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

Southern African consumption		Units	31 March 2015	31 March 2014
Scope 1				
Energy	Gas consumption	kWh	76 083	79 187
	Diesel	l	81 881	25 687
Refrigerant	Refrigerant	kg	507	733
Employee travel	Vehicle fleet	km	1 194 365	1 892 879
Scope 2				
Energy	Electrical energy	kWh	28 493 024	30 654 933
Scope 3				
Material	Paper	t	170	120.10
Waste	General waste	t	62	61
	Waste recycled	t	164	204
Employee travel	Road business travel	km	208 318	308 491
	Commercial airlines	km	37 178 259	37 380 675
No scope				
Water	Water consumption	kl	81 359	118 357
Emissions				
Total emissions			44 802	47 370
Total average employees (including temporary employees)			4 431	4 260
Emissions per average employee			10.11	11.12
m ² office space			113 374	113 374*
Emissions per m² office space			0.40	0.42

* Restated.

Sustainable finance and investment

Sustainable risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

- Environmental (including animal welfare)
- Social
- Economic.

We require that all projects comply with applicable environmental, planning, labour and procurement law and do not fund or invest in projects which do not have acceptable environmental impact assessments, do not comply with procurement and labour laws, and either do or could reasonably be expected to breach acceptable behavioural, ethical or moral standards. We target transactions in countries with established laws that comply with World Bank Standards and that have due processes that are applied reasonably and effectively. If not, sponsors and suppliers are obliged to give undertakings and compliance with such standards. In addition, we have now designed an internal framework to provide enhanced procedures to evaluate and actively avoid, manage and mitigate the potential social and environmental impacts of the projects proposed. For further information please refer to the detailed sustainability report.

In our role as a global asset manager, our primary goal is to deliver on our clients' mandates. The essential purpose of which is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this by assuming a stewardship role over our clients' assets, including exercising of their ownership rights. Over the years, we have invested in recruiting a number of environmental, social and governance (ESG) investment professionals, as well as developing tools and processes which leverage increasingly available data. The practical end of our stewardship responsibility lies with the different investment teams who aim to incorporate material ESG issues into their analysis and portfolio construction in their aim to fulfil their client mandate. We believe this approach benefits both our clients and the social realms in which we invest and operate.



Further detail on our sustainability considerations is available in a more extensive sustainability report on our website.

Information technology

Our vision is to continuously deliver an efficient and effective information technology (IT) platform that serves the needs of the business to deliver excellent client service.

Key infrastructure-related developments reducing our environmental footprint during the period include:

- The continued collaboration across geographies, ensuring effective leveraging of international teams regarding specific technologies
- Expansion of telepresence implementation into three additional territories across the globe, further improving the global collaboration with an associated reduction in business travel costs
- Data centre efficiencies through virtualisation continues across all geographies. The use of specialised database appliances in South Africa will reduce storage growth and improve processing capacity, while at the same time reducing our technology footprint (cooling and power usage)
- The use of cloud-based services, wherever feasible, continues to be a major consideration across all geographies and businesses in an effort to reduce physical infrastructure and energy requirements. Cloud solutions have been utilised in supplying basic office infrastructure services in Hong Kong, New York, and Australia. The 'Mail in the Cloud' initiative has been completed in the UK with the implementation of Microsoft's Office 365 solution. This initiative will be expanded to South Africa during 2015, effectively reducing on-premise hardware and hosting

- Completion of the UK office's footprint of 'thin' desktops. This is a compact piece of computing technology that accesses data remotely through a connection to a server and brings a virtual desktop to the user, thereby reducing total energy consumption
- Improved power consumption at South Africa's Midrand alternative processing site with the introduction of power-saving initiatives which automate the hibernation of desktop equipment during periods of low usage.

Key infrastructure-related developments improving our IT efficiency during the period include the following:

- The implementation of a Software Asset Management (SAM) toolset has paid dividends in recent licencing negotiations resulting in optimal licencing levels across the group
- We continued the collaboration across geographies ensuring effective leveraging of international teams regarding specific technologies
- Investec in South Africa concluded a co-location of infrastructure agreement with the JSE facilitating a competitive, low latency trading environment
- In South Africa the concerning and ongoing power supply situation has resulted in the start of discussions related to the possible hosting of South Africa infrastructure outside of the country.

Key business application-related developments:

- The strategic focus to become an internationally focused client-centric organisation continues
- The Single Specialist Bank initiative continues to focus on the elimination of duplicate business processes across divisions and geographies to deliver a cost-effective, global client-friendly service through our Client Support Centre in South Africa. A single browser-based dashboard has been launched to accompany the Investec mobile application
- One Place digital manifestation now includes full transactional capability for Wealth & Investment and Private Banking in South Africa and Private Banking in the UK, with read-only capability for Wealth & Investment in the UK and Wealth & Investment in Switzerland



- Our digital platforms have now been launched into the UK banking client base, and we are in the process of migrating Wealth & Investment UK, Switzerland, Mauritius and Channel Islands onto the single global platform
- Investec digital platforms in South Africa have been enhanced to allow clients the ability to incorporate externally held transactional accounts, investments and loyalty programmes to complete a One Place solution. This functionality will be rolled out in the UK later this year
- The first version of our unified digital offering for the intermediary market is in trial with the Mauritius community in the form of an intermediary App
- An online discretionary management service for the South African client base has also been incorporated. Major initiatives now include a unified Online Apply for all Investec accounts, with UK Banking being the first to launch
- Wealth & Investment in South Africa and UK have partnered to provide a single leveraged platform for international trading and investment management to South African clients. Platforms and operations will be run out of the UK business
- In the UK, the drive to move clients into online banking, online processing and electronic statement distribution for our Private Banking, Mortgage and Asset Finance businesses continues
- Continued consolidation and merging of technology and support teams across divisions, and in some cases geographies, is gaining momentum

- This convergence will lead to opportunities to leverage resources, skills and licencing internationally and help the achievement of our four strategic goals to:
 - align architectural principles across all businesses and geographies;
 - reduce the international business applications footprint;
 - commoditise common functionality wherever commercially viable; and
 - simplify the environment.

Security and risk management

We continue to enhance security and risk management functions based on clear strategies supported by specialised and coordinated teams across all geographies. We have increased the team capacity to ensure we meet the ever-growing demands of our threat landscape and continue to place emphasis on collaborative and proactive risk and security management.

Procurement report

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, changed outcomes across economic, social and environmental fronts.

In the UK, additions have been made to our procurement policy to incorporate both green and corporate social responsible aspects. We now incorporate evaluation criteria into all of our procurement documentation to allow us to measure and demonstrate our intent to procure effectively

without compromising the environment. We have recently committed to ensuring that 100% of our beverage offering has the Fairtrade label. This includes beverages available in our staff teapoints, our coffee bar and our hospitality suite. A product that carries the Fairtrade Certification Mark has met the rigorous Fairtrade standards, which focus on improving labour and living conditions for farming communities and promoting a way of farming that doesn't harm either people or the environment.

In South Africa, our procurement practices seek to accord with the BEE requirements of the Department of Trade and Industry's Codes of Good Practice, and we have an established process for monitoring and measuring our broad-based BEE procurement efforts. Environmentally responsible partners are key to the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. Our largest suppliers of PCs and server equipment subscribe to an electronic code of conduct, which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety. We always consider the Energy Star endorsement before purchasing equipment.



Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

4

Remuneration report



Remuneration report

Chair of remuneration committee statement

This remuneration report was prepared by the board remuneration committee (the committee) and approved by the board.

Overview of the year

Changes were put in place for the 2015 financial year in response to the cap on variable remuneration that can be paid to Prudential Regulation Authority (PRA) Code Staff under the Capital Requirements Directive IV (CRD IV) and the PRA Remuneration Code (PRA Code). These regulations affect the remuneration that we can pay the chief executive, managing director and group risk and finance director, as well as some of our employees in the Specialist Bank in the UK who are classified as PRA Code Staff.

Although shareholders at the 2014 annual general meeting voted overwhelmingly in favour of our remuneration report for the year ended 31 March 2014, the committee was disappointed that only 56% of shareholders supported the executive directors' remuneration policy.

Listening to and acting on shareholders' concerns

The committee has directed much of its time and effort since the 2014 annual general meeting into establishing the reasons behind the significant vote against the directors' remuneration policy and implementing changes to address shareholders' concerns.

The four main areas identified by shareholders as reasons for voting against the directors' remuneration policy were:

- Absence of a Long-Term Incentive Plan (LTIP) with forward-looking performance conditions
- Extent of discretion provided for in the executive directors' recruitment policy
- Lack of transparency over how Hendrik du Toit's compensation is determined
- The quantum of executive directors' remuneration.

We have responded to those issues by:

- Reintroducing annual LTIP awards equal to one times fixed remuneration (while reducing the maximum short-term incentive (STI) sharing percentage by 50%) for the executive directors subject to CRD IV
- Amending the executive directors' recruitment policy so that discretion can only be exercised within clear limits
- Providing more detailed disclosures in respect of the performance assessment and incentive arrangements for Hendrik du Toit
- Undertaking a benchmarking exercise to validate the levels of executive directors' remuneration.

In addition, in view of the forthcoming changes to the PRA Code, we have built flexibility into the directors' remuneration policy to lengthen deferral or holding periods to comply with future regulatory requirements for individuals identified as PRA Code Staff without the need to revert to shareholders for a further binding vote in 2016. We have also extended the current malus provision to all incentives and

introduced clawback so that the committee can apply either malus or clawback to all incentives for a period of up to seven years from the date of award (for PRA Code Staff).

These proposals will be put to shareholders for approval at the annual general meeting in August 2015 as part of the directors' remuneration policy and the remuneration report. We have discussed these proposals with a representative group of our largest shareholders both in the UK and South Africa. These shareholders have been broadly supportive of these proposed changes and share the committee's view that Investec has to adopt policies that allow it to remain competitive in attracting and retaining talent and ensuring the long-term success of the business. We would like to thank our shareholders for the open and frank nature of these conversations and for the various suggestions that were made.

Business context and outcomes for the year under review

Investec successfully executed on its key strategic initiatives embarked upon over the past two years. The group continued to grow its core franchises and simplified the Specialist Banking business through restructuring and strategic sales. The resultant simplification enables the group to enhance the operational focus to grow and develop its core businesses, so that the right outcomes can be delivered for clients and stakeholders including acceptable returns for shareholders.

The group's performance against key metrics is shown in the table below.

Group performance metrics	Year ended 31 March 2015	Year ended 31 March 2014	% change
Earnings attributable to shareholder before goodwill, acquired intangibles, non-operating items and after non-controlling interests	£339.5 million	£326.9 million	3.9%
Adjusted earnings per share	39.4 pence	37.9 pence	4.0%
Dividends per share	20.0 pence	19.0 pence	5.3%
Return on equity	10.6%	10.1%	
Recurring income as a % of total operating income	74.2%	70.7%	
Return on average risk-weighted assets	1.25%	1.14%	
Total capital adequacy ratio, Investec plc	16.7%	15.3%	
Core tier 1 capital ratio, Investec plc	10.2%	8.8%	
Leverage ratio, Investec plc	7.7%	7.4%	
Total capital adequacy ratio, Investec Limited	14.7%	14.9%	
Core tier 1 capital ratio, Investec Limited	9.6%	9.4%	
Leverage ratio, Investec Limited	8.1%	7.8%	
Total shareholder return, Investec plc (Pounds Sterling)	19.7%	9.6%	
Total shareholder return, Investec Limited (Rands)	22.5%	36.3%	
Variable remuneration pool	£337 million	£305 million	10.5%

Remuneration report (continued)

In light of the positive financial performance of the group in 2015 and the resultant progress achieved across a range of financial and non-financial measures (in terms of the executive short-term incentive plan as approved by shareholders and reflected on pages 147 to 149), the remuneration committee approved an annual bonus of £2.5 million each for Stephen Koseff and Bernard Kantor, and £2.25 million for Glynn Burger. Stephen Koseff, Bernard Kantor and Glynn Burger receive 20% of their bonuses in cash with the balance deferred in shares over three years, subject to six months retention. Malus and clawback arrangements apply to these awards.

Hendrik du Toit was awarded a bonus of £4.36 million, determined solely in relation to the performance of Investec Asset Management as set out on page 146. The bonus payable to Hendrik du Toit will not be deferred until such time as the debt taken out by him to fund a substantial investment into Investec Asset Management has been repaid.

The remuneration committee approved inflationary increases in the salary and benefits of the executive directors in line with average salary increases provided to employees across the group.

The board approved a modest increase in fees for the forthcoming year for the non-executive directors, roughly in line with inflation.

Remuneration philosophy remains unchanged

Our overarching remuneration philosophy has remained unchanged from prior years as we maintain focus on employing and retaining the highest calibre individuals through the payment of industry competitive packages and long-term share awards which ensure alignment with key stakeholders in our business.

Our rewards continue to be distributed from pools of realised earnings generated in excess of targeted thresholds which reflect usage of risk-adjusted capital. This economic value-added model has been in operation for about 16 years and ensures that risk and capital management form the basis for key processes at both a group and transaction level thus balancing the rewards between all stakeholders.

We recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

Looking forward

The committee will continue to ensure that reward packages remain appropriately competitive, provide an incentive for performance, and take due regard of our culture, values, philosophies, business strategy, risk management and capital management frameworks.

Where appropriate, we will continue to consult shareholders and shareholder bodies on any significant proposed changes in remuneration policy.

We are seeking shareholder approval at the 2015 annual general meeting for:

- Our directors' remuneration policy
- Our 2015 annual report on directors' remuneration
- Our non-executive directors' remuneration.

Signed on behalf of the board



Perry Crosthwaite
Chairman, DLC remuneration committee

10 June 2015

Remuneration report (continued)

Navigating this report

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

Where to find details of the key remuneration information	Page/s
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Executive directors

The executive directors whose remuneration is disclosed in this report are referred to as follows:

- Stephen Koseff – chief executive officer (CEO)
- Bernard Kantor – managing director (MD)
- Glynn Burger – group risk and finance director (GRFD)
- Hendrik du Toit – chief executive officer of Investec Asset Management (CEO of IAM)

Compliance and governance statement



The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code 2012, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA Remuneration Code, the South African King III Code of Corporate Practice and Conduct, the South African Companies Act 2008, the JSE Limited Listings Requirements and the

South African Notice on the Governance and Risk Management Framework for Insurers, 2014.

The remuneration report comprises the annual statement from the committee chair, the revised directors' remuneration policy that sets out our remuneration policy for the next three years and the differences between the future policy and the policy operated in the 2015 financial year, and the annual report on remuneration that explains how the policy has been implemented in the 2015 financial year. The report also contains Pillar 3 disclosures as mandated by the UK's PRA and the South African Reserve Bank.

Remuneration report (continued)

A summary of the remuneration decisions made during the year ended 31 March 2015

Remuneration philosophy

Our philosophy, which remains unchanged from prior years, is to:

- Employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies
- Strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and the group
- Provide staff share ownership through participation in our employee share schemes to align interests with those of our owners

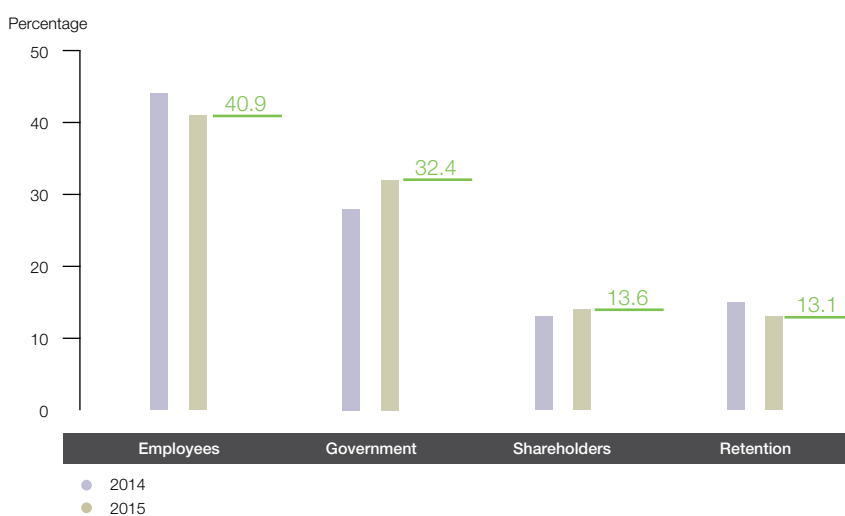
- Continue to acknowledge the importance of the appropriate division of the returns generated by our business between our owners, our workforce and the societies in which we operate.

In summary, we estimate our total economic return has been divided between

government through taxation, owners through dividends and employees through total compensation as follows:

The total cost of compensation is managed through staff compensation ratios which are reviewed regularly. The total staff compensation ratios are as follows:

Value add contribution



Staff compensation ratios

	Year ended 31 March 2015	Year ended 31 March 2014
Total for the group	47.4%	46.3%
Asset Management	47.6%	47.7%
Wealth & Investment	55.9%	56.1%
Specialist Banking	45.2%	43.5%

Outcomes for executive directors during the year

The following table summarises awards made to executive directors for the year. A further breakdown of these awards can be found on page 151.

	Total cash benefits, salary, bonus		Total deferred bonus*		Fixed allowance payable in shares subject to retention period^		Total remuneration awarded in current period		Value of vested LTIPS**	
£'000	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014
CEO	970	844	2 000	1 576	1 000	^^	3 970	2 420	–	–
MD	970	844	2 000	1 576	1 000	^^	3 970	2 420	–	–
GRFD	773	685	1 800	1 416	1 000	^^	3 573	2 101	–	–
CEO IAM	4 811	4 811	–	–	–	–	4 811	4 811	3 319	799

* Deferred in shares over a period of three years, subject to six months retention.

^ 75% released in year four and 25% released in year five.

^^ Fixed allowances have been awarded in 2015, in terms of the implementation of the requirements of CRD IV. In 2014 long-term incentive awards were made as these requirements were not yet in place. No long-term incentive award was made in 2015.

** LTIPS awarded in prior years which have vested over the financial period. The value represents the number of shares that vested multiplied by the market price of the shares at the date on which they vested.

Remuneration report (continued)

Changes to executive remuneration

We are proposing to respond to the issues raised by shareholders by making the following changes to the remuneration arrangements of the executive directors who are subject to CRD IV:

- Providing an inflationary increase in base salary and benefits
- Maintaining fixed allowances at their current levels
- Reducing the level of the short-term incentive sharing percentage by 50%
- Reintroducing annual LTIP awards equal to one times fixed remuneration.

These proposals apply from the 2016 financial year (and subsequent years) and are subject to approval at the 2015 annual general meeting.

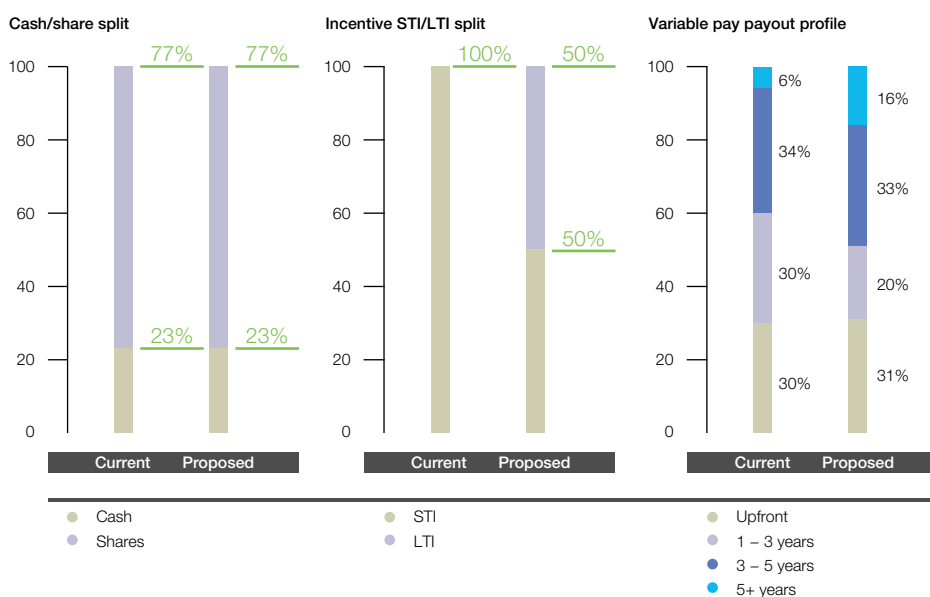
An example of how the changes will impact the remuneration package of the CEO is shown in the table below:

	Year ended 31 March 2015	Year ending 31 March 2016
Salary	£470 000	£480 000
Fixed allowance	£1 million (paid in shares)	£1 million (paid in shares)
Short-term incentive (maximum)	200% of fixed remuneration	100% of fixed remuneration**
Long-term incentive	n/a	100% of fixed remuneration**

** Valued in line with European Banking Authority (EBA) discounting rules.

The graphs below compare the current and proposed remuneration structures on a target basis. Specific values shown relate to the CEO although a similar structure would apply to all executive directors subject to the CRD IV bonus cap.

Proposed remuneration structure



- The split between cash and share awards is unchanged
- The LTIP award makes up 50% of variable remuneration whereas previously there was no separate LTIP
- The pay-out profile of variable remuneration is extended with a greater proportion deferred for up to five years.

The remuneration of the CEO of IAM will continue to be determined by reference to the remuneration policy applicable to the IAM business.

Annual report on directors' remuneration

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects.

Composition and role of the committee

Perry Crosthwaite is the chairman of the committee. The other members of the committee are Fani Titi and Charles Jacobs. During the year Olivia Dickson, Bradley Fried and Sir David Prosser stepped down from the committee.

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

One of the members of the committee is also a member of the group's board risk and capital committee (as discussed on page 111), thus bringing risk and control mechanisms into the committee's deliberations.

The committee's principal responsibilities and objectives are to:

- Determine, develop and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals discharging managerial responsibilities, who are the global heads of our core areas of activity and are members of our global operations forum)
- Commission and consider the results of an annual central and internal review of remuneration policy implementation
- Ensure that qualified and experienced management and executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the group and alignment with the corporate objectives and business strategy
- Review and approve the design of, and determine targets and objectives for any performance-related remuneration schemes operated by the group and

approve the aggregate annual payouts under such schemes

- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of executive directors and persons discharging managerial responsibilities and PRA Code Staff including, where appropriate, bonuses, incentive payments and share scheme awards
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of members of the internal audit, risk and compliance functions
- Oversee any major changes in our employee benefit structures
- Ensure that the comments, recommendations and rules within the UK and South Africa pertaining to remuneration are respected.

The committee is authorised by the board to seek any information it requires from any employee in order to perform its duties.



The committee's terms of reference are subject to annual review and are available on our website.

Meetings

The remuneration committee met nine times during the financial year. An attendance schedule is provided on page 108.

The company secretary of Investec plc acts as the secretary. Executive directors do not attend meetings of the committee, unless invited or required to do so by the chairman of the committee. The chairman of the committee reports on the activities of the committee at each meeting of the board.

Advisers to the committee and the company

Where appropriate, the committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the committee and Investec funds any expenses relating to their appointment.

During the financial year, the committee continued to use the services of its principal advisers, New Bridge Street, which among other things specifically reviewed and provided information on executive remuneration and our remuneration policy in light of CRD IV, industry consultation papers, regulations and developments

with respect to remuneration practices and our alignment to them. In addition, they continued to review and provide information on appropriate benchmarks, industry and comparable organisations' remuneration practices. Their recommendations are valued in the ongoing review of our remuneration practices. New Bridge Street is a signatory to the UK Remuneration Consultants Group's Code of Conduct and does not conduct any material work for the company other than for the committee and is part of Aon plc. The committee, on an annual basis, formally evaluates the advice received from New Bridge Street to ensure that it is both objective and independent, and considers whether this service should be retained for the forthcoming year. Total fees paid to New Bridge Street for the year amounted to £31 000, (based on their standard hourly rates).

The company retained the services of PricewaterhouseCoopers to assist with the development of executive director and other PRA Code Staff incentive arrangements in light of CRD IV and to understand industry remuneration developments. This information was also shared with the committee.

Furthermore, we have used the services of Linklaters who have advised this year mainly on a number of issues pertaining to our existing incentive plans. Linklaters is one of Investec plc's legal advisers.

Certain specialist divisions within the group, for example, human resources and the staff shares schemes division, provide supporting information and documentation relating to matters that are presented to the committee. This includes, for example, comparative data and motivations for proposed salary, bonus and share awards. The variable remuneration pools are determined by our finance teams taking into account risk-adjusted capital requirements and after eliminating unrealised gains. The employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee.

Remuneration report (continued)

Statement of implementation of remuneration policy for the year ending 31 March 2016

Executive directors

Pending approval at the 2015 annual general meeting, the remuneration policy for the executive directors will be implemented as follows:

Base salary and benefits		
	£480 000 for the CEO £480 000 for the MD £340 000 (i.e. R4 500 000 Rand portion and £90 300 Pound portion) for the GRFD £450 874 for the CEO of IAM	Inflationary increase
Fixed allowance		
	£1 000 000 for each of the three executive directors subject to CRD IV (CEO, MD and GRFD)	- Payable in shares - Vests on award - Retention period: - Released over five years 20% each year
STI		
	- Incentive pool for CEO, MD, GRFD: 0.23% each of adjusted operating profit for CEO and MD 0.20% of adjusted operating profit for GRFD - Subject to a maximum of 100%* of fixed remuneration for each of the three executive directors subject to CRD IV - Incentive pool for CEO of IAM: 1.85% of the earnings of IAM before variable compensation and tax	- For CEO, MD, GRFD: award subject to performance criteria as set out on pages 147 to 149 - Short-term incentive sharing percentage reduced by 50% to reflect the reintroduction of LTIP - Malus and clawback provisions apply - Deferral period strengthened: 30% upfront in cash; 30% upfront in shares; 40% deferred shares vesting after one and two years, subject to six-month holding period - For CEO of IAM: - There will be no deferral of the short-term incentive until such time as the debt taken out by the CEO of IAM to fund a substantial investment in IAM has been repaid
LTIP		
	- Reinstated – maximum 100% fixed remuneration - Paid entirely in shares - Applicable for each of the three directors subject to CRD IV (CEO, MD and GRFD) - CEO of IAM will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme (as explained on page 175)	- Award subject to performance criteria as set out on pages 149 and 150 - Award of one times fixed remuneration at face value - Deferral period lengthened: equal vesting over years three to five, subject to six-month holding period

* Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (typically approximately 2.2x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.

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

Performance conditions	Weighting	Score range	Achievement levels
Financial metrics	85%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)
Non-financial metrics	15%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)

Each financial and non-financial metric has set threshold levels below which no short-term incentive will be earned and stretch levels whereby the pool for short-term incentives earned will be increased, but to a level capped as a percentage of adjusted operating profit. The committee believes that these stretch levels are demanding and will result in an incentive pool which will reflect actual performance and align the interests of the executive directors with the interests of shareholders. Achievement levels for the short-term incentive will be reviewed annually by the committee.

Executive short-term incentive – financial metrics and weightings

The weightings for each financial metric are as follows:

Financial metric	Weighting	
Aggregate	85%	
Return on risk-weighted assets ¹	35%	} 60% attributable to profitability measures
Return on equity ²	25%	
Tier 1 capital adequacy ³	12.5%	} 25% attributable to prudential measures
Liquidity cover ratio ⁴	6.25%	
Net stable funding ratio ⁴	6.25%	

¹ Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items.

² Return on equity is defined as adjusted earnings/average ordinary shareholders' equity (excluding preference share capital).

³ Tier 1 capital adequacy condition is a blend of the underlying tier 1 capital adequacy ratios for Investec plc and Investec Limited (50% plc: 50% Limited).

⁴ The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (55% South Africa: 45% UK).

The financial metrics are designed to ensure an appropriate balance between measures which drive profitability (return on risk-weighted assets and return on equity) which comprise 60% of the total weighting of 85% and prudential measures (tier 1 capital adequacy ratios, liquidity cover ratios and the net stable funding ratio) which comprise 25% of the total weighting of 85%.

Executive short-term incentive – financial metrics: achievement levels

Achievement levels for each of the financial metrics, as described above, which determine threshold, target and stretch performance are reviewed and set annually by the committee, following a careful and detailed review of relevant economic and market conditions. The threshold, target and stretch performance levels for the financial metrics set by the committee are outlined on the next page. Achievement levels for the year ended 31 March 2015 are shown on page 152.

Remuneration report (continued)

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

* The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (55% South Africa: 45% UK) as set out below:

Measure	South Africa	UK
Geographical weighting	55%	45%
Liquidity cover ratio		
Threshold	55%	150%
Target	65%	175%
Stretch	75%	225%
Net stable funding ratio		
Threshold	65%	95%
Target	75%	100%
Stretch	85%	110%

Stretch achievement levels for return on risk-weighted assets and return on equity are considered to be demanding:

- The group's adjusted earnings for the year ended 31 March 2015 amounted to £339.5 million
- In order to achieve the stretch achievement level for the return on risk-weighted assets metric, the group's adjusted earnings for the year ended 31 March 2015 would have needed to be 28% larger at £434.5 million *ceteris paribus*
- In order to achieve the stretch achievement level for the return on equity metric, the group's adjusted earnings for the year ended 31 March 2015 would have needed to be 42% larger at £481 million *ceteris paribus*.

Executive short-term incentive – non-financial metrics: achievement levels

The committee believes that it is right to incentivise executive directors to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns. The executive directors have a low level of fixed gross remuneration relative to their peers. Therefore, without a meaningful weighting and target score for non-financial metrics, the executives would not be rewarded in any significant way for activities which the committee and the board regard as essential to the reputation, risk profile, capability and overall long-term sustainability of the company. The committee considers that both the short- and long-term incentive schemes should properly reflect the board's view of the proper balance of responsibilities for the executive directors.

The areas of focus, weightings and objectives for the non-financial metrics are assessed on a four-point scale (these are reviewed and set annually). These are as follows:

Non-financial metrics	Weighting	Achievement levels				
	15%	0%	50%	100%	150%	200%
Culture and values	3.75%	0	1	2	3	4
Franchise development	3.75%	0	1	2	3	4
Governance and regulatory and shareholder relationships	3.75%	0	1	2	3	4
Employee relationship and developments	3.75%	0	1	2	3	4

Remuneration report (continued)

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

- Culture and values
 - Management visible and proactive in demonstrating appropriate behaviour
 - Performance-driven, transparent and risk-conscious organisation
 - Delivering appropriate and sustainable products with high levels of service and responsiveness
 - Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders
 - Continual monitoring of the culture of the group
- Franchise development
 - Quality of brand, development of client base, commitment to the community and progress in building the firm
- Environmental and other sustainability issues
- Governance and regulatory and shareholder relationships
 - Maintaining open and transparent relations with regulators
 - Regulators should have confidence that the firm is being properly governed and managed
 - Shareholders should have confidence that the firm is being properly managed
- Employee relationship and development
 - Succession and the development of the next generation
 - Diversity and black economic empowerment initiatives and results
 - Continued development of people – both on the job and extramurally.

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances, with the typical score range being 1 (50%), 2 (100%) or 3 (150%).

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

The vesting of awards for the executive directors will be conditional on performance weighted as to financial and non-financial performance and measured against prescribed achievement levels.

The number of shares awarded will be decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial metrics, as follows:

	Weighting	Score range	Achievement levels
Financial metrics	75%	0 – 150%	Threshold (0%) Target (100%) Stretch (150%)
Non-financial metrics	25%	0 – 200%	Threshold (0%) Target (100%) Stretch (200%)

The number of shares which vest against both the financial and non-financial performance conditions depend on whether threshold (0%), target (100%) or stretch (150%) levels are achieved, with awards vesting on a linear basis between each level.

If the stretch achievement levels for both the financial and non-financial metrics are satisfied, the number of shares vesting will be increased to a maximum of 135% of the number of shares awarded at the time of grant.

Executive long-term incentive – financial metrics: achievement levels

The achievement levels for each financial metric which determine threshold, target and stretch performance for the three-year performance period applicable to each annual award will be reviewed and set annually by the committee in advance of the award being made after a careful review of relevant economic and market conditions. The weightings for each of the financial metrics are expected to remain constant going forward.

Threshold, target and stretch achievement levels for the financial metrics currently are as follows:

	Weighting	Achievement levels		
Financial metrics	75%	Threshold (0%)	Target (100%)	Stretch (150%)
Growth in tangible net asset value ¹	40%	15%	30%	45%
Return on risk-weighted assets ²	35%	0.7%	1.2%	1.6%

¹ The growth in tangible net asset value is expressed per share based on neutral currency and after adding back dividends and will be measured over the three financial years preceding the first date of vesting.

² Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items, and will be measured over the three financial years preceding the first date of vesting by averaging the actual return on risk-weighted assets achieved for each of those three financial years.

The awards will be tested over the three financial years preceding the first date of vesting against the achievement levels set on grant and the number of shares to be received will be determined by reference to the combined total which has been achieved.

Remuneration report (continued)

Executive long-term incentive – non-financial metrics: achievement levels

The non-financial metrics and associated objectives for the three-year performance period applicable to each annual award will be reviewed and set annually by the committee, in advance of the award being made, taking into account the group's strategic and operational objectives.

The current non-financial metrics are as follows:

Non-financial metrics	Weighting	Achievement levels				
	25%	0%	50%	100%	150%	200%
Culture and values	4%	0	1	2	3	4
Franchise development	13%	0	1	2	3	4
Governance and regulatory and shareholder relationships	4%	0	1	2	3	4
Employee relationship and development	4%	0	1	2	3	4

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances with the typical score range being 1 (50%), 2 (100%) or 3 (150%).

Non-executive directors

The fee structure for non-executive directors for the 2015 and 2016 financial years is shown in the table below:

Non-executive directors' remuneration	Year ended 31 March 2015	As proposed by the board for the year ending 31 March 2016
Chairman's total fee	£400 000 per year	£415 000 per year
Basic non-executive director fee	£68 000 per year	£70 000 per year
Senior independent director	£5 500 per year	£10 000 per year (subject to shareholder approval)
Chairman of the DLC audit committee	£58 000 per year	£60 000 per year
Chairman of the DLC remuneration committee	£42 000 per year	£44 000 per year
Member of the DLC audit committee	£17 000 per year	£17 500 per year
Member of the DLC remuneration committee	£15 500 per year	£16 000 per year
Member of the DLC nominations and directors' affairs committee	£11 000 per year	£11 500 per year
Member of the DLC social and ethics committee	£11 000 per year	£11 500 per year
Chairman of the board risk and capital committee	£42 000 per year	£43 500 per year
Member of the board risk and capital committee	£13 500 per year	£14 000 per year
Investec Bank Limited board member in attendance of the board risk and capital committee	R135 000 per year	R142 000 per year
Member of the Investec Bank plc board	£12 500 per year	£13 000 per year
Member of the Investec Bank Limited board	R275 000 per year	R290 000 per year
Investec Bank Limited board member in attendance at the DLC nominations and directors' affairs committee	R73 500 per year	R77 000 per year
<i>Per diem</i> fee for additional work committed to the group	£2 000/R30 000	£2 000/R30 000

Executive directors' single total figure of remuneration (audited)

The table below provides a single total remuneration figure for each executive director over the financial period.

Executive directors	Salary £	Retirement benefits £	Total other taxable benefits £	Fixed allowance £	Gross remuneration £	STI – upfront cash £	STI – deferred £	Value of vested LTIPs £	Total remuneration £
S Koseff (chief executive officer)									
– 2015	396 524	62 612	10 864	1 000 000	1 470 000	500 000	2 000 000	–	3 970 000
– 2014	372 126	54 685	23 189	–	450 000	394 000	1 576 000	–	2 420 000
B Kantor (managing director)									
– 2015	439 120	24 912	5 968	1 000 000	1 470 000	500 000	2 000 000	–	3 970 000
– 2014	419 224	23 943	6 833	–	450 000	394 000	1 576 000	–	2 420 000
GR Burger (group risk and finance director)									
– 2015	280 892	35 363	7 162	1 000 000	1 323 417	450 000	1 800 000	–	3 573 417
– 2014	283 416	36 832	10 851	–	331 099	354 000	1 416 000	–	2 101 099
HJ du Toit									
– 2015	440 950	–	10 180	–	451 130	4 360 000	–	3 319 059	8 130 189
– 2014	391 378	50 000	9 563	–	450 941	4 360 000	–	798 705	5 609 646

Salary and benefits

- Gross remuneration comprises base salary, fixed allowance and other benefits.
- Gross remuneration of S Koseff and B Kantor (excluding the fixed allowance of £1 million) increased by 4.4% from £450 000 to £470 000. The gross remuneration for HJ du Toit largely remained the same as the prior year. The gross remuneration of GR Burger (excluding the fixed allowance of £1 million) is largely determined in Rands and converted into Pounds Sterling. In Rand terms GR Burger's Rand-based gross remuneration increased by 6.0% from R4 000 000 in March 2014 to R4 240 000 in March 2015 and his Pound-based gross remuneration increased 2.9% from £84 000 to £86 500 in March 2015.
- The executive directors receive other benefits which may include pension schemes; life, disability and personal accident insurance; medical cover; and fixed allowances, on similar terms to other senior executives.
- As part of the restructuring of the remuneration arrangements last year to ensure compliance with the requirements of CRD IV, the CEO, MD and GRFD have received fixed allowances, payable in shares. The fixed allowance of £1 million each to S Koseff, B Kantor and GR Burger was awarded in the form of 203 418 forfeitable Investec plc shares to each of the directors which vested immediately on award. These shares are, however, subject to a retention period in terms of which 75% of the shares are subject to a retention period of four years and the remaining 25% of the shares are subject to a retention period of five years. The 203 418 Investec plc shares for each of the directors is included in their beneficial and non-beneficial interest holding on page 156.
- Retirement benefits: None of the directors belong to a defined benefit pension scheme and all are members of one of our defined contribution pension or provident schemes. The amounts reflected in the table above represent the contribution to these schemes payable by the company.

STI

- Notwithstanding that HJ du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group-wide executive activities. Accordingly, HJ du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. HJ du Toit is the founder and CEO of IAM and is not classified as PRA Code Staff by PRA regulations. As a result, his compensation arrangements are not affected by the cap on variable remuneration. The short-term incentive payable to the CEO of IAM is 1.85% of the earnings of IAM before variable compensation and tax. For the year ended 31 March 2015, a payment of £4.360 million was due and was paid in cash shortly after the year end. There will be no deferral of the short-term incentive until such time as the debt taken out by the CEO of IAM to fund a substantial investment in IAM has been repaid. Further detail on this equity transaction is provided on page 175. IAM reported an increase in adjusted operating profit before tax and non-controlling interests of 3.6% to £149 million. Assets under management amounted to £77.5 billion, with £3.1 billion in net inflows.
- S Koseff, B Kantor and GR Burger are classified as PRA Code Staff.
- The annual bonus for the year ended 31 March 2015 for S Koseff, B Kantor and GR Burger was determined with reference to performance against financial and non-financial metrics as set out below and described in detail on pages 147 to 149.
- Further information on the short-term incentives is set out on pages 147 to 149 and as discussed on page 146 a portion of bonuses are paid in cash and a portion is deferred. The portion deferred is deferred in shares.

The determination of bonuses for the CEO, MD and GRFD are set out below:

- The short-term incentive pool available for the CEO, MD and GRFD for the year ended 31 March 2015 amounted to 1.3% of the group's adjusted operating profit, defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests. If the target performance conditions are achieved, distribution of the pool will be as follows: 0.45% to the CEO, 0.45% to the MD and 0.40% to the GRFD.
- The pool is decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial performance measures described in the table below. The maximum aggregate pool, if all financial and non-financial stretch levels are achieved, would be 180% of (adjusted operating profit x 1.3%), subject to the remuneration cap as approved by shareholders.

Remuneration report (continued)

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

Adjusted operating profit at 31 March 2015 (£'000)	474 973
CEO/MD 'incentive pool' at 0.45% (£'000)	2 137
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	3 847

Financial metrics	Weighting	Actual achievement at 31 March 2015	Achievement levels			Actual allocation achieved £'000	Actual weighting achieved % vs target
			Threshold 0%	Target 100%	Stretch 200%		
Return on risk-weighted assets	35%	1.25%	0.9%	1.2%	1.6%	836	111.8%
Return on equity	25%	10.6%	9%	12%	15%	282	52.8%
Tier 1 capital adequacy	12.5 %	11.6%	9.5%	10.5%	12.0%	463	173.3%
LCR	6.25%	222.3%	115%	132.5%	162.5%	267	200.0%
NSFR	6.25%	107.8%	82%	89.5%	99.5%	267	200.0%
Total	85.0%					2 115	116.5%

The portion of the 2014 bonus 'achieved' for financial metrics amounted to £1 640 000 (£612 000 for return on risk-weighted assets; £194 000 for return on equity; £312 000 for tier 1 capital adequacy; £275 000 for the LCR; and £247 000 for the NSFR). The increase in the portion of the bonus for the 2015 financial year attributable to performance against financial metrics is thus largely a result of the improvement in return on risk-weighted assets, return on equity and the tier 1 capital adequacy ratio.

Non-financial metrics

Following an assessment of these metrics (as described on page 149) the remuneration committee decided to allocate an award of approximately £385 000 (2014: £330 000) for performance against non-financial metrics. A score of 2 (i.e. weighting of 100%) was awarded to the 'culture and values' and 'governance and regulator and shareholder relationships' categories and a score of 3 (i.e. weighting of 150%) was awarded to the 'franchise development' and 'employee relationship and development categories'. Further information is provided on the next page.

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

Adjusted operating profit at 31 March 2015 (£'000)	474 973
GRFD 'incentive pool' at 0.40% (£'000)	1 900
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	3 420

Financial metrics	Weighting	Actual achievement at 31 March 2015	Achievement levels			Actual allocation achieved £'000	Actual weighting achieved % vs target
			Threshold 0%	Target 100%	Stretch 200%		
Return on risk-weighted assets	35%	1.25%	0.9%	1.2%	1.6%	743	111.8%
Return on equity	25%	10.6%	9%	12%	15%	251	52.8%
Tier 1 capital adequacy	12.50%	11.6%	9.5%	10.5%	12.0%	412	173.3%
LCR	6.25%	222.3%	115%	132.5%	162.5%	237	200.0%
NSFR	6.25%	107.8%	82%	89.5%	99.5%	237	200.0%
Total	85.0%					1 880	116.5%

The portion of the 2014 bonus 'achieved' for financial metrics amounted to £1 475 000 (£550 000 for return on risk-weighted assets; £174 000 for return on equity; £281 000 for tier 1 capital adequacy; £248 000 for the LCR; and £222 000 for the NSFR). The increase in the portion of the bonus for the 2015 financial year attributable to performance against financial metrics is thus largely a result of the improvement in return on risk-weighted assets, return on equity and the tier 1 capital adequacy ratio.

Non-financial metrics

Following an assessment of these metrics (as described on page 149) the remuneration committee decided to allocate an award of approximately £370 000 (2014: £295 000) for performance against non-financial metrics. A score of 2 (i.e. weighting of 100%) was awarded to the 'culture and values' and 'governance and regulator and shareholder relationships' categories and a score of 3 (i.e. weighting of 150%) was awarded to the 'franchise development' and 'employee relationship and development' categories.

Remuneration report (continued)

An assessment of non-financial metrics

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

Areas of focus as set out on page 149	Achievements during the year
Culture and values:	
• Management visible and proactive in demonstrating appropriate behaviour • Performance-driven, transparent and risk-conscious organisation • Delivering appropriate and sustainable products with high levels of service and responsiveness • Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders • Continual monitoring of the culture of the group	• The executive continued to actively engage with employees through, for example, management hosted breakfasts, management panels, induction presentations – facilitating discussions on a number of aspects, including culture and values • The executive hosted a risk appetite forum in which a number of case studies were presented on various aspects of risk. The purpose of these case studies was to foster debate on our risk culture and lessons learnt over the past few years • Our HR and Organisational Development divisions continued to actively work with the executive and our management teams to ensure our values are lived and entrenched into our day-to-day activities
Governance and regulatory and shareholder relationships:	
• Maintaining open and transparent relations with regulators • Regulators should have confidence that the firm is being properly governed and managed • Shareholders should have confidence that the firm is being properly managed	• The chairman and senior independent non-executive director (SID) attended a number of meetings with shareholders during the course of the year. These meetings facilitated debate and feedback between the board and shareholders. A number of topics were discussed, including executive remuneration arrangements, board refreshment, succession planning and overall group strategy. The chairman and the SID received feedback from shareholders that they were generally pleased with the execution of the group's strategy by the executive and the board
Franchise development:	
• Quality of brand, development of client base, commitment to the community and progress in building the firm • Environmental and other sustainability issues	• The past year focused largely on the execution of our planned strategy; we are pleased that the results reflect the positive strategic progress made. The reshaping of the Specialist Bank was completed with the sale of the UK Kensington business, the Start (Irish) mortgage business and part of the Australian business. Further, significant effort was focused on accelerating the run down of the legacy portfolio in the UK • All of these were executed while we continued to grow the core franchises of the Specialist Bank as well as invest in the growth of our Asset Management and Wealth & Investment businesses • Investec maintained its inclusion in a number of international sustainability indices • Our core values include unselfishly contributing to society. During the year we spent £5.4 million on social investment initiatives (2014: £5.1 million) • Our South African Promaths initiative received the <i>Mail & Guardian's</i> 2014 Investing in the Future Award • Investec won the Business Charity Award for Community Impact in the UK for our partnership with the Bromley by Bow Beyond Business incubator • Investec Gresham Street (UK) was a runner-up in the 2014 Clean City Awards Scheme • The Gresham Street (UK) office was awarded ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark • Investec was one of the first UK City businesses to sign up to the Air Quality Pledge • We committed £1.1 billion to renewable energy. Investec, in partnership with Vuselesa Energy, launched a first of its kind co-generation power plant in South Africa, Eternity Power

Remuneration report (continued)

An assessment of non-financial metrics (continued)

Areas of focus as set out on page 149	Achievements during the year
Employee relationship and development:	
• Succession and the development of the next generation • Diversity and black economic empowerment initiatives and results • Continued development of people – both on the job and extramurally	• Investec has been voted one of the most attractive employers in the 2015 Universum Most Attractive Employer awards. Investec was voted Best Bank by both professionals and graduates • In South Africa, Investec remains committed to black economic empowerment. During the year we received a level 2 BBBEE rating status from Empowerdex (improving from a level 3). We are committed to achieving and sustaining an equitable workplace that encourages and manages diversity and as such remains focused on the corrective strategies as set out in our Employment Equity Plan for the period 2013 to 2017. In terms of numerical targets for 2014 we met the targets for top management, and at the senior management level were just shy of meeting our targets. We did not meet our targets for junior management, however, we exceeded our targets at the middle management level and at the semi-skilled level (due to the implementation of various learnership programmes) • The nomination and directors affairs' committee (NOMDAC) received a detailed presentation from the executive regarding senior management succession, and the NOMDAC is satisfied that there is a formal management succession plan in place • In 2015, we invested £14 million in the learning and development of our employees, compared to £11.8 million in 2014

Long-term incentive awards

- No long-term incentive awards have been granted during the 2015 financial year nor have any LTIPs vested for S Koseff, B Kantor or GR Burger
- LTIPs for HJ du Toit have vested in 2015 and 2014. The values provided in the tables above represent the number of shares that vested multiplied by the market price of the shares at the date on which they vested. Further information is provided on page 157.

Remuneration report (continued)

Non-executive directors' single total remuneration figure (audited)

The table below provides a single total remuneration figure for each non-executive director over the financial period.

Name	Total remuneration 2015 £	Total remuneration 2014 £
Non-executive directors		
Sir DJ Prosser (former joint chairman) ¹	92 667	255 500
F Titi (chairman)	363 438	255 500
SE Abrahams ²	–	76 669
GFO Alford ¹	72 473	145 000
ZBM Bassa ³	41 043	–
LC Bowden ³	21 250	–
CA Carolus	82 322	72 843
PKO Crosthwaite	184 069	154 049
OC Dickson ¹	35 819	114 402
B Fried	163 550	165 500
D Friedland	289 763	273 484
H Fukuda OBE	94 000	92 500
CR Jacobs ³	53 971	–
IR Kantor	68 000	73 984
Lord Malloch-Brown KCMG ³	51 063	–
MP Malungani ¹	34 754	102 579
KL Shuenyane ³	59 315	–
PRS Thomas	195 633	193 975
Total in Pounds Sterling	1 903 130	1 975 985

¹ Sir DJ Prosser, GFO Alford, OC Dickson and MP Malungani resigned from the board on 8 August 2014.

² SE Abrahams resigned from the board on 8 August 2013.

³ CR Jacobs, Lord Malloch-Brown and KL Shuenyane were appointed to the board on 8 August 2014. ZBM Bassa was appointed to the board on 1 November 2014 and LC Bowden on 1 January 2015.

Payments to past directors and payments for loss of office (audited)

No such payments have been made.

Remuneration report (continued)

Directors' shareholdings, options and long-term incentive awards (audited)

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2015.

Directors' shareholdings in Investec plc and Investec Limited shares at 31 March 2015 (audited)

Name	Beneficial and non-beneficial interest Investec plc ¹		% of shares in issue ¹ Investec plc	Beneficial and non-beneficial interest Investec Limited ¹		% of shares in issue ¹ Investec Limited
	1 April 2014	31 March 2015		1 April 2014	31 March 2015	
Executive directors						
S Koseff ²	4 589 355	4 773 200	0.8%	1 809 399	1 534 399	0.5%
B Kantor ²	57 980	488 918	0.1%	4 301 000	3 600 500	1.3%
GR Burger ²	2 402 135	2 848 944	0.5%	737 076	627 076	0.2%
HJ du Toit	–	–	–	604 740	604 740	0.2%
Total number	7 049 470	8 111 062	1.4%	7 452 215	6 366 715	2.2%
Non-executive directors						
F Titi (chairman)	–	–	–	–	–	–
ZBM Bassa	–	–	–	–	–	–
LC Bowden	–	–	–	–	–	–
CA Carolus	–	–	–	–	–	–
PKO Crosthwaite	132 908	115 738	–	–	–	–
B Fried	–	–	–	–	–	–
D Friedland	–	–	–	–	–	–
H Fukuda OBE	5 000	5 000	–	–	–	–
CR Jacobs	–	–	–	–	–	–
IR Kantor	3 509 545	3 509 545	0.6%	325	325	–
Lord Malloch-Brown KCMG	–	–	–	–	–	–
KL Shuenyane	–	19 900	–	–	–	–
PRS Thomas	–	–	–	–	–	–
Total number	3 647 453	3 650 183	0.6%	325	325	–
Total number	10 696 923	11 761 245	2.0%	7 452 540	6 367 040	2.2%

The table above reflects holdings of shares by current directors.

¹ The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on page 159.

² The beneficial and non-beneficial holdings of S Koseff, B Kantor and GR Burger, include 203 418 Investec plc shares which relate to the award to each of the directors of shares in respect of a £1 million fixed allowance on 8 August 2014 (as explained on page 151). The shares are subject to a retention period of four years in respect of 75% of the shares and the remaining 25% of the shares are subject to a retention period of five years.

There are no requirements for directors to hold shares in the group.

Remuneration report (continued)

Directors' interest in preference shares at 31 March 2015 (audited)

Name	Investec plc		Investec Limited		Investec Bank Limited	
	1 April 2014	31 March 2015	1 April 2014	31 March 2015	1 April 2014	31 March 2015
Executive director						
S Koseff	101 198	101 198	3 000	3 000	4 000	4 000

- The market price of an Investec plc preference share at 31 March 2015 was R73.50 (2014: R87.99).
- The market price of an Investec Limited preference share at 31 March 2015 was R83.45 (2014: R84.01).
- The market price of an Investec Bank Limited preference share at 31 March 2015 was R90.21 (2014: R90.00).

Directors' interest in options at 31 March 2015 (audited)

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interest in Investec 1 Limited's long-term incentive plans at 31 March 2015 (audited)

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2014	Exercised during the year	Options granted/lapsed during the year	Balance at 31 March 2015	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
HJ du Toit	25 June 2009	Nil	62 500	(62 500)	–	–	£5.23	£326 781	
	1 July 2010	Nil	750 000	(562 500)	–	187 500	162 500 at £5.26 per share, 100 000 at £5.04 per share and 300 000 at £5.45 per share	£2 992 278	The remaining nil cost options are exercisable from 1 July 2015

The group has made awards in respect of nil cost options in the capital of Investec plc for nil consideration pursuant to the Long-Term Incentive Plan (LTIP). The awards are in accordance with the determination of the remuneration committee and with the rules of the LTIP. These awards were made prior to Hendrik du Toit becoming an executive director. Hendrik du Toit exercised his options and sold 62 500 Investec plc shares on 25 June 2014 at an average share price of £5.23 per share. Hendrik du Toit exercised his options and sold a further 162 500 Investec plc shares on 1 July 2014 at an average share price of £5.26 per share, 100 000 Investec plc shares on 1 August 2014 at an average price of £5.04 per share, and 300 000 Investec plc shares on 26 August 2014 at an average price of £5.45 per share. There were no performance conditions attached to these awards.

None of the outstanding awards at 31 March 2015 have vested.

Remuneration report (continued)

Directors' interest in the Investec plc Executive Incentive Plan 2013 at 31 March 2015 (audited)



Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2014	Conditional awards made during the year	Balance at 31 March 2015	Performance period	Period exercisable	Retention period
S Koseff	16 September 2013	Nil	600 000	–	600 000	1 April 2013 to 31 March 2016	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
							25% on 16 September 2018, subject to performance criteria being met	16 September 2018 to 16 March 2019
B Kantor	16 September 2013	Nil	600 000	–	600 000	1 April 2013 to 31 March 2016	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
							25% on 16 September 2018, subject to performance criteria being met	16 September 2018 to 16 March 2019
GR Burger	16 September 2013	Nil	600 000	–	600 000	1 April 2013 to 31 March 2016	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
							25% on 16 September 2018, subject to performance criteria being met	16 September 2018 to 16 March 2019

The Executive Incentive Plan and the awards made on 16 September 2013 were approved at the July 2013 annual general meeting in terms of which 600 000 nil cost options each were awarded to S Koseff, B Kantor and GR Burger.

The performance criteria in respect of these awards are detailed on pages 149 and 150. None of these awards have as yet vested. The face value at grant for these awards, assuming 'at target' performance (as described on pages 149 and 150) amounts to £2 652 000 based on an actual share price for Investec plc of £4.42 on 16 September 2013 (date of grant), and 600 000 awards vesting.

Remuneration report (continued)

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below.

Summary: Investec plc and Investec Limited share statistics

	31 March 2015	31 March 2014	High over the year	Low over the year
Investec plc share price	£5.61	£4.85	£6.06	£4.91
Investec Limited share price	R100.51	R84.84	R107.35	R86.02
Number of Investec plc shares in issue (million)	613.6	608.8	–	–
Number of Investec Limited shares in issue (million)	285.7	282.9	–	–

Shareholder dilution

Summary of Investec's share option and long-term incentive plans

Eligibility	Maximum award per individual¹	Vesting period	Options granted during the year²	Total issued at 31 March 2014^{3/4/5/6}
Investec 1 Limited Share Incentive Plan – 16 March 2005 – Investec plc				
- New and existing full-time employees - Excluding employees in South Africa, Botswana, Namibia and Mauritius - Excluding executive directors	- Cumulative limit of 2 500 000 across all option plans - Excluding EVA awards - In any financial year: 1x remuneration package	- Nil cost options: 75% end of year four and 25% end of year five; and for PRA Code Staff: 75% at the end of three and a half years and 25% at the end of four and half years plus a six-month retention period - EVA share awards: up to three years from date of award - Market strike options: 25% end of years two, three, four and five	6 523 960 197 250	Number: 32 028 999 % of issued share capital of company: 3.56% Number: 277 700 % of issued share capital of company: 0.0%
Investec Limited Share Incentive Plan – 6 March 2005 – Investec Limited				
- New and existing full-time employees in South Africa, Botswana, Namibia and Mauritius - Excluding executive directors	- Cumulative limit of 2 500 000 across all option plans - Excluding EVA awards - In any financial year: 1x remuneration package	- Nil cost options: 75% end of year four and 25% end of year five - EVA share awards: up to three years from date of award	10 719 215	Number: 41 633 223 % of issued share capital of company: 4.63%

¹ The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that options should be granted in excess of that limit.

² This represents the number of awards made to all participants. For further details, see page 49 in volume three. More details on the directors' shareholdings are also provided in tables accompanying this report.

³ Dilution limits: Investec is committed to following the Investment Association principles of remuneration: 2014 edition (formerly ABI remuneration principles) and accordingly, as from the date of the implementation of our DLC structure (29 July 2002), the maximum number of new shares which may be issued by the company under all of the share plans (in respect of grants made after July 2002) may not exceed 10% of the issued share capital of the company over a rolling 10-year period. We have, since our listing date, complied with both the 10% in 10 years guideline for discretionary and non-discretionary awards in aggregate as well as the 5% in 10 years guideline for discretionary awards. The committee regularly monitors the utilisation of dilution limits and available headroom to ensure that these guidelines are complied with. The issued share capital of Investec plc and Investec Limited at 31 March 2015 was 613.6 million shares and 285.7 million shares, respectively.

⁴ The market price of an Investec plc share at 31 March 2015 was £5.61 (2014: £4.85), ranging from a low of £4.91 to a high of £6.06 during the financial year.

⁵ The market price of an Investec Limited share at 31 March 2015 was R100.51 (2014: R84.84), ranging from a low of R86.02 to a high of R107.35 during the financial year.

⁶ The rules of these long-term incentive plans do not allow awards to be made to executive directors. The table above excludes details of the Investec plc executive incentive plan 2013 on page 158.

Directors' remuneration – alignment of interests with shareholders (unaudited)

Performance graph: total shareholder return

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration it is important that we take their views into account. Accordingly, a series of meetings are held each year with our major shareholders and shareholder representative groups. The remuneration committee chairman attends these meetings, accompanied by senior Investec employees and the group chairman. This engagement is meaningful and helpful to the committee in its work and contributes directly to the decisions made by the committee.

We have implemented a DLC structure, in terms of which we have primary listings in London and Johannesburg. The listing on

the London Stock Exchange (LSE) took place on 29 July 2002. We have been listed in South Africa since 1986.

Schedule 8 of the UK Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (as amended) requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. A number of companies within the FTSE 350 General Finance Index conduct similar activities to us, although they do not necessarily have the same geographical profile. Nevertheless, to date this has been the most appropriate index against which to measure our performance on the LSE. Although we are not currently included in the FTSE 100, we were part of that index between 2010 and 2011 and we have included the total shareholder return of that index for illustrative purposes.

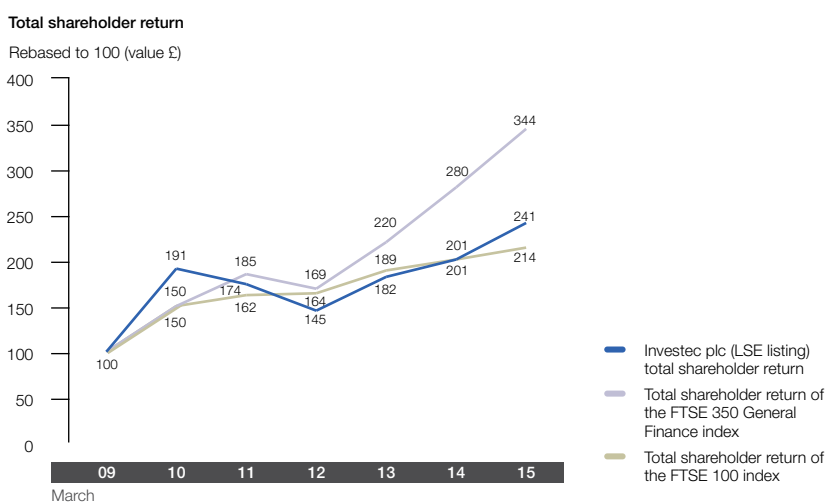
The graph below shows the cumulative shareholder return for a holding of our shares (in blue) in Pounds Sterling on the LSE, compared with the average total shareholder return of other members

of the FTSE 350 General Finance Index and the FTSE 100 Index. It shows that, at 31 March 2015, a hypothetical £100 invested in Investec plc at 31 March 2009 would have generated a total return of £141 compared with a return of £244 if invested in the FTSE 350 General Finance Index and a return of £114 if invested in the FTSE 100 Index. Investec plc has therefore underperformed the FTSE 350 General Finance Index over the period.

During the period from 1 April 2014 to 31 March 2015, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was 19.7% and 22.5%, respectively. This compares to a 20.9% return for the FTSE 350 General Finance Index, a return of 5.5% for the FTSE 100 Index and a return of 10.0% for the JSE Top 40 Index.

The market price of our shares on the LSE was £5.61 at 31 March 2015, ranging from a low of £4.91 to a high of £6.06 during the financial year. The market price of our shares on the JSE Limited was R100.51 at 31 March 2015, ranging from a low of R86.02 to a high of R107.35 during the financial year.

Performance graph



Source: Datastream

Remuneration report (continued)



Table of CEO remuneration

In addition, the table below provides a six-year summary of the total remuneration of the CEO. For the purpose of calculating the value of the remuneration of the CEO, data has been collated on a basis consistent with the 'single remuneration figure' methodology as set out on page 151.

Year ended	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014	31 March 2015
CEO single figure of total remuneration (£'000)*	4 910	4 291	450	1 950	2 420	3 970
% of maximum of short-term incentive	n/a^	n/a^	n/a^	n/a^	50%	65%

* Historical long-term incentives did not vest as they did not meet performance conditions in the relevant periods. Current long-term incentives are only due to vest in 2017, subject to performance criteria.

^ Historically annual bonuses were not determined in terms of a formulaic approach where maximum and minimum awards could be derived.

Percentage change in the CEO's remuneration

The table below shows how the percentage change in the CEO's salary and annual bonus between 2014 and 2015 compares with the percentage change in the average of each of those components of remuneration for Investec plc employees and Investec Limited employees.

	Salary and benefits	Annual bonus
CEO (in Pounds Sterling)	4.4%	26.9%
Average based on Investec plc employees (in Pounds Sterling)	0.7%	6.4%
Average based on Investec Limited employees (in Rands)	8.6%	30.3%

Relative importance of spend on remuneration

Our value-added statement is provided on page 9. In summary, the relative importance of remuneration and distributions to shareholders is shown below:

£'000	31 March 2015	31 March 2014	% change
Group compensation costs	(927 980)	(897 743)	3.4%
– Fixed	(590 896)	(592 192)	(0.2%)
– Variable	(337 084)	(305 551)	10.3%
Dividends to shareholders	204 913	183 865	11.4%
– Ordinary shares	168 486	150 053	12.3%
– Preference shares	36 427	33 812	7.7%

Statement of voting at 2014 annual general meeting

At the 2014 annual general meeting, the voting results on the four remuneration resolutions were as follows:

	Number of votes cast 'for' resolution	% of votes 'for' resolution	Number of votes cast 'against' resolution	% of votes 'against' resolution	Number of abstentions
To approve the directors' remuneration report	621 054 783	90%	66 835 396	10%	19 053 045
To approve the directors' remuneration policy	386 306 305	56%	308 140 134	44%	12 496 785
To approve the maximum ratio of variable to fixed remuneration	610 793 641	87%	89 612 263	13%	6 536 721
To approve the non-executive directors' remuneration	693 881 841	99%	10 172 963	1%	2 885 869

Additional remuneration disclosures (unaudited)

South African Companies Act, 2008 disclosures



Subsequent to regulatory developments in South Africa, Investec Limited is required to disclose the remuneration of those individuals that are defined by the South African Companies Act, No 71 of 2008 (as amended), read together with the Companies Regulations 2011 (together the Act), as prescribed officers.

In keeping with the group's integrated global management structure as well as the three distinct business activities of the group, i.e. Asset Management, Wealth & Investment and Specialist Banking, the prescribed officers for Investec Limited, as per the Act, are the following global heads of the group's three distinct business activities:

- Asset Management
– Hendrik du Toit
- Wealth & Investment
– Steve Elliott
- Specialist Banking
– Stephen Koseff
– Bernard Kantor
– Glynn Burger

Hendrik du Toit, Stephen Koseff, Bernard Kantor and Glynn Burger are also the four executive directors of Investec Limited and their remuneration is disclosed on page 151.

Steve Elliott is remunerated by Investec Wealth & Investment Limited (a UK domiciled company and subsidiary of Investec plc) and is not required to disclose his remuneration under the South African Companies Act.

Directors' remuneration policy for the year ending 31 March 2016 and subsequent years

This directors' remuneration policy will be put to a binding shareholder vote at the annual general meeting in August 2015 and, subject to approval, will be effective from that date. It is anticipated that it will remain in force until the 2018 annual

general meeting unless regulatory changes or the business or economic environment necessitate earlier amendment.

Scope of our remuneration policy

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the group. This is relevant to Investec plc and its subsidiary companies that are subject to the PRA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to PRA Code Staff. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec plc group entities are separately regulated by the PRA and/or FCA and as such maintain their own remuneration policies separate from the Investec group policy and in line with such entity's own risk profile and business activities:

- Investec Asset Management Limited
- Investec Wealth & Investment Limited
- Investec Bank plc
- Hargreave Hale Limited.

Under the PRA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Asset Management and Wealth Management businesses have been classified as level 3 entities under the proportionality rules of the PRA Remuneration Code.

More details of the remuneration policies applying in each of our subsidiary companies can be found on pages 170 to 176.

Remuneration philosophy

Our philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing

a working environment that stimulates extraordinary performance so that executive directors and employees may be positive contributors to our clients, their communities and the group.

Remuneration principles

Remuneration policies, procedures and practices, collectively referred to as the 'remuneration policy', are designed, in normal market conditions, to:

- Be in line with the business strategy, objectives, values and long-term interests of the Investec group
- Be consistent with and promote sound and effective risk management, and not encourage risk taking that exceeds the level of tolerated risk of the Investec group
- Ensure that payment of variable remuneration does not limit the Investec group's ability to maintain or strengthen its capital base
- Target gross fixed remuneration (base salary and benefits including pension) at median market levels to contain fixed costs
- Ensure that variable remuneration is largely economic value added (EVA) – based and underpinned by our predetermined risk appetite and capital allocation
- Facilitate alignment with shareholders through deferral of a portion of short-term incentives into shares and long-term incentive share awards
- Target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of PRA Code Staff (as discussed on page 163).

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)

- A long-term incentive plan (share awards) providing long-term equity participation
- Certain of our PRA Code Staff receive fixed monthly cash allowances and a commensurate reduction of variable short-term incentive in order to comply with the two times cap in terms of CRD IV.

Benchmarks

The short-term incentive allocated to the CEO and pool (for the year ended 31 March 2015) was arrived at after extensive benchmarking over a five-year period against short-term incentives of: (i) chief executive officers, and (ii) groups of executive directors for a bespoke peer group (and sub-groups of South African and non-South African peers) comprising: Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon.

The levels of CEO profit share and the pool are more compatible with international reward levels than South African reward levels. The committee believes this is appropriate, given the complexity of Investec and the challenges involved in managing a group operating across three businesses in two core geographies. The pool is decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial performance measures (as discussed on pages 147 to 149).

The short-term incentive pool and target award levels have been reduced for the year ending 31 March 2016 and subsequent years, due to the reintroduction of the long-term incentive (refer to page 146). The total maximum pool, if all financial and

non-financial stretch levels are achieved, would be 180% of (adjusted operating profit x 0.66%)

Impact of CRD IV on executive directors' remuneration arrangements

CRD IV is EU regulation that has been effective from 1 January 2014. The main feature of CRD IV that impacts directors' remuneration at Investec is the application of a cap on variable remuneration that can be awarded to PRA Code Staff (including executive directors). At the 2014 annual general meeting, shareholders approved a maximum variable remuneration: fixed remuneration ratio of 2:1, which applied to variable remuneration awarded in respect of the 2015 performance year.

For the CEO, MD and GRFD, changes were made to our remuneration arrangements for the 2015 financial year to ensure compliance with CRD IV, including the introduction of a fixed allowance payable in shares. The fixed allowance had been intended to replace our long-term incentive for the affected directors but, in response to the concerns expressed by shareholders at and following the 2014 annual general meeting, we have decided to reintroduce an element of long-term incentive and make other changes to the structure of the directors' remuneration packages, as set out below in the remuneration policy table.

Remuneration of the CEO of IAM

Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group-wide executive duties.

Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. Consequently, the structure and quantum of his remuneration differs in many respects from that of the other executive directors. For example, in line with practice in asset management businesses, his short-term incentive is uncapped and no deferral applies.

Hendrik du Toit's remuneration arrangements are not impacted by CRD IV as IAM is not subject to these requirements, and accordingly Hendrik du Toit is not defined as PRA Code Staff. He is entitled to an annual bonus as determined with respect to the performance of IAM only. Hendrik is the founder of IAM and is entitled to 1.85% of the earnings of IAM before tax and variable remuneration. Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme (as explained on page 175).

Remuneration report (continued)

Executive directors' remuneration policy table

The table below summarises the remuneration policy for executive directors for the year ending 31 March 2016 and subsequent years.

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Fixed remuneration			
Salary			
- To provide an industry competitive package so that we are able to recruit and retain the people that we need to develop our business - Salaries reflect the relative skills and experience of, and contribution made by, the individual	- Salaries of executive directors are reviewed and set annually by the remuneration committee - Salaries are benchmarked against relevant comparator groups	- Targeted at median market levels when compared with relevant comparator groups¹ - Annual increases in salaries are referenced to the average increase awarded to other employees, unless the remuneration committee deems adjustments to be made relating to market factors	None
Fixed allowances – CEO, MD and GRFD			
To provide competitive remuneration recognising the breadth and depth of the role	- Fixed allowance reviewed by the remuneration committee every three years or on a change of role - Paid in shares - Deferred over a five-year period with 20% being released each year	£1 million per annum paid in shares	Release schedule changed and brought in line with market practice
Benefits			
To provide a market competitive package	- Benefits are benchmarked against relevant comparator groups¹ - Executive directors may elect to sacrifice a portion of their annual gross remuneration in exchange for benefits such as travel allowances and medical aid	- Benefits include: life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices - There is no maximum value but the value of benefits provided will generally be in line with market comparators	None
Pension/provident			
To enable executive directors to provide for their retirement	- Executive directors participate in defined contribution pension/provident schemes - Only salaries, not fixed allowances or annual bonuses, are pensionable	The individual can elect what proportion of fixed remuneration is allocated as their pension/provident contribution	None

Notes:

Refer to page 166.

Remuneration report (continued)

Executive directors' remuneration policy table (continued)

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Variable remuneration			
Short-term incentive – CEO, MD and GRFD			
- Alignment with key business objectives - Deferral structure provides alignment with shareholders	- Establishment of a short-term incentive pool based on the group's adjusted operating profit (AOP)² - Receive 30% in cash immediately; 30% in upfront shares; the remaining 40% is deferred in shares which vest equally after one and two years - Deferred shares must be retained for a period of six months after vesting - The retention period may be extended to one year to meet regulatory requirements - Remuneration committee retains discretion to reduce the amount payable to ensure that incentives truly reflect performance and are not distorted by an unintended formulaic outcome - Malus and clawback may be applied to deferred shares	- Based on a balanced scorecard of financial and non-financial performance measures with achievement levels that correspond with our short-term objectives 85% based on financial measures including: - Return on risk-weighted assets; - Return on equity; - Tier 1 capital adequacy; - Liquidity coverage ratio; and - Net stable funding ratio. 15% based on non-financial measures including: - Culture and values; - Franchise development; - Governance and regulatory compliance; and - Employee and shareholder relationships. - If target performance conditions achieved, distribution will be as follows: 0.23% of AOP to CEO; 0.23% of AOP to MD; and 0.20% of AOP to GRFD² - If all financial and non-financial stretch levels are met, up to 180% of the target may be awarded, subject to an overall maximum of variable remuneration (including LTIPs) being subject to the remuneration cap⁵ - The remuneration committee has discretion to vary the weightings of the performance metrics to improve alignment with business strategy	Under previous arrangements, target award levels were: - CEO/MD: 0.45% of AOP - GRFD: 0.40% of AOP² - Previously: 20% paid in cash immediately 20% paid in shares vesting immediately but subject to a six-month retention period 60% paid in shares deferred for three years with a subsequent six-month retention period - The target award levels have been reduced due to the reintroduction of the LTIP
Short-term incentive – CEO of IAM³			
- To reward behaviour and effort against objectives and values and retain key employees - The cash bonus pool determination is based on the profitability of IAM only	- Any short-term incentive is payable in cash shortly after the end of the financial year - The short-term incentive for the CEO of IAM will not be subject to deferral during the period when the debt to finance his investment in IAM is being repaid - The cash bonus payment to the CEO of IAM is approved by the DLC remuneration committee	- The CEO of IAM is entitled to 1.85% of the earnings of IAM before tax and variable compensation - The IAM remuneration committee reviews the financial results of IAM within the context of the risk appetite of the business and can risk-adjust the cash bonus should they believe this is required given the risk taken and the overall financial results	No change

Notes:

Refer to page 166.

Remuneration report (continued)

Executive directors' remuneration policy table (continued)

Long-term incentive – CEO, MD and GRFD			
• Clear link between performance and remuneration • Embeds alignment with shareholder returns • Performance targets aligned with business objectives • Non-financial metrics take into account the group's strategic and operational objectives	• Applies to the CEO, MD and GRFD¹ • Conditional awards of shares subject to performance conditions measured over three financial years • Awards vest in three equal tranches on the third, fourth and fifth anniversary of grant • Vested shares are subject to a further six-month retention period • The retention period may be extended to one year to meet regulatory requirements • Awards are subject to malus of unvested shares and clawback of vested shares • Remuneration committee retains discretion to adjust the level of awards vesting to ensure that incentives truly reflect performance and are not distorted by an unintended formulaic outcome	• Annual award of 100% of aggregate fixed remuneration • Awards are subject to the following performance measures and weightings: – Growth in tangible net asset value (40%); – Return on risk-weighted assets (35%); – Non-financial measures (25%). • Targets for financial performance measures and non-financial metrics will be set annually by the remuneration committee in advance of the award being made • The remuneration committee has discretion, in exceptional circumstances, to amend targets or measures if an event happens that, in the opinion of the committee, caused those targets or measures to no longer be appropriate • The remuneration committee retains the discretion to adjust the weightings of performance measures to best meet the objectives of the business	• No long-term incentive awards made in respect of the year ended 31 March 2015 • Reintroduced in 2016 and future years in response to shareholders' concerns • Vesting structure lengthened to meet new regulatory requirements

Notes to the table above:

¹ Peer group companies include Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon.

² AOP defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests.

³ Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group-wide executive activities. Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. Hendrik du Toit is not defined as PRA Code Staff and is entitled to an annual bonus as determined with respect to the performance of IAM only as explained in the table above.

⁴ Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme as explained on page 175.

⁵ Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (typically approximately 2.2x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.

How will executive directors' performances be assessed?

The short-term and long-term incentives are subject to performance conditions. A detailed explanation of these performance measures is provided on page 147 to 149. The performance measures have been selected taking into account:

- Key stakeholders' requirements (including shareholders and regulators) which were assessed through extensive consultations on the matter
- The preference of the committee and the board is for a range of financial metrics that ensure an appropriate balance between measures which drive profitability and prudential measures. In addition, the remuneration committee believes that it is right to include non-financial measures in determining levels of awards as directors should be incentivised to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns.

Differences between the remuneration policy of the executive directors and the policy for all employees

We apply consistent remuneration principles and philosophies across the whole employee population and are cognisant of these when considering executive directors' remuneration. The quantum of salary and benefits paid to executive directors is benchmarked against appropriate comparator groups (as discussed on page 163), however, the annual increase in such remuneration is referenced to the average increase awarded to employees in South Africa and the UK, respectively. Although this has not been the case of late, the remuneration committee may, under certain circumstances, make adjustments outside these parameters, particularly in cases when there have been large adjustments in the comparator group referenced.

As is the case with other employees, the short-term incentive is performance based, however, there are a number of specific performance criteria that apply in the case of determining the annual bonus for the CEO, MD and GRFD (as set out below). The annual bonus for Hendrik du Toit (CEO of IAM and executive director of the Investec group) is referenced to the performance of IAM only. Short-term incentives for executive directors and the employees, defined as PRA Code Staff, are subject to deferral, malus and clawback requirements. The requirements of CRD IV are only applicable to the CEO, MD and GRFD and to some employees in the UK Specialist Bank who are classified as PRA Code Staff. More details of the approach to employee remuneration can be found on pages 170 to 177.

Policy for the recruitment of new executive directors

It is intended that the approach to the recruitment of new executive directors will be in line with the current remuneration policy for executive directors as outlined above and below. However, the remuneration committee will consider levels of remuneration for new recruits that are competitive for the skills and experience of the individual being recruited. For individuals covered by the bonus cap under CRD IV, the treatment of each element of remuneration on recruitment will be as set out below.

Element	Commentary	Maximum value
Salary	• Determined by market conditions, market practice and ability to recruit • If salary below market level on recruitment or promotion, remuneration committee may realign salary over transitional period with higher than normal increases	In line with policy
Fixed allowance	Determined by similar factors to salary	Currently £1 million
Pension	In line with normal policy	15% of salary
Other benefits	Offered in line with normal policy	In line with policy
STI	In line with normal policy	100%* of fixed remuneration
LTIP	In line with normal policy	100%* of fixed remuneration
Buy-outs	• The remuneration committee can buy out bonus opportunity or incentive awards that the new executive director has forfeited as a result of accepting the appointment, subject to proof of forfeiture where applicable • As required by the PRA Remuneration Code, any award made to compensate for forfeited remuneration should be broadly no more generous than, and should aim to mirror the value timing, and form of delivery of the forfeited remuneration	

* Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (typically approximately 2.2x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.

If the new joiner is not affected by the bonus cap then the remuneration committee may construct a package as set out above, but then may allocate the amount of the fixed allowance into STI or LTI award opportunities as appropriate given market factors and other relevant comparator trends.

Service contracts and terms of employment

The terms of service contracts and provision for compensation for loss of office for the four executive directors is set out below.

CEO, MD and GRFD	CEO IAM
Indefinite service contracts of employment, terminable by either party with six months' written notice	Indefinite contract of employment, terminable by either party with three months' written notice
Salary, fixed allowance, benefits and pension payable for period of notice	Salary, benefits and pension payable for period of notice
No provision for compensation payable on early termination	No provision for compensation payable on early termination
Outstanding deferred bonus EVA shares or LTI awards lapse on resignation or termination for gross misconduct	n/a
Deferred share or LTI awards may be retained if the director is considered a 'good leaver' (e.g. retirement with a minimum of 10 years' service, disability or ill health)	n/a
In the event of a takeover or major corporate event, the remuneration committee has the discretion to determine whether all outstanding awards vest at the time of the event or whether they continue in the same or revised form	n/a
There is no formal shareholding requirement	There is no formal shareholding requirement

Executive directors are permitted to accept outside appointments on external boards or committees provided these are not deemed to interfere with the business of the company. Any fees earned by executives in this regard are forfeited to Investec.

Copies of the service contracts are available for inspection at the company's registered office.

- 'At stretch' – fixed remuneration and the 'stretch' achievement levels that may be awarded for variable short-term annual incentive and 'stretch' vesting of any long-term incentives that may be awarded.

The scenarios do not reflect share price movement between award and potential vesting, nor are any dividends or dividend equivalents taken into account.

For the CEO, MD and GRFD based on the remuneration policy proposed for the year ending 31 March 2016:

- Fixed remuneration includes salaries, company pension contributions and benefits receivable (i.e. as proposed for the year ending 31 March 2016), and a fixed allowance of £1 million
- Target variable short-term incentive is 0.23% (CEO and MD) and 0.20% for the GRFD of adjusted operating profit based on £475 million as reported for the financial year ended 31 March 2015 and maximum variable short-term incentive is 180% of target (subject to an overriding maximum in terms of the remuneration cap as approved by shareholders)

- Target long-term incentive is equal to one times fixed remuneration.

For the CEO of IAM:

- Fixed remuneration includes the latest known salary, company pension contributions and the benefits receivable during the year ended 31 March 2015
- Variable short-term incentive is 1.85% of pre-tax and pre-compensation earnings of IAM, determined on a discretionary and uncapped basis
- Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme
- Forecasted information cannot be provided to determine a stretch or target amount for future years and thus the graph on the next page merely depicts amounts paid in the current and prior financial year.

How does executive directors' remuneration change based on performance?

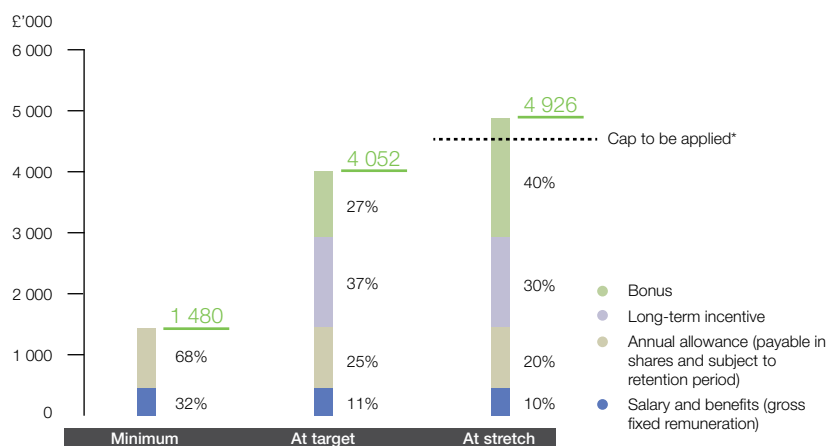
Illustrative scenarios for executive directors' remuneration

The charts on page 169 show the potential value of the executive directors' remuneration arrangements under this policy in three performance scenarios:

- 'Minimum' – fixed remuneration only
- 'At target' – fixed remuneration and the 'at target' variable short-term annual incentive and 'at target' vesting of any long-term incentives that may be awarded

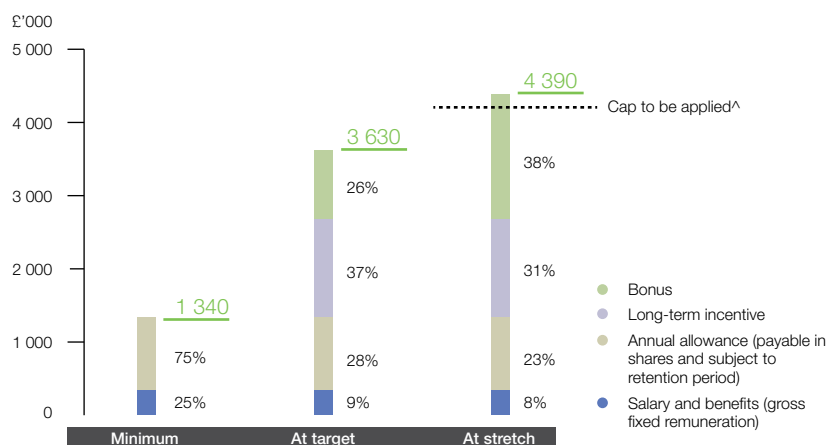
Remuneration report (continued)

Illustrative payouts for the CEO and MD



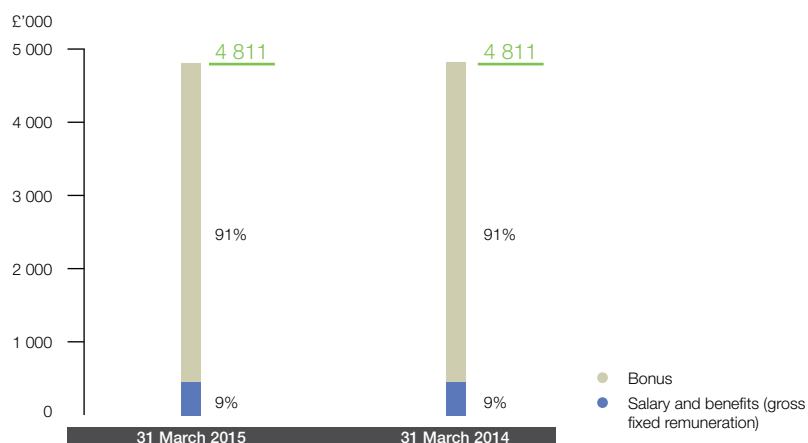
* The maximum potential bonus as calculated in terms of the formula is £4.926 million. However, this amount will be capped to £4.810 million when one applies the remuneration cap as approved by shareholders.

Illustrative payouts for the GRFD



^ The maximum potential bonus as calculated in terms of the formula is £4.390 million. However, this amount will be capped to £4.355 million when one applies the remuneration cap as approved by shareholders.

Illustrative payouts for the CEO of IAM



Remuneration policy for non-executive directors

The board's policy is that fees should reflect individual responsibilities and membership of board committees. The increase in non-executive directors' fees for the forthcoming year reflects current market conditions (with the focus on controlling fixed remuneration) and additional time commitment required. Their fee structure covers the dual roles that the directors perform for the UK-listed Investec plc and the South African listed Investec Limited boards and are awarded equally between the two companies.

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Non-executive directors' remuneration			
Fees			
To provide industry competitive fees to attract non-executive directors with appropriate skills and experience	- Fees of non-executive directors are reviewed annually by the board taking into account market data and time commitment - The fee structure covers the dual roles that the directors perform for the UK-listed Investec plc and the South African-listed Investec Limited boards - In addition to fees for board membership, fees are payable to the senior independent director, chairmanship and membership of major DLC board committees, membership of the Investec Bank Limited board and for attendance at certain committee meetings	- Fee increases will generally be in line with inflation and market rates - Aggregate fees are subject to an overall maximum of £1 million under the Investec plc Articles - Refer to page 150 for further information	None

Fees are also payable for any additional time committed to the group, including attendance at certain other meetings.

There is no requirement for non-executive directors to hold shares in a group company. The group has left this choice to the discretion of each non-executive director.

The policy as described above will be taken into account in the recruitment of new non-executive directors.

Copies of the letters of appointment are available for inspection at the company's registered office.

shareholder representative groups. The remuneration committee chairman attends these meetings, accompanied by senior Investec employees and the chairman. This engagement is meaningful and helpful to the committee in its work and contributes directly to the decisions made by the committee.

Following the significant vote against our directors' remuneration policy at the 2014 annual general meeting, we have consulted with shareholders to understand the areas in which they had concerns. We have endeavoured to address those concerns by making changes to our directors' remuneration policy as explained above. The remuneration committee and the board believe in effective and transparent communication with key stakeholders, and will continue to engage on matters that may arise and are of importance and/or concern to stakeholders.

Statement of consideration of employment conditions elsewhere in the group

The remuneration policy of executive directors has been drawn up in line with our group-wide remuneration philosophy and principles (refer below), subject to the requirements of CRD IV. The committee is mindful of the remuneration arrangements across the group.

Additional remuneration disclosures (unaudited)

Remuneration policy and principles for employees

Our policy with respect to the remuneration of employees has remained unchanged during the year ending 31 March 2015. Minor changes were made to incorporate the impact of CRD IV (as discussed on page 163). Investec currently has 47 PRA Code Staff, of which approximately three-quarters are impacted by the two times cap on variable remuneration and for whom a fixed monthly cash allowance has been introduced.

All remuneration payable (salary, benefits and incentives) is assessed at a group, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)

Shareholder and employee views

Shareholder views in the consideration of executive directors' remuneration arrangements

We recognise that remuneration is an area of particular interest to shareholders and shareholder representative bodies, and that in setting and considering changes to remuneration it is important that we take their views into account. Accordingly, a series of meetings are held each year with our major shareholders and

Remuneration report (continued)

- A long-term incentive plan (share awards) providing long-term equity participation
- Certain of our PRA Code Staff receive fixed monthly cash allowances and a commensurate reduction of variable short-term incentive in order to comply with the two times cap.

We consider the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term in a risk conscious manner. Overall, rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit- and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our culture and values in the pursuit of excellence in a regulated industry and within an effective risk management environment is considered paramount in determining overall reward levels.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short-, medium- and long-term success.

We target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of PRA Code Staff (as discussed on page 163).

The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not contractually (and do not consider ourselves morally) bound to make variable remuneration awards. Investec has the

ability to pay no annual bonuses and make no long-term incentive awards should the performance of the group or individual employees require this.

We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations.

Furthermore, employees must undertake not to use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Group compliance maintains arrangements designed to ensure that employees comply with this policy.

No individual is involved in the determination of his/her own remuneration rewards and specific internal controls and processes are in place to prevent conflicts of interest between Investec and its clients from occurring and posing a risk to the group on prudential grounds.

In summary, we recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

Determination of remuneration levels

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration at the level of the group include:

- Financial measures of performance:
 - Risk-adjusted EVA model
 - Affordability
- Non-financial measures of performance:
 - Market context
 - Specific input from the group risk and compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
 - Achievement of individual targets and objectives
 - Scope of responsibility and individual contributions
- Non-financial measures of performance
 - Alignment and adherence to our culture and values
 - The level of cooperation and collaboration fostered
 - Development of self and others
 - Attitude displayed towards risk consciousness and effective risk management
 - Adherence to internal controls procedures
 - Compliance with the group's regulatory requirements and relevant policies and procedures, including treating customers fairly
 - The ability to grow and develop markets and client relationships
 - Multi-year contribution to performance and brand building
 - Long-term sustained performance
 - Specific input from the group risk and compliance functions
 - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive, on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets
- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For employees generally, combinations of firms from the JSE Financial 15 and the FTSE 350 General Finance sector have offered the most appropriate benchmarks

- In order to avoid disproportionate packages across areas of the group and between executives, adjustments may be made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of remuneration components for individuals, in cases where a higher level of investment is needed in order to build or grow or sustain either a business unit or our capability in a geography.

The following section outlines our remuneration policy in more detail for each element of total compensation as it applies to employees.

Gross remuneration: base salary and benefits

Salaries and benefits are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the group's policy to seek to set base salaries and benefits (together known as gross remuneration) at median market levels when compared like for like with peer group companies.

The Human Resources division provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec in meeting its objectives while remaining true to corporate values, and incorporate guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and do not encourage a reliance on variable remuneration.

Advisers are often engaged by either the Human Resources division or the business units to obtain general benchmark information or to benchmark specific positions to ensure that gross remuneration levels are market-driven and competitive so that levels of remuneration do not inhibit our ability to recruit the people we need to develop our business.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries, not annual bonuses or PRA Code Staff allowances, are pensionable.

Variable short-term incentive: annual bonus

All employees are eligible to be considered for a discretionary annual bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives varies between employees of our three operating divisions: Asset Management, Wealth & Investment and the Specialist Bank. This reflects differing regulatory requirements on the different legal entities and also differing competitive pressures in each distinct market.

Specialist Banking: variable short-term incentive

Risk-weighted returns form basis for variable remuneration levels

In our ordinary course of business we face a number of risks that could affect our business operations, as highlighted on page 34.

Group risk management is independent from the business units and monitors, manages and reports on the group's risk to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee (BRCC). The group monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/forums/committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The BRCC (comprising both executive and non-executive directors) meets six times per annum and sets the overall risk appetite for the Investec group and determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the group's risk management teams, who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The DLC capital committee is a sub-committee of the BRCC and provides detailed input into the group's identification, quantification and measurement of its capital requirements, taking into account the capital requirements of the banking

regulators. It determines the amount of internal capital that the group should hold and its minimum liquidity requirements, taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The executive risk review forum (ERRF), comprising members of the executive and the heads of the various risk functions, meets weekly. Its responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risk are implemented.

The group's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis, and the riskiness of business undertaken is therefore evaluated and approved at initiation of the business through deal forum, investment committee and ERRF and is reviewed and ratified at ERRF on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and, by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums thus ensures that every transaction undertaken by the group results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model as described in detail below is principally applied to realised profits against predetermined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a group and transaction level, which form the basis of the group's performance-related variable remuneration model, thus balancing the interests of all stakeholders.

Further, both the risk and compliance functions are also embedded in the operating business units and are subject to review by the internal audit and compliance monitoring teams. The risk and compliance functions also provide, on an exception-only basis, information relating to the

behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding the riskiness of business undertaken.

EVA model: allocation of performance-related bonus pool

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (central services and head office functions) are generated by a levy payable by each operating business on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the chief executive officer and managing director, and agreed by the remuneration committee.

Our EVA model has been consistently applied for a period of about 16 years and encompasses the following elements:

- The profitability of each operating business unit is determined as if they are a stand-alone business. Gross revenue is determined based on the activity of the business, with arm's length pricing applicable to inter-segment activity. Profits are determined as follows:
 - Realised gross revenue (net margin and other income)
 - Less: Funding costs
 - Less: Impairments for bad debts
 - Add back: Debt coupon or preference share dividends paid out of the business (where applicable)
 - Less: Direct operating costs (personnel, systems, etc)
 - Less: Group-allocated costs and residual charges (certain independent group functions are provided on a centralised basis, with an allocation model applied to charge out costs incurred to business units. Costs allocated are based on the full operational costs for the particular

central service area, inclusive of the variable remuneration cost of the central service. Allocation methodologies generally use cost drivers as the basis of allocation)

- Less: Profits earned on retained earnings and statutory held capital
- Add: Notional profit paid by centre on internal allocated capital
- Equals: Net profits
- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The group has always held capital in excess of minimum regulatory requirements, and this principle is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk and credit committees.

A detailed explanation of our capital management and allocation process is provided on pages 78 to 93 in volume two.

- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, inter alia, for any unspecified or future risks not specifically identified in the capital planning process. The Investec group then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks
- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to the degree of risk

and the competitive benchmarks for each product line

- In essence, varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Growth in profitability over time will result in an increasing bonus pool, as long as it is not achieved at the expense of capital efficiency
- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The group's credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis adding a level of risk consciousness to the predetermined (and risk-adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where an operating business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the chief executive officer and managing director may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the group, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits

Remuneration report (continued)

generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the group; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering firm-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the group's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the group's finance function and subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving human resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management before the remuneration committee review and approval process.

The group remuneration committee

specifically reviews and approves the individual remuneration packages of the executive directors, persons discharging managerial responsibilities, and PRA Code Staff. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the group. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the internal audit, compliance and risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. In making these decisions the committee relies on a combination of external advice and supporting information prepared internally by the group.

Deferral of annual bonus awards: other than PRA Code Staff within the Specialist Bank

All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The deferred amount is awarded in the form of: forfeitable share awards vesting in three equal tranches at the end of 12 months, 24 months and 36 months; or cash released in three equal tranches at the end of 12 months, 24 months and 36 months. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as EVA shares. These awards are made in terms of our existing long-term incentive plans (refer to page 159). The entire amount of the annual bonus that is not deferred is payable up front in cash.

Deferral of annual bonus awards: UK PRA Code Staff within the Specialist Bank

- PRA Code Staff include senior management, risk takers, staff engaged in central functions and any other employees whose professional activities have a material impact on Investec's risk profile within Investec plc
- Individual awards to PRA Code Staff are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the group remuneration policy and governance processes (also set out above)

- Annual bonus awards to directors of the UK Specialist Bank (excluding executive directors who are employees of a separately regulated firm) and all annual bonus awards where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All other annual bonus awards to PRA Code Staff are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as to 50% in cash and 50% in EVA forfeitable shares (upfront EVA forfeitable shares)
- The upfront EVA forfeitable shares will vest immediately, but will only be released after a period of six months, which we consider to be an appropriate retention period
- Discretionary bonuses for PRA Code Staff who are not exempted by the de minimis concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of LTIPs granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to PRA Code Staff will, at the election of the staff member, be made either entirely in the form of EVA forfeitable shares, or 50% in EVA forfeitable shares and 50% in cash
- All deferrals in the form of EVA forfeitable shares (being either 50% or 100% of such deferral) vest in equal amounts at the end of 12 months, 24 months and 36 months and are then subject to an appropriate period of retention, being six months.

IAM: variable incentive

The Investec Asset Management (IAM) remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy, principles and policy of IAM. The proposals from this committee are subject to final approval by the DLC remuneration committee.

IAM operates the following annual bonus schemes which may result in annual payments to employees:

- Annual Discretionary Cash Bonus Scheme (ADCBS) (all employees of IAM are currently eligible to be considered for a cash bonus payment under this scheme)

Remuneration report (continued)

- **Deferred Bonus Plan (DBOP)**
(participation in this scheme is determined on an annual basis at the discretion of IAM based on the roles of individual employees).

The percentage of profit allocated to the variable remuneration pool has been agreed (at a fixed participation rate) and approved by both the DLC and IAM remuneration committees. The same fixed participation rate has been applied consistently for many years. This structure has been a key contributor to the long-term success of IAM and encourages the staff to behave like owners. We believe in aligning the long-term interests of clients, shareholders and staff.

Individual annual bonus awards are approved by the IAM remuneration committee and the DLC remuneration committee annually.

Annual Discretionary Cash Bonus Scheme (ADCBS)

Awards under the ADCBS are payable entirely in cash. The purpose of the cash bonus is to reward behaviour and effort against objectives and values, and retain key employees. The cash bonus pool determination is based on the profitability of IAM only. In principle, there would be no cash bonus payments should IAM be loss making (although this would be reviewed where it was considered that bonus payments were necessary in order to retain staff and protect the business in the long term even if the business had been loss making in the short term).

Management information is provided to the IAM remuneration committee to ensure that IAM's financial results are put into the context of the risk appetite of the business and the IAM remuneration committee is able to risk-adjust the cash bonus pool should they believe this is required given the risk taken and the overall financial results.

Deferred Bonus Plan (DBOP)

As noted above, participation in the DBOP is determined on an annual basis at the discretion of IAM based on the roles of individual employees. The purpose of the DBOP is both to retain key employees and to provide better alignment of the interests with clients and to manage potential, currently unknown future risks.

The conditions for participation in the DBOP are approved by the IAM remuneration committee annually, based

on the remuneration requirements in the year being considered. This will take into consideration local market remuneration practices and relevant and required regulations.

The DBOP awards are made in the form of investments into various funds managed by IAM and with specific allocations for the portfolio managers into their own funds. The deferral period is just over three years and awards are only paid out under specific listed conditions. The award does not accrue to the employee until the end of the deferral period and as such both the asset and liability remain on the balance sheet of IAM until that time. Employees forfeit their allocations if they resign or their employment terminates (other than at the discretion of IAM for redundancy, retirement, death or disability) prior to the vesting date.

Payments can only be made to participants prior to a scheduled vesting date with the consent of the IAM executive committee and ultimately by the IAM remuneration committee.

IAM's governance processes, operating within the context of the broader Investec group's processes, ensure robust oversight of reward and effective management of any potential conflicts of interest while reflecting the need to link remuneration decisions with IAM's risk appetite.

The head of the IAM risk committee assesses the risk appetite, risk tolerance level and risk management for IAM and feeds her views into the remuneration decision-making process, including sending a risk report to the IAM remuneration committee for consideration when making remuneration decisions.

In addition, IAM human resources and compliance are responsible for ensuring that the IAM remuneration committee takes into consideration financial and non-financial criteria, risk and compliance reports, and any other relevant information in making decisions around remuneration.

The primary determinant of the variable compensation pool available for distribution is IAM's own annual profit. There is an annual budget against which the business is measured.

The variable compensation pool is allocated to business divisions and then to individuals based on divisional performance and the individual's performance. This ensures that

staff are rewarded appropriately for meeting their objectives and keeping within the values of the business.

The oversight of conflicts of interest and the link between risk and reward is achieved through a combination of effective remuneration components, designed to incorporate risk and of the dual operation of the DLC remuneration committee and IAM remuneration committee in ensuring appropriate and, where necessary, independent oversight of both remuneration policy and outcomes.

Employee equity ownership

In August 2013, 40 employees of IAM acquired a 15% stake in the IAM business, ultimately through a trust structure in which each employee owns a portion of the underlying trust assets. Each employee funded their portions through a combination of existing deferred compensation (for which vesting was accelerated), personal debt and personal cash. Annual bonuses for these senior employees will not generally be deferred until such time as the debt taken out by these employees to fund their investment has been repaid. This structure locks in key talent and aligns employees' interests with the interests of the firm as a whole, our shareholders and our clients.

Employees' portion holdings are governed by the terms of a trust deed to which all portion holders have agreed. In summary, various pre-emption provisions apply to the transfer of employees' portions. On leaving, an employee is required to offer their portions for sale (save in limited circumstances where part of the portion holding may be retained). Good leaver/bad leaver provisions apply to determine the price at which the portions must be offered for sale.

Investec Wealth & Investment other than in South Africa: variable short-term incentive

Investec Wealth & Investment (IW&I) recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the remuneration code. IW&I recognises that the policy, procedures and practices it has adopted should not conflict with the group's obligations under the remuneration code. The IW&I remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of IW&I within the context of the Investec group's agreed remuneration

philosophy and policy. The proposals from this committee are subject to final approval by the DLC remuneration committee.

IW&I operates the following performance-related discretionary remuneration plans:

- Core incentive plan – for those in client-facing roles and administrative staff who support them directly
- Bonus plan – for those in non-client-facing, central services and support functions
- Growth plan – for staff primarily in client-facing roles who generate income directly.

Funding is at the discretion of the remuneration committee. Under the core plan, an incentive pool is derived from a formula that is directly related to the profitability of a team or business unit. The pool is distributed to the members of the team or business unit on a discretionary basis.

Funding for bonuses is related to the overall profitability of the IW&I business and is awarded to individuals on a discretionary basis.

The growth plan incentivises growth in revenues, net of the impact of market movements. Awards relate to performance for each year to 28 February, are payable in cash, and are deferred over a three-year period. Payments do not attract employer pension contributions.

Under the core incentive and bonus plans, awards relate to performance for the financial year ending 31 March. An interim payment on account of the annual award is considered at the half-year.

Non-financial performance is reviewed, and where individuals fall below the standards expected, awards may be deferred or forfeited, in part or in full. Payments are made entirely in cash and do not attract employer pension contributions. The award may be paid directly to the individual (subject to the deduction of income tax and national insurance) or, at IW&I's discretion, as an additional employer pension contribution.

IW&I executive directors participate in the bonus plan, and where an individual's role is primarily client-facing, that director will also be eligible to participate in the core incentive and growth plans.

Investec Wealth & Investment South Africa: variable short-term incentive

As there are no overriding regulatory requirements applicable to the business, the policies applicable to the Specialist Bank are applied to this business unit as set out on pages 172 to 174.

Other information on deferred awards and clawback provisions within the group

Employees who leave the employment of Investec prior to vesting of deferred incentive awards will lose their EVA forfeitable shares other than as a result of retirement, subject to the group's normal good leaver provisions and approval process in exceptional cases.

The deferred share awards for PRA Code Staff are subject to malus and clawback adjustments of unpaid EVA. The assessment of whether any malus adjustment should be made to an individual's unvested award will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or operating business unit suffers a material downturn in its financial performance
- Where the firm or business unit suffers a material failure of risk management.

In these cases, management and the remuneration committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the group or business unit
- Any violation of the group's culture and values
- The long-term impact of the outcome on the group or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for EVA share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

Long-term incentive: share awards

We have a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining the skills of key talent.

Awards are made in the form of nil cost options other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of forfeitable shares, conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the remuneration committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association principles of remuneration: 2014 edition (formerly ABI remuneration principles). These awards comprise three elements, namely:

- 'New starter' awards are made based on a de facto non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also de facto non-discretionary awards of the same quantum as new starter awards and are made to employees who have not had any other share award in a three-year period
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive plan (LTIP) awards are recommended by business unit management, approved by the staff share executive committee and then the remuneration committee before being awarded. Awards of Investec plc LTIPs

Remuneration report (continued)

are made to employees of Investec plc and awards of Investec Limited LTIPs for employees of Investec Limited. At IAM, LTIP awards are only generally considered for employees who do not participate in the DBOP and/or the IAM equity ownership scheme.

LTIP awards for non-PRA Code Staff are subject to 75% vesting at the end of four years and the final 25% at the end of the fifth year, which we believe is appropriate for our business requirements. LTIP awards to PRA Code Staff are subject to performance conditions and to 75% vesting at the end of three and a half years and the final 25% at the end of four and a half years, and are then subject to a six-month retention period. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

Other remuneration structures

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guarantee awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the group unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The remuneration committee at least annually reviews guaranteed variable remuneration payments and the number of guarantees awarded and approves any exceptions.

Retention awards

Investec only pays retention awards to serving staff in exceptional circumstances. In all such cases, human resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally for PRA Code Staff, the remuneration committee shall review all proposed awards. Circumstances where the group will consider paying a retention award are in the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line), where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the PRA should be notified prior to the retention award being made to PRA Code Staff, and should consider seeking guidance on the appropriateness of retention awards for certain individuals.

Severance awards

Severance payments by Investec plc or one of its subsidiary companies for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for PRA Code Staff individuals shall be subject to approval by the DLC remuneration committee.

Discretionary extended pension benefits policy

All proposed extended pension payments made to employees upon reaching retirement should be reviewed by the remuneration committee for alignment with appropriate laws, policy and regulation.

PRA Remuneration Code disclosures

In terms of the PRA's Chapter on Disclosure Requirements (BIPRU 11.5.18) the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to PRA Code Staff.

PRA Code Staff are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 47 individuals were PRA Code Staff in 2015.



The bank's qualitative remuneration disclosures are provided on pages 140 to 177.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of PRA Code Staff for the year ended 31 March 2015.

Remuneration report (continued)

Aggregate remuneration by remuneration type

£'million	Senior management	Other Code Staff	Total
Fixed remuneration	6.3	14.3	20.6
Variable remuneration*			
– Cash	1.4	4.6	6.0
– Deferred cash	0.4	1.5	1.9
– Deferred shares	2.3	11.1	13.4
– Deferred shares – long-term incentive awards**	3.3	3.7	7.0
Total aggregate remuneration and deferred incentives	13.7	35.2	48.9
Ratio between fixed and variable pay			

* Total number of employees receiving variable remuneration was 46.

** Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and to 75% vesting at the end of three and a half years and the final 25% at the end of four and a half years, subject to a six-month retention period.

PRA Code Staff received total remuneration in the following bands:

	Number of PRA Code Staff
£800 000 – £1 200 000	8
£1 200 001 – £1 600 000	6
£1 600 001 – £2 000 000	2
£2 000 001 – £2 400 000	–
£2 400 001 – £2 800 000	1
£2 800 001 – £3 200 000	–
£3 200 001 – £3 600 000	2
£3 600 001 – £4 000 000	2
£4 000 001 – £4 400 000	–
£4 400 001 – £4 800 000	–
£4 800 001 – £5 200 000	–
>£5 200 001	–

Additional disclosure on deferred remuneration

£'million	Senior management	Other Code Staff	Total
Deferred unvested remuneration outstanding at the beginning of the year	15.0	25.7	40.7
Deferred unvested remuneration adjustment – employees no longer Code Staff and reclassifications	2.5	4.3	6.8
Deferred remuneration awarded in year	6.0	16.3	22.3
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration vested in year	(4.6)	(6.6)	(11.2)
Deferred unvested remuneration outstanding at the end of the year^^	18.9	39.7	58.6

^^ All employees are subject to clawback provisions as discussed on page 176. No remuneration was reduced for ex post implicit adjustments during the year.

Remuneration report (continued)

£'million	Senior management	Other PRA Code Staff	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	15.4	33.0	48.4
– Cash	2.0	4.9	6.9
– Other	1.5	1.8	3.3
	18.9	39.7	58.6

£'million	Senior management	Other Code Staff	Total
Deferred remuneration vested in year			
– For awards made in 2014 financial year	(2.4)	(3.3)	(5.7)
– For awards made in 2013 financial year	(1.3)	(2.0)	(3.3)
– For awards made in 2012 financial year	(0.9)	(1.3)	(2.2)
	(4.6)	(6.6)	(11.2)

Other remuneration disclosures

£'million	Senior management	Other PRA Code Staff	Total
Sign-on payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Severance payments			
Made during the year (£'million)	–	0.1	0.1
Number of beneficiaries	–	1	1
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

Pillar III remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar III disclosure requirements.



The bank's qualitative remuneration disclosures are provided on pages 160 to 177.

The information contained in the tables below sets out the bank's quantitative disclosures for the year ended 31 March 2015.

Aggregate remuneration by remuneration type

R'million	Senior management [^]	Risk takers [^]	Financial and risk control staff [^]	Total
Fixed remuneration	47.4	47.6	143.5	238.5
Variable remuneration*				
– Cash	100.1	88.5	57.9	246.5
– Deferred shares	43.5	72.0	3.1	118.6
– Deferred cash	59.4	–	–	59.4
– Deferred shares – long-term incentive awards**	124.9	91.0	87.5	303.4
Total aggregate remuneration and deferred incentives	375.3	299.1	292.0	966.4

[^] See page 180.

* Total number of employees receiving variable remuneration was 265.

** Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to 75% vesting at the end of four years and the final 25% at the end of five years.

Remuneration report (continued)

Additional disclosure on deferred remuneration

R'million	Senior management [^]	Risk takers [^]	Financial and risk control staff [^]	Total
Deferred unvested remuneration outstanding at the beginning of the year	377.1	186.1	76.4	639.6
Deferred unvested remuneration adjustment – employees that are no longer employed by the bank and reclassifications	–	39.2	3.5	42.7
Deferred remuneration awarded in year	227.8	163.0	90.6	481.4
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration vested in year	(39.4)	(20.0)	(0.9)	(60.3)
Deferred unvested remuneration outstanding at the end of the year	565.5	368.3	169.6	1 103.4

R'million	Senior management [^]	Risk takers [^]	Financial and risk control staff [^]	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	506.1	368.3	169.6	1 044.0
– Cash	59.4	–	–	59.4
– Other	–	–	–	–
	565.5	368.3	169.6	1 103.4

R'million	Senior management [^]	Risk takers [^]	Financial and risk control staff [^]	Total
Deferred remuneration vested in year				
– For awards made in 2014 financial year	–	–	–	–
– For awards made in 2013 financial year	16.4	9.7	0.3	26.4
– For awards made in 2012 financial year	23.0	10.3	0.6	33.9
	39.4	20.0	0.9	60.3

Other remuneration disclosures

R'million	Senior management [^]	Risk takers [^]	Financial and risk control staff [^]	Total
Sign-on payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Severance payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Guaranteed bonuses				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–

[^] **Senior management:** all members of our South African general management forum, excluding executive directors.

Risk takers: includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.

Financial and risk control staff: includes everyone in central group finance and central group risk as well as employees responsible for risk and finance functions within the operating business units.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 50

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 31 in volume two

Dividend cover

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to page 53 in volume three

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 53 in volume three

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

Market capitalisation

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

Net tangible asset value per share

Refer to calculation on page 48

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 53

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 50

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 50

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 89 in volume two

Staff compensation to operating income ratio

All employee-related costs expressed as a percentage of operating income

Third party assets under administration

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling interests

Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 53 in volume three

Notes

Remuneration report

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Remuneration report

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Notes

Remuneration report

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Corporate information

Investec plc and Investec Limited

Secretary and registered office

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Facsimile (27) 11 286 7966

Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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Ernst & Young Inc.

Registrars in the UK

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Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Fani Titi (chairman)
Zarina BM Bassa[^]
Laurel C Bowden[°]
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
Bradley Fried
David Friedland
Haruko Fukuda OBE
Charles R Jacobs^{*}
Ian R Kantor
Lord Malloch-Brown KCMG^{*}
Khumo L Shuenyane^{*}
Peter RS Thomas

George FO Alford, Olivia C Dickson and M Peter Malungani resigned with effect 7 August 2014.

Sir David Prosser resigned with effect 8 August 2014.

[^] Appointed with effect 1 November 2014.

[°] Appointed with effect 1 January 2015.

^{*} Appointed with effect 8 August 2014.



For contact details for Investec offices internationally refer to pages 135 and 136 in volume three.



Annual report 2015

VOLUME 2

Investec risk and Basel Pillar III disclosures report



Out of the Ordinary®

 **Investec**

About this report

The 2015 integrated annual report covers the period 1 April 2014 to 31 March 2015 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.



Audited information

Denotes information in the risk, corporate responsibility and remuneration reports that form part of the group's audited annual financial statements



Reporting standard

Denotes our consideration of a reporting standard



Page references

Refers readers to information elsewhere in this report



Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com



Website

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

VOLUME 1

Strategic report incorporating governance, sustainability and the remuneration report

VOLUME 2

Risk and Basel Pillar III disclosures

VOLUME 3

Annual financial statements

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Risk and Basel Pillar III disclosures





Group Risk Management objectives are to:

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

Overview of disclosure requirements

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within this section of the integrated annual report on pages 7 to 96 with further disclosures provided within the annual financial statements section in volume three.

All sections, paragraphs, tables and graphs on which an audit opinion is expressed on are marked as audited.

Information provided in this section of the integrated annual report is prepared on an Investec DLC consolidated basis (i.e. incorporating the results of Investec plc and Investec Limited), unless otherwise stated.

The risk disclosures comprise Investec Limited and Investec plc's Pillar III disclosures as required in terms of Regulation 43 of the regulations relating to banks in South Africa and under the Capital Requirements Regulation pertaining to banks in the UK.

The group also publishes Pillar III and other risk information for its 'silo' entity holding companies and its significant banking subsidiaries on a consolidated basis. This information is contained in the respective annual financial statements for those respective entities.

Statement from the chairman of the group risk and capital committee

Philosophy and approach to risk management

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

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

Risk awareness, control and compliance are embedded in all our day-to-day activities. We seek to achieve an appropriate balance between risk and reward, taking cognisance of all stakeholders' interests. A strong risk and capital management culture is embedded into our values.

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

We monitor and control risk exposure through independent Credit, Market, Liquidity, Operational, Legal Risk, Internal Audit and Compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

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

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

We believe that the risk management systems and processes we have in place are adequate to support the group's strategy (as explained on page 4 in volume one) and allow the group to operate within its risk appetite tolerance as set out on page 9.

This volume of our integrated annual report, explains in detail our approach to managing our business within our risk appetite tolerance, across all main aspects of risk.

A summary of the year in review from a risk perspective

Executive management is intimately involved in ensuring stringent management of risk, liquidity, capital and conduct.

Risk management (continued)

We continue to seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests. The group predominantly remained within its risk appetite limits/targets across the various risk disciplines. Our risk appetite framework as set out on page 9 continues to be assessed in light of prevailing market conditions and group strategy.

The group has significantly derisked its balance sheet through a number of strategic sales completed during the financial year (as discussed in detail on page 22 in volume one) which resulted in a reduction in legacy assets of approximately £1.5 billion and total assets of approximately £6 billion.

Our core loan book (excluding strategic sales) has grown steadily over the year in home currencies, reflecting an increase of approximately 16% in both our UK and South African businesses. This has been supported by solid growth in our residential owner-occupied mortgage portfolios and private client lending, and steady growth in our UK Asset Finance business and other diversified corporate lending activities.

Credit and counterparty exposures are to a select target market and our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. We expect our target clients to demonstrate sound financial strength and integrity, a core competency and an established track record.

Our core loan book remains well diversified with commercial rent producing property loans comprising approximately 17% of the book, other lending collateralised by property 8%, HNW and private client lending 34% and corporate lending 41% (with most industry concentrations well below 5%). We anticipate that future growth in our core loan portfolios will largely come from professional mortgages, HNW mortgages, asset finance, fund finance and power and infrastructure finance. These asset classes have historically reported low default ratios with satisfactory net margins.

Our focus over the past few years to realign and rebalance our portfolios in line with our risk appetite framework is reflected in the relative changes in asset classes on our balance sheet showing an increase in private client and corporate and other lending, and a reduction in lending collateralised by property as a proportion of our book.

Our legacy portfolio in the UK has been actively managed down from £3.4 billion at 31 March 2014 to £0.7 billion largely through strategic sales, redemptions, write-offs and transfers (at the end of the period) to the ongoing book on the back of improved performance in these loans. The remaining legacy portfolio will continue to be managed down as we see opportunities to clear this portfolio. Management believes that the remaining legacy book will still take three to five years to wind down as explained in detail in volume one on pages 88 and 89.

Impairments on loans and advances decreased from £166.2 million to £128.4 million. Since 31 March 2014 gross defaults have improved from £658.7 million to £608.4 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 2.07% (2014: 2.30%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.37 times (2014: 1.27 times).

The credit loss ratio on core loans in our South African business has continued to decline to the current level of 0.28%. The credit loss ratio in our UK and other businesses increased during the year to 1.16% as we divested assets and increased impairments on the legacy portfolio. Our credit losses on our core 'ongoing' UK and Other book remain low at 0.20% (2014: 0.50%).

Our investment portfolios in the UK and South Africa continued to perform well. However, our investment portfolio in Hong Kong unfortunately generated a loss during the period as a result of a poor performance from some of the underlying investments. Overall, we remain comfortable with the performance of our equity investment portfolios which comprise 4.2% of total assets.

Market risk within our trading portfolio remains modest with value at risk and stress testing scenarios remaining at prudent levels. Potential losses that could arise in our trading book portfolio when stress tested under extreme market conditions (i.e. per extreme value theory) amount to approximately 0.1% of total operating income.

Investec has continued to maintain a sound balance sheet with a low gearing ratio of

9.4 times and a core loans to equity ratio of 4.3 times. We have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. All our banking subsidiaries meet current internal targets. Investec Limited should achieve a common equity tier 1 ratio target of above 10% by March 2016 and Investec plc already achieves this target. We are comfortable with our common equity tier 1 ratio target at a 10% level, as our leverage ratios for both Investec Limited and Investec plc are well above 7%. We believe that we have sufficient capital to support our growth initiatives.

Holding a high level of readily available, high-quality liquid assets remains paramount in the management of our balance sheet. We continue to maintain a low reliance on interbank wholesale funding to fund lending growth. Cash and near cash balances amounted to £10 billion at year end, representing 38.2% of our liability base.

We have significant surplus cash in our UK business following the sale of Kensington and we are actively focusing on reducing both cash and liquidity back to normalised levels through asset growth and further liability management, while maintaining our overall conservative approach to liquidity risk management. Our weighted average cost of funding continued to decrease in our UK business and we comfortably exceed Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

In South Africa, we continued to build our structural liquidity cash resources to improve our Basel III LCR in light of regulations which were implemented from 1 January 2015. Investec Bank Limited (solo basis) ended the year with the three-month average of its LCR at 100.3%, which is well ahead of the minimum levels required. The cost of funding continued to increase for local banks, including Investec, as competition for 'Basel III friendly' deposits increased.

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. During the year, Investec enhanced its stress testing framework by developing a repeatable stress testing process designed to identify and regularly test the bank's key 'vulnerabilities under stress'. The key is to understand these potential threats

Risk management (continued)

to our sustainability and profitability and thus a number of risk scenarios have been developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process. The stress testing process also informs the risk appetite review process and the management of risk appetite limits, and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

Conclusion

The current regulatory and economic environment continues to prove challenging to our business, however, we are comfortable that we have robust risk management processes and systems in place which provide a strong foundation to the board and the business to manage and mitigate risks within our risk appetite tolerance framework.

Signed on behalf of the board



Stephen Koseff

Chairman of the group risk and capital committee

10 June 2015

Geographic summary of the year in review from a risk perspective



This section should be read in conjunction with, and against the background provided in, the overview of the operating environment section on pages 28 to 31 in volume one.

Detailed information on key developments during the financial year in review is provided in the sections that follow:



Refer to pages 19 and 20, page 57 and pages 70 to 71, with a high-level geographic summary of the most salient aspects provided below.

UK and Other

Credit risk

We continue to realign and rebalance our portfolio in line with our stated risk appetite, which is reflected in the growth in corporate client exposures and the decline in lending collateralised by property exposures.

Material progress has been made during the year in our strategic portfolio rebalancing, in part through strategic divestments but also through active portfolio management and the consistent application of our risk appetite statement.

Net core loans and advances decreased by 14.1% from £8.2 billion at 31 March 2014 to £7.1 billion at 31 March 2015 due to the strategic divestments of Investec Bank (Australia) Limited and Kensington new mortgages. Excluding these sales net core loans increased by approximately 16%, largely as a result of solid growth in our diversified corporate lending activities.

Default loans (net of impairments) have decreased from 3.2% to 3.0% of core loans and advances. The credit loss ratio is at 1.16% (2014: 0.99%), impacted by the divestment of assets and increased impairments on the legacy portfolio.

Traded market risk

We continue to manage to a very low level of market risk with VaR at £0.7 million as at 31 March 2015.

There has been ongoing growth in client activity across the interest rate and foreign exchange corporate sales desks. The structured equity desk's retail product sales have remained strong and they continue to develop both their product range and distribution capacity.

Balance sheet risk

The bank entered the year with a strong surplus liquidity position. Funding rates continued to be driven down throughout the year as market liquidity and improved funding conditions persisted. This cost reduction was complemented by strategic initiatives including amendment to retail product terms. The overall impact led to a reduction in the bank's cost of funds. Cash surpluses increased further at the end of January 2015 following the strategic sale of Kensington. This is being managed in the context of the overall treasury funding plan to bring cash levels back to our normal levels of cash surpluses. Cash and near cash balances at 31 March 2015 amounted to £5.0 billion (2014: £4.3 billion) with total UK customer deposits increasing by 9.5% to £10.3 billion (2014: £9.4 billion). We continue to comfortably exceed Basel liquidity requirements.

Southern Africa

Credit risk

Net core loans and advances grew by 16% to R182.1 billion with residential owner-occupied, private client lending and corporate portfolios representing the majority of the growth for the financial year in review.

Default loans (net of impairments) as a percentage of core loans and advances reduced from 1.46% to 1.43% with an improvement in the lending collateralised by property portfolio.

The credit loss ratio improved to 0.28% from 0.42% as we saw stability in the number of new defaulted loans and sufficient collateral available for these transactions.

Our legacy default portfolio which largely relates to lending collateralised by property, notably residential land transactions earmarked for developments, continues to be managed down.

Traded market risk

Trading conditions have remained difficult. Traders have had to contend with very uncertain markets as well as declining market liquidity. While client flow has been under pressure, Investec remains committed to trading on client flow and not proprietary trading. The equity derivatives business has continued to grow both their product offering and the diversity of their client base. Currency markets have generally been illiquid and volatile. Corporate foreign exchange volumes are up leading to increased revenue, however, profit margins have tightened. The trend of low discretionary risk taking in local rates continued in the past year. Little uncertainty and stable

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

Risk management (continued)

interest rates in the local rate environment has not encouraged corporate hedging activity.

Balance sheet risk

Investec continued to build its structural liquidity cash resources over the course of the year as part of its drive to improve the Basel III LCR in order to adhere to regulations which were implemented from

1 January 2015. We ended the year with the three-month average of Investec Bank Limited's (solo basis) LCR at 100.3% which is well ahead of the minimum level required.

The cost of funding continued to increase for local banks, including Investec, as competition for 'Basel III friendly' deposits increased.

Total customer deposits increased by 8% from 1 April 2014 to R221.4 billion at 31 March 2015 (Private Bank deposits amounted to R89.8 billion and other external deposits amounted to R131.6 billion). Cash and near cash balances increased by 5% from 1 April 2014 to R88.7 billion at 31 March 2015.

Salient features

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

	UK and Other		Southern Africa		Investec group	
	2015	2014	2015	2014	2015	2014 ^{^^}
Year to 31 March	£	£	R	R	£	£
Net core loans and advances (million)	7 061	8 222	182 058	156 870	17 189	17 157
Total assets (excluding assurance assets) (million)	17 970	22 061	359 728	327 157	38 016	41 279
Total risk-weighted assets (million)	11 608	13 711	269 466	248 040	26 601 [^]	27 836 [^]
Total equity (million)	2 074	2 269	35 526	31 127	4 040	4 016
Cash and near cash (million)	5 039	4 324	88 691	84 476	9 975	9 135
Customer accounts (deposits) (million)	10 298	10 939	221 377	204 903	22 615	22 610
Gross defaults as a % of gross core loans and advances	5.52%	5.43%	2.04%	2.24%	3.49%	3.78%
Defaults (net of impairments) as a % of net core loans and advances	3.00%	3.21%	1.43%	1.46%	2.07%	2.30%
Net defaults (after collateral and impairments) as a % of net core loans and advances	—	—	—	—	—	—
Credit loss ratio*	1.16%	0.99%	0.28%	0.42%	0.68%	0.68%
Structured credit as a % of total assets**	1.92%	1.94%	0.44%	1.17%	1.15%	1.77%
Banking book investment and equity risk exposures as a % of total assets**	3.44%	2.46%	4.88%	5.02%	4.19%	3.59%
Level 3 (fair value assets) as a % of total assets**	4.32%	4.57%	2.32%	2.33%	3.87%	5.00%
Traded market risk: one-day value at risk (million)	0.7	0.9	3.5	2.8	n/a	n/a
Core loans to equity ratio	3.4x	3.6x	5.1x	5.0x	4.3x	4.3x
Total gearing ratio**	8.8x	10.0x	10.1x	10.5x	9.4x	10.3x
Loans and advances to customers to customer deposits	68.5%	71.0%	78.6%	72.9%	74.0%	72.0%
Capital adequacy ratio	16.7%	15.3%	14.7%	14.9%	n/a	n/a
Tier 1 ratio	11.9%	10.5%	11.3%	11.0%	n/a	n/a
Common equity tier 1 ratio	10.2%	8.8%	9.6%	9.4%	n/a	n/a
Leverage ratio	7.7%	7.4%	8.1%	7.8%	n/a	n/a
Return on average assets [#]	0.44%	0.43%	1.20%	1.11%	0.86%	0.75%
Return on average risk-weighted assets [#]	0.72%	0.75%	1.59%	1.47%	1.25%	1.14%

* Income statement impairment charge on core loans as a percentage of average advances.

** Total assets excluding assurance assets to total equity.

^{^^} Restated.

[^] The group numbers have been 'derived' by adding Investec plc and Investec Limited (Rand converted into Pounds Sterling) numbers together.

[#] Where return represents operating profit after taxation and non-controlling interests and after deducting preference dividends, but before goodwill, acquired intangibles and non-operating items. Average balances are calculated on a straight-line average.

• Certain information is denoted as n/a as these statistics are not applicable at a consolidated group level and are best reflected per banking entity or jurisdiction in line with regulatory and other requirements; or were not previously disclosed.

Overall group risk appetite

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

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

Risk appetite and tolerance metrics	Positioning at 31 March 2015
We seek to maintain an appropriate balance between revenue earned from capital light and capital intensive activities. Ideally the split in revenue should be 50:50, dependent on prevailing market conditions	Capital light activities contributed 56% to total operating income and capital intensive activities contributed 44%
We have a solid recurring income base supported by diversified revenue streams, and target a recurring income ratio in excess of 65%	Recurring income amounted to 74.2% of total operating income. Refer to page 24 in volume one for further information
We seek to maintain strict control over fixed costs and target a group cost to income ratio of below 65%	The cost to income ratio amounted to 67.6%. Refer to page 27 in volume one for further information
We aim to build a sustainable business generating sufficient return to shareholders over the longer-term, and target a long-term return on equity ratio range of between 12% and 16%, and a return on risk-weighted assets in excess of 1.2%	The return on equity amounted to 10.6% and our return on risk-weighted assets amounted to 1.25%. Refer to pages 27 and 45 in volume one for further information
We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%	We achieved this internal target; refer to page 93 for further information
We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of 10.5% (11.0% by March 2016) and a common equity tier 1 ratio above 10.0% (by March 2016)	We meet current capital targets; refer to page 93 for further information
We target a diversified loan portfolio, lending to clients we know and understand. We limit our exposure to a single/connected individual or company to 5% of tier 1 capital (up to 10% if approved by the relevant board committee). We also have a number of risk tolerance limits and targets for specific asset classes	We maintained this risk tolerance level in place throughout the year
There is a preference for primary exposure in the group's main operating geographies (i.e. South Africa and UK). The group will accept exposures where we have a branch/banking business. The group will also tolerate exposures to other countries where it has core capabilities	Refer to page 22 for further information
The level of defaults and impairments continues to improve and we target a credit loss charge on core loans of less than 0.5% of average core advances (less than 1.25% under a weak economic environment/stressed scenario), and we target defaults net of impairments less than 1.5% of total core loans (less than 4% under a weak economic environment/stressed scenario)	The credit loss charge on core loans amounted to 0.68% and defaults net of impairments amounted to 2.07% of total core loans. Refer to page 31 for further information
We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%	Total cash and near cash balances amounted to £10 billion, representing 38.2% of our liability base. Refer to page 66 for further information
We have modest market risk as our trading activities primarily focus on supporting client activity and our appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than R15 million for Investec Limited and less than £5 million for Investec plc	We meet these internal limits; refer to page 53 for further information
We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of tier 1 capital for our unlisted principal investment portfolio	Our unlisted investment portfolio is £810 million, representing 26.3% of total tier 1 capital. Refer to page 47 for further information
Our Operational Risk Management team focuses on improving business performance and compliance with regulatory requirements through review, challenge and escalation	Refer to pages 72 to 75 for further information
We have a number of policies and practices in place to mitigate reputational, legal and conduct risks.	Refer to pages 76 to 78 for further information

An overview of key risks

In our daily business activities, the group enters into a number of risks that could have the potential to affect our business operations or financial performance.



These risks have been highlighted on page 34 in volume one.

The sections that follow provide information on a number of these risk areas.

Additional risks and uncertainties that are currently considered immaterial and not included in this report may in the future impact our business operations and financial performance.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at group level, as described more fully below. These committees and forums operate together with Group Risk Management and are mandated by the board.



A diagram of our governance and risk framework is provided on page 96 in volume one.

The group committees and forums listed below have mandated certain committees and forums within the jurisdictions in which the group operates to support them in their objectives:

Committee	Function
Audit committees Members: Non-executive directors Chairman: David Friedland (non-executive director) Frequency: - DLC audit committee – four times a year - Investec Limited and group audit committee – four times a year - Investec plc audit committee – four times a year	- See pages 104 and 110 in volume one - The Internal Audit, Compliance and Operational Risk departments report to the audit committees
Board risk and capital committee (BRCC) Members: Executive and non-executive directors (senior management by invitation) Chairman: David Friedland (non-executive director) Frequency: Six times a year	See page 111 in volume one
Group risk and capital committee (GRCC) Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Six times a year	The purpose of the GRCC is to supplement the BRCC
DLC capital committee Members: Executive and non-executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: At least quarterly	See page 112 in volume one
Executive risk review forum (ERRF) Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Weekly	See page 112 in volume one
Global credit committee Members: Executive directors and senior management Non-executive directors have a level of oversight which is exercised within the applicable committee Chairman: Glynn Burger (group risk and finance director) Frequency: Twice a week	- Considers and approves the granting of credit to counterparties in excess of the mandates granted to divisional and other credit forums on a global basis - Considers the level of acceptable counterparty and geographical exposures within the board-approved risk appetite framework - Reviews and approves changes to credit policies and methodologies
Group investment committee Members: Executive directors and senior management Chairman: Stephen Koseff (CEO) Frequency: Weekly	- Is responsible for reviewing and approving: - acquisitions or disposals of strategic investments in which we act as principal and retain an equity interest (above predetermined thresholds) - capital expenditure or disposals (above predetermined thresholds)

Risk management (continued)

Committee	Function
Group deal forum Members: Executive directors and senior management. Non-executive directors have a level of oversight which is exercised within the applicable committee Chairman: Glynn Burger (group risk and finance director) Frequency: Weekly	Considers, approves and mitigates the risks inherent in any new product or other non-standard transactions that we are considering
Group market risk forum Members: Global heads of risk, market risk and the trading desks; senior management; members of the Market Risk teams and other members of Group Risk Management Chairman: Nick Sheppard Frequency: Weekly	- Reviews and recommends limit adjustments in all existing products and markets across all desks in the group - Recommends limits for new products and new markets - Recommends methodology as to how risks are measured
Global compliance forum Members: Compliance representatives of the Investec Limited and Investec plc businesses Chairman: Bradley Tapnack; Alternate: Kathryn Farndell and Noel Sumner Frequency: Bi-annually and on <i>ad hoc</i> request	- Review and approval of all group compliance policies across Investec Limited and Investec plc businesses - Establishing and standardising of group standards where applicable - Escalation of policies to ERRF and the board for approval as required
Asset and liability committee (ALCO) Members: Executive directors, senior management, economist, treasurer, business heads and head of asset and liability management Chairmen: Glynn Burger (SA), Ian Wohlman (UK), and Craig McKenzie (MAU) Frequency: Monthly (or <i>ad hoc</i> if required)	- Recommends and monitors our funding and liquidity policy and non-trading interest rate risk policy, which translates into a suite of limits that define our risk appetite - Directs the implementation of the methodology, techniques, models and risk measures for liquidity and interest rate risk management - Reviews the structure of our balance sheet and business strategies, taking into account market conditions, including stress tests - Maintains liquidity contingency plans - The responsibilities of the liability product and pricing forum (a sub-committee of ALCO) are: - to coordinate and approve pricing of all liabilities issued and other group funding entities so as to achieve the most appropriate funding mix at the best possible cost within the balance sheet targets as set by ALCO - to review the liquidity, interest rate and concentration characteristics of all new products and approve their issuance - to monitor existing products, terms and rates - to reprice or close products where appropriate - to evaluate continuously the external rates environment including competitor analysis
Global operational risk committee Members: Heads of operational risk, heads of risk, specialist banking, asset management and wealth and investment senior management Chairman: Bradley Tapnack (global head of corporate governance and compliance) Frequency: At a minimum half-yearly	- Provides support to BRCC and ERRF in the management of operational risk - Reviews and approves the operational risk management framework, policies and appetite - Aligns operational risk policies, practices and reporting across the group
Group legal risk forum Members: Executive directors, senior management and divisional legal managers Chairman: David Nurek (global head of legal risk) Frequency: Half-yearly (or <i>ad hoc</i> if required)	Considers and manages legal risks throughout the group

In the sections that follow, the following abbreviations are used on numerous occasions:

ALCO	Asset and liability committee	ERRF	Executive risk review forum
BCBS	Basel Committee of Banking Supervision	FCA	Financial Conduct Authority
BIS	Bank for International Settlements	FSB	Financial Services Board
BoE	Bank of England	GRCC	Group risk and capital committee
BOM	Bank of Mauritius	PACC	Prudential audit and conduct committee
BRCC	Board risk and capital committee	PRA	Prudential Regulation Authority
ECB	European Central Bank	SARB	South African Reserve Bank

Integrated global risk management structure

Group risk and finance director
Head of risk South Africa
Heads of risk UK

Glynn Burger
Kevin Kerr
Ian Wohlman/Ruth Leas

Divisional and geographic roles	Global	UK and Other	South Africa
Credit Risk	Ian Wohlman/ Kevin Kerr	Gary Laughton	Justin Cowley/ Scott Brown
Traded Market Risk	Nick Sheppard	Nick Sheppard	Alan Wenger
Balance Sheet Risk Management	Cyril Daleski	Wendy Robinson	Cyril Daleski
Operational Risk	Chandre Griesel	Emile Dunand	Chandre Griesel
Legal Risk	David Nurek	Lauren Ekon	David Nurek
Internal Audit	Bradley Tapnack	Elizabeth Broughton	Stuart Mansfield
Compliance	Bradley Tapnack	Noel Sumner	Kathryn Farndell

Credit and counterparty risk management

Credit and counterparty risk description



Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
 - Settlement risk is the risk that the settlement of a transaction does not take place as expected. Our definition of a settlement debtor is a short-term receivable (i.e. less than five days) which is excluded

from credit and counterparty risk due to market guaranteed settlement mechanisms

- Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

Credit and counterparty risks can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

Whilst we do not have a separate country risk committee, the local and global credit committees will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee is responsible for approving country limits not within the mandate of local group credit committees.

The relevant credit committees within Investec will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality

of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the Global Risk Management functions and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk governance structure



To manage, measure, monitor and mitigate credit and counterparty risk, independent credit committees exist in each geography where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. There is a high level of executive involvement and non-executive review and oversight in the credit decision-making forums. It is our policy that all centralised credit committees are comprised of voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the group credit committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears forecast reporting ensure that individual positions and any potential trends are dealt with in a timely manner
- Watchlist committees, which review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision

Risk management (continued)

- Corporate watch forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements
- Arrears, default and recoveries forum which specifically reviews and manages distressed loans and potentially distressed loans for private clients. This forum also reviews and monitors counterparties who have been granted forbearance measures.

Credit and counterparty risk appetite

There is a preference for primary exposure in the group's main operating geographies (i.e. South Africa and the UK). The group will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client who requires facilities in a foreign geography.

Our assessment of our clients and counterparties includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

 **We have little appetite for unsecured debt and require that good quality collateral is provided in support of obligations (refer to page 43 for further information).**

Target clients include high net worth and/or high income individuals, professionally qualified individuals, established corporates, small and medium enterprises, financial institutions and sovereigns. Corporates must have scale and relevance in their market, an experienced management team, able board members, strong earnings and cash flow.

We are client-centric in our approach and originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship.

Interbank lending is largely reserved for those banks and institutions in the group's

core geographies of activity which are systemic and highly rated. Direct exposures to cyclical industries and start-up ventures are generally avoided.

 **In certain instances we have elected to sell certain assets down and/or securitise them (refer to pages 48 to 51 for further information).**

Concentration risk

Concentration risk is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level by Group Risk Management, Group Lending Operations as well as the originating business units.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk.

Risk appetite

The board has set a group risk appetite limit framework which regulates the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. This limit framework is monitored on an ongoing basis and reported to the GRCC and BRCC on a regular basis. Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, and any remedial actions agreed.

Sustainability considerations

 Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment and includes our many CSI activities and our funding and investing activities. This is not merely for business reasons, but based on a broader responsibility to our environment and society. Accordingly, sustainability risk considerations are considered by the credit committee and investment committee when

making lending or investment decisions. In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

- Environmental considerations (including animal welfare)
- Social considerations
- Economic considerations.



Refer to our sustainability report on our website.

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk are:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions are made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight.

Regular reporting of credit and counterparty risk exposures within our operating units is made to management, the executives and the board at the GRCC and BRCC. The board regularly reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by Group Credit.

Despite strict adherence to the above principles, increased default risk may arise from unforeseen circumstances particularly in times of extreme market volatility and weak economic conditions.

A large proportion of the bank's portfolio is not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers, and use

ratings prepared externally where available as support in our decision-making process. Within the credit approval process, internal and external ratings are included in the assessment of the client quality.

Internal credit rating models are being developed to cover all material asset classes. The internal ratings are incorporated in the risk management and decision-making process and are used in credit assessment, monitoring and approval as well as pricing.

Exposures are classified to reflect the bank's risk appetite and strategy. At a high level the exposures are classified according to the Basel asset classes which include sovereign, bank, corporate, retail, equity, securitisation and specialised lending (which is further categorised into project finance; commodities finance; high volatility commercial real estate; and income-producing commercial real estate).

Fitch, S&P, Moody's and DBRS have been approved as eligible external credit assessment institutions (ECAIs) for the purposes of determining external credit ratings with the following elections:

- In relation to sovereigns and securitisations, Fitch, Moody's, S&P and DBRS have been selected by Investec as eligible ECAIs
- In relation to banks, corporates and debt securities, Fitch, Moody's and S&P are recognised as eligible ECAIs
- If two assessments are available, the more conservative will apply
- Where there are three or more credit ratings with different risk weightings, the credit ratings corresponding to the two lowest ratings should be referred to and the higher of those two ratings should be applied.

The group applies the standardised approach for capital requirements in the assessment of its credit and counterparty exposures. The group's banking subsidiaries conduct their mapping of credit and counterparty exposures in accordance with the mapping procedures specified by the Central Bank Registrar, in the respective geographies in which the group operates.

Stress testing and portfolio management

During the year, Investec has enhanced its stress testing framework by developing a repeatable stress testing process, designed to identify and regularly test the bank's key 'vulnerabilities under stress'.

A fundamental part of the stress testing process is a full and comprehensive analysis of all the bank's material business activities, incorporating views from Risk, the business and the Executive – a process called the 'bottom-up' analysis. Out of the 'bottom-up' analysis the Investec-specific stress scenarios are designed to specifically test the unique attributes of the bank's portfolio.

These Investec-specific stress scenarios form an integral part of our capital planning process. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the bank. This process allows the bank to identify underlying risks and manage them accordingly.

Notwithstanding the form of the stress testing process, the framework should not impede the group from being able to be flexible and perform ad hoc stress tests, which by their nature need to be completed on request and in response to emerging risk issues.

Quarterly portfolio reviews are also undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk – nature of lending activities

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients and other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

Lending collateralised by property

Client quality and expertise are at the core of our credit philosophy. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on tenant quality for commercial assets. Debt service cover ratios are a key consideration in the

lending process supported by reasonable loan to security value ratios.

We provide senior debt and other funding for property transactions, with a strong preference for income producing assets supported by an experienced sponsor providing a material level of cash equity investment into the asset.



An analysis of the lending collateralised by property portfolio and asset quality information is provided on pages 38 to 41.

Private client activities

Our private banking activities target high net worth individuals, active wealthy entrepreneurs, high-income professionals, newly qualified professionals with high-income earning potential, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors.

Lending products are tailored to meet the requirements of our clients. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been grouped and defined to include high net worth clients (who, through diversification of income streams, will reduce income volatility) and individuals with a profession which has historically supported a high and sustainable income stream irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- **Personal Banking** delivers products to enable target clients to create and manage their wealth. This includes private client mortgages, transactional banking, high net worth lending, trust and fiduciary, offshore banking and foreign exchange
- **Residential Mortgages** provides mortgage loan facilities for high-income professionals and high net worth individuals tailored to their individual needs as well as vanilla mortgage products for professional target market clients
- **Specialised Lending** provides tailored credit facilities to high net worth individuals and their controlled entities.



An analysis of the private client loan portfolio and asset quality information is provided on pages 38 to 41.

Risk management (continued)

Corporate client activities

We focus on traditional client-driven corporate lending activities, in addition to customer flow related treasury and trading execution services.

Within the corporate lending businesses, credit risk can arise from corporate loans, acquisition finance, asset finance, power and infrastructure finance, asset-based lending, fund finance and resource finance. We also undertake debt origination activities for corporate clients.

The Credit Risk Management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where they are deemed appropriate.

Investec has limited appetite for unsecured credit risk and facilities are typically secured on the assets of the underlying borrower.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas within our corporate lending business is provided below:

- **Corporate Loans:** provides senior secured loans to mid-to-large cap companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business based on historic and forecast information. We typically act as transaction lead or arranger, and have a close relationship with management and the sponsor.
- **Corporate Debt Securities:** these are tradable corporate debt instruments, purchased based on acceptable credit fundamentals typically with a medium-term hold strategy where the underlying risk is to UK, European and South African corporates. This is a highly diversified, granular portfolio that is robust, and spread across a variety of geographies and industries.
- **Acquisition Finance:** provides debt funding to proven management teams, running small to mid-cap sized companies. Credit risk is assessed against debt service coverage from the robustness of the cash generation of the business. This will be based on historic and forecast information. We typically lend on a bilateral basis and benefit from a close relationship with management.
- **Asset Based Lending:** provides working capital and corporate loans secured to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory, plant and machinery. In common with our corporate lending activities, strong emphasis is placed on backing companies with scale and relevance to their industry, stability of cash flow, and experienced management.
- **Fund Finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity and credit asset classes. The geographical focus is the UK, Western Europe and North America, where Investec can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Fund manager loans are structured against committed fund management cash flows and the managers' investment stake in their own funds.
- **Small Ticket Asset Finance:** provides highly diversified lending to small and medium-sized corporates to support asset purchases and other business requirements. These facilities are secured against the asset being financed and are a direct obligation of the company.
- **Large Ticket Asset Finance:** provides the finance and structuring expertise for aircraft and larger lease assets, the majority of which are senior secured loans with a combination of corporate, cash flow and asset-backed collateral against the exposure.
- **Power and Infrastructure Finance:** arranges and provides typically long-term financing for infrastructure assets, in particular renewable power projects and transport, against contracted future cash flows of the project(s) from recognised utilities and power companies as well as the balance sheet of the corporate. There is a strong equity contribution from an experienced sponsor.
- **Resource Finance:** debt arranging and underwriting together with structured hedging solutions mainly within the mining sectors. The underlying commodities are mainly precious and base metals and coal. Our clients in this sector are established mining companies which are typically domiciled and publicly listed in one of the following geographies – the UK, South Africa, North America and Australia. All facilities are secured by the borrower's assets and repaid from mining cash flows.
- **Structured Credit:** these are bonds secured against a pool of assets, typically UK residential mortgages or European or US leverage loans. The bonds are mainly investment grade rated, which benefit from a high-level of credit subordination and can withstand a significant level of portfolio defaults.
- **Treasury Placements:** The treasury function, as part of the daily management of the bank's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short term (less than one month) money market placements or secured repurchase agreements. These market counterparties are high investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets. These counterparties are located in the UK, Western Europe, North America and in South Africa.
- **Corporate advisory and investment banking activities:** Counterparty risk in this area is modest. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security.
- **Customer trading activities to facilitate client lending:** Our customer trading portfolio consists of derivative contracts in interest rates, foreign exchange, commodities and equities that are entered to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have a sizeable exposure to foreign exchange due to operating in sectors that include imports

Risk management (continued)

and exports of goods and services. These positions are marked to market with daily margin calls to mitigate credit exposure in the event of counterparty default.



An analysis of the corporate client loan portfolio and asset quality information is provided on pages 38 to 41.

Wealth & Investment

Investec Wealth & Investment provides investment management services to private clients, charities, intermediaries, pension

schemes and trusts. Wealth & Investment is primarily an agency business with a limited amount of principal risk. Its core business is discretionary and non-discretionary investment management services.

Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken with large institutional clients, are monitored daily, and trades are usually settled within two days.

Asset Management

Investec Asset Management regularly transacts with well-known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a movement in the value of the underlying security in the unlikely event a counterparty fails. Direct cash placements follow our policy, as outlined above, of only being exposed to systemic banks of investment grade quality in Southern Africa, the UK, Europe and the US.

Asset quality analysis – credit risk classification and provisioning policy



It is a policy requirement overseen by Central Credit Management that each operating division makes provision for specific impairments and calculates the appropriate level of portfolio impairments. This is in accordance with established group guidelines and in conjunction with the watchlist committee process. In the annual financial statements, credit losses and impairments are reported in accordance with International Financial Reporting Standards (IFRS).

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Performing assets	For assets which form part of a homogeneous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified. The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events. By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred.	Past due	An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/credit agreed payment due date. Management however is not concerned and there is confidence in the counterparty's ability to repay the past due obligations.
		Special mention	The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil its credit obligation to the group (i.e. watchlist committee is concerned) for the following reasons: • Covenant breaches • There is a slowdown in the counterparty's business activity • An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty • Any restructured credit exposures until appropriate watchlist committee decides otherwise. Ultimate loss is not expected, but may occur if adverse conditions persist. Reporting categories: • Credit exposures overdue 1 – 60 days • Credit exposures overdue 61 – 90 days.

Risk management (continued)

Regulatory and economic capital classification	IFRS impairment treatment	Arrears, default and recoveries classification category	Description
Assets in default (non-performing assets)	Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered: • Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business • Likely dividend or amount recoverable on liquidation or bankruptcy or business rescue • Nature and extent of claims by other creditors • Amount and timing of expected cash flows • Realisable value of security held (or other credit mitigants) • Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts.	Sub-standard	The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected: • The risk that such credit exposure may become an impaired asset is probable • The bank is relying, to a large extent, on available collateral, or • The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital. Credit exposures overdue for more than 90 days will at a minimum be included in 'sub-standard' (or a lower quality category).
		Doubtful	The counterparty is placed in doubtful when the credit exposure is considered to be impaired, but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure.
		Loss	A counterparty is placed in the loss category when: • The credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted, or • Assets in this category are expected to be written off in the short term since the likelihood of future economic benefits resulting from such assets are remote.

Investec has limited appetite for unsecured debt, preferring to mitigate risk through good quality tangible collateral

Credit risk mitigation



Credit risk mitigation techniques can be defined as all methods by which Investec seeks to decrease the credit risk associated with an exposure. Investec considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the bank has a pledge of security, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

As Investec has a limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation. Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued.



An analysis of collateral is provided on page 43.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. For property backed lending such as residential mortgages, the following characteristics of the property are considered: the type of property; its location; and the ease with which the property could be re-let and/or re-sold. Where the property is secured by lease agreements, the credit committee prefers not to lend for a term beyond the maximum of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. In addition, the relevant credit committee normally requires

a suretyship or guarantee in support of a transaction in our private client business.

The second primary collateral in private client lending transactions is over a high net worth individual's investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at very conservative loan-to-value ratios after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. The primary market standard legal documents that govern this include the International Swaps and Derivatives Association Master Agreements (ISDA), Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with all market and trading counterparties in over-the-counter (OTC) derivatives, a Credit Support Annex (CSA) ensures that all mark-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by external legal opinion within the legal jurisdiction of the agreement.

Set-off has been applied between assets subject to credit risk and related liabilities in the annual financial statements where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities

- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

Investec places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the bank in the UK will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the bank is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the bank will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2015 amounts to £10.9 million, of which £6.3 million is used for credit mitigation purposes and the balance for trading and investment. Total protection bought amounts to £15.2 million (£9.8 million relating to credit derivatives used in credit mitigation) and total protection sold amounts to £4.3 million (£3.5 million relating to credit derivatives used in credit mitigation).



Further information on credit derivatives is provided on page 58.

Investec endeavours to implement robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function in Investec ensures the enforceability of credit risk mitigants within the laws applicable to the jurisdictions in which Investec operates. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

For regulatory reporting purposes, exposures may be reduced by eligible collateral. Under the standardised approach credit risk mitigation can be achieved through either funded or unfunded credit protection. Where unfunded credit protection is relied upon for mitigation purposes, the exposure to the borrower

will be substituted with an exposure to the protection provider, after applying a 'haircut' to the value of the collateral due to currency and/or maturity mismatches between the original exposure and the collateral provided. Unfunded credit protection includes eligible guarantees and credit derivatives. Where we rely on funded protection in the form of financial collateral, the value of collateral is adjusted using the financial collateral comprehensive method. This method applies supervisory volatility adjustments to the value of the collateral, and includes the currency and/maturity haircuts discussed above.



Please refer to the credit quality step table disclosed on pages 94 and 95 for a breakdown of regulatory exposure values before and after credit risk mitigation has been applied.

Credit and counterparty risk year in review

UK and Other

We continue to realign and rebalance our portfolio in line with our stated risk appetite, which is reflected in the growth in corporate client exposures and the decline in lending collateralised by property exposures. Material progress has been made during the year in our strategic portfolio rebalancing, in part through strategic divestments but also through active portfolio management and the consistent application of our risk appetite statement.

Three divestments, namely the sale of Kensington, Start (Irish mortgages) and Investec Bank (Australia) Limited's professional finance and asset finance businesses were the principal drivers behind the 56.6% decline in HNW and other private client lending, which has decreased from £2.8 billion at 31 March 2014 to £1.2 billion at 31 March 2015. The Kensington and Start divestments have significantly reduced our legacy exposures.

Active portfolio management has materially refocused the bank's core lending portfolio – lending collateralised by property has declined by 8.7% from £2.5 billion at 31 March 2014 to £2.3 billion at 31 March 2015; whilst corporate client and other lending has increased 20.2% from £3.1 billion at 31 March 2014 to £3.7 billion at 31 March 2015. On a like-for-like basis, after excluding the impact of divestments, HNW and other private client lending increased by 12% year on year.

Net core loans and advances have decreased by 14.1% to £7.1 billion

at 31 March 2015 from £8.2 billion at 31 March 2014 reflecting the impact of the divestments, but partially offset by increased net loan growth. Excluding divestments, net core loans increased by approximately 16%.

Default loans (net of impairments) have decreased by 19.7% or £52 million on an absolute basis and decreased to 3.0% from 3.21% as a percentage of core loans and advances. Gross defaults decreased by 12.4% or £57 million from £457 million at 31 March 2014 to £400 million at 31 March 2015. The credit loss ratio is at 1.16% (2014: 0.99%); the increase in the credit loss ratio is largely attributable to the reduction in denominator (gross core loans and advances have decreased to £7.2 billion from £8.4 billion), due to the sale of core loans through the divestments. We have reported an increase in impairments on the legacy portfolio.

The sections that follow provide high-level commentary for each of our key business areas. We are highly focused on reducing legacy assets and originating good quality assets.

Lending collateralised by property

The overall exposure to property collateralised assets, as a proportion of our total loan exposures, has reduced in line with our risk appetite statement. A large proportion of property collateralised assets are located in the UK and, notwithstanding the improved UK market and particularly in London, our underwriting criteria has remained tight and we remain committed to following a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

We have actively managed the legacy portfolio down, working assets to achieve optimal recovery but taking opportunistic offers on properties where appropriate. The continuing improvement in the UK property market has assisted further acceleration of this process and we expect this to continue over the forthcoming 12 months.

Private client activities

The existing high net worth mortgage book has continued to grow significantly and is expected to continue in the next 12 months as the bank moves to increase its private client offering, providing a more holistic private bank experience from transactional banking to wealth management. Investec Professional Mortgages was relaunched in October 2014 for professional individuals.

Credit and counterparty exposures decreased by 1.8% to £36.8 billion largely as a result of strategic divestments

Corporate client activities

Our corporate lending businesses have seen strong growth during the financial year under review. Growth in our corporate lending activities has been diversified across all our business lines, whilst ensuring that we maintain strong asset quality and adherence to our core credit philosophies.

Performance of the Corporate portfolio, including Small Ticket Asset finance, Large Ticket Asset finance, Power and Infrastructure finance and Fund finance, has remained strong during the financial year 2015, with the markets seeing lending activity levels increase, bolstered by strong private equity sponsor appetite for assets. Underlying asset cover quality is good, and portfolios remain well diversified by borrower, sector and geography, albeit with a natural skew towards the UK.

Southern Africa

The financial year in review has seen a combination of trends and factors impacting on the credit quality and assessment of credit and counterparty risk.



Further information is provided in the financial review on pages 28 to 31 in volume one.

Against this backdrop, core loans and advances grew by 16% to R182.1 billion with residential owner-occupied, private client lending, corporate and public sector portfolios representing the majority of the growth for the financial year in review.

Where we have been facing greater competitive pressure on margins, particularly in the corporate market, we have maintained a conservative lending approach. Our lending appetite is based on a client-centric approach with a strong focus on client cash flows underpinned by tangible collateral.

Default loans (net of impairments) as a percentage of core loans and advances improved slightly from 1.46% to 1.43%.

Defaults for the lending collateralised by property portfolio improved. These defaults are mostly related to historical residential land earmarked for developments and continue to be managed down. However, this process does take time as we continue to focus on maximising recoveries.

Defaults in the private client and corporate client portfolios increased slightly.

The credit loss ratio improved to 0.28% from 0.42% as we saw stability in the number of new defaulted loans and sufficient collateral available for these transactions.

Lending collateralised by property

The majority of the property assets are commercial investment properties and are located in South Africa. This investment portfolio grew by 7.1% during the year, in line with our risk appetite framework. LTVs remain conservative and transactions are supported by strong cash flows. We follow a client-centric approach, backing counterparties with strong balance sheets and requisite expertise.

Private client activities

We have seen continued growth in our private client portfolio and client base as we actively focus on increasing our positioning in this space.

Our high net worth client portfolio and residential mortgage book growth in particular has been encouraging a total increase of 17.2% over the year.

Growth in both of these areas has been achieved with strong adherence to our conservative lending appetite.

Corporate client activities

The overall portfolio continues to perform well and higher levels of activity by mid to large corporates have contributed to growth of 19.9% over the year. Major contributors to growth were renewable energy transactions, corporate facilities and public sector lending.

Credit and counterparty risk information



Pages 7 to 20 describe where and how credit risk is assumed in our operations.

The tables that follow provide an analysis of the credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 2.4% to £36.7 billion largely as a result of the divestments of Kensington, Start and Investec Bank (Australia) Limited. Cash and near cash balances amount to £10.0 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities.



At 31 March
£'000

	2015	2014	% change	Average*
Cash and balances at central banks	2 528 133	2 072 987	22.0%	2 300 560
Loans and advances to banks	3 045 864	3 280 179	(7.1%)	3 163 022
Non-sovereign and non-bank cash placements	586 400	515 189	13.8%	550 795
Reverse repurchase agreements and cash collateral on securities borrowed	1 812 156	1 388 980	30.5%	1 600 568
Sovereign debt securities	2 958 641	3 215 432	(8.0%)	3 087 037
Bank debt securities	1 161 055	1 568 097	(26.0%)	1 364 576
Other debt securities	626 367	594 353	5.4%	610 360
Derivative financial instruments	1 343 810	1 202 278	11.8%	1 273 044
Securities arising from trading activities	570 288	461 390	23.6%	515 839
Loans and advances to customers (gross)	16 992 064	16 545 335	2.7%	16 768 700
Own originated loans and advances to customers securitised (gross)	448 921	876 595	(48.8%)	662 758
Other loans and advances (gross)	420 611	1 745 329	(75.9%)	1 082 970
Other securitised assets (gross)	51 223	197 630	(74.1%)	124 427
Other assets	63 862	171 582	(62.8%)	117 722
Total on-balance sheet exposures	32 609 395	33 835 356	(3.6%)	33 222 376
Guarantees [^]	750 006	664 626	12.8%	707 316
Contingent liabilities, committed facilities and other	3 291 309	3 041 499	8.2%	3 166 404
Total off-balance sheet exposures	4 041 315	3 706 125	9.0%	3 873 720
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	36 650 710	37 541 481	(2.4%)	37 096 096

* Where the average is based on a straight-line average.

[^] Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.

Risk management (continued)

An analysis of gross credit and counterparty exposures by geography

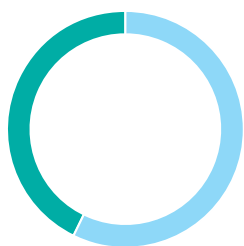


At 31 March £'000	UK and Other*		Southern Africa		Total	
	2015	2014	2015	2014	2015	2014
Cash and balances at central banks	2 179 822	1 735 422	348 311	337 565	2 528 133	2 072 987
Loans and advances to banks	1 050 412	1 277 023	1 995 452	2 003 156	3 045 864	3 280 179
Non-sovereign and non-bank cash placements	–	–	586 400	515 189	586 400	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	1 214 949	909 437	597 207	479 543	1 812 156	1 388 980
Sovereign debt securities	1 212 910	1 232 415	1 745 731	1 983 017	2 958 641	3 215 432
Bank debt securities	219 342	371 182	941 713	1 196 915	1 161 055	1 568 097
Other debt securities	221 480	218 203	404 887	376 150	626 367	594 353
Derivative financial instruments	516 034	525 526	827 776	676 752	1 343 810	1 202 278
Securities arising from trading activities	513 673	419 408	56 615	41 982	570 288	461 390
Loans and advances to customers (gross)	7 249 561	7 967 312	9 742 503	8 578 023	16 992 064	16 545 335
Own originated loans and advances to customers securitised (gross)	–	448 255	448 921	428 340	448 921	876 595
Other loans and advances (gross)	393 353	1 451 925	27 258	293 404	420 611	1 745 329
Other securitised assets (gross)	51 223	184 483	–	13 147	51 223	197 630
Other assets	55 383	137 665	8 479	33 917	63 862	171 582
Total on-balance sheet exposures	14 878 142	16 878 256	17 731 253	16 957 100	32 609 395	33 835 356
Guarantees [^]	31 664	46 922	718 342	617 704	750 006	664 626
Contingent liabilities, committed facilities and other	835 858	884 339	2 455 451	2 157 160	3 291 309	3 041 499
Total off-balance sheet exposures	867 522	931 261	3 173 793	2 774 864	4 041 315	3 706 125
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	15 745 664	17 809 517	20 905 046	19 731 964	36 650 710	37 541 481

[^] Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.

* Includes Australia, which was previously reported separately.

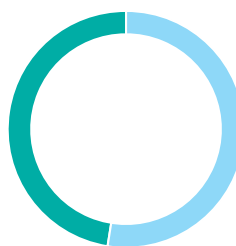
An analysis of gross credit and counterparty exposures by geography



31 March 2015
£36 651 million

— Southern Africa
— UK and Other

57.0%
43.0%



31 March 2014
£37 542 million

— Southern Africa
— UK and Other

52.6%
47.4%

Risk management (continued)

A further analysis of our on-balance sheet credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) our on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

 £'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2015				
Cash and balances at central banks	2 528 133	1 429		2 529 562
Loans and advances to banks	3 045 864	–		3 045 864
Non-sovereign and non-bank cash placements	586 400	–		586 400
Reverse repurchase agreements and cash collateral on securities borrowed	1 812 156	–		1 812 156
Sovereign debt securities	2 958 641	–		2 958 641
Bank debt securities	1 161 055	–		1 161 055
Other debt securities	626 367	1 006		627 373
Derivative financial instruments	1 343 810	236 871		1 580 681
Securities arising from trading activities	570 288	516 061		1 086 349
Investment portfolio	–	947 846	1	947 846
Loans and advances to customers	16 992 064	(251 801)	2	16 740 263
Own originated loans and advances to customers securitised	448 921	(274)	2	448 647
Other loans and advances	420 611	154 219	3	574 830
Other securitised assets	51 223	729 373	3	780 596
Interest in associated undertakings	–	25 244		25 244
Deferred taxation assets	–	99 301		99 301
Other assets	63 862	1 677 851	4	1 741 713
Property and equipment	–	102 354		102 354
Investment properties	–	617 898		617 898
Goodwill	–	361 527		361 527
Intangible assets	–	147 227		147 227
Non-current assets (or disposal groups) classified as held for sale	–	40 726		40 726
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	–	6 337 149		6 337 149
Total on-balance sheet exposures	32 609 395	11 744 007		44 353 402

1. Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 44 to 47.
2. Largely relates to impairments.
3. Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'. Also includes cash in the securitised vehicles.
4. Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

Risk management (continued)

A further analysis of our on-balance sheet credit and counterparty exposures (continued)



£'000

	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer- ence	Total balance sheet
At 31 March 2014				
Cash and balances at central banks	2 072 987	7 203		2 080 190
Loans and advances to banks	3 280 179	–		3 280 179
Non-sovereign and non-bank cash placements	515 189	–		515 189
Reverse repurchase agreements and cash collateral on securities borrowed	1 388 980	–		1 388 980
Sovereign debt securities	3 215 432	–		3 215 432
Bank debt securities	1 568 097	–		1 568 097
Other debt securities	594 353	11 025		605 378
Derivative financial instruments	1 202 278	417 137		1 619 415
Securities arising from trading activities	461 390	408 698		870 088
Investment portfolio	–	825 745	1	825 745
Loans and advances to customers	16 545 335	(263 723)	2	16 281 612
Own originated loans and advances to customers securitised	876 595	(840)	2	875 755
Other loans and advances	1 745 329	(51 760)	3	1 693 569
Other securitised assets	197 630	3 378 896	3, 4	3 576 526
Interest in associated undertakings	–	24 316		24 316
Deferred taxation assets	–	131 142		131 142
Other assets	171 582	1 303 410	5	1 474 992
Property and equipment	–	108 738		108 738
Investment properties	–	509 228		509 228
Goodwill	–	433 571		433 571
Intangible assets	–	159 169		159 169
Non-current assets classified as held for sale	–	41 637		41 637
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 862 959		5 862 959
Total on-balance sheet exposures	33 835 356	13 306 551		47 141 907

1. Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 44 to 47.
2. Largely relates to impairments.
3. Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.
4. Includes net investments in Kensington securitised vehicles to which Investec has no direct exposure. Also includes liquidity facilities provided to third party securitisation vehicles in South Africa. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposure of the bank.
5. Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

Risk management (continued)

Gross credit and counterparty exposures by residual contractual maturity at 31 March 2015

£'000	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	2 528 133	–	–	–	–	–	2 528 133
Loans and advances to banks	2 953 218	30 349	10 243	47 337	4 717	–	3 045 864
Non-sovereign and non-bank cash placements	586 400	–	–	–	–	–	586 400
Reverse repurchase agreements and cash collateral on securities borrowed	1 560 359	927	56 769	118 752	75 349	–	1 812 156
Sovereign debt securities	938 901	579 355	238 710	169 278	310 381	722 016	2 958 641
Bank debt securities	228 724	140 838	88 509	425 948	227 905	49 131	1 161 055
Other debt securities	15 644	11 433	14 460	109 817	336 326	138 687	626 367
Derivative financial instruments	226 647	129 940	158 847	531 170	234 717	62 489	1 343 810
Securities arising from trading activities	373 593	79 479	1 556	77 107	7 180	31 373	570 288
Loans and advances to customers (gross)	2 727 947	1 067 863	1 422 945	7 484 478	1 770 890	2 517 941	16 992 064
Own originated loans and advances to customers securitised (gross)	25 537	52	274	72 508	23 271	327 279	448 921
Other loans and advances (gross)	29 382	439	127	91 189	46 583	252 891	420 611
Other securitised assets (gross)	467	–	–	–	–	50 756	51 223
Other assets	63 862	–	–	–	–	–	63 862
Total on-balance sheet exposures	12 258 814	2 040 675	1 992 440	9 127 584	3 037 319	4 152 563	32 609 395
Guarantees [^]	331 886	4 665	17 127	273 568	107 488	15 272	750 006
Contingent liabilities, committed facilities and other	776 389	114 801	340 845	1 096 640	140 796	821 838	3 291 309
Total off-balance sheet exposures	1 108 275	119 466	357 972	1 370 208	248 284	837 110	4 041 315
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	13 367 089	2 160 141	2 350 412	10 497 792	3 285 603	4 989 673	36 650 710

[^] Excludes guarantees provided to clients which are backed/secured by cash on deposit with the group.

Risk management (continued)

Detailed analysis of gross credit and counterparty exposures by industry at 31 March 2015

£'000	HNW and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non- business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	2 528 133	–	–
Loans and advances to banks	–	–	–	–	–	–	3 045 864
Non-sovereign and non-bank cash placements	–	–	–	–	–	30 246	196 226
Reverse repurchase agreements and cash collateral on securities borrowed	32 216	–	–	54 045	–	3 977	1 668 929
Sovereign debt securities	–	–	–	–	2 958 641	–	–
Bank debt securities	–	–	–	–	–	–	1 161 055
Other debt securities	–	–	–	64 976	7 396	3 474	144 656
Derivative financial instruments	8 097	–	579	48 317	–	34 605	998 229
Securities arising from trading activities	–	–	–	35 210	395 266	9 968	97 934
Loans and advances to customers (gross)	5 402 037	4 433 910	55 159	629 184	242 777	710 874	1 211 277
Own originated loans and advances to customers securitised (gross)	448 921	–	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	144 181
Other securitised assets (gross)	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	63 715
Total on-balance sheet exposures	5 891 271	4 433 910	55 738	831 732	6 132 213	793 144	8 732 066
Guarantees^^	239 887	83 502	–	31 431	74 137	6 702	127 008
Contingent liabilities, committed facilities and other	1 569 702	493 792	25 803	280 445	29 012	67 625	256 054
Total off-balance sheet exposures	1 809 589	577 294	25 803	311 876	103 149	74 327	383 062
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	7 700 860	5 011 204	81 541	1 143 608	6 235 362	867 471	9 115 128

^ Historically legacy positions to non-target market clients.

^^ Excludes guarantees provided to clients which are backed/secured by cash on deposit with the group.

Retailers and wholesalers	Manufac- turing and commerce	Construc- tion	Corporate commercial real estate	Other residential^ mortgages	Mining and resources	Leisure, entertain- ment and tourism	Transport	Com- munication	Total
-	-	-	-	-	-	-	-	-	2 528 133
-	-	-	-	-	-	-	-	-	3 045 864
98 445	121 811	19 471	-	-	26 625	-	67 276	26 300	586 400
-	48 110	-	-	-	-	-	4 879	-	1 812 156
-	-	-	-	-	-	-	-	-	2 958 641
-	-	-	-	-	-	-	-	-	1 161 055
1 102	3 535	-	-	63 793	149 423	5 925	53 181	128 906	626 367
51 163	60 924	8 937	40 286	-	40 855	14 327	18 647	18 844	1 343 810
3 828	14 001	-	1 343	-	3 631	1 150	4 828	3 129	570 288
513 560	996 676	215 453	463 046	-	415 206	186 534	1 083 217	433 154	16 992 064
-	-	-	-	-	-	-	-	-	448 921
-	-	-	9 702	266 728	-	-	-	-	420 611
-	-	-	-	51 223	-	-	-	-	51 223
-	138	-	9	-	-	-	-	-	63 862
668 098	1 245 195	243 861	514 386	381 744	635 740	207 936	1 232 028	610 333	32 609 395
44 525	46 894	-	35	430	92 757	-	899	1 799	750 006
57 645	57 818	26 306	14 830	-	135 153	16 962	213 051	47 111	3 291 309
102 170	104 712	26 306	14 865	430	227 910	16 962	213 950	48 910	4 041 315
770 268	1 349 907	270 167	529 251	382 174	863 650	224 898	1 445 978	659 243	36 650 710

Risk management (continued)

Detailed analysis of gross credit and counterparty exposures by industry at 31 March 2014

£'000	HNW and professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non- business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	2 072 987	–	–
Loans and advances to banks	–	–	–	–	–	–	3 280 179
Non-sovereign and non-bank cash placements	–	–	–	1 391	969	27 588	113 844
Reverse repurchase agreements and cash collateral on securities borrowed	27 643	–	–	1 129	–	–	1 298 322
Sovereign debt securities	–	–	–	–	3 215 432	–	–
Bank debt securities	–	–	–	–	–	–	1 568 097
Other debt securities	–	–	–	17 311	–	–	261 713
Derivative financial instruments	9 094	–	528	15 130	4 863	17 574	998 421
Securities arising from trading activities	–	–	–	241	384 436	–	65 898
Loans and advances to customers (gross)	5 957 256	4 561 536	68 191	527 034	238 738	547 296	770 278
Own originated loans and advances to customers securitised (gross)	876 562	33	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	330 500
Other securitised assets (gross)	–	–	–	–	8 958	–	4 189
Other assets	4	–	–	37	17 076	18 080	120 494
Total on-balance sheet exposures	6 870 559	4 561 569	68 719	562 273	5 943 459	610 538	8 811 935
Guarantees [^]	148 850	86 814	–	8 996	48 011	2 534	148 074
Contingent liabilities, committed facilities and other	1 650 438	505 192	36 023	230 055	7 174	69 729	68 884
Total off-balance sheet exposures	1 799 288	592 006	36 023	239 051	55 185	72 263	216 958
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	8 669 847	5 153 575	104 742	801 324	5 998 644	682 801	9 028 893

[^] Historically legacy positions to non-target market clients.

^{^^} Excludes guarantees provided to clients which are backed/secured by cash on deposit with the group.

Retailers and wholesalers	Manufac- turing and commerce	Construc- tion	Corporate commercial real estate	Other residential mortgages^	Mining and resources	Leisure, entertain- ment and tourism	Transport	Com- munication	Total
-	-	-	-	-	-	-	-	-	2 072 987
-	-	-	-	-	-	-	-	-	3 280 179
95 828	117 513	13 648	-	-	30 827	-	102 685	10 896	515 189
-	57 392	-	-	-	-	-	4 494	-	1 388 980
-	-	-	-	-	-	-	-	-	3 215 432
-	-	-	-	-	-	-	-	-	1 568 097
-	-	-	-	32 451	126 778	-	88 096	68 004	594 353
38 584	33 691	14 090	35 737	-	9 014	11 584	11 905	2 063	1 202 278
-	8 495	-	-	-	-	-	2 320	-	461 390
530 053	864 694	218 045	457 258	16 074	468 848	206 394	760 473	353 167	16 545 335
-	-	-	-	-	-	-	-	-	876 595
-	-	-	-	1 414 829	-	-	-	-	1 745 329
-	-	-	-	184 483	-	-	-	-	197 630
1 572	9 456	-	-	137	-	-	-	4 726	171 582
666 037	1 091 241	245 783	492 995	1 647 974	635 467	217 978	969 973	438 856	33 835 356
79 067	7 833	56	64	456	120 930	11 288	1 138	515	664 626
84 401	85 623	25 018	8 585	5 293	109 498	55 873	86 097	13 616	3 041 499
163 468	93 456	25 074	8 649	5 749	230 428	67 161	87 235	14 131	3 706 125
829 505	1 184 697	270 857	501 644	1 653 723	865 895	285 139	1 057 208	452 987	37 541 481

Private client loans account for 59.0% of total gross core loans and advances, as represented by the industry classification 'HNW and professional individuals'

Summary analysis of gross credit and counterparty exposures by industry

 **A description of the type of private client lending and lending collateralised by property we undertake is provided on page 14, and a more detailed analysis of these loan portfolios are provided on pages 38 to 41.**

The remainder of core loans and advances largely relate to corporate client lending and are evenly spread across industry sectors.

Other credit and counterparty exposures are largely reflective of cash and near cash

balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and professional individual clients.

 **A description of the type of corporate client lending we undertake is provided on pages 15 and 16, and a more detailed analysis of the corporate client loan portfolio is provided on pages 38 to 41.**

At 31 March £'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	2015	2014	2015	2014	2015	2014
HNW and professional individuals	5 850 958	6 833 818	1 849 902	1 836 029	7 700 860	8 669 847
Lending collateralised by property – largely to private clients	4 433 910	4 561 569	577 294	592 006	5 011 204	5 153 575
Agriculture	55 159	68 191	26 382	36 551	81 541	104 742
Electricity, gas and water (utility services)	629 184	527 034	514 424	274 290	1 143 608	801 324
Public and non-business services	242 777	238 738	5 992 585	5 759 906	6 235 362	5 998 644
Business services	710 874	547 296	156 597	135 505	867 471	682 801
Finance and insurance	1 211 277	770 278	7 903 851	8 258 615	9 115 128	9 028 893
Retailers and wholesalers	513 560	530 053	256 708	299 452	770 268	829 505
Manufacturing and commerce	996 676	864 694	353 231	320 003	1 349 907	1 184 697
Construction	215 453	218 045	54 714	52 812	270 167	270 857
Corporate commercial real estate	463 046	457 258	66 205	44 386	529 251	501 644
Other residential mortgages	–	16 074	382 174	1 637 649	382 174	1 653 723
Mining and resources	415 206	468 848	448 444	397 047	863 650	865 895
Leisure, entertainment and tourism	186 534	206 394	38 364	78 745	224 898	285 139
Transport	1 083 217	760 473	362 761	296 735	1 445 978	1 057 208
Communication	433 154	353 167	226 089	99 820	659 243	452 987
Total	17 440 985	17 421 920	19 209 725	20 119 551	36 650 710	37 541 481

Risk management (continued)

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

Core loans and advances comprise:

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



At 31 March
£'000

	2015	2014
Loans and advances to customers as per the balance sheet	16 740 263	16 281 612
Add: own originated loans and advances securitised as per the balance sheet	448 647	875 755
Net core loans and advances to customers	17 188 910	17 157 367

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



An overview of developments during the financial year is provided on pages 19 and 20.



£'000

	31 March 2015	31 March 2014
Gross core loans and advances to customers	17 440 985	17 421 930
Total impairments	(252 075)	(264 563)
Specific impairments	(208 348)	(238 226)
Portfolio impairments	(43 727)	(26 337)
Net core loans and advances to customers	17 188 910	17 157 367
Average gross core loans and advances to customers	17 431 458	18 063 549
Current loans and advances to customers	16 650 156	16 405 187 [^]
Past due loans and advances to customers (1 – 60 days)	102 832	166 537
Special mention loans and advances to customers	79 636	191 527 [^]
Default loans and advances to customers	608 361	658 679
Gross core loans and advances to customers	17 440 985	17 421 930
Current loans and advances to customers	16 650 156	16 405 187
Default loans that are current and not impaired	70 589	30 475 [^]
Gross core loans and advances to customers that are past due but not impaired	244 095	433 969 [^]
Gross core loans and advances to customers that are impaired	476 145	552 299
Gross core loans and advances to customers	17 440 985	17 421 930
Total income statement charge for impairments on core loans and advances	(118 068)	(122 473)
Gross default loans and advances to customers	608 361	658 679
Specific impairments	(208 348)	(238 226)
Portfolio impairments	(43 727)	(26 337)
Defaults net of impairments	356 286	394 116
Aggregate collateral and other credit enhancements on defaults	488 258	499 267
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%	1.52%
Total impairments as a % of gross default loans	41.44%	40.17%
Gross defaults as a % of gross core loans and advances to customers	3.49%	3.78%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.07%	2.30%
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)	0.68%	0.68%

[^] The loan book age analysis amounts were restated with no impact on primary statements or key ratios.

Risk management (continued)

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

	UK and Other [^]		Southern Africa		Total group	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014
£'000						
Gross core loans and advances to customers	7 249 561	8 415 567	10 191 424	9 006 363	17 440 985	17 421 930
Total impairments	(188 444)	(193 303)	(63 631)	(71 260)	(252 075)	(264 563)
Specific impairments	(154 262)	(176 866)	(54 086)	(61 360)	(208 348)	(238 226)
Portfolio impairments	(34 182)	(16 437)	(9 545)	(9 900)	(43 727)	(26 337)
Net core loans and advances to customers	7 061 117*	8 222 264	10 127 793*	8 935 103	17 188 910*	17 157 367
% of total	41.1%	47.9%	58.9%	52.1%	100.0%	100.0%
Average gross core loans and advances to customers	7 832 564	8 429 433	9 598 894	9 634 116	17 431 458	18 063 549
Current loans and advances to customers	6 733 402	7 681 073	9 916 754	8 724 114	16 650 156	16 405 187
Past due loans and advances to customers (1 – 60 days)	73 489	124 033	29 343	42 504	102 832	166 537
Special mention loans and advances to customers	42 556	153 485	37 080	38 042	79 636	191 527
Default loans and advances to customers	400 114	456 976	208 247	201 703	608 361	658 679
Gross core loans and advances to customers	7 249 561	8 415 567	10 191 424	9 006 363	17 440 985	17 421 930
Current loans and advances to customers	6 733 402	7 681 073	9 916 754	8 724 114	16 650 156	16 405 187
Default loans that are current and not impaired	26 785	21 254	43 804	9 221	70 589	30 475
Gross core loans and advances to customers that are past due but not impaired	146 428	308 014	97 667	125 955	244 095	433 969
Gross core loans and advances to customers that are impaired	342 946	405 226	133 199	147 073	476 145	552 299
Gross core loans and advances to customers	7 249 561	8 415 567	10 191 424	9 006 363	17 440 985	17 421 930
Total income statement charge for impairments on core loans and advances	(90 709)	(83 232)	(27 359)	(39 241)	(118 068)	(122 473)
Gross default loans and advances to customers	400 114	456 976	208 247	201 703	608 361	658 679
Specific impairments	(154 262)	(176 866)	(54 086)	(61 360)	(208 348)	(238 226)
Portfolio impairments	(34 182)	(16 437)	(9 545)	(9 900)	(43 727)	(26 337)
Defaults net of impairments	211 670	263 673	144 616	130 443	356 286	394 116
Aggregate collateral and other credit enhancements	280 697	297 114	207 561	202 153	488 258	499 267
Net default loans and advances to customers (limited to zero)	–	–	–	–	–	–

* Net core loans and advances in the UK have decreased by 14.1% to £7.1 billion at 31 March 2015 from £8.2 billion at 31 March 2014 reflecting the impact of the divestments, but partially offset by increased net loan growth. Excluding divestments, net core loans increased by approximately 16%. Net core loans and advances in South Africa increased by 16% to R182.1 billion at 31 March 2015 from R156.9 billion at 31 March 2014.

[^] Includes Australia, which was previously reported separately.

Risk management (continued)



	UK and Other [^]		Southern Africa		Total group	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014
Ratios						
Total impairments as a % of gross core loans and advances to customers	2.60%	2.30%	0.62%	0.79%	1.45%	1.52%
Total impairments as a % of gross default loans	47.10%	42.30%	30.56%	35.33%	41.44%	40.17%
Gross defaults as a % of gross core loans and advances to customers	5.52%	5.43%	2.04%	2.24%	3.49%	3.78%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.00%	3.21%	1.43%	1.46%	2.07%	2.30%
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)	1.16%**	0.99%	0.28%	0.42%	0.68%	0.68%

** The credit loss ratio is at 1.16% (2014: 0.99%); the increase in the credit loss ratio is largely attributable to the reduction in denominator (gross core loans and advances have decreased to £7.2 billion from £8.4 billion), due to the sale of core loans through the divestments.

[^] Includes Australia, which was previously reported separately.

An age analysis of past due and default core loans and advances to customers



At 31 March £'000	2015	2014*
Default loans that are current	262 221	190 256
1 – 60 days	201 425	316 059
61 – 90 days	10 331	71 114
91 – 180 days	21 839	39 114
181 – 365 days	56 884	91 928
> 365 days	238 129	308 272
Past due and default core loans and advances to customers (actual capital exposure)	790 829	1 016 743
1 – 60 days	35 974	18 750
61 – 90 days	2 234	4 011
91 – 180 days	9 807	10 646
181 – 365 days	12 929	40 886
> 365 days	209 923	274 314
Past due and default core loans and advances to customers (actual amount in arrears)	270 867	348 607

* The loan book age analysis amounts were restated with no impact on primary statements or key ratios.

Risk management (continued)

A further age analysis of past due and default core loans and advances to customers

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 31 March 2015							
Watchlist loans neither past due nor impaired							
Total capital exposure	70 589	–	–	–	–	–	70 589
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	172 458	8 102	15 008	16 521	32 006	244 095
Amount in arrears	–	27 436	1 944	6 215	5 760	17 951	59 306
Gross core loans and advances to customers that are impaired							
Total capital exposure	191 632	28 967	2 229	6 831	40 363	206 123	476 145
Amount in arrears	–	8 538	290	3 592	7 169	191 972	211 561
At 31 March 2014[^]							
Watchlist loans neither past due nor impaired							
Total capital exposure	30 475	–	–	–	–	–	30 475
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	300 761	52 879	25 079	29 695	25 555	433 969
Amount in arrears	–	15 374	1 354	4 394	15 390	17 690	54 202
Gross core loans and advances to customers that are impaired							
Total capital exposure	159 781	15 298	18 235	14 035	62 233	282 717	552 299
Amount in arrears	–	3 376	2 657	6 252	25 496	256 624	294 405

[^] The loan book age analysis amounts were restated with no impact on primary statements or key ratios.

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	102 832	–	–	–	–	102 832
Special mention	–	67 695	6 531	1 067	1 896	2 447	79 636
Special mention (1 – 90 days)	–	67 695	114	1 067*	1 896*	2 447*	73 219
Special mention (61 – 90 days and item well secured)	–	–	6 417	–	–	–	6 417
Default	262 221	30 898	3 800	20 772	54 988	235 682	608 361
Sub-standard	131 309	1 987	1 571	14 192	43 605	69 299	261 963
Doubtful	129 544	28 911	2 229	5 768	10 951	63 990	241 393
Loss	1 368	–	–	812	432	102 393	105 005
Total	262 221	201 425	10 331	21 839	56 884	238 129	790 829

* Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.

Risk management (continued)

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	8 137	–	–	–	–	8 137
Special mention	–	19 271	1 260	345	1 435	1 493	23 804
Special mention (1 – 90 days)	–	19 271	3	345*	1 435*	1 493*	22 547
Special mention (61 – 90 days and item well secured)	–	–	1 257	–	–	–	1 257
Default	–	8 566	974	9 462	11 494	208 430	238 926
Sub-standard	–	31	684	6 093	5 901	56 001	68 710
Doubtful	–	8 535	290	2 557	5 161	50 036	66 579
Loss	–	–	–	812	432	102 393	103 637
Total	–	35 974	2 234	9 807	12 929	209 923	270 867

An age analysis of past due and default core loans and advances to customers at 31 March 2014[^] (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	166 537	–	–	–	–	166 537
Special mention	–	124 235	51 546	188	12 175	3 383	191 527
Special mention (1 – 90 days)	–	124 235	29 752	188*	12 175*	3 383*	169 733
Special mention (61 – 90 days and item well secured)	–	–	21 794	–	–	–	21 794
Default	190 256	25 287	19 568	38 926	79 753	304 889	658 679
Sub-standard	101 783	13 572	14 566	25 400	32 706	65 932	253 959
Doubtful	87 509	11 648	5 000	12 362	46 414	99 385	262 318
Loss	964	67	2	1 164	633	139 572	142 402
Total	190 256	316 059	71 114	39 114	91 928	308 272	1 016 743

An age analysis of past due and default core loans and advances to customers at 31 March 2014[^] (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	–	8 560	–	–	–	–	8 560
Special mention	–	6 771	1 303	28	10 637	601	19 340
Special mention (1 – 90 days)	–	6 771	274	28*	10 637*	601*	18 311
Special mention (61 – 90 days and item well secured)	–	–	1 029	–	–	–	1 029
Default	–	3 419	2 708	10 618	30 249	273 713	320 707
Sub-standard	–	75	1 781	4 653	6 813	59 330	72 652
Doubtful	–	3 277	925	4 801	23 260	74 811	107 074
Loss	–	67	2	1 164	176	139 572	140 981
Total	–	18 750	4 011	10 646	40 886	274 314	348 607

* Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.

[^] The loan book age analysis amounts were restated with no impact on primary statements or key ratios.

Risk management (continued)

An analysis of core loans and advances to customers



£'000

	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 31 March 2015								
Current core loans and advances	16 650 156	–	–	16 650 156	–	(43 163)	16 606 993	–
Past due (1 – 60 days)	–	102 832	–	102 832	–	(147)	102 685	8 137
Special mention	–	79 636	–	79 636	–	(415)	79 221	23 804
Special mention (1 – 90 days)	–	73 219	–	73 219	–	(384)	72 835	22 547
Special mention (61 – 90 days and item well secured)	–	6 417	–	6 417	–	(31)	6 386	1 257
Default	70 589	61 627	476 145	608 361	(208 348)	(2)	400 011	238 926
Sub-standard	70 023	61 627	130 313	261 963	(36 870)	(2)	225 091	68 710
Doubtful	566	–	240 827	241 393	(108 580)	–	132 813	66 579
Loss	–	–	105 005	105 005	(62 898)	–	42 107	103 637
Total	16 720 745	244 095	476 145	17 440 985	(208 348)	(43 727)	17 188 910	270 867
At 31 March 2014 [^]								
Current core loans and advances	16 405 187	–	–	16 405 187	–	(25 562)	16 379 625	–
Past due (1 – 60 days)	–	166 537	–	166 537	–	(221)	166 316	8 560
Special mention	–	191 527	–	191 527	–	(544)	190 983	19 340
Special mention (1 – 90 days)	–	169 733	–	169 733	–	(487)	169 246	18 311
Special mention (61 – 90 days and item well secured)	–	21 794	–	21 794	–	(57)	21 737	1 029
Default	30 475	75 905	552 299	658 679	(238 226)	(10)	420 443	320 707
Sub-standard	30 275	75 905	147 779	253 959	(36 846)	(10)	217 103	72 652
Doubtful	–	–	262 318	262 318	(119 951)	–	142 367	107 074
Loss	200	–	142 202	142 402	(81 429)	–	60 973	140 981
Total	16 435 662	433 969	552 299	17 421 930	(238 226)	(26 337)	17 157 367	348 607

[^] The loan book age analysis amounts were restated with no impact on primary statements or key ratios.

Risk management (continued)

An analysis of core loans and advances to customers and impairments by counterparty type

£'000	Private client professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 31 March 2015						
Current core loans and advances	9 581 985	5 400 581	1 211 033	237 114	219 443	16 650 156
Past due (1 – 60 days)	95 386	3 696	–	870	2 880	102 832
Special mention	77 859	1 623	–	–	154	79 636
Special mention (1 – 90 days)	71 864	1 355	–	–	–	73 219
Special mention (61 – 90 days and item well secured)	5 995	268	–	–	154	6 417
Default	529 638	64 225	244	4 793	9 461	608 361
Sub-standard	244 048	17 800	–	–	115	261 963
Doubtful	182 129	45 221	229	4 468	9 346	241 393
Loss	103 461	1 204	15	325	–	105 005
Total gross core loans and advances to customers	10 284 868	5 470 125	1 211 277	242 777	231 938	17 440 985
Total impairments	(216 154)	(28 325)	(350)	(847)	(6 399)	(252 075)
Specific impairments	(174 498)	(26 488)	(150)	(813)	(6 399)	(208 348)
Portfolio impairments	(41 656)	(1 837)	(200)	(34)	–	(43 727)
Net core loans and advances to customers	10 068 714	5 441 800	1 210 927	241 930	225 539	17 188 910
At 31 March 2014[^]						
Current core loans and advances	10 544 488	4 677 036	759 941	238 084	185 638	16 405 187
Past due (1 – 60 days)	142 662	20 412	–	–	3 463	166 537
Special mention	133 455	57 992	–	–	80	191 527
Special mention (1 – 90 days)	112 271	57 462	–	–	–	169 733
Special mention (61 – 90 days and item well secured)	21 184	530	–	–	80	21 794
Default	574 781	66 611	10 594	654	6 039	658 679
Sub-standard	224 309	18 968	10 414	–	268	253 959
Doubtful	209 755	46 018	149	625	5 771	262 318
Loss	140 717	1 625	31	29	–	142 402
Total gross core loans and advances to customers	11 395 386	4 822 051	770 535	238 738	195 220	17 421 930
Total impairments	(224 304)	(35 168)	(207)	(337)	(4 547)	(264 563)
Specific impairments	(201 092)	(32 231)	(94)	(262)	(4 547)	(238 226)
Portfolio impairments	(23 212)	(2 937)	(113)	(75)	–	(26 337)
Net core loans and advances to customers	11 171 082	4 786 883	770 328	238 401	190 673	17 157 367

[^] The loan book age analysis amounts were restated with no impact on primary statements or key ratios.

Risk management (continued)

An analysis of core loans and advances by risk category at 31 March 2015

	UK and Other [^]					Southern Africa				
	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments*	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments*
£'000										
Lending collateralised by property	2 318 053	343 229	233 676	(134 451)	(65 477)	2 115 857	72 994	72 462	(19 791)	(10 055)
Commercial real estate	1 510 506	122 886	79 588	(51 517)	(31 193)	1 942 835	36 261	41 200	(10 219)	(8 061)
Commercial real estate – investment	1 229 217	58 142	50 302	(11 752)	(18 918)	1 726 158	15 370	24 658	(1 746)	(2 100)
Commercial real estate – development	147 707	20 129	6 544	(13 585)	(4 953)	131 974	4 020	4 217	(321)	(209)
Commercial vacant land and planning	133 582	44 615	22 742	(26 180)	(7 322)	84 703	16 871	12 325	(8 152)	(5 752)
Residential real estate	807 547	220 343	154 088	(82 934)	(34 284)	173 022	36 733	31 262	(9 572)	(1 994)
Residential real estate – investment	292 089	53 911	50 294	(10 756)	(5 738)	–	–	–	–	–
Residential real estate – development	425 258	116 163	74 975	(50 571)	(14 638)	88 448	19 262	18 510	(2 755)	(84)
Residential vacant land and planning	90 200	50 269	28 819	(21 607)	(13 908)	84 574	17 471	12 752	(6 817)	(1 910)
High net worth and other private client lending	1 203 489	30 113	29 012	(11 048)	(12 139)	4 647 469	83 302	106 385	(9 208)	(1 741)
Mortgages	952 617	7 977	13 015	(914)	(1 091)	2 764 265	25 663	41 973	(2 472)	(428)
High net worth and specialised lending	250 872	22 136	15 997	(10 134)	(11 048)	1 883 204	57 639	64 412	(6 736)	(1 313)
Corporate and other lending	3 728 019	26 772	18 009	(8 763)	(13 093)	3 428 098	51 951	28 714	(25 087)	(15 563)
Acquisition finance	731 195	–	–	–	1 231	906 000	26 784	17 389	(12 392)	(10 422)
Asset-based lending	241 859	–	–	–	–	206 814	9 461	6 527	(6 399)	(2 055)
Fund finance	495 037	–	–	–	–	–	–	–	–	–
Other corporates and financial institutions and governments	719 049	–	–	–	(3 091)	1 728 443	14 731	4 757	(5 360)	(3 187)
Asset finance	1 119 165	8 346	3 642	(4 704)	(5 464)	246 702	3	41	37	(1 245)
Small ticket asset finance	835 773	8 346	3 642	(4 704)	(5 464)	68 319	3	41	37	(932)
Large ticket asset finance	283 392	–	–	–	–	178 383	–	–	–	(313)
Project finance	407 577	4 289	2 585	(1 704)	(719)	311 357	972	–	(973)	1 346
Resource finance	14 137	14 137	11 782	(2 355)	(5 050)	28 782	–	–	–	–
Portfolio impairments				(34 182)					(9 545)	
Total	7 249 561	400 114	280 697	(188 444)	(90 709)	10 191 424	208 247	207 561	(63 631)	(27 359)

[^] Includes Australia, which was previously reported separately.

* Where a positive number represents a recovery.

Total group				
Gross core loans	Gross defaults	Aggregate collateral and other credit enhance- ments on defaults	Balance sheet impair- ments	Income statement impair- ments*
4 433 910	416 223	306 138	(154 242)	(75 532)
3 453 341	159 147	120 788	(61 736)	(39 254)
2 955 375	73 512	74 960	(13 498)	(21 018)
279 681	24 149	10 761	(13 906)	(5 162)
218 285	61 486	35 067	(34 332)	(13 074)
980 569	257 076	185 350	(92 506)	(36 278)
292 089	53 911	50 294	(10 756)	(5 738)
513 706	135 425	93 485	(53 326)	(14 722)
174 774	67 740	41 571	(28 424)	(15 818)
5 850 958	113 415	135 397	(20 256)	(13 880)
3 716 882	33 640	54 988	(3 386)	(1 519)
2 134 076	79 775	80 409	(16 870)	(12 361)
7 156 117	78 723	46 723	(33 850)	(28 656)
1 637 195	26 784	17 389	(12 392)	(9 191)
448 673	9 461	6 527	(6 399)	(2 055)
495 037	–	–	–	–
2 447 492	14 731	4 757	(5 360)	(6 278)
1 365 867	8 349	3 683	(4 667)	(6 709)
904 092	8 349	3 683	(4 667)	(6 396)
461 775	–	–	–	(313)
718 934	5 261	2 585	(2 677)	627
42 919	14 137	11 782	(2 355)	(5 050)
–	–	–	(43 727)	–
17 440 985	608 361	488 258	(252 075)	(118 068)

Risk management (continued)

An analysis of core loans and advances by risk category at 31 March 2014

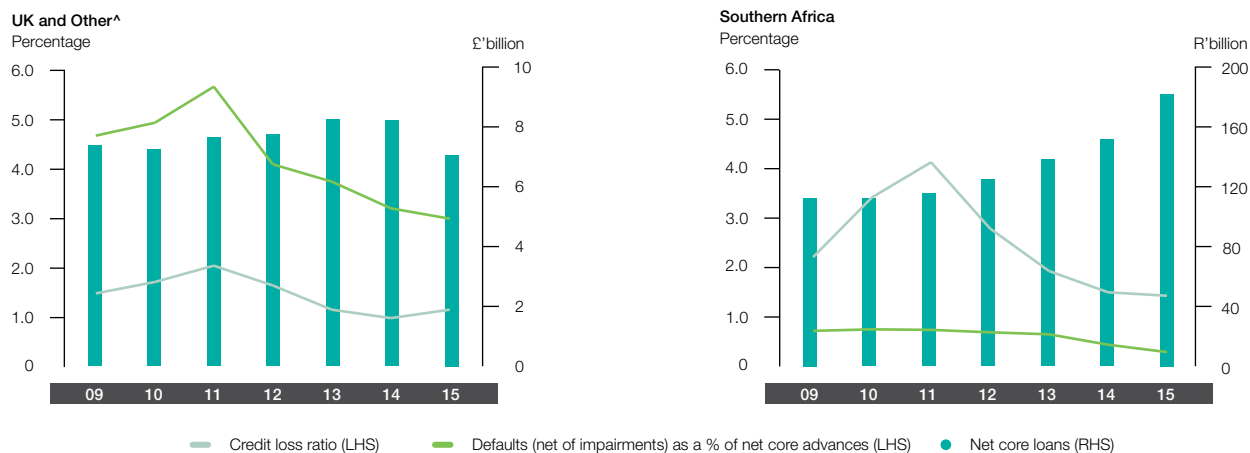
£'000	UK and Other					Southern Africa				
	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance- ments on defaults	Balance sheet impair- ments	Income statement impair- ments*	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance- ments on defaults	Balance sheet impair- ments	Income statement impair- ments*
Lending collateralised by property	2 438 703	366 798	229 846	(138 354)	(39 720)	2 022 944	105 079	97 690	(35 640)	(12 161)
Commercial real estate	1 623 173	128 026	76 647	(52 087)	(23 907)	1 855 220	42 658	51 175	(9 875)	(4 135)
Commercial real estate – investment	1 396 537	62 723	47 562	(13 684)	(14 549)	1 648 914	29 379	36 219	(6 278)	(1 965)
Commercial real estate – development	92 787	21 016	11 243	(10 466)	(3 182)	105 130	–	–	–	(1 021)
Commercial vacant land and planning	133 849	44 287	17 842	(27 937)	(6 176)	101 176	13 279	14 956	(3 597)	(1 149)
Residential real estate	815 530	238 772	153 199	(86 267)	(15 813)	167 724	62 421	46 515	(25 765)	(8 026)
Residential real estate – investment	327 607	39 344	29 945	(6 765)	(3 350)	–	–	–	–	–
Residential real estate – development	382 862	134 762	80 103	(56 463)	(8 765)	70 129	18 711	18 455	(2 767)	(2 828)
Residential vacant land and planning	105 061	64 666	43 151	(23 039)	(3 698)	97 595	43 710	28 060	(22 998)	(5 198)
High net worth and other private client lending	1 497 909	21 144	17 605	(5 706)	(10 238)	4 057 849	57 964	68 875	(13 879)	(21 957)
Mortgages (owner occupied)	1 143 043	4 786	6 115	(900)	(678)	2 455 188	35 247	46 649	(5 218)	(5 581)
High net worth and specialised lending	280 874	15 023	10 921	(4 041)	(9 529)	1 602 661	22 717	22 226	(8 661)	(16 376)
Professional finance	73 992	1 335	569	(765)	(31)	–	–	–	–	–
Corporate and other lending	2 737 789	38 368	15 411	(22 961)	(11 155)	2 925 570	38 660	35 588	(11 841)	(5 123)
Acquisition finance	666 069	11 603	4 133	(7 471)	(1 865)	694 168	30 014	31 703	(5 452)	515
Asset-based lending	165 569	–	–	–	98	173 738	6 039	3 121	(4 547)	(2 193)
Fund finance	277 771	–	–	–	–	–	–	–	–	–
Other corporates and financial institutions and governments	327 983	4 241	2 821	(1 421)	(1 740)	1 636 858	2 607	764	(1 842)	2 446
Asset finance	878 937	9 832	5 455	(4 378)	(3 344)	200 466	–	–	–	(560)
Small ticket asset finance	665 264	7 849	1 983	(4 378)	(4 567)	57 380	–	–	–	–
Large ticket asset finance	213 673	1 983	3 472	–	1 223	143 086	–	–	–	(560)
Project finance	410 135	12 692	3 002	(9 691)	(4 304)	183 409	–	–	–	(5 331)
Resource finance	11 325	–	–	–	–	36 931	–	–	–	–
Portfolio impairments	–	–	–	(15 045)	–	–	–	–	(9 900)	–
Total	6 674 401	426 310	262 862	(182 066)	(61 113)	9 006 363	201 703	202 153	(71 260)	(39 241)

* Where a positive number represents a recovery.

Australia					Total group				
Gross core loans	Gross defaults	Aggregate collateral and other credit enhance- ments on defaults	Balance sheet impair- ments	Income statement impair- ments*	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance- ments on defaults	Balance sheet impair- ments	Income statement impair- ments*
99 922	14 458	10 587	(5 535)	(9 153)	4 561 569	486 335	338 123	(179 529)	(61 034)
39 545	5 196	3 195	(2 002)	(3 395)	3 517 938	175 880	131 017	(63 964)	(31 437)
33 188	5 196	3 195	(2 002)	(3 395)	3 078 639	97 298	86 976	(21 964)	(19 909)
3 285	–	–	–	–	201 202	21 016	11 243	(10 466)	(4 203)
3 072	–	–	–	–	238 097	57 566	32 798	(31 534)	(7 325)
60 377	9 262	7 392	(3 533)	(5 758)	1 043 631	310 455	207 106	(115 565)	(29 597)
330	193	78	(115)	(120)	327 937	39 537	30 023	(6 880)	(3 470)
46 149	–	–	–	(690)	499 140	153 473	98 558	(59 230)	(12 283)
13 898	9 069	7 314	(3 418)	(4 948)	216 554	117 445	78 525	(49 455)	(13 844)
1 278 060	9 339	19 128	(1 978)	(3 692)	6 833 818	88 447	105 608	(21 563)	(35 887)
16 964	–	–	–	–	3 615 195	40 033	52 764	(6 118)	(6 259)
60 591	4 391	15 581	(576)	(455)	1 944 126	42 131	48 728	(13 278)	(26 360)
1 200 505	4 948	3 547	(1 402)	(3 237)	1 274 497	6 283	4 116	(2 167)	(3 268)
363 184	6 869	4 537	(2 332)	(9 274)	6 026 543	83 897	55 536	(37 134)	(25 552)
78 358	6 024	3 800	(2 224)	(8 728)	1 438 595	47 641	39 636	(15 147)	(10 078)
–	–	–	–	–	339 307	6 039	3 121	(4 547)	(2 095)
–	–	–	–	–	277 771	–	–	–	–
92 629	–	–	–	–	2 057 470	6 848	3 585	(3 263)	706
103 872	845	737	(108)	(556)	1 183 275	10 677	6 192	(4 486)	(4 460)
85 086	845	737	(108)	(556)	807 730	8 694	2 720	(4 486)	(5 123)
18 786	–	–	–	–	375 545	1 983	3 472	–	663
28 506	–	–	–	10	622 050	12 692	3 002	(9 691)	(9 625)
59 819	–	–	–	–	108 075	–	–	–	–
–	–	–	(1 392)	–	–	–	–	(26 337)	–
1 741 166	30 666	34 252	(11 237)	(22 119)	17 421 930	658 679	499 267	(264 563)	(122 473)

Risk management (continued)

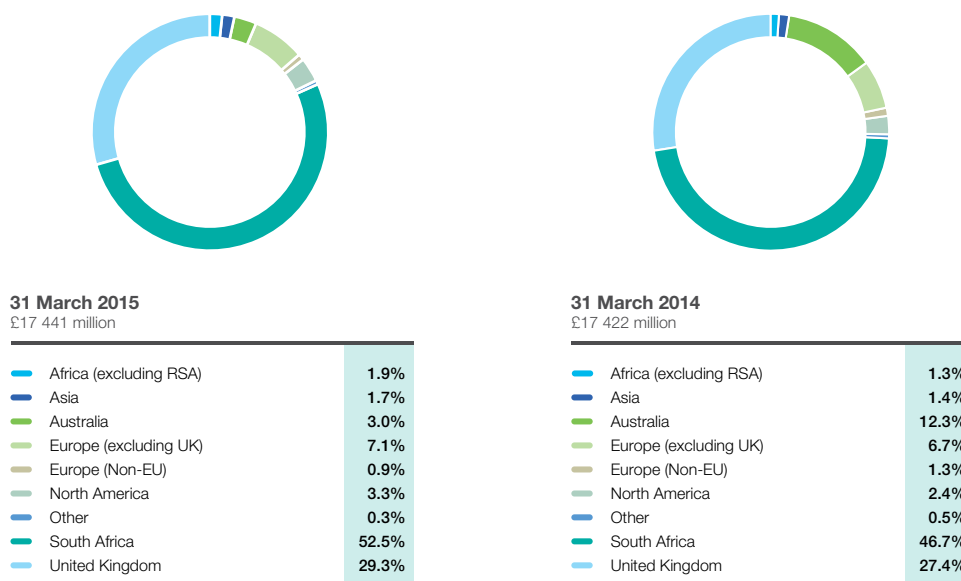
Asset quality trends



[^] Includes Australia, which was previously reported separately.

Additional information

An analysis of gross core loans and advances to customers by country of exposure



Risk management (continued)

Collateral

A summary of total collateral is provided in the table below.

£'000	Collateral held against		Total
	Core loans and advances	Other credit and counterparty exposures*	
At 31 March 2015			
Eligible financial collateral	2 295 543	2 310 860	4 606 403
Listed shares	2 055 962	1 133 577	3 189 539
Cash	118 390	535 064	653 454
Debt securities issued by sovereigns	121 191	642 219	763 410
Property charge	16 987 602	259 789	17 247 391
Residential property	8 579 139	254 565	8 833 704
Residential development	554 920	–	554 920
Commercial property development	674 921	5 224	680 145
Commercial property investments	7 178 622	–	7 178 622
Other collateral	6 942 551	757 079	7 699 630
Unlisted shares	940 251	–	940 251
Charges other than property	576 953	729 614	1 306 567
Debtors, stock and other corporate assets	2 565 083	–	2 565 083
Guarantees	1 505 080	833	1 505 913
Other	1 355 184	26 632	1 381 816
Total collateral	26 225 696	3 327 728	29 553 424
At 31 March 2014			
Eligible financial collateral	1 885 055	1 633 349	3 518 404
Listed shares	1 704 372	867 147	2 571 519
Cash	180 683	379 391	560 074
Debt securities issued by sovereigns	–	386 811	386 811
Property charge	16 805 005	1 009 478	17 814 483
Residential property	8 180 568	1 004 817	9 185 385
Residential development	636 555	184	636 739
Commercial property development	542 438	4 477	546 915
Commercial property investments	7 445 444	–	7 445 444
Other collateral	8 437 858	390 200	8 828 058
Unlisted shares	1 891 585	44 524	1 936 109
Charges other than property	514 790	304 512	819 302
Debtors, stock and other corporate assets	3 387 248	–	3 387 248
Guarantees	1 184 016	8 958	1 192 974
Other	1 460 219	32 206	1 492 425
Total collateral	27 127 918	3 033 027	30 160 945

* A large percentage of these exposures (for example bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.

Equity and investment risk in the banking book represents a moderate percentage of our total assets and is managed within appropriate risk limits

Equity and investment risk in the banking book

Equity and investment risk description

Equity and investment risk in the banking book arises primarily from the following activities conducted within the group:

- **Principal Investments (Private Equity and Direct Investments):** investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the

value of the underlying portfolio with the intention to stimulate corporate activity. In South Africa, we also continue to pursue opportunities to help create and grow black-owned and controlled companies

- **Lending transactions:** the manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- **Property activities:** we source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters
- **Central Funding:** in South Africa Central Funding is the custodian of certain equity and property investments.

Management of equity and investment risk

As equity and investment risk arises from a variety of activities conducted by us, the monitoring and measurement thereof varies across transactions and/or type of activity.

Nature of equity and investment risk	Management of risk
Listed equities	Investment committee, market risk management and ERRF
Investment Banking Principal Finance investments	Investment committee, the Investec Bank Limited Direct Investments division investment committee and ERRF
Embedded derivatives, profit shares and investments arising from lending transactions	Credit risk management committees and ERRF
Investment and trading properties	Investment committee, Investec Property group investment committee in South Africa and ERRF
Central Funding investments	Investment committee and ERRF

Risk appetite targets are set to limit our exposure to equity and investment risk. An assessment of exposures against targets as well as stress testing scenario analysis are performed and reported to GRCC, BRCC and the board. As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Risk management (continued)

Valuation and accounting methodologies



For a description of our valuation principles and methodologies refer to pages 24 and 25 in volume three and pages 62 to 73 in volume three for factors taken into consideration in determining fair value.

We have a low level of assets exposed to the volatility of IFRS fair value accounting with level 3 assets amounting to 3.9% of total assets.



Refer to page 62 in volume three for further information.

The tables below provide an analysis of income and revaluations recorded with respect to these investments.



For the year to 31 March 2015
£'000

Country/category	Income (pre-funding costs)				Fair value through equity
	Unrealised	Realised	Dividends	Total	
Unlisted investments	8 940	85 624	24 618	119 182	709
UK and Other*	(25 673)	60 017	5 106	39 450	709
Southern Africa	34 613	25 607	19 512	79 732	–
Listed equities	20 515	357	6 068	26 940	100
UK and Other*	19 770	1 505	772	22 047	425
Southern Africa	745	(1 148)	5 296	4 893	(325)
Investment and trading properties^	6 727	21 747	–	28 474	–
UK and Other*	8 664	2 354	–	11 018	–
Southern Africa	(1 937)	19 393	–	17 456	–
Warrants, profit shares and other embedded derivatives	(76 947)	19 628	–	(57 319)	–
UK and Other*	(70 947)	1 873	–	(69 074)	–
Southern Africa	(6 000)	17 755	–	11 755	–
Total	(40 765)	127 356	30 686	117 277	809

^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 33.1% in 2015. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.

* Includes Australia, which was previously reported separately.

Risk management (continued)



For the year to 31 March 2014
£'000

Country/category	Income (pre-funding costs)				Fair value through equity
	Unrealised	Realised	Dividends	Total	
Unlisted investments	383	35 657	47 658	83 698	10 996
UK and Other*	2 130	30 236	9 120	41 486	10 996
Southern Africa	(1 747)	5 421	38 538	42 212	–
Listed equities	2 724	7 432	1 603	11 759	(498)
UK and Other*	(2 033)	7 786	1 572	7 325	(888)
Southern Africa	4 757	(354)	31	4 434	390
Investment and trading properties^	11 869	17 428	–	29 297	–
UK and Other*	(4 260)	10 500	–	6 240	–
Southern Africa	16 129	6 928	–	23 057	–
Warrants, profit shares and other embedded derivatives	50 698	7 340	–	58 038	–
UK and Other*	51 962	(200)	–	51 762	–
Southern Africa	(1 264)	7 540	–	6 276	–
Total	65 674	67 857	49 261	182 792	10 498

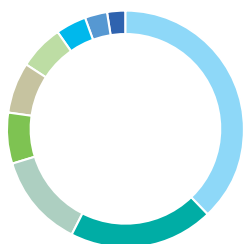
^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 44.3% in 2014. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.

* Includes Australia, which was previously reported separately.

Investec Limited continues to exclude revaluation gains posted directly to equity from their capital position.

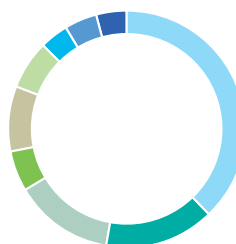
Additional information

An analysis of the investment portfolio, warrants, profit shares and other embedded derivatives by industry of exposure



31 March 2015 (£1 041 million)

Manufacturing and commerce	38.0%
Finance and insurance	19.6%
Mining and resources	12.8%
Real estate	7.0%
Retailers and wholesalers	6.8%
Communication	6.3%
Other	4.1%
Agriculture	2.9%
Business services	2.5%



31 March 2014 (£1 003 million)

Manufacturing and commerce	37.9%
Finance and insurance	15.0%
Mining and resources	13.6%
Real estate	5.5%
Retailers and wholesalers	8.9%
Communication	6.7%
Other	3.8%
Agriculture	4.5%
Business services	4.1%

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

 £'000 Country/category	On-balance sheet value of investments 2015	Valuation change stress test 2015*	On-balance sheet value of investments 2014 ^o	Valuation change stress test 2014 ^{o*}
Unlisted investments**	810 031	121 505	756 534	113 481
UK and Other^^	287 821	43 173	278 728	41 810
Southern Africa	522 210	78 332	477 806	71 672
Listed equities**	178 541	44 635	110 848	27 711
UK and Other^^	113 120	28 280	63 869	15 967
Southern Africa	65 421	16 355	46 979	11 744
Total listed equities and unlisted investments	988 572	166 140	867 382	141 192
UK and Other^^	400 941	71 453	342 597	57 777
Southern Africa	587 631	94 687	524 785	83 416
Investment and trading properties^	550 367	76 641	477 711	55 181
UK and Other^^	191 499	31 726	102 059	8 069
Southern Africa	358 868	44 915	375 652	47 112
Warrants, profit shares and other embedded derivatives	52 719	18 452	136 359	47 725
UK and Other^^	36 111	12 639	112 591	39 407
Southern Africa	16 608	5 813	23 768	8 318
Total	1 591 658	261 233	1 481 452	244 098

* In order to assess our earnings sensitivity to a movement in the valuation of these investments, the following stress testing parameters are applied.

^o Restated.

** Includes the investment portfolio and non-current assets classified as held for sale lines as per the balance sheet.

^^ Includes Australia, which was previously reported separately.

^ For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 33.1% in 2015 and 44.3% in 2014.

Stress testing summary

Based on the information at 31 March 2015, as reflected above, we could have a £261 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not cause the group to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Capital requirements

In terms of Basel III capital requirements for Investec Limited, unlisted and listed equities within the banking book are represented under the category of 'equity risk' and investment properties, profit shares and embedded derivatives are considered in the calculation of capital required for credit risk. In terms of CRD IV capital requirements for Investec plc, unlisted and listed equities within the banking book are considered in the calculation of capital required for credit risk.



Refer to page 88 for further detail.

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Securitisation/structured credit activities exposures

Overview

The group's definition of securitisation/structured credit activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.



Refer to page 23 for the balance sheet and credit risk classification.

The group applies the standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures at 31 March 2015 are not regarded as material, and therefore no further information is disclosed for these exposures.

The information below sets out the initiatives we have focused on over the past few years, albeit that most of these business lines have been curtailed given the changes in the securitisation market and given the strategic divestments Investec has undertaken last year.

UK and Other

The bank plays an originator role in the securitisation of assets it has originated. To date these have largely been traditional securitisations of residential mortgages originated through the Kensington business which was disposed of in January 2015. For regulatory purposes, structured entities are not consolidated where significant risk in the structured entities has been transferred to third parties. The positions we continue to hold in the securitisation will be either risk-weighted and/or deducted from capital.

The bank has no securitisations backed by revolving exposures.

Fitch Ratings, Moody's, S&P and DBRS have been involved in rating these abovementioned transactions.

During the year we undertook one new securitisation transaction – Temese Funding 2 Plc, a £280 million securitisation of finance lease receivables which closed in November 2014. The deal consists of a £228 million A note (AAA rated by S&P) and unrated B and C notes of £47 million and £5.3 million, respectively. All of the notes issued by the structure were retained by Investec Bank plc. The purpose of the transaction was for long-term funding at an attractive rate. The group does not apply the securitisation rules to the above originated transactions when calculating risk-weighted assets. For regulatory capital purposes, the group continues to recognise the underlying securitised assets in the consolidated regulatory balance sheet and applies the standardised credit risk rules.

We hold rated structured credit instruments (including resecuritisation exposures). These exposures are largely in the UK and amount to £317 million at 31 March 2015 (31 March 2014: £349 million). This is intended as a hold to maturity portfolio rather than a trading portfolio. Therefore, since our commercial intention is to hold the assets to maturity, the portfolio will be valued on an amortised cost basis. These investments are risk weighted for regulatory capital purposes.

In the prior year we held £8 million rated securitised assets and £448 million of own originated private client assets, relating to Australia's professional finance business. This business and our residual exposures were sold in July 2014.

In the prior year we held residual net exposures amounting to £927 million to the assets originated, warehoused and securitised by Kensington. This business and our residual exposures were sold in January 2015.

South Africa

In South Africa, our securitisation business was established over 15 years ago. Over this time, we have arranged a number of residential and commercial mortgage-backed programmes, asset-backed commercial paper conduits (ABCP), and third party securitisations.

Historically, we have also assisted in the development of select securitisation platforms with external third party originating intermediaries. Our exposure to these platforms has reduced and been sold

down over the last few years and at present we have a single limited warehouse funding line to one platform.

Furthermore, we are sponsor to and provide a standby liquidity facility to Private Mortgages 1. This facility, which totalled R0.2 billion at 31 March 2015 (31 March 2014: R1.3 billion), has not been drawn on and is reflected as off-balance sheet contingent exposures in terms of our credit analysis.



Refer to pages 50 and 51.

This exposure is risk weighted for regulatory capital purposes. The liquidity risk associated with this facility is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also sought out select opportunities in the credit/debt markets and traded and purchased in structured credit. These have largely been rated instruments within the UK and Europe, totalling R1.4 billion at 31 March 2015 (31 March 2014: R3.5 billion). We sold a number of these investments during the year. These investments are risk weighted for regulatory capital purposes.

In addition, we have own originated, securitised assets in our Private Client business in South Africa. The primary motivations for the securitisation of assets within our Private Client division are to:

- Provide an alternative source of funding
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios.

Risk management (continued)

Total assets that have been originated and securitised by the Private Client division amount to R8.1 billion at 31 March 2015 (31 March 2014: R7.5 billion) and consist of residential mortgages (R8.1 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R24.1 million.

Private Residential Mortgages (PRM) Limited – Series 2 (PRM2) was refinanced internally for R3.46 billion in June 2014. During the year we arranged two new Investec Private Client originated residential mortgage securitisation transactions, namely, Fox Street 3 (RF) Limited (FS3 for R1.95 billion), and Fox Street 4 (RF) Limited (FS4 for R3.73 billion). These two RMBS transactions were structured as amortising transactions and the notes are held internally by Investec in order to make use of the SARB's committed liquidity facility (CLF). FS1 to FS4 are rated by Fitch. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for regulatory capital purposes. The group has retained an investment in all of these transactions. In terms of current securitisation rules, the group cannot act as liquidity provider to these transactions,

and thus for these Fox Street structures, the special purpose entity has an internal liquidity reserve that has been funded. Credit mitigants have not been used in these transactions. An exemption notice in terms of securitisation rules has been applied for in relation to all the transactions.

For regulatory capital purposes, the majority of these transactions are treated as deductions against capital. The group has no resecuritisation exposures in South Africa.



Accounting policies



Refer to page 25 in volume three.

Risk management

All existing or proposed exposures to a securitisation or a resecuritisation are analysed on a case-by-case basis, with final approval typically required from the group's global credit committee. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings are presented, but only for information purposes since the bank principally relies on its own internal

risk assessment. Overarching these transaction level principles is the board-approved risk appetite policy, which details the group's appetite for such exposures, and each exposure is considered relative to the group's overall risk appetite. We can use explicit credit risk mitigation techniques where required, however, the group prefers to address and manage these risks by only approving exposures to which the group has explicit appetite through the constant and consistent application of the risk appetite policy.



In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out on page 48.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk. In addition, assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities.

Risk management (continued)

At 31 March Nature of exposure/activity	Exposure 2015 £'million	Exposure 2014 £'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit*	437	656	Other debt securities, other loans and advances, and other securitised assets	
Rated	395	556		
Unrated	42	100		
Kensington – mortgage assets: (net exposure)	— [^]	927		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised)	180	334	Other loans and advances	
Private Client division assets which have been securitised	449	876	Own originated loans and advances to customers securitised	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 31
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	11	74	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank	

* Analysed further on page 51.

[^] Assets have been sold, refer to page 22 in volume one.

Risk management (continued)

*Analysis of rated and unrated structured credit

At 31 March £'million	2015			2014		
	Rated**	Unrated	Total	Rated	Unrated	Total
US corporate loans	118	–	118	16	–	16
UK and European ABS	–	–	–	3	7	10
UK and European RMBS	222	29	251	419	73	492
UK and European CMBS	6	4	10	7	4	11
UK and European corporate loans	42	9	51	68	16	84
South African RMBS	–	–	–	4	–	4
South African CMBS	–	–	–	9	–	9
Australian RMBS	7	–	7	30	–	30
Total	395	42	437	556	100	656
Investec plc	317	33	350	356	84	440
Investec Limited	78	9	87	200	16	216

**Further analysis of rated structured credit at 31 March 2015

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	17	61	29	11	–	–	–	118
UK and European ABS	–	–	–	–	–	–	–	–
UK and European RMBS	30	81	43	35	11	–	22	222
UK and European CMBS	–	–	–	6	–	–	–	6
UK and European corporate loans	17	14	10	1	–	–	–	42
South African RMBS	–	–	–	–	–	–	–	–
South African CMBS	–	–	–	–	–	–	–	–
Australian RMBS	–	7	–	–	–	–	–	7
Total at 31 March 2015	64	163	82	53	11	–	22	395
Total at 31 March 2014	125	135	94	142	37	2	21	556

Market risk in the trading book

Traded market risk description



Traded Market Risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting from changes in underlying market risk factors, such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel and policies determined by the board.

Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making, arbitrage, underwriting and investments in the foreign exchange, capital and money markets. The focus of these businesses is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Traded market risk governance structure



To manage, measure and mitigate market risk, we have independent Market Risk Management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels.

A global market risk forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global market risk forum and ratified at the ERRF in accordance with the risk appetite defined by the board. Limits are reviewed at least annually or in the event of a significant market event (e.g. 11 September 2001) or at the discretion of senior management.

Management and measurement of traded market risk

Market Risk Management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk and for the aggregate risk of the trading book.

These reports are distributed to management and traders. There is a formal process for management recognition and authorisation for any risk excesses incurred. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. Valuation models for new instruments or products are independently validated by Market Risk before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

The Market Risk Management teams perform a profit attribution, where our daily traded revenue is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR (sVaR), expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following: October 1987 (Black Monday), 11 September 2001,

the December Rand crisis in 2001 and the Lehmans crisis. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through backtesting. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a 'backtesting breach' is considered to have occurred. Over time we expect the average rate of observed backtesting breaches to be consistent with the percentile of the VaR statistic being tested.

In South Africa, we have internal model approval from the SARB and so trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day sVaR. Backtesting results and a detailed stress-testing pack are submitted to the regulator on a monthly basis. In the UK, the market risk capital requirement is measured using an internal risk management model, approved by the PRA, for netting certain parts of the portfolio, whilst the capital requirements of the whole portfolio are calculated using standard rules.

The graphs that follow show the result of backtesting total daily VaR against profit and loss figures for our trading activities over the reporting period. The values shown are for the 99% one-day VaR, i.e. 99% of the time, the total trading activities will not be expected to lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

Risk management (continued)

VaR

	31 March 2015				31 March 2014			
	Year end	Average	High	Low	Year end	Average	High	Low
UK and Other[^] (using 95% VaR)								
Equities (£'000)	524	573	825	436	751	908	1 596	467
Foreign exchange (£'000)	23	20	64	1	9	15	73	2
Interest rates (£'000)	495	300	536	197	299	412	602	204
Consolidated (£'000)*	691	617	921	475	852[^]	1 055	1 496	522
Southern Africa (using 95% VaR)								
Commodities (R'million)	–	0.1	0.5	–	0.5	0.1	0.5	–
Equities (R'million)	1.7	2.7	6.7	0.7	1.7	4.3	8.9	0.5
Foreign exchange (R'million)	3.0	3.1	5.9	1.1	1.9	2.5	7.2	1.1
Interest rates (R'million)	2.7	1.6	3.5	0.9	1.3	2.2	6.0	0.7
Consolidated (R'million)*	3.5	4.4	7.7	1.7	2.8	5.3	9.3	1.7

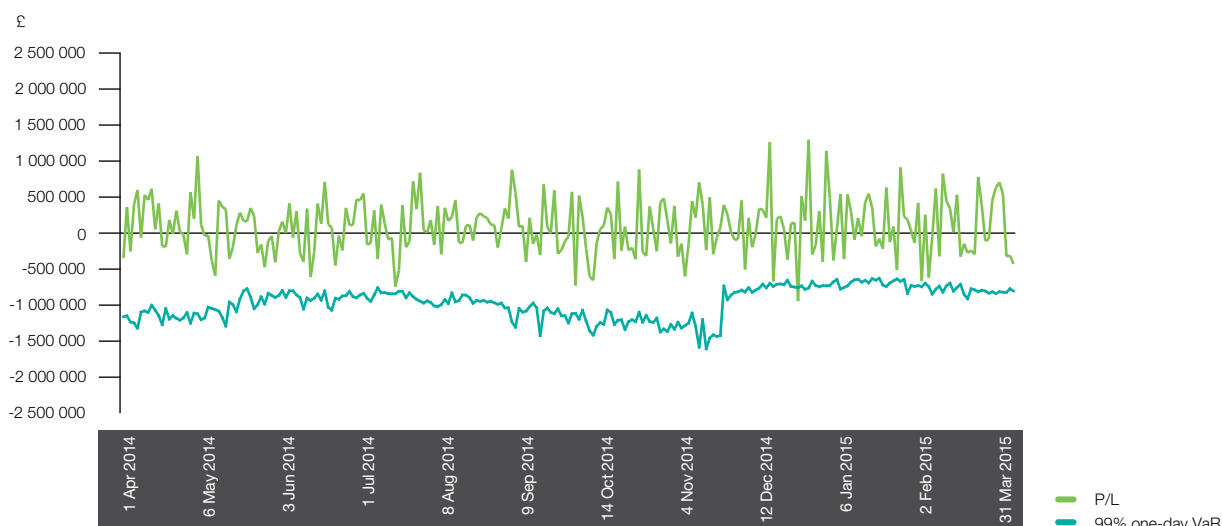
* The consolidated VaR for each entity is lower than the sum of the individual VaRs. This arises from the consolidation offset between various asset classes (diversification).

[^] Where 31 March 2015 includes Australia and 31 March 2014 excludes Australia. Australia consolidated VaR at 31 March 2014 was A\$45 600.

UK and Other**

The average VaR utilisation was lower than in 2014, largely as a result of a reduction in risk in the Structured Equity business. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception over the year at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is less than expected at the 99% level and is largely due to continued subdued volatility levels over most of the past year.

99% one-day VaR backtesting



** Includes Australia, which was previously reported separately.

Risk management (continued)

Southern Africa

VaR for 2015 in the South African trading book was marginally higher than 2014. Using hypothetical (clean) profit and loss data for backtesting resulted in two exceptions (as shown in the graph below), which is in line with the two to three exceptions that a 99% VaR implies. The exceptions were due to normal trading losses.

99% one-day VaR backtesting



Risk management (continued)

ETL



	UK and Other** 95% (one-day) £'000	Southern Africa 95% (one-day) R'million
31 March 2015		
Equities	663	2.5
Foreign exchange	34	4.4
Interest rates	717	3.8
Consolidated*	874	5.1
31 March 2014		
Commodities	–	0.5
Equities	1 108	2.7
Foreign exchange	13	2.7
Interest rates	481	1.9
Consolidated*	1 202**	4.0

* The consolidated ETL for each entity is lower than the sum of the individual ETLs. This arises from the correlation offset between various asset classes.

** Where 31 March 2015 includes Australia and 31 March 2014 excludes Australia, Australia consolidated ETL at 31 March 2014 was A\$72 600.

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.



	31 March 2015				31 March 2014
	Year end	Average	High	Low	Year end
UK and Other (using 99% EVT)^					
Equities (£'000)	1 658	1 960	3 868	1 070	3 844
Foreign exchange (£'000)	102	57	391	14	24
Interest rates (£'000)	1 676	1 269	1 929	986	1 457
Consolidated (£'000)#	1 413	1 954	3 340	1 197	3 439^
Southern Africa (using 99% EVT)					
Commodities (R'million)	0.1	0.4	4.0	–	1.6
Equities (R'million)	9.6	11.3	21.9	4.6	6.8
Foreign exchange (R'million)	16.2	10.7	26.6	4.7	12.9
Interest rates (R'million)	7.7	9.1	19.4	4.0	6.6
Consolidated (R'million)#	13.5	14.8	26.2	8.6	16.0

The consolidated stress testing for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).

^ Where 31 March 2015 includes Australia and 31 March 2014 excludes Australia, Australia consolidated stress test as 31 March 2014 was A\$137 700.

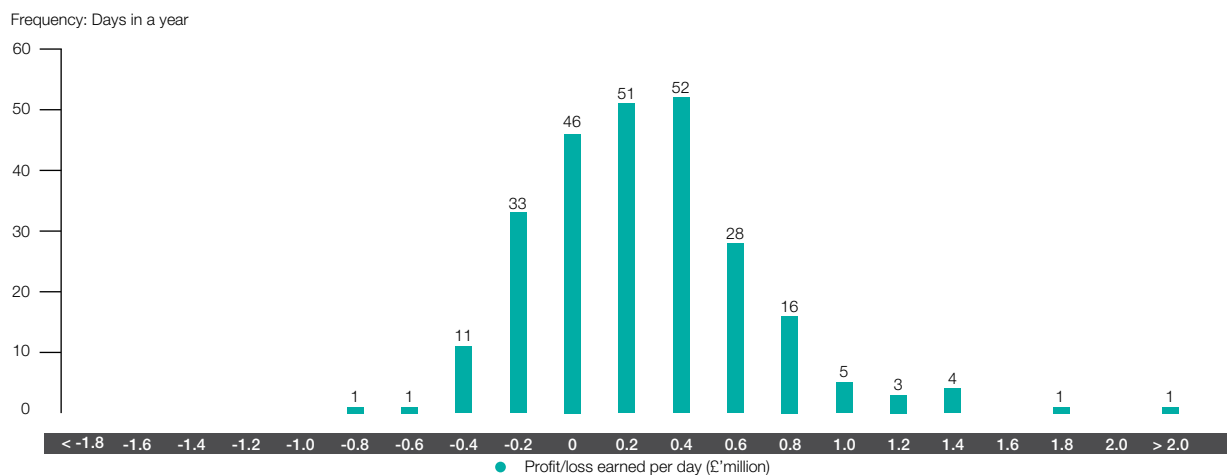
Risk management (continued)

Profit and loss histograms

UK and Other[^]

The histogram below illustrates the distribution of revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 161 days out of a total of 253 days in the trading business. The average daily trading revenue generated for the year to 31 March 2015 was £162 486 (2014: £132 949).

Profit and loss

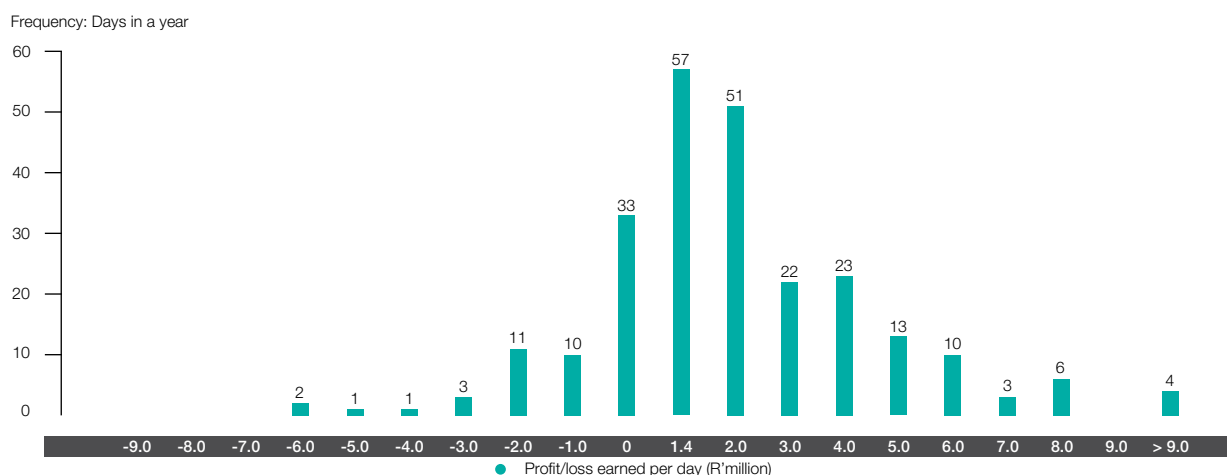


[^] Includes Australia, which was previously reported separately.

Southern Africa

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 189 days out of a total of 250 days in the trading business. The average daily trading revenue generated for the year to 31 March 2015 was R1.5 million (2014: R1.4 million).

Profit and loss



Traded market risk mitigation



The Market Risk Management team has a reporting line that is separate from the trading function, thereby ensuring independent oversight. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are reconciled daily. The values from the risk system are also used for profit attribution, another risk management tool.

Risk limits are set according to guidelines set out in our risk appetite policy and are calculated on a statistical and non-statistical basis. Statistical limits include VaR and ETL analyses at various confidence intervals. Historical VaR is used (over 510 days of unweighted data), where every 'risk factor' is exposed to daily moves over a sample period. With the equity markets, for example, the price history for every share and index is taken into account as opposed to techniques where a reduced set of proxies are used.

Non-statistical limits include limits on risk exposure to individual products, transaction

tenors, notionals, liquidity, buckets and option sensitivities (greeks). When setting and reviewing these limits, current market conditions are taken into account. Bucket limits are set on time buckets, generally at three-month intervals out to two years and then, on a less granular basis, out to 30 years.

It is risk policy that any significant open position in a foreign currency is held in the trading book. These positions are managed within approved limits and monitored within VaR models.

Traded market risk year in review

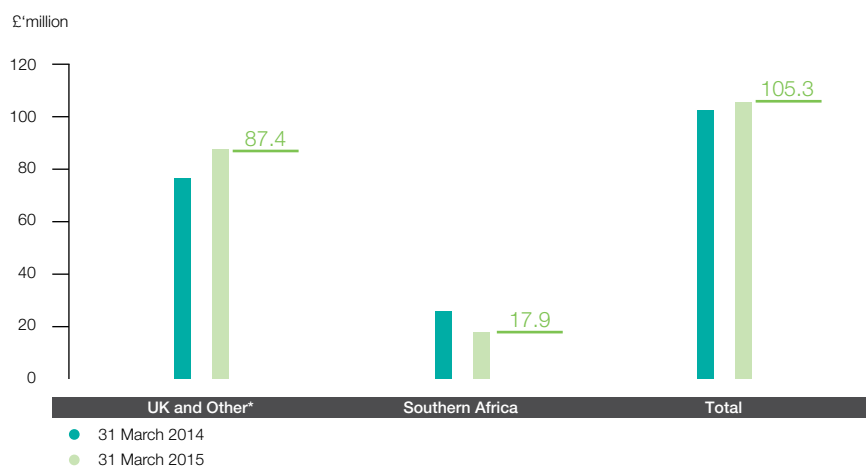
Trading conditions have remained difficult. Traders have had to contend with very uncertain markets as well as declining market liquidity. While client flow has been under pressure, Investec remains committed to trading on client flow and not proprietary trading. The equity derivatives business has continued to grow both their product offering and the diversity of their client base. Currency markets have generally been illiquid and volatile. Corporate foreign exchange volumes are

up leading to increased revenue, however, profit margins have tightened. The trend of low discretionary risk taking in local rates continued in the past year. Little uncertainty and stable interest rates in the local rate environment has not encouraged corporate hedging activity.

In London, there continues to be ongoing growth in client activity across the interest rate and foreign exchange corporate sales desks. The structured equity desk's retail product sales have remained strong, consistent with the performance of underlying equity markets, and the desk continues to develop both their product range and distribution capacity across geographies. Equity market making has further expanded its coverage of stocks listed in the United Kingdom, Ireland and South Africa. Market risk exposures across all asset classes have remained small throughout the year.

In June 2014 responsibility for managing the market risk in the Australian portfolio was transferred to London.

Revenue arising from customer flow trading activities within our Specialist Banking division



* UK and Other includes Australia, which was previously reported separately.

Market risk – derivatives

We enter into various derivatives contracts, largely on the back of customer flow for hedging foreign exchange, commodity, equity and interest rate exposures and to a small extent as principal for trading purposes. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range to take into account possible correlations.



Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on pages 76 and 77 in volume three.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

Balance sheet risk management

Balance sheet risk description

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, non-trading interest rate and foreign exchange risks on balance sheet, encumbrance and leverage.

Balance sheet risk governance structure and risk mitigation

Under delegated authority of the board, the group has established asset and liability management committees (ALCOs) within each core geography in which it operates, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within a board-approved risk appetite.

The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each geographic region. Specific statutory requirements may further dictate special policies to be adopted in a region.

Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. We aim to match-fund in currencies, other than the domestic currency, where it is practical and efficient to do so and hedge any residual currency exchange risk arising from deposit and loan banking activities.

The group's liquidity policy requires each geography to be self-funding so that there is no reliance on inter-group lines either from or to other group entities.

Geographic entities have no responsibility for contributing to group liquidity.

The ALCOs typically comprise the group risk and finance director, the head of risk, the head of Corporate and Institutional Banking activities and private banking, economists, divisional heads, the balance sheet risk management team, the treasurer and business heads. The ALCOs formally meet on a monthly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Central Treasury function within each region is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis. The treasurers are required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the board-approved risk appetite policy. Non-trading interest rate risk and asset funding requirements are transferred from the originating business to the treasury function.

The Central Treasury, by core geography, directs pricing for all deposit products (including deposit products offered to the private clients), establishes and maintains access to stable wholesale funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible

response to volatile market conditions.

The Central Treasury functions are the sole interface to the wholesale market for both cash and derivative transactions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of short-term and long-term liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management, thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

The Balance Sheet Risk Management team, in their respective geographies based within Group Risk Management, independently identify, quantify and monitor risks, providing daily independent governance and oversight of the treasury activities and the execution of the bank's policy, continuously assessing the risks whilst taking changes in market conditions into account. In carrying out its duties, the Balance Sheet Risk Management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues through daily liquidity reporting, and further perform scenario analysis which quantifies our exposure, thus providing a comprehensive and consistent governance framework. The Balance Sheet Risk Management team proactively identifies proposed regulatory developments, best risk practice, and measures adopted in the broader market, and implements changes to the bank's risk management and governance framework where relevant.

Scenario modelling and rigorous daily liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal company-specific and market-driven stress scenarios. These assume the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted.

The parameters used in the scenarios are reviewed regularly, taking into account

changes in the business environments and input from business units. The objective is to analyse the possible impact of economic event risk on cash flows, liquidity, profitability and solvency position, so as to maintain sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite.

The integrated balance sheet risk management framework is based on similar methodologies to those contemplated under the Basel Committee on Banking Supervision's (BCBS) 'liquidity risk measurement standards and monitoring'.

It is compliant with the 'principles of sound liquidity risk management and supervision' as well as 'guidelines for the management of interest rate risk in the banking book'. The BCBS announced that they propose to both strengthen and harmonise global liquidity standards and plan to introduce two new liquidity standards. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are due to be implemented by 2015 and 2018, respectively. The BCBS published the final calibration of the LCR in January 2013 to be phased in from 2015 and the final consultation paper for the NSFR was published in October 2014.

Each banking entity within the group maintains a contingency funding plan designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions and pave the way for the group to emerge from a potential funding crisis with the best possible reputation and financial condition for continuing operations. The liquidity contingency plans outline extensive early warning indicators, clear lines of communication, and decisive crisis response strategies.

There is a regular internal audit of the Balance Sheet Risk Management function, the frequency of which is determined by the independent audit committees.

The group operates an industry-recognised third party risk modelling system in addition to custom-built MIS systems designed to identify, measure, manage and monitor liquidity risk on both a current and forward looking basis. The system is reconciled to the bank's general ledger and audited by Internal Audit thereby ensuring integrity of the process.

Daily, weekly and monthly reports are

independently produced highlighting bank activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, the Central Treasury function, ERRF, GRCC, BRCC and the board.

Statutory reports are submitted to the relevant regulators in each jurisdiction within which we operate.

Non-trading interest rate risk description



Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of interest rate risk include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios
- **Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk:** we are not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk
- **Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.

Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services. The group considers the management of banking margin of vital importance, and our core non-trading interest rate risk philosophy is reflected in day-to-day practices which encompass the following:

- The group complies with the BCBS framework for assessing banking book (non-trading) interest rate risk
- The management of interest rate risk in the banking book is centralised within the Central Treasury function and treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios
- The treasurer is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within parameters defined by the risk appetite policy
- The non-trading interest rate risk appetite has been set based on the loss under a worst-case 200bps parallel shock as a percentage of capital. This level applies to both earnings risk and economic value risk
- Internal capital is allocated for non-trading interest rate risk
- The non-trading interest rate risk policy dictates that long-term non-trading interest rate risk is materially eliminated. In accordance with the policy the bank swaps its fixed deposits and loans into variable rate in the wholesale market via interest rate swaps
- Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and ALCO
- It is the responsibility of the liability product and pricing forum, a sub-committee of ALCO, to review the liquidity, interest rate and concentration

characteristics of all new products and approve their issuance, ensuring that both standard and non-standard deposit products, particularly those designed for the Private Banking customers, both match market curves and can be hedged if necessary

- Pricing for all deposit products (including deposit products offered to the private clients) is set centrally. In so doing we manage access to funding at cost-effective levels, considering also the stressed liquidity value of the liabilities
- Balance Sheet Risk Management independently measures and analyses both traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure
- The bank maintains an internal funds transfer pricing system based on prevailing market rates which charges out the price of long- and short-term funding to consumers of liquidity and provides long-term stable funding for our asset creation activity
- Daily management of interest rate risk is centralised within Treasury and is subject to independent ALCO review
- Treasury is the primary interface to the wholesale market
- We carry out technical interest rate analysis and economic review of fundamental developments by geography and global trends.

Non-trading interest rate risk is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and NPV sensitivity to changes in interest rate risk factors. We detail the sources of interest rate exposure, whether repricing risk, yield curve risk, basis risk or embedded option risk. This is performed for a variety of interest rate scenarios, covering:

- Interest rate expectations and perceived risks to the central view
- Standard shocks to levels and shapes of interest rates and yield curves
- Historically-based yield curve changes.

This is consistent with the standardised interest rate measurement recommended by the Basel framework for assessing interest rate risk in the banking book (non-trading interest rate risk).

The aim is to protect and enhance net interest income and economic value in accordance with the board-approved risk appetite and ensure a high degree of net interest margin stability over an interest rate cycle. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The repricing gap provides a basic representation of the balance sheet, with the sensitivity of earnings to changes to interest rates calculated off the repricing gap. This allows for the detection of interest rate risk by concentration of repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, whilst economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities.

Technical interest rate analysis and economic review of fundamental developments are used to estimate a set of forward-looking interest rate scenarios incorporating movements in the yield curve level and shape, after taking global trends into account.

These combinations of measures provide senior management (and the ALCOs) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value.

Our risk appetite policy requires that interest rate risk arising from fixed interest loans is transferred from the originating business to the Central Treasury function by match-funding. In turn, Treasury hedges material fixed rate assets with a term of more than one year on a deal-by-deal basis with the use of variable versus fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury also hedges all fixed rate deposits with a term of more

than one year to variable rate. These derivative hedging trades are executed with the bank's Interest Rate Trading desk. Limits exist to ensure there is no undesired risk retained within any business or product area.

Operationally, non-trading interest rate risk is transferred within pre-defined guidelines from the originating business to the Central Treasury function and aggregated or netted providing Central Treasury with a holistic view of the exposure. Treasury then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by changing the duration of the banking group's discretionary liquid asset portfolio, or through derivative transactions which transfer the risk into the trading books within the Corporate and Institutional Banking division to be traded with the external market. The treasury mandate allows for a tactical response to market opportunities which may arise during changing interest rate cycles. Any resultant interest rate position is managed under the market risk limits.

Investec has a relatively small endowment risk due to paying market rates on all deposits, compared to banks with significant low or non-interest-bearing current and cheque accounts. Endowment risk due to free funding, comprising mainly ordinary share capital and reserves, is managed passively, with the focus on measuring and monitoring. The endowment risk is included within our non-trading interest rate risk measures.

The Basel Financial Market Committee has indicated that after completing and embedding the current reforms (covering capital, leverage and liquidity), the capital framework for interest rate risk on the banking book will be revisited. In part this is due to the increase in the quantum of high-quality liquid assets (HQLA) which banks will need to hold in meeting the new liquidity ratios and the potential increase in interest rate risk thereon.

The expectation is that Basel will produce additional consultation documents in the next year on minimum standards for interest rate risk measurement in the banking book.

Risk management (continued)

Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

UK and Other – interest rate sensitivity at 31 March 2015[^]

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	3 402	2	–	–	7	148	3 559
Investment/trading assets and statutory liquids	920	201	16	56	581	561	2 335
Securitised assets	412	–	–	–	–	–	412
Advances	5 706	603	273	772	260	–	7 614
Other assets	–	–	–	–	–	1 571	1 571
Assets	10 440	806	289	828	848	2 280	15 491
Deposits – banks	(208)	–	–	–	–	–	(208)
Deposits – non-banks	(7 888)	(825)	(776)	(809)	–	–	(10 298)
Negotiable paper	(580)	(7)	(21)	(169)	(191)	–	(968)
Securitised liabilities	(331)	–	–	–	–	–	(331)
Investment/trading liabilities	(3)	–	–	(2)	–	–	(5)
Subordinated liabilities	(4)	–	–	(18)	(575)	–	(597)
Other liabilities	–	–	–	–	–	(961)	(961)
Liabilities	(9 014)	(832)	(797)	(998)	(766)	(961)	(13 368)
Intercompany loans	71	–	–	–	–	(76)	(5)
Shareholders' funds	–	–	–	–	–	(2 074)	(2 074)
Balance sheet	1 497	(26)	(508)	(170)	82	(831)	44
Off-balance sheet	938	176	(174)	(342)	(598)	–	–
Repricing gap	2 435	150	(682)	(512)	(516)	(831)	44
Cumulative repricing gap	2 435	2 585	1 903	1 391	875	44	

[^] Includes Australia, which was previously reported separately.

Southern Africa – interest rate sensitivity at 31 March 2015

R'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	32 494	42	–	33	–	6 188	38 757
Cash and short-term funds – non-banks	10 535	5	–	–	–	–	10 540
Investment/trading assets and statutory liquids	21 938	11 532	5 497	11 863	10 858	27 704	89 392
Securitised assets	9 215	–	–	–	–	138	9 353
Advances	154 163	6 092	798	8 596	3 755	803	174 207
Other assets	1 284	–	–	–	–	8 862	10 146
Assets	229 629	17 671	6 295	20 492	14 613	43 695	332 395
Deposits – banks	(30 536)	–	(14)	–	–	(12)	(30 562)
Deposits – non-banks	(184 533)	(11 197)	(11 363)	(10 572)	(2 195)	(1 216)	(221 076)
Negotiable paper	(4 835)	(110)	(617)	(3 864)	–	–	(9 426)
Securitised liabilities	(570)	–	–	–	(625)	(781)	(1 976)
Investment/trading liabilities	(9 504)	(678)	(3 194)	(1 076)	(233)	(11 026)	(25 711)
Subordinated liabilities	(7 659)	–	–	(200)	(2 590)	–	(10 449)
Other liabilities	(3)	–	–	–	–	(9 029)	(9 032)
Liabilities	(237 640)	(11 985)	(15 188)	(15 712)	(5 643)	(22 064)	(308 232)
Intercompany loans	14 130	(457)	(939)	1 277	(42)	2 188	16 157
Shareholders' funds	(3 274)	–	–	(408)	(1 421)	(30 423)	(35 526)
Balance sheet	2 845	5 229	(9 832)	5 649	7 507	(6 604)	4 794
Off-balance sheet	12 468	(2 828)	2 150	(8 845)	(7 613)	(126)	(4 794)
Repricing gap	15 313	2 401	(7 682)	(3 196)	(106)	(6 730)	–
Cumulative repricing gap	15 313	17 714	10 032	6 836	6 730	–	

Risk management (continued)

Economic value sensitivity at 31 March 2015

For the reasons outlined above, our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

UK and Other

million	Sensitivity to the following interest rates (expressed in original currencies)						All (GBP)
	GBP	USD	EUR	AUD	ZAR	Other (GBP)	
200bps down	(72.9)	(9.7)	4.4	0.8	1.8	(0.5)	(76.9)
200bps up	65.8	10.2	(0.1)	(0.8)	(1.8)	0.5	73.3

Southern Africa

million	Sensitivity to the following interest rates (expressed in original currencies)						All (ZAR)
	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	
200bps down	(123.4)	9.2	9.4	(0.8)	(2.8)	2.8	122.6
200bps up	148.0	(8.2)	(6.1)	0.7	1.2	(2.5)	(55.1)

Liquidity risk

Liquidity risk description

Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- **Funding liquidity:** which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- **Market liquidity:** which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss



- Unpredicted customer non-payment of loan obligations
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Management and measurement of liquidity risk

Maturity transformation performed by banks is a crucial part of financial intermediation that contributes to efficient resource allocation and credit creation.

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. Inadequate liquidity can bring about the untimely demise of any financial institution. As such, the group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling the liquidity risk:

- Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the PRA, SARB, the Bank of Mauritius, Guernsey Financial Services and Swiss Financial Supervisory Authority
- The group complies with the BCBS Principles for Sound Liquidity Risk Management and Supervision

- The group has committed itself to implementation of the updated BCBS guidelines for liquidity risk measurement, standards and monitoring to be phased in from 2015
- The risk appetite is clearly defined by the board and each geographic entity must have its own board-approved policies with respect to liquidity risk management
- Each geographic entity must be self-sufficient from a funding and liquidity standpoint so that there is no reliance on intergroup lines either from or to other group entities
- Geographic entities have no responsibility for contributing to group liquidity
- We maintain a liquidity buffer in the form of unencumbered, cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a satisfactory overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis

Risk management (continued)

- Daily liquidity stress tests are carried out to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and unlikely but plausible stressed scenarios, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. The objective is to have sufficient liquidity, in an acute stress, to continue to operate for a minimum period as detailed in the board-approved risk appetite
- Our liquidity risk parameters reflect a collection of liquidity stress assumptions which are reviewed regularly and updated as needed. These stress factors go well beyond our experience during the height of the recent financial crisis
- The Balance Sheet Risk Management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators to potential normal market disruption
- The group centrally manages access to funds in both domestic and offshore markets through the Corporate and Institutional Banking division
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- Each major banking entity maintains an internal funds transfer pricing system based on prevailing market rates. The treasury function charges out the price of long- and short-term funding to internal consumers of liquidity, which ensures that the costs, benefits, and risks of liquidity are clearly and transparently attributed to business lines and are understood by business line management. The funds transfer pricing methodology is designed to signal the right incentive to our lending business
- The group maintains adequate contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

Our liquidity risk management reflects evolving best practice standards in light of the challenging environment. Liquidity risk

management encompasses the ongoing management of structural, tactical day-to-day and contingent stress liquidity.

Management uses assumptions-based planning and scenario modelling that considers market conditions, prevailing interest rates and projected balance sheet growth, to estimate future funding and liquidity needs whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital, thus maintaining an appropriate mix of structural and term funding, resulting in strong balance sheet liquidity ratios.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. Metrics and ratios include:

- Local regulatory requirements
- Contractual run-off based actual cash flows with no modelling adjustment
- 'Business as usual' normal environment where we apply rollover and reinvestment assumptions under benign market conditions
- Stress conditions based on statistical historical analysis, documented experience and prudent judgement
- Basel standards for liquidity measurement:
 - Liquidity Coverage Ratio (LCR)
 - Net Stable Funding Ratio (NSFR)
- Quantification of a 'survival horizon' under stress conditions. The survival horizon is the number of business days it takes before the bank's cash position turns negative based on statistical historical analysis, documented experience and prudent judgement
- Other key funding and balance sheet ratios
- Monitoring and analysing market trends and the external environment.

This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand short-term liquidity stress or market disruptions in the event of either a firm-specific or general market contingent event.

We maintain a funding structure with stable private client deposits and long-term wholesale funding well in excess of illiquid assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. This validates our ability to generate funding from a broad range of sources in a variety of geographic locations, which enhances financial flexibility and limits dependence on any one source so as to ensure a satisfactory overall funding mix to support loan growth.

We acknowledge the importance of our private client base as the principal source of stable and well diversified funding for Investec's risk assets. We continue to develop products to attract and service the investment needs of our Private Bank client base. Although the contractual repayments of many Private Bank customer accounts are on demand or at short notice, in practice such accounts remain a stable source of funds. We continued to successfully raise private client deposits despite competitive pressures with total deposits (excluding divestments of businesses) increasing by 7.3% to £22.6 billion at 31 March 2015. The growth in retail deposits benefited from the wider macro-economic trend of expanded money supply, customer deleveraging and loan growth. We also have a number of innovative retail deposit initiatives within our Private Banking division and these continued to experience strong inflows during the financial year. On average our fixed and notice customer deposits have amounted to approximately 84% of total deposits since April 2006 for Investec plc, thereby displaying a strong 'stickiness' and willingness to reinvest by our retail customers.

Entities within the group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business. We have instituted various offshore syndicated loan programmes to broaden and diversify term funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets. The group remains committed to increasing its core deposits and accessing domestic and foreign capital markets when appropriate.

Risk management (continued)

Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

The group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, including business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure, and control framework.

As mentioned above, we hold a liquidity buffer in the form of unencumbered readily available, high quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central bank, and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows, which puts us in a favourable position to meet the Basel III liquidity requirements. These portfolios are managed within board-approved targets, and apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. Investec remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on interbank deposits to fund term lending. From 1 April 2014 to 31 March 2015 average cash and near cash balances over the period amounted to £9.1 billion

(£4.4 billion in UK and Other; R86.3 billion in South Africa).

The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

The liquidity contingency plans outline extensive early warning indicators, clear lines of communication and decisive crisis response strategies. Early warning indicators span bank-specific and systemic crises. Rapid response strategies address action plans, roles and responsibilities, composition of decision-making bodies involved in liquidity crisis management, internal and external communications including public relations, sources of liquidity, avenues available to access additional liquidity, as well as supplementary information requirements required to manage liquidity during such an event. This plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business.

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement. An asset is therefore categorised as unencumbered if it has not been pledged against an existing

liability. Risk Management monitors and manages total balance sheet encumbrance via a board-approved risk appetite framework. The group holds a liquidity buffer in the form of unencumbered, readily available, high-quality liquid assets, typically in the form of government or rated securities eligible for repurchase with the central banks in the respective jurisdictions.

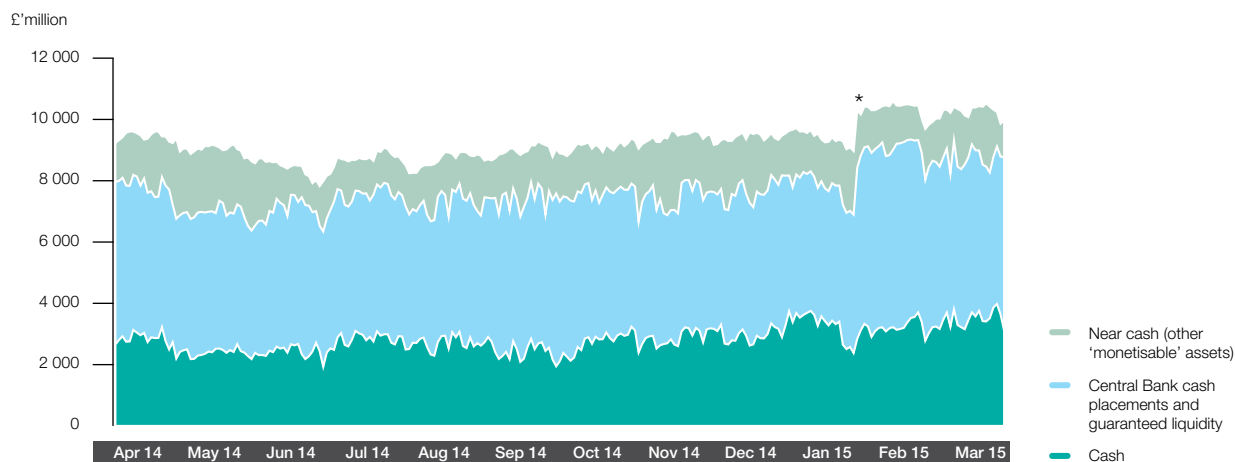
The group utilises securitisation in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the group which are available to provide a pool of collateral eligible to support central bank liquidity facilities, including the Bank of England Funding for Lending Scheme. During the year the group issued £280 million of notes through securitisations in the UK and R6.2 billion in South Africa.

The group uses secured transactions to manage short-term cash and collateral needs. Details of assets pledged through repurchase activity and collateral pledges are reported by line item of the balance sheet on which they are reflected on page 74 in volume three. Related liabilities are also reported.

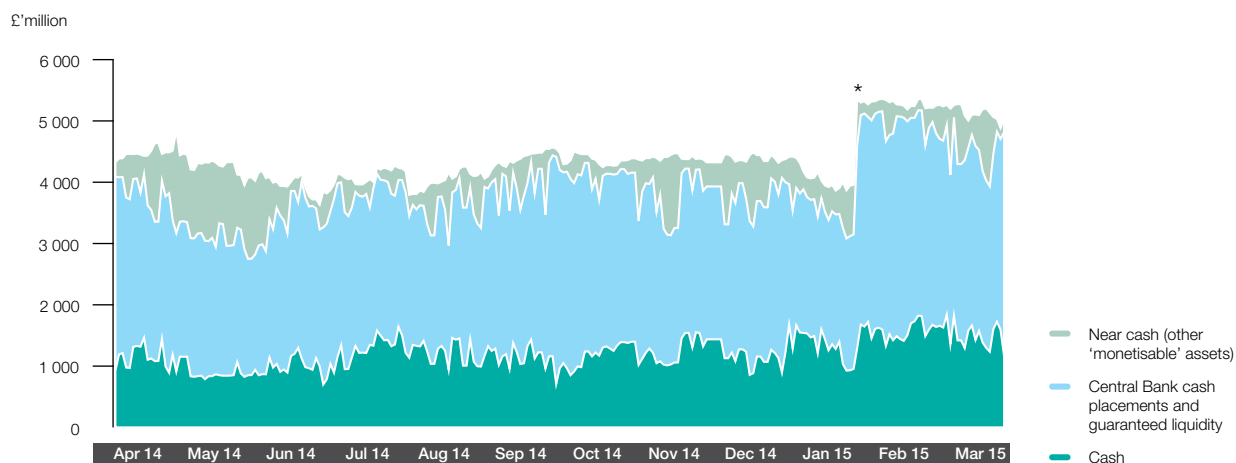
On page 74 in volume three we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

Risk management (continued)

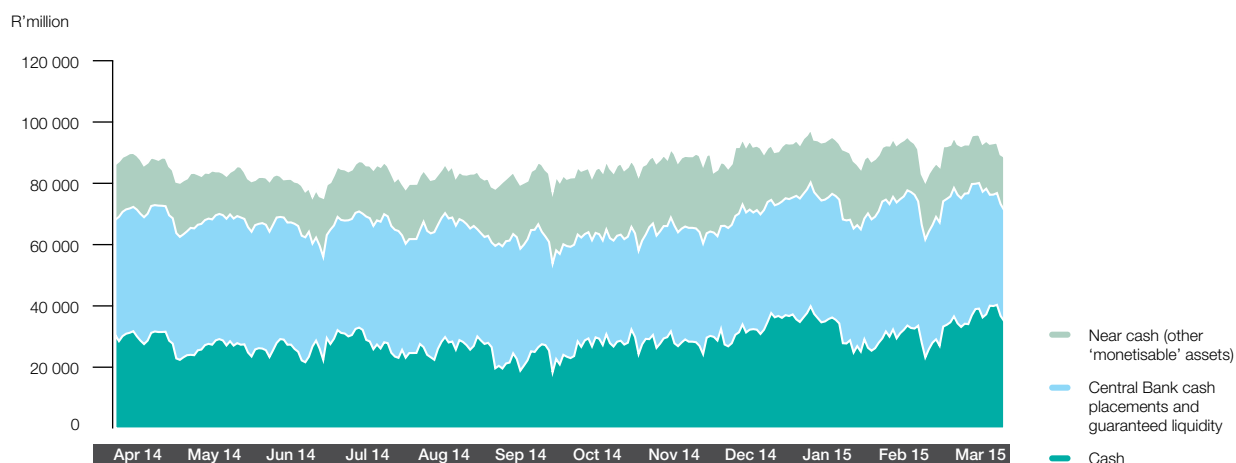
Total Investec group cash and near cash trend



Investec plc cash and near cash trend



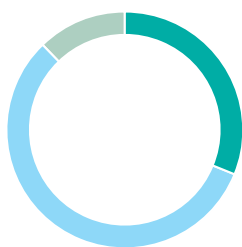
Investec Limited cash and near cash trend



* Increase in cash balances due to the sale of Kensington.

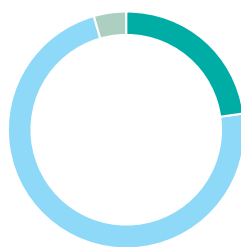
Risk management (continued)

An analysis of cash and near cash at 31 March 2015



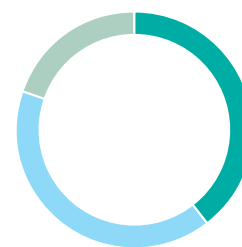
Total group
£9 974 million

Cash	31.2%
Central Bank cash placements and guaranteed liquidity	56.8%
Near cash (other 'monetisable' assets)	12.0%



Investec plc
£5 039 million

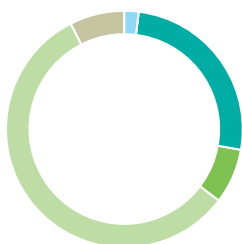
Cash	23.0%
Central Bank cash placements and guaranteed liquidity	72.6%
Near cash (other 'monetisable' assets)	4.4%



Investec Limited
R88 691 million

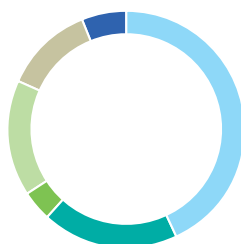
Cash	39.5%
Central Bank cash placements and guaranteed liquidity	40.8%
Near cash (other 'monetisable' assets)	19.7%

Bank and non-bank depositor concentration by type at 31 March 2015



UK and Other[^]
£11 103 million

Other financials	2.0%
Non-financial corporates	26.0%
Small business	7.4%
Individuals	57.3%
Banks	7.3%



Southern Africa
R251 939 million

Other financials	43.1%
Non-financial corporates	18.8%
Small business	4.0%
Individuals	15.9%
Banks	12.1%
Public sector	6.1%

[^] Includes Australia, which was previously reported separately.

Risk management (continued)

Liquidity mismatch

The tables that follow show our contractual liquidity mismatch across our core geographies.

The tables will not agree directly to the balances disclosed in the respective balance sheets since the tables incorporate cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

The liquidity position of the group remained sound with total cash and near cash balances amounting to £10.0 billion. We continued to enjoy strong inflows of customer deposits while maintaining good access to wholesale markets despite the underlying market environment. Our liquidity and funding profile reflects our strategy, risk appetite and business activities.

The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government, or rated securities and near cash against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities. We have:
 - set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;
 - set the time horizon to one month to monetise our cash and near cash portfolio of 'available-for-sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class; and
 - reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display a fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

The liquidity position of the group remained sound with total cash and near cash balances amounting to £10.0 billion

Risk management (continued)

UK and Other[^]

Contractual liquidity at 31 March 2015

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	2 736	1 592	119	–	–	–	–	4 447
Investment/trading assets	226	848	212	346	121	569	1 141	3 463
Securitised assets	–	2	7	10	19	264	110	412
Advances	–	690	648	794	893	3 025	1 564	7 614
Other assets	121	986	86	7	17	74	743	2 034
Assets	3 083	4 118	1 072	1 157	1 050	3 932	3 558	17 970
Deposits – banks	(128)	(591)	(5)	–	–	–	(81)	(805)
Deposits – non-banks	(1 133)	(2 488)	(1 564)	(2 507)	(653)	(1 607)	(346)	(10 298)
Negotiable paper	–	(15)	(24)	(38)	(75)	(654)	(386)	(1 192)
Securitised liabilities	–	(4)	(5)	(8)	(15)	(99)	(200)	(331)
Investment/trading liabilities	–	(288)	(77)	(75)	(130)	(353)	(183)	(1 106)
Subordinated liabilities	–	–	–	–	–	(34)	(563)	(597)
Other liabilities	(237)	(921)	(176)	(87)	(20)	(60)	(61)	(1 562)
Liabilities	(1 498)	(4 307)	(1 851)	(2 715)	(893)	(2 807)	(1 820)	(15 891)
Intercompany	(78)	–	225	–	1	7	(160)	(5)
Shareholders' funds	–	–	–	–	–	–	(2 074)	(2 074)
Contractual liquidity gap	1 507	(189)	(554)	(1 558)	158	1 132	(496)	–
Cumulative liquidity gap	1 507	1 318	764	(794)	(636)	496	–	

Behavioural liquidity



As discussed on page 67.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	3 776	(536)	(44)	(447)	158	(1 843)	(1 064)	–
Cumulative	3 776	3 240	3 196	2 749	2 907	1 064	–	

[^] Includes Australia, which was previously reported separately.

Risk management (continued)

Southern Africa

Contractual liquidity at 31 March 2015

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks *	31 480	7 492	1 912	168	182	894	–	42 128
Cash and short-term funds – non-banks	10 465	32	38	5	–	–	–	10 540
Investment/trading assets and statutory liquids **	34 409	13 261	1 893	2 107	4 006	27 850	29 289	112 815
Securitised assets	1 743	19	66	116	197	1 028	6 184	9 353
Advances	5 628	5 393	10 353	11 725	14 359	79 975	47 033	174 466
Other assets	2 893	3 399	293	256	–	1 881	1 704	10 426
Assets	86 618	29 596	14 555	14 377	18 744	111 628	84 210	359 728
Deposits – banks	(3 253)	(440)	(717)	–	(12 031)	(14 121)	–	(30 562)
Deposits – non-banks	(87 975) [^]	(27 947)	(38 728)	(15 532)	(19 546)	(28 785)	(2 864)	(221 377)
Negotiable paper	–	(1 686)	(229)	(346)	(1 318)	(5 833)	(14)	(9 426)
Securitised liabilities	–	–	–	–	–	(594)	(1 382)	(1 976)
Investment/trading liabilities	(5 507)	(13 035)	(2 669)	(2 974)	(7 087)	(7 813)	(1 252)	(40 337)
Subordinated liabilities	–	–	(125)	–	(781)	(400)	(9 143)	(10 449)
Other liabilities	(1 642)	(900)	(678)	(315)	(884)	(459)	(5 197)	(10 075)
Liabilities	(98 377)	(44 008)	(43 146)	(19 167)	(41 647)	(58 005)	(19 852)	(324 202)
Shareholders' funds	–	–	–	–	–	–	(35 526)	(35 526)
Contractual liquidity gap	(11 759)	(14 412)	(28 591)	(4 790)	(22 903)	53 623	28 832	–
Cumulative liquidity gap	(11 759)	(26 171)	(54 762)	(59 552)	(82 455)	(28 832)	–	–

[^] Includes call deposits of R59 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.

Note: Contractual profile of 'cash and near cash' asset class



As discussed on page 67.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
*Cash and short-term funds – banks	25 332	7 492	1 912	168	182	894	6 148	42 128
**Investment/trading assets and statutory liquids	(707)	14 449	11 461	12 176	8 816	29 298	37 323	112 816

Behavioural liquidity



As discussed on page 67.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	36 808	(779)	(1 889)	(1 706)	(25 189)	(74 089)	66 844	–
Cumulative	36 808	36 029	34 140	32 434	7 245	(66 844)	–	–

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established

Balance sheet risk year in review

- Investec maintained and improved its strong liquidity position ahead of Basel III and continued to hold high levels of surplus liquid assets
- We sustained strong term funding in demanding market conditions while focusing on lowering the weighted average cost of funding
- Our liquidity risk management process remains robust and comprehensive.

UK and Other

The bank has maintained a strong surplus liquidity position throughout the year. During the first half of the year, the liquidity surplus was bolstered by raising funds to fund strong asset growth, including the transfer of residual assets from Australia as part of the disposal of Investec Bank (Australia) Limited.

The liquidity position in the second half of the year was then further enhanced by the disposal of the Kensington and Start (Irish) mortgage businesses. A strategy to manage down surplus liabilities was initiated following the strategic sales.

This strategy has continued through to the year end and into 2015/16, with the aim of reducing both cash and liquidity back to normalised levels through both asset growth and further liability management, while maintaining our overall conservative approach to liquidity risk management.

Funding rates continued to be driven down throughout the year, while the weighted average contractual maturity of the liability book has been lengthening, to give closer matching of asset and liability maturities.

The bank has continued to diversify its funding mix including utilisation of the Bank of England's Funding for Lending Scheme and has pre-positioned several mortgage portfolios together with retained securitisation investments.

Cash and near cash balances at 31 March 2015 amounted to £5.0 billion (2014: £4.3 billion), enhanced by the strategic business sales. Total UK customer deposits increased by 9.5% from £9.4 billion to £10.3 billion at 31 March 2015. We continue to exceed Basel liquidity requirements for the LCR and NSFR comfortably.

South Africa

The past financial year was marked by a continual increase in the cost of funds to local banks including Investec. The banking industry as a result witnessed some compression in interest rate margins. The rise in the cost of funds was driven by increased competition for deposits ahead of the implementation of new liquidity regulations introduced by the Bank of International Settlements. The LCR had to be met by banks from 1 January 2015 at a minimum compliance rate of 60% moving to 100% by 2019. This has led to increased demand for so-called Basel III friendly deposits (retail and longer dated wholesale deposits) by South African banks. This adjustment in the liability structure of the banking system could raise the cost of borrowing which may ultimately be passed on to borrowers.

Investec grew its total customer deposits by 8% from R204.9 billion to R221.4 billion at 31 March 2015. Our Private Bank's deposit raising channels grew by 17.5% to R89.8 billion over the financial year; whereas wholesale deposit growth was muted. The bankruptcy of African Bank resulted in a loss of some cash from Money Market Funds as they met requests for redemptions. This was countered by both private individuals and corporates entering the banking system directly. Our liquidity was further boosted by several successful medium-term senior unsecured bonds issued totalling R4 billion. Investec Bank Limited (solo basis) ended the financial year with the three-month average of its LCR at 100.3%, which is well ahead of the minimum level required.

Three and five year dollars amounting to US\$532 million were raised in several club, bilateral and structured loan deals over the course of the year as the cost of term dollars fell to levels last witnessed over five years ago. In a world of negative rates, plentiful liquidity and quantitative easing we expect this trend to continue.

Cash and near cash balances grew by R4.2 billion to R88.7 billion at 31 March 2015. The bank's overall liquidity position is sound going into 2016.

Regulatory considerations – balance sheet risk

The banking industry continued to experience elevated levels of prospective changes to laws and regulations from national and supranational regulators.

Risk management (continued)

Regulators propose to both strengthen and harmonise global liquidity standards and to ensure a strong financial sector and global economy. We believe that we are well positioned for the proposed regulatory reform as we have maintained strong capital, funding and liquidity positions.

The BCBS published the final calibration of the LCR in January 2013. The main changes to the LCR were to introduce level 2b qualifying assets and recalibrate run-off factors for non-financial commercial depositors and committed facilities. The LCR ratio will be phased in from 2015 to 2019.

The BCBS published the final consultation document on the NSFR in October 2014 with a number of changes. The main changes to the NSFR were to introduce a bucket to recognise financial deposits greater than six months in sources of available stable funding, recalibrate run-off factors for performing loans less than one year, and revise treatment of both derivative and repo' transactions. The NSFR ratio will be introduced in 2018.

The strategic impact of Basel III internationally is significant, and has the potential to change the business model of non-compliant banks while the regulatory developments could result in additional costs.

The group has committed itself to implementation of the BCBS guidelines for liquidity risk measurement standards and the enhanced regulatory framework to be established. Investec has been proactively reporting on these ratios internally according to the emerging Basel definitions since February 2010. Investec already exceeds minimum requirements of these standards. We continue to reshape our liquidity and funding profile where necessary as we approach the compliance timeline.

UK and Other

In June 2013, the European Union published legislation to implement within the EU Basel III, the international regulatory framework for banks via CRD IV. This requires the reporting of the LCR and the NSFR to the EBA from March 2014. The LCR will be introduced on 1 October 2015 with a minimum requirement of 60% increasing to 100% by January 2018 as stated in the regulation document. However, individual member states can require a higher standard and the PRA has indicated that it will set the initial requirement at 80% from October 2015.

Investec Bank plc currently comfortably exceeds its regulatory liquidity requirements and will progress to implement the forthcoming liquidity proposals included in the CRD IV (Basel III) package. Investec Bank plc is currently shadowing and comfortably exceeds the draft LCR and NSFR liquidity ratios. We will continue to monitor these rules until final implementation.

South Africa

South Africa, a member of the G20, is committed to implementing the BCBS guidelines for 'liquidity risk measurement standards and monitoring' published in December 2010 and January 2013, by the due dates of 2015 to 2019.

Investec is involved in the process in the following ways:

- Collectively via the Banking Association of South Africa (BASA) and their task groups
- Direct bilateral consultation with SARB and SARB task teams
- As part of the Quantitative Impact Study by BCBS via SARB
- As part of National Treasury Structural Funding and Liquidity Risk task team.

South Africa is a region with insufficient liquid assets; to address this systemic challenge, the SARB announced the introduction of a committed liquidity facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF will be limited to 40% of Net Outflows under the LCR.

Investec Bank Limited already exceeds the minimum requirement for the LCR in 2015.

The South African banking industry, however, will find it difficult to meet the NSFR ratio, as currently defined, as a result of the shortcomings and constraints in the South African environment. The banking sector in South Africa is characterised by certain structural features such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. The proposed liquidity measures have the potential to impact growth and job creation in the economy. In recognition thereof, the Finance Minister instituted a Structural Funding and Liquidity task team to investigate the constraints in the South

African market and make recommendations to address these limitations.

Notwithstanding the above constraints, Investec in South Africa is committed to meet the NSFR.

Operational risk

Operational risk definition

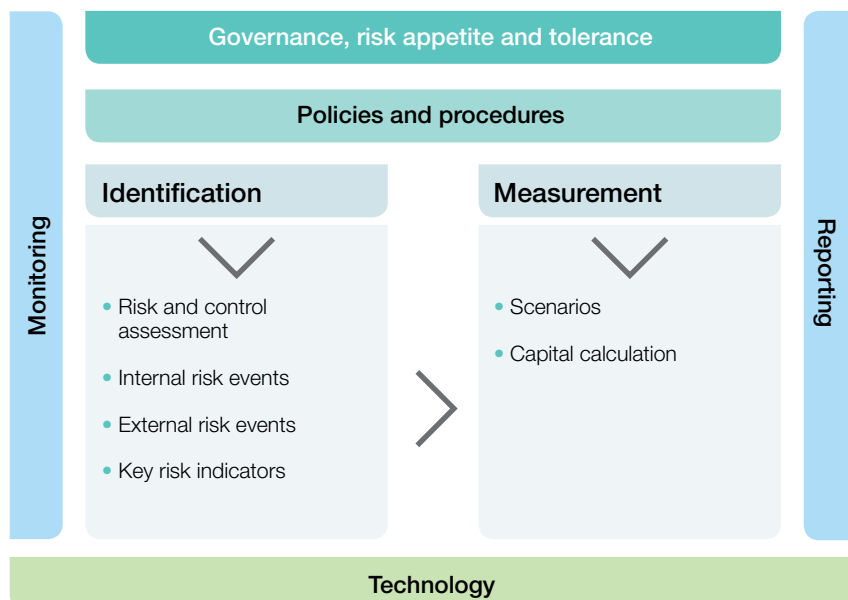
Operational risk is defined as any instance where there is potential or actual impact to the group resulting from inadequate or failed internal processes, people, systems or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences.

Operational risk exists as part of the normal activities of a bank. The group aims to manage operational risk by adopting sound operational risk management practices which are fit for purpose. These include, inter alia, minimising internal losses in a cost effective manner in accordance with the operational risk appetite and tolerance.

Operational risk management framework

The bank continues to operate under the Standardised Approach (TSA) to operational risk which forms the basis of the operational risk management framework. The framework is embedded at all levels of the organisation and is continually reviewed to ensure appropriate and effective management of operational risk.

The diagram below depicts how the components of operational risk are integrated.



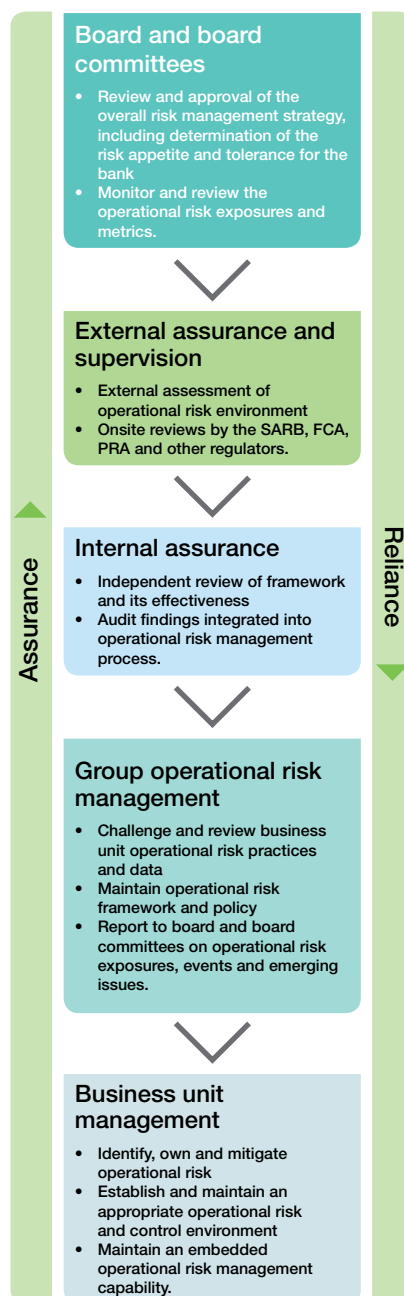
During the year under review, significant enhancements of all the components of the operational risk management framework have been made and the focus on advancing practices will continue.

The process of advancing practices and understanding regulatory requirements is supported by regular interaction with the regulator and with industry counterparts at formal industry forums.

An independent group operational risk management function, mandated by the board risk and capital committee, ensures that operational risk policies and procedures are developed and applied consistently and effectively throughout the bank. Business unit management, supported by operational risk managers (ORMs) who operate at a business unit level, are responsible for embedding and implementing operational risk practices and policies. All personnel are adequately skilled at both a business unit and a group level.

Governance

The governance structure adopted to manage operational risk is enforced in terms of a levels of defence model and supports the principle of combined assurance in the following manner:



Risk management (continued)

Risk appetite and tolerance

The Operational Risk Tolerance policy defines the amount of operational risk exposure, or potential adverse impact from a risk event, that the bank is willing to accept or retain. The objective of the policy is to encourage action and mitigation of risk exposures and provides management guidance to respond appropriately. Additionally, the policy defines capturing and reporting thresholds for risk events and guidance to respond to key risk indicators appropriately.

Operational risk practices

The following practices are used for the management of operational risk as illustrated in the diagram below:

Enhancement of all the components of the operational risk management framework have been made and the focus on advancing practices will continue

Risk and control assessment	Internal risk events	External risk events	Key risk indicators	Scenarios and capital calculation	Reporting and monitoring	Technology
Qualitative assessments that identify key operational risks and controls Identifies ineffective controls and improves decision-making through an understanding of the operational risk profile	Incidents resulting from failed systems, processes, people or external events A causal analysis is performed Enables business to identify trends in risk events and address control weaknesses	Access to data from an external data consortium Events are analysed to inform potential control failures within the bank The output of this analysis is used as input into the operational risk assessment process	Metrics are used to monitor risk exposures against identified thresholds Assists in predictive capability	Extreme, yet plausible scenarios are evaluated for financial and non-financial impacts Used to measure exposure arising from key risks, which is considered in determining internal operational risk capital requirements	A reporting process is in place to ensure that risk exposures are identified and that key risks are appropriately escalated and managed Monitoring compliance with operational risk policies and practices ensure the framework is embedded in day-to-day business activities	An operational risk system is in place to support operational risk practices and processes

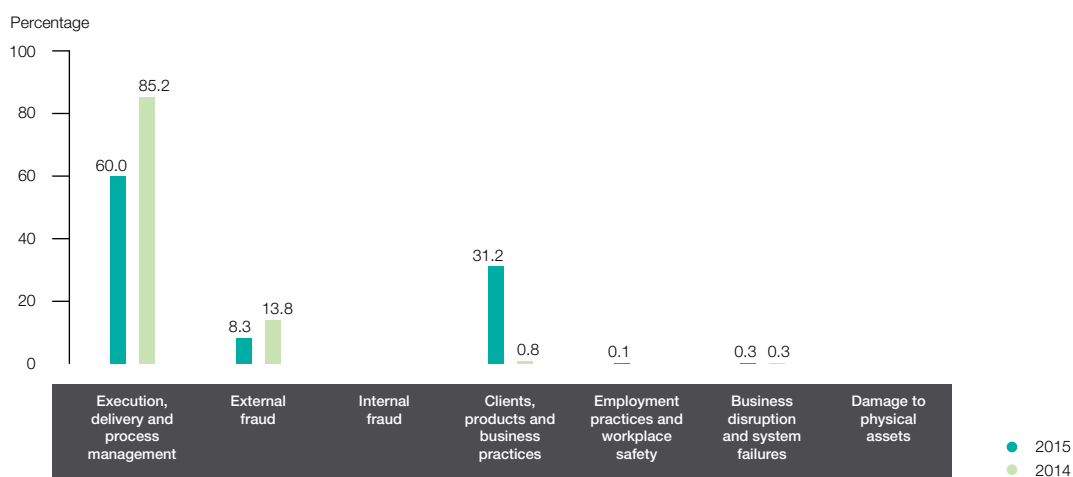
Risk management (continued)

Operational risk year under review and looking forward

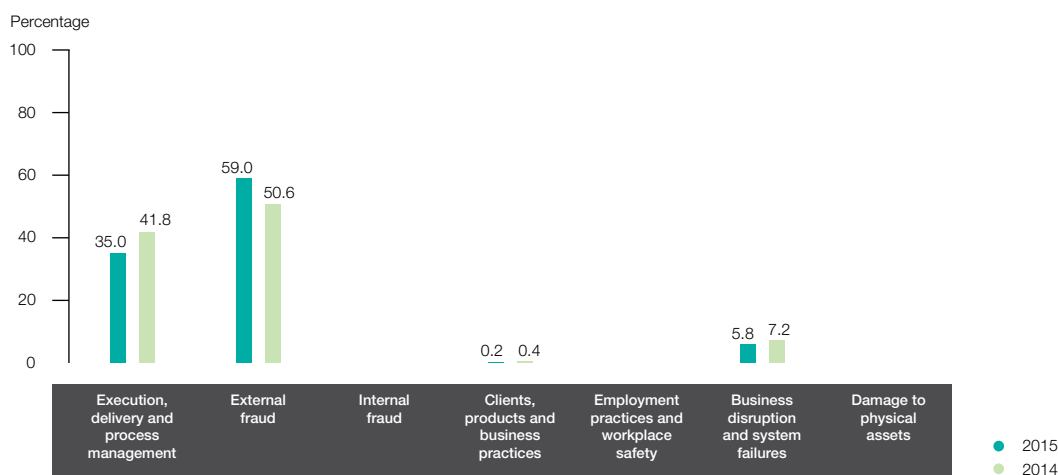
Risk event experience

The graphs and figures below represent the distribution of the value and number of risk events across the Basel risk event categories for the period April 2014 to March 2015 with comparative values.

Operational risk events by risk category — % of total value of risk events



Operational risk events by risk category — % of total number of risk events



Notes to graphs above:

- Overall, risk events and losses are managed within tolerance
- Comparative numbers have been restated due to organisational changes, including business disposals
- There has been a decline in both the number and value of risk events in the execution, delivery and process management category. Losses reported in this category are mainly as a result of process failure. Trend and causal analysis are performed to improve the control environment
- The external fraud risk event category includes credit card fraud and relates to financial crime risk. In 2015 the number of credit card-related risk events in this category has increased in line with industry trends. Included in this category are other financial crime-related incidents, e.g. phishing
- Our internal fraud experience remains low
- The clients, products and business practices category is driven by a single large loss.

Risk management (continued)

Key operational risk considerations

The following key risks may result in loss of value should they materialise.

Definition of risk	Approach to mitigation	Priority for 2015/16
Financial crime		
Risk associated with money laundering, terrorist financing, bribery, fraud, and tax evasion	- Proactive strategy which includes business wide and customer risk assessments - Development of policies which comply with regulations and industry guidance - Monitoring the adequacy and effectiveness of financial crime controls and reporting to governance bodies, e.g. audit committee - Training all staff with enhanced bespoke training delivered to staff in higher risk functions - Frequent delivery of management information focused on key risk indicators - Review external and industry events by engaging with external partners such as South African Banking Risk Information Centre (SABRIC), SAPS and agency banks - Understanding and proactively managing the emerging threat of cybercrime across the industry	- Financial crime awareness training internally including the use of e-learning platforms - Development of a money laundering, counter-terrorist financing, bribery and sanctions compliance risk appetite statement - Enhance money laundering transaction monitoring capabilities and bespoke training for staff in key risk functions
Information security		
Risks associated with the confidentiality, availability or integrity of our information assets, irrespective of location or media	- Identification of threats and associated risks to our information assets including legal and regulatory requirements - Development and monitoring of policies, processes and technical controls designed to mitigate the risks to our information - Evaluation of risks introduced by our information supply chain - Maintenance and testing of our security incident and breach response processes	- Ensure appropriate controls are in place to manage cyber threats, including the sharing of information with peers, law enforcement and industry bodies - Raising awareness with internal and external stakeholders of the threats, controls and policies relating to information security and their responsibility in protecting our information
Process failure		
Risk associated with inadequate internal processes, including human errors and control failures within the business. This includes process origination, execution and operations	- Weaknesses in controls are identified through the causal analysis process following the occurrence of risk events - Thematic reviews are performed to monitor the effectiveness of controls across business units - Effective management of change remains a focus area for the year ahead	Enhancement of processes to identify risks related to new products and projects
Regulatory and compliance		
Risk associated with identification, implementation and monitoring of compliance with regulations	- Group Compliance and Group Legal Risk assist in the management of regulatory and compliance risk - Identification and adherence to legal and regulatory requirements - Review practices and policies as regulatory requirements change	- Alignment of regulatory and compliance approach to reflect new regulatory landscapes (particularly change of regulatory structures in UK and SA) - Managing business impact and implementation challenges as a result of significant volumes of statutory and regulatory changes and developments - Ensuring existing monitoring remains focused appropriately as areas of conduct and regulatory risk develop
Technology		
Risk associated with the reliance on technology to support business processes and client services. This relates to the operations, usage, ownership and responsibility of IT systems across the business	- Establishment and maintenance of an IT risk assessment framework to consistently and effectively assess IT exposures across the business - Monitoring risk exposures related to adoption of new technologies - Identification and remediation of vulnerabilities identified in IT systems, applications, and processes - Establishing appropriate IT recovery capabilities to safeguard against business disruptions resulting from systems failures and IT service outages	- Enhancing resilience of our technical infrastructure and our process to IT failures or service interruptions - Identifying, monitoring and reducing risks in our digital channel, following the introduction of mobile applications and our increased online presence

Insurance

The group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the group insurance risk manager. Regular interaction between Group Operational Risk Management and Group Insurance Risk Management ensures that there is an exchange of information in order to enhance the mitigation of operational risks.

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced

Business continuity management

The group maintains a global business continuity management capability which incorporates an appropriate level of resilience into the bank's operations to minimise the risk of severe operational disruptions occurring.

In the event of a major disruption, an incident management framework will be used to manage the disruption. Continuity will be achieved through a flexible and adaptable response, which includes relocating impacted business to the designated recovery site. Dedicated resources ensure all governance processes are in place with business and technology teams responsible for activating and managing the recovery process.

The group conducts regular exercises and testing of recovery procedures to ensure that its recovery capability remains appropriate.

We continue to build and enhance our infrastructure to manage the electricity supply crisis in South Africa. We remain active participants with all industry bodies to ensure we are abreast of industry views and concerns.

Recovery and resolution planning

UK and Other

In the EU, the Bank Recovery and Resolution Directive (BRRD) was adopted in June 2014 by the European Commission. The BRRD came into effect from 1 January 2015, with the option to delay implementation of bail-in provisions until January 2016. Regardless of this, the UK introduced bail-in powers from 1 January 2015. The UK transposition of the BRRD builds on the resolution framework already in place in the UK.

In January 2015, the PRA published a policy statement containing updated requirements for recovery and resolution planning which revises PRA rules that have been in force since 1 January 2014. In addition, the EBA has produced a number of regulatory technical standards, some of which are yet to be finalised, and will further inform the BRRD requirements.

In line with PRA and EU requirements, Investec plc maintains a resolution pack and a recovery plan.

South Africa

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions. The SARB has adopted this requirement and has to date required South African domestically significant banking institutions to develop recovery plans. Guidance issued by the Financial Stability Board and the SARB has been incorporated into Investec's recovery plan.

The SARB has focused on finalising the recovery plans for the local banks. It is expected that the SARB will issue guidance on resolution planning in the near future. We will then look to integrate our existing recovery plan into the SARB's resolution planning.

Group

The purpose of the recovery plans are to document how the board and management will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec plc and Investec Limited, respectively. The plans are reviewed and approved by the board on an annual basis.

The recovery plan for Investec plc and Investec Limited, respectively:

- Integrates with existing contingency planning
- Analyses the potential for severe stress in the group
- Identifies roles and responsibilities
- Identifies early warning indicator and trigger levels
- Analyses how the group could be affected by the stresses under various scenarios
- Includes potential recovery actions available to the board and management to respond to the situation, including immediate, intermediate and strategic actions
- Assesses how the group might recover as a result of these actions to avoid resolution.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk arises as a result of other risks manifesting and not being mitigated.

Risk management (continued)

We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. We also subscribe to sound corporate governance practices, which require that activities, processes and decisions are based on carefully considered principles.

We are aware of the impact of practices that may result in a breakdown of trust and confidence in the organisation. The group's policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

Pension risk

Pension risk arises from obligations arising from defined benefit pension schemes, where Investec plc is required to fund any deficit in the schemes.

There are two defined benefit schemes within Investec plc and both are closed to new business. Pension risk arises if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary sources at risk include:

- A mismatch in the duration of the assets relative to the liabilities
- Market-driven asset price volatility
- Increased life expectancy of individuals leading to increased liabilities.

Investec plc monitors the position of the funds closely and regularly assesses potential adverse movements in the schemes in close conjunction with external independent advisers.



Further information is provided on pages 92 to 95 in volume three.

Legal risk management

Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not give rise to the rights and remedies anticipated when the transaction was entered into.

Our objective is to identify, manage, monitor and mitigate legal risks throughout the group. We seek to actively mitigate these risks by identifying them, setting minimum standards for their management and allocating clear responsibility for such management to legal risk managers, as well as ensuring compliance through proactive monitoring.

The scope of our activities is continuously reviewed and includes the following areas:

- Relationship contracts
- Legislation/governance
- Litigation
- Corporate events
- Incident or crisis management
- Ongoing quality control.

The legal risk policy is implemented through:

- Identification and ongoing review of areas where legal risk is found to be present
- Allocation of responsibility for the development of procedures for management and mitigation of these risks
- Installation of appropriate segregation of duties, so that legal documentation is reviewed and executed with the appropriate level of independence from the persons involved in proposing or promoting the transaction
- Ongoing examination of the inter-relationship between legal risk and other areas of risk management, so as to ensure that there are no 'gaps' in the risk management process
- Establishing minimum standards for mitigating and controlling each risk. This is the nature and extent of work to be undertaken by our internal and external legal resources
- Establishing procedures to monitor compliance, taking into account the required minimum standards
- Establishing legal risk forums (bringing together the various legal risk managers) to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice.

Overall responsibility for this policy rests with the board. The board delegates responsibility for implementation of the policy to the global head of legal risk.

The global head assigns responsibility for controlling these risks to the managers of appropriate departments and focused units throughout the group.

A legal risk forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the global head of legal risk or an appointed deputy.

Conduct risk

UK and Other

As part of the regulatory restructure, the new FCA in the UK has outlined its approach to managing firms' conduct.

By conduct risk we mean the risk that detriment is caused to the bank, its customers, its counterparties or the market, as a result of inappropriate execution of business activities.

The focus on conduct risk is intended to go beyond the current compliance monitoring frameworks in order to move away from the culture of 'tick box' compliance. As a result, firms are expected to look across their business models and strategies and assess how to balance the pursuit of profits with good outcomes for clients and proper standards of market conduct. All firms will be expected to take an holistic approach to assessing their key conduct risks and to ensure that these are being managed in accordance with FCA's strategic objectives of protecting clients, ensuring markets function effectively and promoting competition.

The group's work on conduct risk, particularly in the UK, includes assessing key risks across the business, identifying key controls and ensuring that the board is receiving the right information to enable it to challenge effectively the management of risks by the business. This work is set to continue for the coming year and will aim to build on the existing controls such as the compliance monitoring, Treating Customers Fairly (TCF) and operational risk frameworks.

South Africa

The South African financial sector regulatory landscape has been under review for the last few years. A new regulatory structure is developing, and existing legislation is also being amended. The conduct of financial institutions is currently regulated under various pieces of legislation, and by various regulators.

The National Credit Act (NCA) regulates the credit industry, ensuring that credit providers guard against reckless lending and over-indebting customers. Amendments to the NCA will grant greater enforcement and rule-making powers to the National Credit regulator. The Financial Advisory and Intermediary Services Act (FAIS) regulates advice and intermediary services in relation to specific financial products. Risk and controls have been identified across the business, and these are reviewed and monitored regularly. Annual reports are also submitted to the regulators. FAIS is also being amended to include regulation of activities in relation to professional clients. The FSB has also introduced the Treating Customers Fairly (TCF) framework, which considers fairness outcomes for customers throughout the product lifecycle. A gap analysis is under way to assess the level of compliance with TCF, and to guide business on implementation and management reporting.

The draft Financial Sector Regulation Bill (Twin Peaks) proposes two new regulatory structures, the Prudential Authority and the Market Conduct Authority, incorporating portions of the Reserve Bank and the entire FSB structure. Financial institutions will be mono or dual regulated, depending on the activities they engage in.

Capital management and allocation

Capital measurement

Investec Limited (and its subsidiaries) and Investec plc (and its subsidiaries) are managed independently and have their respective capital bases ring-fenced, however, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital adequacy of both Investec Limited and Investec plc.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single, unified enterprise.

Investec Limited and Investec plc are separately regulated entities. They operate under different regulatory capital regimes, and therefore it is difficult to directly compare the regulatory capital adequacy of the two entities. The following provides a brief outline of the regulatory environment relevant to the group's capital management framework.

Regulatory capital – Investec Limited



Current regulatory framework

Investec Limited is supervised for capital purposes by the SARB on a consolidated basis.

Since 1 January 2013, Investec Limited has been calculating capital resources and requirements at a group level using the Basel III framework, as implemented in South Africa by the SARB, in accordance with the Bank's Act and all related regulations.

Investec Limited uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. Equity risk, capital is calculated using the IRB approach by applying the simple risk-weight method. The market risk capital requirement is measured using an internal risk management model, approved by the SARB.

Various subsidiaries of Investec Limited are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec Limited group that are monitored most closely. Nevertheless, where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. Management of each regulated entity, with the support of the group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

Regulatory capital – Investec plc



Current regulatory framework

Investec plc is authorised by the PRA and is regulated by the FCA and the PRA on a consolidated basis. Since 1 January 2014 Investec plc has been calculating capital resources and requirements at a group level using the Basel III framework, as implemented in the European Union through the Capital Requirements Directive IV (CRD IV). The group continues to phase

in the remaining CRD IV rule changes, notably the grandfathering provisions applicable to non-qualifying capital instruments (reducing by 10% per annum until fully derecognised in 2022) and the increase in the minimum regulatory capital ratios. With effect from 1 January 2015, the common equity tier 1 capital requirement increased from 4% to 4.5%, while the tier 1 capital requirement increased from 5.5% to 6%. The group continues to hold capital in excess of the new minimum requirements.

Investec plc have also implemented the PRA Pillar 2A rule change and has from 1 January 2015 met at least 56% of its individual capital guidance, as determined by the internal capital adequacy assessment and supervisory review process, with common equity tier 1 capital. During April 2015 the PRA issued the Investec plc group with a revised Pillar 2A requirement of 2.5% of risk-weighted assets effective from 30 April 2015, of which 1.4% has to be met from Common equity tier 1 capital.

The Investec plc group has changed significantly during the financial year due to three strategic disposals, namely the sale of Investec Bank (Australia) Limited and the sales of the Start Mortgage Holdings Limited and the Kensington Group plc. Further information on these disposals can be found on page 22 in volume one.

Investec plc uses the standardised approach to calculate its credit and counterparty credit risk, securitisation and operational risk capital requirements. The mark-to-market method is used to calculate the counterparty credit risk exposure amount. The market risk capital requirement is calculated using standard rules. The group has obtained permission from its regulator to apply an internal risk management model when netting certain over-the-counter (OTC) derivative options within its portfolio.

Subsidiaries of Investec plc may be subject to additional regulations, as implemented by local regulators in other relevant jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. For capital management purposes, it is the prevailing rules applied to the consolidated Investec plc group that are monitored closely. With the support of the group's capital management function, local management of each regulated entity

ensures that capital remains prudently above minimum requirements at all times.

Regulatory considerations

The regulatory environment has continued to evolve during 2015, with a vast number of new consultations, regulatory and implementing technical standards and other proposals being published or adopted, notably by the PRA, the BCBS, European Banking Authority (EBA) and the SARB.

International

Counterparty credit risk

The BCBS continues to review the capital framework and its balance of simplicity, comparability and risk sensitivity. In March 2014, the BCBS published a final standardised approach for measuring counterparty credit risk exposures. The new standardised approach replaces both the Current Exposure Method and the Standardised Method and will apply to OTC derivatives, exchange-traded derivatives and long settlement transactions. In August 2014, the BCBS published a technical paper explaining the different modelling assumptions used in developing this new approach. The new standardised approach for counterparty credit risk will take effect from 1 January 2017.

Pillar 3 disclosures

In June 2014, the BSCS consulted on revisions to the Pillar 3 disclosure requirements, to promote greater consistency in the way banks disclose information about risks, as well as their risk measurement and management. The review proposed greater use of templates to achieve consistency. The final standard was published in January 2015 and will take effect from year end 2016 (Investec's first disclosure will be for the financial year end March 2017).

Operational risk

In October 2014, the BCBS proposed revisions to the standardised approach for measuring operational risk capital. Once finalised, the revised standardised approach will replace the non-model based approaches, which comprise the basis indicator approach, the standardised approach and the alternative standardised approach. No implementation timeframe has been set.

Market risk

The BCBS continues to consult on the fundamental review of the trading book, and in December 2014 issued a third

consultation paper, addressing outstanding issues. The proposals make further refinements to the new proposed market risk framework. A further Quantitative Impact Study (QIS) will be carried out in early 2015 to inform the final calibration of the new framework. The final standard will be published once all comments and the results of the QIS exercise have been assessed by the committee. No formal implementation date has been published by the BCBS to date.

Securitisation risk

In December 2014, the BCBS published the revised securitisation framework, which aims to address a number of shortcomings in the Basel II securitisation framework and to strengthen the capital standards for securitisations held in the banking book. The framework will take effect in January 2018. The revised framework has been through multiple consultation processes and two separate QIS exercises to ensure the standard is appropriately calibrated and refined.

Credit risk

In addition to the above reforms, the BCBS released a consultation paper in late December 2014 recommending changes to the current standardised approach. The committee seeks to substantially improve the standardised approach for credit risk in a number of ways, including reducing the reliance on external credit ratings, increasing risk sensitivity, reducing national discretions, and more importantly strengthening the link between the standardised approach and the internal ratings-based approach so as to enhance comparability of capital requirements across banks. The committee will conduct a comprehensive QIS as part of the Basel III monitoring exercise collecting data as of end December 2014. This information will help inform the overall calibration of the new standard before the final standard is published. The committee will consider this proposal along with all other reforms currently under discussion to ensure sufficient time is given for implementation, including providing appropriate grandfathering provisions where appropriate.

The revised standards published by the BCBS will need to be adopted by the European Commission and SARB before they become binding on UK firms and South African Banks, respectively.

UK

Pillar 2 framework

With effect from 1 January 2015, the PRA requires firms to meet at least 56% of their individual capital guidance under the Pillar 2A capital framework with Common equity tier 1 capital. Previously the individual capital guidance, which is determined by the internal capital adequacy assessment and supervisory review process, could be met with total capital.

In January 2015, the PRA released a consultation paper proposing changes to their Pillar 2 framework, including introducing the PRA's methodologies for setting Pillar 2 capital. In addition the PRA proposed to introduce the PRA buffer, which will replace the current Capital Planning Buffer (known as Pillar 2B). The PRA buffer will be met from Common equity tier 1 capital, and will transition in from January 2016 at 25%, increasing by 25% in each consecutive year until fully phased in by January 2019. All firms will be subject to a PRA buffer assessment and the PRA will set a PRA buffer only if it judges that the CRD IV buffers (capital conservation buffer and systemic risk buffer, if applicable) are inadequate for a particular firm given its vulnerability in a stress scenario, or where the PRA has identified risk management and governance failings, which the CRD IV buffers are not intended to address. To address weak risk management and governance, the PRA proposes applying a scalar ranging from 10% to 40% of a firm's Common equity tier 1 Pillar 1 plus Pillar 2A capital requirement. The PRA is expected to issue final rules in July 2015, ahead of implementation on 1 January 2016.

Capital buffers

In April 2014, the PRA published its final rules and supervisory statement to implement the CRD IV provisions on capital buffers in the UK. The CRD IV creates a combined capital buffer that all firms will be expected to meet in addition to their Pillar 1 and Pillar 2 capital requirements. The combined buffer will include the capital conservation buffer, countercyclical capital buffer, buffer for globally systemically important institutions (G-SIIs) and the systemic risk buffer (if applicable) and must be met with Common equity tier 1 capital. These buffers will be phased in from 1 January 2016. Firms that do not meet their combined buffer shall face restrictions on their distributions.

The CRD IV rules also require HM Treasury to designate authorities responsible for setting certain CRD IV buffers in the UK.

From 1 May 2014 the Bank of England is the designated authority for the countercyclical capital buffer (CCB) with policy decisions delegated to the Financial Policy Committee (FPC). At the FPC's policy meeting held in March 2015, the committee chose to maintain the CCB buffer rate for UK exposures at 0%.

The PRA will be responsible for identifying G-SIIs and setting their buffers and will also be responsible for identifying other systemically important institutions from 1 January 2016.

Leverage ratio

In July 2014, the FPC launched a consultation on the design of the leverage ratio framework for the UK. In November 2013, the Chancellor of the Exchequer asked the FPC to conduct a review into the role for the leverage ratio within the capital framework for UK banks, and to consider the case for the FPC having the power to implement a leverage ratio requirement ahead of the international timetable, or to set a higher baseline ratio in some circumstances for UK banks. The FPC issued its final report in October 2014 introducing a leverage ratio framework ahead of the international timetable for G-SIIs and other major domestic UK banks and building societies. The final recommendations included a minimum leverage ratio requirement of 3% to be implemented immediately, a supplementary leverage ratio buffer of 35% of corresponding risk-weighted systemic buffer rates, and a countercyclical leverage ratio buffer of 35% of the relevant risk-weighted countercyclical capital buffer rates applicable from 2018. The minimum leverage ratio requirement and countercyclical leverage ratio buffer will also apply to all PRA regulated banks, building societies and investment firms from 2018, subject to a review of progress of the international standards in 2017.

Europe

Leverage ratio

In October 2014, the European Commission adopted the leverage ratio delegated Act, establishing a common definition of the leverage ratio for EU banks which will be the basis for publishing the leverage ratio from the beginning of 2015 onwards. It does not introduce a binding leverage ratio. A decision on whether or not to introduce a binding leverage ratio will only be made in 2016. The Act aims to align the leverage ratio currently included in the Capital Requirements Regulation with the internationally agreed BCBS standard.

Capital targets

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec Limited and Investec plc have always held capital in excess of regulatory requirements and the individual groups continue to remain well capitalised. Accordingly, we are targeting a minimum Common equity tier 1 capital ratio of above 10% by March 2016, a tier 1 capital ratio of above 11% by March 2016 (current 10.5% target) and a total capital adequacy ratio target in the range of 14% to 17%. These targets are continuously assessed for appropriateness.

The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood, prepared and planned for. To allow the committee to carry out this function, the group's Regulatory and Capital Management teams closely monitor regulatory developments and regularly present to the committee on the latest developments and proposals. As part of any assessment, the committee is provided with analysis setting out the group's capital adequacy position, taking into account the most up-to-date interpretation of the rule changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored and understood.

Management of leverage

At present Investec Limited calculates and reports its leverage ratio based on the latest SARB regulations. The leverage ratio is a non-risk-based measure intended to prevent excessive build up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of 4% from 1 January 2018. Following guidance from the SARB, Investec applies the rules as outlined in the most recent BCBS publication.

In the UK, the leverage ratio is a non-risk-based measure, with public disclosure applicable from 1 January 2015, applying the rules set out in the leverage ratio delegated Act. The leverage ratio is subject to a monitoring period from 1 January 2014

to 30 June 2016, at which point the EBA will report to the European Commission suggesting adequate calibration and appropriate adjustments to the capital and total exposure measure.

As with the governance of capital management, the DLC capital committee is responsible for ensuring that the impact of any regulatory changes on the leverage ratio is calculated, analysed and understood at all reporting levels.

Leverage ratio target

Investec is currently targeting a leverage ratio above 6%, but will continue to reassess this target for appropriateness pending the outcome of the EBA's report in 2016.

Capital management

Philosophy and approach

Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital, as appropriate to that jurisdiction, and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate for the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns.

Our internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Provide protection to depositors against losses arising from risks inherent in the business

Internal capital requirements are quantified by analysis of the potential impact of key risks to a degree consistent with our risk appetite

- Strategic and reputational risks
- Pension risk (UK only)
- Operational risk, which is considered as an umbrella term and covers a range of independent risks including, but not limited to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant review of the underlying business environment.

Capital planning and stress/scenario testing

A group capital plan is prepared and maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the board (via the BRCC) with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital planning is performed regularly, with regulatory capital being the key driver of decision-making. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC capital committee after research and consultation with relevant internal experts. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite.

The output of capital planning allows senior management to make decisions to ensure that the group continues to hold sufficient capital to meet its regulatory and internal capital targets. On certain occasions, especially under stressed scenarios, management may plan to undertake a number of actions. Assessment of the relative merits of undertaking various actions is then considered using an internal view of relative returns across portfolios which are themselves based on internal assessments of risk and capital.

Our capital plans are designed to allow senior management and the board to review:

- Changes to capital demand caused by implementation of agreed strategic objectives, including the creation or acquisition of new businesses, or as a result of the manifestation of one or more of the risks to which we are potentially susceptible
- The impact on profitability of current and future strategies
- Required changes to the capital structure
- The impact of implementing a proposed dividend strategy
- The impact of alternate market or operating conditions on any of the above.

At a minimum level, each capital plan assesses the impact on our capital adequacy over expected case, upturn and downturn scenarios. On the basis of the results of this analysis, the DLC capital committee and the BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the board, for consideration of the appropriate response.

Pricing and performance measurement

The use of internal capital as an allocation tool means that all transactions are considered in the context of their contribution to return on risk-adjusted capital. This ensures that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. Using expectations of risk-based returns as the basis for pricing and deal acceptance ensures that risk management retains a key role in ensuring that the portfolio is appropriately managed for that risk.

In addition to pricing, returns on internal capital are monitored and relative performance is assessed on this basis. Assessment of performance in this way is a fundamental consideration used in setting strategy and risk appetite as well as rewarding performance.

These processes have been embedded across the business with the process designed to ensure that risk and capital management form the basis for key

decisions at both a group and at a transactional level. Responsibility for oversight for each of these processes ultimately falls to the BRCC.



For an assessment of return on equity and our return on internal capital utilised refer to pages 50 to 52 in volume one.

Accounting and regulatory treatment of group subsidiaries

Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank plc and Investec Bank Limited are the main banking subsidiaries of Investec plc and Investec Limited, respectively.

Basis of consolidation

The regulatory basis of consolidation differs from the basis of consolidation used for financial reporting purposes. The financial accounting position of the DLC group is reported under IFRS and is described on page 22 of the annual financial statements.

The regulatory consolidation includes all financial sector subsidiaries, the majority of which are wholly owned by the relevant parent company. Investments in financial sector associates that are equity accounted in the financial accounting consolidation, whereas their exposures are proportionally consolidated in the regulatory consolidation. Subsidiaries and associates engaged in non-financial activities are excluded from the regulatory consolidation. In addition SPEs are not consolidated for regulatory purposes, where significant credit risk has been transferred to third parties. The positions the firm continues to hold in these securitisation SPEs will either be risk-weighted and/or deducted from common equity tier 1 capital.

Investec Bank plc, a regulated subsidiary of Investec plc, applies the provisions laid down in article 9 of the Capital Requirements Regulation (solo-consolidation waiver) and reports to the PRA on a solo-consolidation basis. Investec Bank plc has two solo-consolidation subsidiaries namely Investec Finance plc and Investec Investments (UK) Limited.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

Regulatory capital requirements are driven by the regulatory balance sheet and not the financial accounting balance sheet.

Regulatory capital and requirements

For regulatory capital purposes, our regulatory capital is divided into three main categories, namely common equity tier 1, tier 1 and tier 2 capital as follows:

- Common equity tier 1 capital comprises shareholders' equity and related eligible non-controlling interests after giving effect to deductions for disallowed items (for example, goodwill and intangible assets) and other adjustments
- Additional tier 1 capital includes qualifying capital instruments that are capable of being fully and permanently written down or converted into common equity tier 1 capital at the point of non-viability of the firm, and other additional tier 1 instruments, which no longer qualify as additional tier 1 capital and are subject to grandfathering provisions and related eligible non-controlling interests
- Tier 2 capital comprises qualifying subordinated debt and related eligible non-controlling interests and other tier 2 instruments, which no longer qualify as tier 2 capital and are subject to grandfathering provisions.

Capital disclosures

The composition of our regulatory capital under a Basel III/CRD IV basis is provided in the table below.

Risk management (continued)



Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 96 to 107 in volume three.

Capital structure and capital adequacy

At 31 March 2015	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Tier 1 capital				
Shareholders' equity	1 699	1 749	24 988	27 365
Shareholders' equity per balance sheet	1 914	1 800	28 811	28 899
Perpetual preference share capital and share premium	(150)	–	(3 183)	(1 534)
Equity holding in deconsolidated entities	–	–	(640)	–
Deconsolidation of special purpose entities	(65)	(51)	–	–
Non-controlling interests	9	–	–	–
Non-controlling interests per balance sheet	160	1	4 631	–
Non-controlling interests excluded for regulatory purposes	–	–	(4 631)	–
Non-controlling interests transferred to tier 1	(144)	–	–	–
Non-controlling interests in deconsolidated entities	–	(1)	–	–
Surplus non-controlling interest disallowed in common equity tier 1	(7)	–	–	–
Regulatory adjustments to the accounting basis	(44)	(15)	1 134	1 140
Defined benefit pension fund adjustment	(29)	–	–	–
Additional value adjustments	(15)	(15)	–	–
Cash flow hedging reserve	–	–	1 134	1 140
Deductions	(485)	(394)	(291)	(190)
Goodwill and intangible assets net of deferred taxation	(473)	(382)	(291)	(190)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(8)	(8)	–	–
Securitisation positions	(4)	(4)	–	–
Common equity tier 1 capital	1 179	1 340	25 831	28 315
Additional tier 1 capital	205	–	4 584	1 073
Additional tier 1 instruments	274	–	5 267	1 534
Phase out of non-qualifying Additional Tier 1 instruments	(69)	–	(1 415)	(461)
Non-qualifying surplus capital attributable to non-controlling interests	–	–	(61)	–
Non-controlling interests in non-banking entities	–	–	793	–
Tier 1 capital	1 384	1 340	30 415	29 388

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

° The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and EBA technical standards. The impact of the final proposed ordinary and preference dividends totalling £57 million for Investec plc and £15 million for IBP would be around 50bps and 10bps, respectively.

Risk management (continued)

Capital structure and capital adequacy (continued)

At 31 March 2015	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Tier 2 capital	556	590	9 213	10 319
Collective impairment allowances	–	–	169	169
Tier 2 instruments	610	590	10 449	10 449
Phase out of non-qualifying tier 2 instruments	–	–	(299)	(299)
Non-qualifying surplus capital attributable to non-controlling interests	(54)	–	(1 106)	–
Total regulatory capital	1 940	1 930	39 628	39 707
Risk-weighted assets	11 608	10 967	269 466	257 931
Capital ratios				
Common equity tier 1 ratio	10.2%	12.2%	9.6%	11.0%
Tier 1 ratio	11.9%	12.2%	11.3%	11.4%
Total capital adequacy ratio	16.7%	17.6%	14.7%	15.4%

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

Risk management (continued)

Capital structure and capital adequacy (continued)

At 31 March 2014**	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Tier 1 capital				
Shareholders' equity	1 843	1 886	22 641	24 067
Shareholders' equity per balance sheet	2 092	1 915	26 490	25 601
Perpetual preference share capital and share premium	(150)	–	(3 183)	(1 534)
Equity holding in deconsolidated entities	–	–	(666)	–
Deconsolidation of special purpose entities	(99)	(29)	–	–
Non-controlling interests	4	(3)	470	–
Non-controlling interests per balance sheet	177	(3)	3 102	–
Non-controlling interests excluded for regulatory purposes	–	–	(2 632)	–
Non-controlling interests transferred to tier 1	(165)	–	–	–
Surplus non-controlling interest disallowed in common equity tier 1	(8)	–	–	–
Regulatory adjustments to the accounting basis	(32)	(11)	521	522
Defined benefit pension fund adjustment	(20)	–	–	–
Unrealised gains on available-for-sale equities	(7)	(7)	–	–
Additional value adjustments	(12)	(11)	–	–
Cash flow hedging reserve	7	7	521	522
Deductions	(608)	(480)	(221)	(102)
Goodwill and intangible assets net of deferred taxation	(558)	(431)	(221)	(102)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(38)	(38)	–	–
Securitisation positions	(4)	(3)	–	–
Connected funding of a capital nature	(8)	(8)	–	–
Common equity tier 1 capital	1 207	1 392	23 411	24 487
Additional tier 1 capital	234	–	3 764	1 227
Additional tier 1 instruments	295	–	4 717	1 534
Phase out of non-qualifying Additional Tier 1 instruments	(61)	–	(943)	(307)
Non-qualifying surplus capital attributable to non-controlling interests	–	–	(10)	–
Tier 1 capital	1 441	1 392	27 175	25 714

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

° The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and EBA technical standards. The impact of the final proposed ordinary and preference dividends totalling £61 million for Investec plc and £32 million for IBP would be around 40bps and 30bps, respectively.

** The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.

Risk management (continued)

Capital structure and capital adequacy (continued)

At 31 March 2014**	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Tier 2 capital	662	637	9 846	10 670
Collective impairment allowances	–	–	172	172
Tier 2 instruments	686	642	10 498	10 498
Phase out of non-qualifying tier 2 instruments	–	(3)	–	–
Non-qualifying surplus capital attributable to non-controlling interests	(24)	(2)	(824)	–
Total regulatory capital	2 103	2 029	37 021	36 384
Risk-weighted assets	13 711	12 668	248 040	238 396
Capital ratios				
Common equity tier 1 ratio	8.8%	11.0%	9.4%	10.3%
Tier 1 ratio	10.5%	11.0%	11.0%	10.8%
Total capital adequacy ratio	15.3%	16.0%	14.9%	15.3%

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

** The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.

Risk management (continued)

Capital requirements

At 31 March 2015	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Capital requirements	929	878	26 946	25 794
Credit risk – prescribed standardised exposure classes	649	634	19 826	19 073
Corporates	287	285	12 167	11 505
Secured on real estate property	133	133	1 923	1 923
Short-term claims on institutions and corporates	–	–	3 308	3 242
Retail	36	36	549	549
Institutions	36	33	872	872
Other exposure classes	146	136	302	277
Securitisation exposures	11	11	705	705
Equity risk	11	11	3 834	4 297
Listed equities	4	4	332	847
Unlisted equities	7	7	3 502	3 450
Counterparty credit risk	35	35	576	576
Credit valuation adjustment risk	3	4	32	32
Market risk	74	71	342	324
Interest rate	26	26	88	88
Foreign exchange	20	17	113	113
Commodities	–	–	10	10
Equities	23	23	131	113
Options	5	5	–	–
Operational risk – standardised approach	157	123	2 336	1 492
At 31 March 2014				
Capital requirements	1 097	1 014	24 804	23 840
Credit risk – prescribed standardised exposure classes	830	787	18 308	17 611
Corporates	298	294	11 082	10 418
Secured on real estate property	161	154	1 601	1 601
Short-term claims on institutions and corporates	–	–	2 732	2 722
Retail	102	102	544	544
Institutions	41	38	1 064	1 064
Other exposure classes	218	189	199	176
Securitisation exposures	10	10	1 086	1 086
Equity risk	21	21	3 325	3 865
Listed equities	5	5	217	757
Unlisted equities	16	16	3 108	3 108
Counterparty credit risk	22	22	550	550
Credit valuation adjustment risk	16	16	98	98
Market risk	55	52	473	395
Interest rate	21	21	117	117
Foreign exchange	8	5	98	98
Securities underwriting	1	1	–	–
Commodities	–	–	5	5
Equities	22	22	253	175
Options	3	3	–	–
Operational risk – standardised approach	153	116	2 050	1 321

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

Risk management (continued)

Risk-weighted assets

At 31 March 2015	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Risk-weighted assets	11 608	10 967	269 466	257 931
Credit risk – prescribed standardised exposure classes	8 111	7 923	198 255	190 717
Corporates	3 588	3 561	121 671	115 047
Secured on real estate property	1 657	1 657	19 230	19 230
Short-term claims on institutions and corporates	–	–	33 084	32 420
Retail	453	450	5 488	5 488
Institutions	450	410	8 717	8 717
Other exposure classes	1 822	1 704	3 020	2 770
Securitisation exposures	141	141	7 045	7 045
Equity risk	140	140	38 346	42 967
Listed equities	52	52	3 324	8 472
Unlisted equities	88	88	35 022	34 495
Counterparty credit risk	436	436	5 762	5 762
Credit valuation adjustment risk	42	47	324	324
Market risk	922	888	3 424	3 240
Interest rate	328	328	878	878
Foreign exchange	246	212	1 134	1 134
Commodities	–	–	96	96
Equities	291	291	1 316	1 132
Options	57	57	–	–
Operational risk – standardised approach	1 957	1 533	23 355	14 921
At 31 March 2014				
Risk-weighted assets	13 711	12 668	248 040	238 396
Credit risk – prescribed standardised exposure classes	10 374	9 844	183 080	176 112
Corporates	3 728	3 683	110 817	104 181
Secured on real estate property	2 007	1 923	16 011	16 011
Short-term claims on institutions and corporates	–	–	27 319	27 215
Retail	1 281	1 278	5 441	5 441
Institutions	506	473	10 644	10 644
Other exposure classes	2 729	2 364	1 987	1 759
Securitisation exposures	123	123	10 861	10 861
Equity risk	267	267	33 250	38 653
Listed equities	62	62	2 167	7 570
Unlisted equities	205	205	31 083	31 083
Counterparty credit risk	271	271	5 503	5 503
Credit valuation adjustment risk	194	194	976	976
Market risk	689	648	4 731	3 947
Interest rate	262	262	1 174	1 174
Foreign exchange	98	57	978	978
Securities underwriting	13	13	–	–
Commodities	–	–	50	50
Equities	276	276	2 529	1 745
Options	40	40	–	–
Operational risk – standardised approach	1 916	1 444	20 500	13 205

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

Investec plc

Movement in risk-weighted assets

Total risk-weighted assets (RWAs) have decreased by 15% over the period, predominantly within credit risk RWAs.

Credit risk RWAs

For Investec plc consolidated reporting, we have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs, which include equity risk, decreased by £2.4 billion. The decrease is primarily attributable to the strategic disposals, partially offset by strong loan growth across various business lines in our core loan book.

Counterparty credit risk RWAs and Credit Valuation Risk (CVA)

Counterparty credit risk RWAs increased by £165 million mainly due to increased trading volumes, while CVA RWAs decreased by £152 million driven by the application of CVA exemptions, post an internal review.

Market risk RWAs

We apply the standardised approach for calculating market risk RWAs. Market risk RWAs increased by £233 million, primarily due to an increase in foreign exchange risk, driven by the removal of an Australian Dollar hedge.

Operational risk RWAs

Operational risk RWAs are calculated using the standardised approach and increased by £41 million. The increase is due to a higher three-year average operating income.

Investec Limited

Movement in risk-weighted assets

Total RWAs grew by 8.6% over the period, with approximately 71% of this growth attributable to credit risk, 24% to equity risk and the remaining risk types contributing the balance.

Credit risk RWAs

For Investec Limited consolidated reporting, we have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs grew by R15.2 billion with strong growth across the various businesses, including Corporate and Institutional Banking and Private Client Lending. While a portion of this growth is due to currency movement on foreign-denominated assets, the majority is the result of consistent growth across multiple asset classes, the most noticeable being term and short-dated corporate lending and lending secured by residential real estate. The impact of Basel III and the associated enhancements to the Banks Act by the South African Reserve Bank were implemented in 2013, and there has been minimal change in the methodology governing the calculation of required capital during the 2015 financial year.

Counterparty credit risk and credit valuation adjustment RWAs

Counterparty credit risk RWAs increased marginally by R259 million, driven by higher trading volumes and market fundamentals, while CVA over the period decreased by R652 million. While proportionally a large decrease, this figure is volatile due to the nature of the SARB CVA exemption notice which only implemented a CVA capital

charge against foreign currency OTCs with foreign counterparties. CVA was implemented as part of Basel III in South Africa and captures the risk of deterioration in the credit quality of a bank's OTC derivative counterparties. For the 2016 financial year, the SARB has withdrawn its exemption notice, resulting in a full implementation of CVA in South Africa as per Basel III. This will result in a significantly higher (but more stable) CVA RWAs for all banks going forward. We currently apply the standardised approach to the calculation of the CVA capital requirement.

Equity risk RWAs

Equity risk grew by approximately R5.1 billion over the period. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equities 424%.

The impact of this is a proportionally much larger increase in RWAs than the associated balance sheet equity value. The growth is attributable to new investments and revaluations of existing assets.

Market risk RWAs

Market Risk RWAs are calculated using the Value at Risk (VaR) approach and has shown a reduction due to reduced market volatility local and a portfolio that exhibits better overall hedging.

Operational risk RWAs

Operational risk is calculated using the standardised approach and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

Risk management (continued)

Movement in total regulatory capital

The table below analyses the movement in common equity tier 1, additional tier 1 and tier 2 capital during the year.

Total regulatory capital flow statement

At 31 March 2015	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	1 207	1 392	23 411	24 487
New capital issues	25	–	682	–
Dividends	(121)	(172)	(2 058)	(135)
(Loss)/profit after taxation	(31)	110	5 182	3 128
Treasury shares	(55)	–	(1 205)	–
Gain on transfer of non-controlling interests	(1)	–	798	–
Share-based payment adjustments	35	4	506	–
Movement in other comprehensive income	(46)	(53)	(56)	305
Goodwill and intangible assets (deduction net of related taxation liability)	85	49	(71)	(88)
Deferred taxation that relies on future profitability (excluding those arising from temporary differences)	30	30	–	–
Deconsolidation of special purpose entities	34	(22)	–	–
Transfer of non-controlling interest in non-banking entities to additional tier 1	–	–	(471)	–
Other, including regulatory adjustments and transitional arrangements	17	2	(887)	618
Closing common equity tier 1 capital	1 179	1 340	25 831	28 315
Opening additional tier 1 capital	234	–	3 764	1 227
New additional tier 1 capital issues	–	–	550	–
Other, including regulatory adjustments and transitional arrangements	(29)	–	(523)	(154)
Transfer of non-controlling interests in non-banking entities from common equity tier 1	–	–	793	–
Closing additional tier 1 capital	205	–	4 584	1 073
Closing tier 1 capital	1 384	1 340	30 415	29 388
Opening tier 2 capital	662	637	9 846	10 670
Redeemed capital	(13)	(13)	(250)	(250)
Collective impairment allowances	–	–	(2)	(2)
Sale of subsidiaries	(63)	(39)	–	–
Other, including regulatory adjustments and transitional arrangements	(30)	5	(381)	(99)
Closing tier 2 capital	556	590	9 213	10 319
Closing total regulatory capital	1 940	1 930	39 628	39 707

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

Risk management (continued)

Total regulatory capital flow statement (continued)

At 31 March 2014**	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Restated common equity tier 1 capital	1 210	1 402	20 030	22 331
New capital issues	16	20	275	–
Dividends	(70)	–	(2 002)	(183)
Profit after taxation	93	52	4 094	2 150
Treasury shares	(58)	–	(770)	–
Gain on transfer of non-controlling interests	73	–	1 449	–
Share-based payment adjustments	37	–	485	–
Movement in other comprehensive income	(51)	(42)	428	125
Goodwill and intangible assets (deduction net of related taxation liability)	40	41	14	(12)
Deferred taxation that relies on future profitability (excluding those arising from temporary differences)	(38)	(38)	–	–
Deconsolidation of special purpose entities	(31)	(34)	–	–
Other, including regulatory adjustments and transitional arrangements	(14)	(9)	(592)	76
Closing common equity tier 1 capital	1 207	1 392	23 411	24 487
Opening additional tier 1 capital	295	–	4 222	1 381
Other, including regulatory adjustments and transitional arrangements	(61)	–	(458)	(154)
Closing additional tier 1 capital	234	–	3 764	1 227
Closing tier 1 capital	1 441	1 392	27 175	25 714
Opening tier 2 capital	834	681	10 526	11 493
New tier 2 capital issues	–	–	1 005	1 005
Amortisation adjustments	(27)	(15)	–	–
Redeemed capital	–	–	(3 003)	(3 003)
Collective impairment allowances	(120)	(20)	50	50
Other, including regulatory adjustments and transitional arrangements	(25)	(9)	1 268	1 125
Closing tier 2 capital	662	637	9 846	10 670
Opening other deductions from total capital	(57)	(54)	–	–
Connected funding of a capital nature	6	6	–	–
Investments that are not material holdings or qualifying holdings	51	48	–	–
Closing other deductions from total capital	–	–	–	–
Closing total regulatory capital	2 103	2 029	37 021	36 384

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

** The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.

Risk management (continued)

A summary of capital adequacy and leverage ratios

At 31 March 2015	Investec plc ^{**}	IBP [°]	Investec Limited [*]	IBL [*]
Common equity tier 1 (as reported)	10.2%	12.2%	9.6%	11.0%
Common equity tier 1 (fully loaded) ^{^^}	10.2%	12.2%	9.5%	10.9%
Tier 1 (as reported)	11.9%	12.2%	11.3%	11.4%
Total capital adequacy ratio (as reported)	16.7%	17.6%	14.7%	15.4%
Leverage ratio ^{**} – permanent capital	8.1%	7.6%	8.5% [#]	8.5% [#]
Leverage ratio ^{**} – current	7.7%	7.6%	8.1% [#]	8.3% [#]
Leverage ratio ^{**} – 'fully loaded' ^{^^}	6.6%	7.6%	7.2% [#]	8.0% [#]

At 31 March 2014 ^{##}	Investec plc ^{**}	IBP [°]	Investec Limited [*]	IBL [*]
Common equity tier 1 (as reported)	8.8%	11.0%	9.4%	10.3%
Common equity tier 1 (fully loaded) ^{^^}	8.9%	11.0%	9.3%	10.2%
Tier 1 (as reported)	10.5%	11.0%	11.0%	10.8%
Total capital adequacy ratio (as reported)	15.3%	16.0%	14.9%	15.3%
Leverage ratio ^{**} – permanent capital	7.7%	7.4%	8.1% [#]	7.9% [#]
Leverage ratio ^{**} – current	7.4%	7.4%	7.8% [#]	7.9% [#]
Leverage ratio ^{**} – 'fully loaded' ^{^^}	6.2%	7.4%	6.7% [#]	7.5% [#]

Reconciliation of leverage ratios	Investec plc £'million [*]	IBP £'million [*]	Investec Limited R'million [*]	IBL R'million [*]
At 31 March 2015				
Total assets per accounting balance sheet	18 272	17 943	473 633	332 706
Deconsolidation of non-financial/other entities	(369)	(372)	(113 905)	–
Consolidation of banking associates	20	12	–	–
Total assets per regulatory balance sheet	17 923	17 583	359 728	332 706
Reversal of accounting values:				
Derivatives	(772)	(803)	(15 177)	(15 178)
Regulatory adjustments:	792	964	32 318	35 203
Derivatives market value	264	289	7 574	8 081
Derivative add-on amounts per the mark-to-market method	449	452	4 842	5 108
Securities financing transaction add-on for counterparty credit risk	324	324	(3 420)	(2 756)
Off-balance sheet items	315	301	24 253	24 960
Add-on for written credit derivatives	7	7	–	–
Exclusion of items already deducted from the capital measure	(567)	(409)	(931)	(190)
Exposure measure	17 943	17 744	376 869	352 731
Tier 1 capital	1 384	1 340	30 415	29 388
Leverage ratio ^{**} – current	7.7%	7.6%	8.1%	8.3%
Tier 1 capital fully 'loaded' ^{^^}	1 179	1 340	27 174	28 315
Leverage ratio ^{**} – 'fully loaded' ^{^^}	6.6%	7.6%	7.2%	8.0%

^{*} Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

[°] The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and EBA technical standards. The impact of the final proposed ordinary and preference dividends totalling £57 million for Investec plc and £15 million for IBP would be around 50bps and 10bps, respectively. At 31 March 2014 the impact of the final proposed ordinary and preference dividends totalling £61 million for Investec plc and £32 million for IBP would be around 40bps and 30bps, respectively.

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

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

[#] Based on revised BCBS rules.

^{##} The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.

Analysis of rated counterparties in each standardised credit risk exposure class

Investec plc

The table below shows the breakdown of rated credit risk exposures by credit quality step.

Credit quality step	31 March 2015		31 March 2014	
	Exposure £'million	Exposure after credit risk mitigation £'million	Exposure £'million	Exposure after credit risk mitigation £'million
Central banks and sovereigns				
1	3 374	3 374	3 187	2 950
2	23	23	–	–
3	–	–	–	–
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Institutions*				
1	279	279	281	281
2	663	549	990	903
3	52	52	131	131
4	2	2	35	35
5	–	–	2	2
6	–	–	–	–
Corporates				
1	–	–	5	5
2	–	–	15	15
3	–	–	2	1
4	–	–	7	7
5	6	6	19	19
6	–	–	–	–
Securitisation positions				
1	184	184	171	171
2	56	56	20	20
3	76	76	34	26
4	1	1	5	1
5	–	–	–	–
Re-securitisation positions				
1	–	–	15	15
2	3	3	9	9
3	–	–	4	4
4	–	–	–	–
5	–	–	–	–
Total rated counterparty exposure	4 719	4 605	4 932	4 595

* The institutions exposure class includes exposures to institutions with an original effective maturity of more than and less than three months.

Risk management (continued)

Analysis of rated counterparties in each standardised credit exposure class

Investec Limited

The capital requirement disclosed as held against credit risk includes a small amount of capital held for counterparty credit risk, mainly within the group's trading businesses. On the basis of materiality, no detail has been provided on this risk in the following analysis.

The table below shows the exposure amounts associated with the credit quality steps.

Credit quality step	31 March 2015		31 March 2014	
	Exposure R'million	Exposure after credit risk mitigation R'million	Exposure R'million	Exposure after credit risk mitigation R'million
Central banks and sovereigns				
1	38 800	38 800	40 716	40 716
2	–	–	–	–
3	–	–	176	176
4	113	113	–	–
5	164	164	105	105
6	–	–	–	–
Institutions original effective maturity of more than three months				
1	390	390	–	–
2	9 131	7 761	12 531	11 818
3	8 283	7 195	7 430	7 167
4	–	–	527	527
5	61	61	–	–
6	180	180	–	–
Short-term claims on institutions				
1	3 524	3 524	1 480	1 480
2	11 398	11 398	11 753	11 753
3	12 719	12 451	15 210	15 210
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Corporates				
1	727	727	2 387	2 074
2	2 454	1 363	3 652	2 678
3	7 991	5 596	5 885	4 350
4	1 624	1 245	451	418
5	–	–	–	–
6	–	–	–	–
Securitisation positions				
1	322	322	793	793
2	1 465	1 465	5 353	4 540
3	1 018	915	2 756	1 437
4	214	214	267	267
5	909	909	1 668	1 668
Total rated counterparty exposure	101 487	94 793	113 140	107 177

Risk management (continued)

Credit ratings

In terms of our dual listed companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned separate ratings to the significant banking entities within the group, namely Investec Bank plc and Investec Bank Limited. Certain rating agencies have also assigned ratings to the holding companies, namely, Investec plc and Investec Limited. Our ratings at 10 June 2015 are as follows:

Rating agency	Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited	Investec plc	Investec Bank plc – a subsidiary of Investec plc
Fitch				
Long-term ratings				
Foreign currency	BBB-	BBB- A+(zaf)		BBB-
National				
Short-term ratings				
Foreign currency	F3	F3 F1(zaf)		F3
National				
Viability rating	bbb-	bbb-		bbb-
Support rating	5	3		5
Moody's				
Long-term ratings				
Foreign currency		Baa2 A1(zaf)	Baa3	A3
National				
Short-term ratings				
Foreign currency		Prime-2 P-1(zaf)	Prime-3	Prime-2
National				
Baseline Credit Assessment (BCA) and adjusted BCA		baa2		baa3
S&P				
Long-term ratings				
Foreign currency		BBB- za.AA		
National				
Short-term ratings				
Foreign currency		A-3 za.A-1		
National				
Global Credit Ratings				
Local currency				
Long-term rating		AA-(za) A1+(za)		BBB+ A2
Short-term rating				

Internal audit

Internal Audit's activity is governed by an internal audit charter which is approved by the group audit committees and is reviewed annually. The charter defines the purpose, authority and responsibilities of the function

As a result of the regulatory responsibilities arising from the DLC structure, there are two group Internal Audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited respectively. Investec Bank plc (Irish branch) has its own Internal Audit function reporting into Investec plc Internal Audit. In combination, the functions cover all the geographies in which Investec operates. These functions use a global risk-based methodology and cooperate technically and operationally.

The heads of internal audit report at each audit committee meeting and have a direct reporting line to the chairman of the audit committee as well as the appropriate chief executive officers. They operate independently of executive management, but have regular access to their local chief executive officer and to BU executives. The heads of internal audit are responsible for coordinating internal audit efforts to ensure coverage is global and departmental skills are leveraged to maximise efficiency. For administrative purposes, the heads of internal audit also report to the global head of corporate governance and compliance. The functions comply with the International Standards for the Professional Practice of Internal Auditing, and are subject to an independent Quality Assurance Review (QAR) at appropriate intervals. The most recent independent QAR benchmarked the functions against the July 2013 publication by the Chartered Institute for Internal Auditors entitled *Effective Internal Audit in the Financial Services Sector*. The results were communicated to the audit committees in March 2014 and to the respective regulators. A QAR follow-up review was completed and results issued to the audit committees in January 2015 as well as to the respective regulators.

Annually, Internal Audit conducts a formal risk assessment of the entire business from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee.

Very high risk businesses and processes are audited at least every 12 months, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given Investec's dependence on IT systems. Internal Audit also liaises with the external auditors and other assurance providers to enhance efficiencies in terms of integrated assurance. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Significant control weaknesses are reported, in terms of an escalation protocol, to the local assurance forums, where remediation procedures and progress are considered and monitored in detail by management. The audit committee receives a report on significant issues and actions taken by management to enhance related controls. An update on the status of previously raised issues is provided by Internal Audit to each audit committee. If there are concerns in relation to overdue issues, these will be escalated to the executive risk review forum to expedite resolution.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness to meet an increasingly demanding corporate governance and regulatory environment, including the requirements of King III in South Africa. The audit teams comprise well-qualified, experienced staff to ensure that the function has the competence to match Investec's diverse requirements. Where specific specialist skills or additional resources are required, these are obtained from third parties. Internal Audit resources are subject to review by the respective audit committees.

Compliance

Over the last year the pace of regulatory change in the financial sector has shown little signs of abating, and the pressure the industry has faced to implement various regulatory initiatives has continued to be resource intensive. In addition, the scale and frequency of regulatory fines and redress orders continues to impact firms' balance sheets with the regulators' intensive and intrusive approach to supervision expected to continue for the foreseeable future.

Global regulators have continued to focus on promoting stability and resilience in financial markets, with increasing emphasis on recovery and resolution plans and structural reforms to the banking sector as well as customer and market conduct related reforms.

Investec remains focused on complying with the highest levels of compliance professional standards and integrity in each of our jurisdictions. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do.

Investec plc – year in review

Conduct risk

The FCA continues to focus on advancing its three operational objectives: securing an appropriate degree of protection for consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interests of consumers. The FCA's aim is to ensure that clients' interests are at the forefront of firms' agendas and that their needs are placed at the heart of the firms' strategy. Firms are also expected to behave appropriately in the wholesale markets in which they operate.

Investec has focused over the period on delivering good customer outcomes and effectively managing conduct risk throughout our business. This has included continued and ongoing investment in and enhancement of the conduct risk and compliance frameworks in place throughout the group.

Consumer protection

The FCA has vigorously pursued its consumer protection objective since taking over from the FSA. This has included several strategic thematic reviews into most areas of consumer activity. These reviews have included: firms' complaint handling, conflict management arrangements, manufacturing and distribution of structured products, affordability assessment and forbearance policies in consumer credit and mortgage lending, as well as the way firms incentivise front line sales staff and protect client assets.

Market integrity

The FCA has adopted a markedly different approach to supervising conduct in the wholesale markets to its predecessor, the FSA. The FCA is now adopting a more interventionist and assertive approach in identifying and addressing risks arising from wholesale conduct and scrutinising these markets more broadly than before. It is driven by the recognition that poor conduct in wholesale markets can result in detriment to retail customers and erode trust and confidence in the integrity of UK markets. This has become apparent in FCA's more pronounced focus on the wholesale markets and outcomes for clients irrespective of their categorization as either retail or professional.

Specific wholesale conduct areas of regulatory focus over the past 12 months have included: conflicts of interests management; best execution and benchmark regulation.

Competition

On 1 April 2015, the FCA gained additional competition powers alongside the Competition and Markets Authority (the CMA), including investigation of breaches and enforcement of competition laws. The FCA has made use of these powers to carry out a number of competition market studies in areas such as: cash savings, credit cards and SME banking. The FCA is also planning further market studies into the investment and corporate banking sector, mortgage markets and investor charges in the asset management sector.

Investment services reform

European Regulators are in the process of reforming the rulebooks for Investment Services in the EU Markets, via enhancements to the Markets in Financial Instruments Directive (MiFID). This reform package, known as MiFID II, will form the

legal framework governing the requirements applicable to investment firms, trading venues, data reporting service providers and third-country firms providing investment services or activities in the EU.

These reforms will drive change across Investec Bank plc, Investec Asset Management and Investec Wealth & Investment, with the majority of these reforms required to be implemented by January 2017.

Segregation of client assets and funds

Following the failures of Lehman Brothers and MF Global, the FCA has proposed fundamental changes to the Client Assets Protection Regime (CASS). These changes are designed to ensure that client assets and client money are segregated at all times and capable of being returned to clients swiftly in the event of a firm failure.

These new rules will require operational changes across Investec Bank plc, Investec Asset Management and Investec Wealth & Investment. This will include the manner in which firms segregate and manage client money and assets – through customer relationships, outsourcing arrangements, operations, IT systems and related policies and procedures.

These new CASS rules come into force in stages between December 2014 and 1 June 2015.

Senior managers and certified persons regime

The FCA and PRA are putting in place a new regulatory framework for individuals working in the UK banking sector. The incoming regime will consist of three key components:

- I. A new Senior Managers Regime which will clarify the lines of responsibility at the top of banks, enhance the regulators' ability to hold senior individuals in banks to account and require banks to regularly vet their senior managers for fitness and propriety.
- II. A Certification Regime requiring firms to assess fitness and propriety of staff in positions where the decisions they make could pose significant harm to the bank or any of its customers; and
- III. A new set of Conduct Rules, which take the form of brief statements of high level principles setting out the standards of behaviour for bank employees.

The new regime will come into force on 7 March 2016.

Structural banking reform

The Banking Reform Act received Royal Assent on 18 December 2013 and gave the UK authorities the powers to implement key recommendations of the Independent Commission on Banking (ICB) on banking reform, including ring-fencing of UK retail banking activities of a universal bank into a legally distinct, operationally separate and economically independent entity within the same group.

Ring-fencing was a key area of strategic focus during the period for the largest UK banks. The Banking Reform Act contains a de minimis exemption from the requirement to ring-fence, which is relevant to all but the largest UK deposit takers. Investec falls within this de minimis exemption and is therefore out of scope from the ring-fencing requirement.

Changes to regulatory landscape in the UK

On 1 April 2014 the FCA took over the regulation and supervision of consumer credit from the Office of Fair Trading. At the same time the newly established Competition and Markets Authority assumed responsibility for wider consumer protection and promotion of competition.

The Payment Systems Regulator was created on 1 April 2014 and became fully operational on 1 April 2015. The PSR is a competition-focused, economic regulator for domestic retail payment systems in the UK. It aims to promote innovation and ensure that payment systems are operated and developed in a way that promotes the interests of all the businesses and consumers that utilise them.

Financial crime

Financial crime continues to be a regulatory focus with regulators globally encouraging firms to adopt a dynamic approach to the management of risk and to increase efforts around systems and controls to combat both money laundering and bribery and corruption. In particular, the UK government published its first UK National Anti-Corruption Plan in December 2014, thereby indicating its intent to tie in anti-corruption with its efforts to strengthen the governance of banks and conduct in financial markets. The last year also saw the advent of a new type of targeted international sanctions in the midst of the Ukraine crisis. The

sectoral sanctions imposed by the US and the EU on the Russian financial, energy and defence sectors will continue to be a challenge for firms as they attempt to comply with increasingly complex rules and expanding lists of banned individuals and businesses. This, together with developments around the EU fourth money laundering directive, will become a focus for Investec Bank plc.

Tax reporting

To combat tax evasion by US tax residents using offshore accounts and investments, the US has enacted the Foreign Account Tax Compliance Act (FATCA) which has a global impact on firms. Under FATCA, financial institutions outside the US are required to report specific information on their US customers to the US tax authorities, the Internal Revenue Service (IRS). Failure to meet the reporting obligations under FATCA would result in a 30% withholding tax on financial institutions. The UK, along with a number of other countries, has entered into an intergovernmental agreement with the US whereby the information will be passed over to the UK tax authorities who will then deal with the IRS.

Investec Limited – year in review

Changes to regulatory landscape in South Africa

The rapid pace of regulatory developments has continued from last year.

A second draft of the Financial Sector Regulation Bill, which was vastly different from the first draft, was released for comments in December 2014. The Bill creates the two new regulatory peaks within the financial services sector, i.e. the Bank Supervision Department of the SARB will transform into the Prudential Authority (PA), and the Financial Services Board (FSB) will transform into the Financial Sector Conduct Authority (FSCA). Both new authorities will have wider jurisdiction than the existing regulatory authorities, e.g. the PA's jurisdiction will extend beyond banks (to insurance companies for instance), and the FSCA's jurisdiction will also extend to the market conduct activities of banks; and both authorities will have wider law-making powers. The Bill also introduces consultation and co-ordination between the financial sector regulators and other

regulators that have an impact on and oversight of activities of financial institutions, e.g. the National Credit Regulator.

The Financial Sector Regulatory Bill also proposes to amend the existing market conduct related legislation into an overarching 'Conduct of Financial Institutions Act' within the next two years. This will supersede existing industry-specific legislation in terms of the Banks Act, Long Term Insurance Act, Short Term Insurance Act and the Financial Advisory and Intermediary Services (FAIS).

Simultaneously, National Treasury (NT) published the Market Conduct Policy Framework for comment. This document outlined NT's policy approach to market conduct, and will form the basis for their development of the market conduct regulatory framework and legislation. The Treating Customers Fairly regime will form part of this new framework.

The FSB released the Retail Distribution Review paper for comment in November 2014. The paper proposes a more proactive and interventionist regulatory framework for distributing retail financial products to customers.

The amendments to the National Credit Act and the Regulations came into effect on 13 March 2015. The amendments include the introduction of affordability assessment regulations.

Draft regulations in respect of over-the-counter derivatives were published for comment in the course of 2014.

Conduct risk (consumer protection)

Conduct risk remains a key area of concern for the regulators. While the regulatory framework is changing to create a dedicated regulator to supervise the conduct of financial institutions, the existing regulatory and legislative framework continues to be utilised to ensure that financial institutions take heed of conduct risk and that they have measures in place to mitigate or avoid such risks. Some examples include the SARB incorporating market conduct as a flavour of the year topic in 2014, the NCR amending the National Credit Act to include affordability assessment regulations, and the FSB amending the General Code of Conduct for Authorised Financial Services Providers to prohibit sign-on bonuses. The affected businesses continue to assess the impact of the regulatory requirements and implement changes where necessary.

Compliance (continued)

Although the effective date for the Protection of Personal Information Act (POPI) has not yet been published, work continues on data protection and information management.

Financial crime

Financial crime continues to be a regulatory focus with amendments to governing legislation proposed for later this year. All accountable institutions are further effected by the Financial Intelligence Centre's intended move to a new automated solution for registration and reporting, also scheduled for later this year.

Tax reporting

The intergovernmental agreement for South Africa has been ratified in parliament and is effective as of 28 October 2014. This allows South Africa to be treated as a participating country and thus avoid withholding tax on South African financial institutions. Investec is engaged in projects to ensure that operationally we are able to identify our US clients and that we comply with FATCA.

In addition to FATCA, there is also an OECD Common Reporting Standard proposal, aiming for an internationally accepted single global tax reporting standard and automatic exchange of information.

Mauritius has signed a Tax Information Exchange Agreement as well as an inter-governmental agreement with the IRS and therefore will also be treated as a participating country.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 50 in volume one

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 31

Dividend cover

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to page 53 in volume three

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 53 in volume three

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

Market capitalisation

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

Net tangible asset value per share

Refer to calculation on page 48 in volume one

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 53 in volume one

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 50 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 50 in volume one

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 89

Staff compensation to operating income ratio

All employee-related costs expressed as a percentage of operating income

Third party assets under administration

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling interests

Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 53 in volume three

Notes

[illegible]

Corporate information

Investec plc and Investec Limited

Secretary and registered office

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United Kingdom
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Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

Auditors

Ernst & Young LLP
Ernst & Young Inc.

Registrars in the UK

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Johannesburg 2001
PO Box 61051
Marshalltown 2107
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Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Fani Titi (chairman)
Zarina BM Bassa[^]
Laurel C Bowden[°]
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
Bradley Fried
David Friedland
Haruko Fukuda OBE
Charles R Jacobs^{*}
Ian R Kantor
Lord Malloch-Brown^{*}
Khumo L Shuenyane^{*}
Peter RS Thomas

George FO Alford, Olivia C Dickson and M Peter Malungani resigned with effect 7 August 2014.

Sir David Prosser resigned with effect 8 August 2014.

[^] Appointed with effect 1 November 2014.

[°] Appointed with effect 1 January 2015.

^{*} Appointed with effect 8 August 2014.



For contact details for Investec offices internationally refer to pages 135 and 136 in volume three.

For queries regarding information in this document

Investor Relations

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Annual report 2015

VOLUME 3

Investec annual financial statements



Out of the Ordinary®

 **Investec**

About this report

The 2015 integrated annual report covers the period 1 April 2014 to 31 March 2015 and provides an overview of the Investec group.

This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information.

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.



Audited information

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



Reporting standard

Denotes our consideration of a reporting standard.



Website

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



Page references

Refers readers to information elsewhere in this report.



Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com.

VOLUME 1

Strategic report incorporating governance, sustainability and the remuneration report

VOLUME 2

Risk and Basel Pillar III disclosures

VOLUME 3

Annual financial statements

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1

Financial statements



Directors' responsibility statement

The following statement, which should be read in conjunction with the auditors' reports set out on pages 12 to 15, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the external auditors in relation to the combined consolidated annual financial statements.

The directors are responsible for the preparation, integrity and objectivity of the combined consolidated annual financial statements that fairly present the state of affairs of the group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report.

To enable the directors to meet these responsibilities:

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties
- The group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group audit committee, appraises and, when necessary, recommends improvements in the system of internal controls and

accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business

- The group audit committees, together with Internal Audit, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of our knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review.

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRS) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.

The annual financial statements of the companies and the group have been prepared in accordance with the respective Companies Acts of the United Kingdom and South Africa and comply with IFRS and Article 4 of the IAS Regulation and comply with UK GAAP in respect of Investec plc parent company accounts.

The directors are of the opinion, based on their knowledge of the companies, key processes in operation and enquiries, that adequate resources exist to support

the companies on a going concern basis over the next year. These annual financial statements have been prepared on that basis.

It is the responsibility of the external auditors to report on the combined consolidated annual financial statements. Their reports to the members of the companies are set out on pages 12 to 15. As far as the directors are aware, there is no relevant audit information of which the external auditors are unaware.

Approval of annual financial statements



The directors' report and the annual financial statements of the companies and the group, which appear on pages 5 to 11 and pages 16 to 133, were approved by the board of directors on 10 June 2015.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the United Kingdom governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board

Stephen Koseff
Chief executive officer

Bernard Kantor
Managing director

10 June 2015

Declaration by the company secretary

In terms of section 88(2)(e) of the South African Companies Act, No 71 of 2008, as amended (the Act), I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2015, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

Niki van Wyk

Company secretary, Investec Limited
10 June 2015

Directors' report

Extended business review

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the United Kingdom, South Africa and Australia as well as certain other countries. Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.



The strategic report on pages 18 to 21 in volume one provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read in conjunction with the sections on pages 22 to 180 in volume one and pages 1 to 100 in volume two which elaborate on the aspects highlighted in this review.

The directors' report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

Authorised and issued share capital

Investec plc and Investec Limited

Details of the share capital are set out in note 42 to the annual financial statements.

Investec plc

During the year, the following shares were issued:

- 4 243 045 ordinary shares on 19 June 2014 at 516.00 pence per share
- 2 814 094 special converting shares on 23 June 2014 of £0.0002 each at par
- 610 254 ordinary shares on 15 August 2014 at 492.60 pence per share

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2015.

Investec Limited

During the year, the following shares were issued:

- 2 814 094 ordinary shares on 25 June 2014 at R89.81 (R0.0002 par and premium of R89.8098 per share)

- 4 243 045 special convertible redeemable preference shares on 25 June 2014 of R0.0002 each at par
- 610 254 special convertible redeemable preference shares on 15 August 2014 of R0.0002 each at par
- 185 643 class ILRP2 redeemable non-participating preference shares at R1 000.00 per share (R0.01 par and premium of R999.99 per share).

On 23 June 2014, Investec Limited redeemed 81 variable rate redeemable cumulative preference shares at R1 million per share (R0.60 par and premium of R999 999.40 per share).

Investec Limited did not repurchase any of its ordinary shares during the financial year ended 31 March 2015.

At 31 March 2015, Investec Limited held 21 162 694 shares in treasury (2014: 19.0 million). Investec plc held 8 325 971 million shares in treasury (2014: 10.6 million). The maximum number of shares held in treasury by Investec Limited during the period under review was 24 708 870.

Financial results

The combined results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2015. The preparation of these combined results was supervised by the group risk and finance director, Glynn Burger.

Ordinary dividends

Investec plc

An interim dividend was declared to shareholders as follows:

- 8.5 pence per ordinary share to non-South African resident shareholders and South African resident shareholders (2013: 8.0 pence) registered on 12 December 2014 and was paid on 29 December 2014

The dividends were paid on 29 December 2014.

The directors have proposed a final dividend to shareholders registered on 31 July 2015, of 11.5 pence (2014: 11.0 pence) per ordinary share, which is subject to the approval of the members

of Investec plc at the annual general meeting which is scheduled to take place on 6 August 2015 and, if approved, will be paid on 14 August 2015, as follows:

11.5 pence per ordinary share to non-South African resident shareholders (2014: 11.0 pence) registered on 31 July 2015.

- To South African resident shareholders registered on 31 July 2015, through a dividend paid by Investec Limited on the SA DAS share, of 9.0 pence per ordinary share and 2.5 pence per ordinary share paid by Investec plc.

Investec Limited

An interim dividend of 146.0 cents per ordinary share (2013: 131.0 cents) was declared to shareholders registered on 12 December 2014 and was paid on 29 December 2014.

The directors have proposed a final dividend of 216 cents per ordinary share (2014: 196.0 cents) to shareholders registered on 31 July 2015 to be paid on 14 August 2015. The final dividend is subject to the approval of members of Investec Limited at the annual general meeting scheduled to take place on 6 August 2015.

Preference dividends

Investec plc

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 17 for the period 1 April 2014 to 30 September 2014, amounting to 7.52055 pence per share, was declared to members holding preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 18 for the period 1 October 2014 to 31 March 2015, amounting to 7.47945 pence per share, was declared to members holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 7 for the period 1 April 2014 to 30 September 2014, amounting to 433.55137 cents per share, was declared to members holding Rand-denominated non-redeemable, non-cumulative, non-participating preference

shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 8 for the period 1 October 2014 to 31 March 2015, amounting to 438.17123 cents per share, was declared to members holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

Preferred securities

The seventh annual distribution, fixed at 7.075%, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005, is due and will be paid on 24 June 2014.

Investec Limited

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 20 for the period 1 April 2014 to 30 September 2014, amounting to 354.91885 cents per share, was declared to shareholders holding preference shares registered on 5 December 2014 and was paid on 15 December 2014.

Preference dividend number 21 for the period 1 October 2014 to 31 March 2015, amounting to 358.70081 cents per share, was declared to shareholders holding preference shares registered on 12 June 2015 and will be paid on 22 June 2015.

Class ILRP1 redeemable non-participating preference shares

Preference dividend number 4 for the period 1 April 2014 to 30 June 2014, amounting to 1256.38415 cents per share, was declared to shareholders holding preference shares on 25 July 2014 and was paid on 28 July 2014.

Preference dividend number 5 for the period 1 July 2014 to 30 September 2014, amounting to 1298.95394 cents per share, was declared to shareholders holding preference shares on 24 October 2014 and was paid on 27 October 2014.

Preference dividend number 6 for the period 1 October 2014 to 31 December 2014, amounting to 1303.46388 cents per share, was declared to shareholders holding preference shares on 23 January 2015 and was paid on 26 January 2015.

Preference dividend number 7 for the period 1 January 2015 to 31 March 2015, amounting to 1275.12771 cents per share, was declared to shareholders holding preference shares on 24 April 2015 and was paid on 28 April 2015.

Redeemable cumulative preference shares

Dividends amounting to R19 970 856 (2014: R23 731 999.98) were paid on the redeemable cumulative preference shares.

Directors and secretaries

Details of directors and secretaries of Investec plc and Investec Limited are reflected on pages 114 and 115 in volume one.

In accordance with the UK Corporate Governance Code, the entire board will offer itself for re-election at the 2015 annual general meeting.

OC Dickson, GFO Alford and MP Malungani did not offer themselves for re-election at the annual general meeting held on 7 August 2014.

Sir David Prosser retired from the board on 8 August 2014.

CR Jacobs, Lord Malloch-Brown and KL Shuenyane were appointed as directors on 8 August 2014. On 1 November 2014 and 1 January 2015 respectively, ZBM Bassa and LC Bowden were appointed as directors.

The appointments of CR Jacobs, Lord Malloch-Brown, KL Shuenyane, ZBM Bassa and LC Bowden terminate at the end of the annual general meeting on 6 August 2015, but being eligible will offer themselves for election.

The company secretary of Investec plc is David Miller.

As from 1 July 2014, the company secretary of Investec Limited is Niki van Wyk. Benita Coetsee resigned with effect from 30 June 2014.

Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 156 to 158 in volume one.

The register of directors' interests contains full details of directors' shareholdings and options to acquire shares.

Corporate governance

The group's corporate governance board statement and governance framework are set out on pages 94 to 97 in volume one.

Share incentives

Details regarding options granted during the year are set out on page 50.

Audit committees

The audit committees comprising independent non-executive directors meet regularly with senior management, the external auditors, Operational Risk, Internal Audit, Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems.

Further details on the role and responsibility of the audit committee are set out on pages 104 to 107 in volume one.

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc and Ernst & Young Inc. and KPMG Inc. have indicated their willingness to continue in office as joint auditors of Investec Limited.

A resolution to reappoint them as auditors will be proposed at the annual general meeting scheduled to take place on 6 August 2015.

Contracts



Refer to pages 156 to 158 in volume one for details of contracts with directors.

Subsidiary and associated companies



Details of principal subsidiary and associated companies are reflected on pages 116 to 122.

Major shareholders



The largest shareholders of Investec plc and Investec Limited are reflected on page 117 in volume one.

Special resolutions

Investec plc

At the annual general meeting held on 7 August 2014, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of section 701 of the Companies Act 2006
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of section 701 of the Companies Act 2006

Investec Limited

At the annual general meeting held on 7 August 2014, the following special resolutions were passed in terms of which:

- A renewable authority was granted to Investec Limited and any of its subsidiaries to acquire its own ordinary shares in terms of the provisions of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to provide financial assistance in order to comply with the provisions of sections 44 and 45 of the South African Companies Act, No 71 of 2008
- A renewable authority was granted to Investec Limited to approve directors' remuneration in order to comply with

the provisions of sections 65(11)(h), 66(8) and 66(9) of the South African Companies Act, No 71 of 2008

Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and South African law and International Financial Reporting Standards.

The parent company accounts of Investec plc continue to be prepared under UK Generally Accepted Accounting Practice (UK GAAP).



These policies are set out on pages 22 to 30.

Financial instruments



Detailed information on the group's risk management process and policy can be found in the risk management report on pages 4 to 96 in volume two.

Information on the group's hedge accounting policy and the use of derivatives and hedges can be found on pages 26 and 27 and in notes 23 and 53.

Employees

Our policy is to recruit and promote on the basis of aptitude and ability, without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants.

In the event of employees becoming disabled, every effort is made to ensure their continued employment. Our policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of our operations, and motivating staff involvement in our performance by means of employee share schemes.

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. We have health and safety policies in all regions of operation that cover all legislated requirements and additional benefits are provided for staff where

possible. We constantly seek to improve both policies and the execution of health and safety standards in all our offices.

This takes the form of staff education, regular fire drills and maintenance of an open door policy with regard to dialogue on the issue. Where appropriate, the appointment of individuals responsible for various areas of health and safety is made.



Further information is provided on pages 125 to 129 in volume one.

Political donations and expenditure

Investec plc did not make any donations for political purposes in the UK or the rest of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. Invested Limited made political donations totalling R1 million in 2015 (2014: R2.5 million).

Environment, including greenhouse gas emissions

We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate.



Further information can be found on pages 122 to 138 in volume one.

Going concern



Refer to pages 96 and 97 in volume one for the directors' statement in relation to going concern.

Research and development

In the ordinary course of business, Investec develops new products and services in each of its business divisions.

Directors' report (continued)

Additional information for shareholders

Schedule A to the directors' report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the UK Companies Act 2006).



Fani Titi
Chairman

10 June 2015

The board considers that this integrated annual report and annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

On behalf of the boards of Investec plc and Investec Limited



Stephen Koseff
Chief executive officer

Schedule A to the directors' report

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act 2006). This is a summary only and the relevant provisions of the Articles or the Companies Act 2006 should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2015 consists of 613 609 642 ordinary shares of £0.0002 each, 15 081 149 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 2 275 940 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 285 748 623 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 2006, the uncertificated securities regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the Companies Act 2006, Investec plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in

the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Act 2006.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the Companies Act 2006 members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning

interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act 2006, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them. Where, under the company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of

Schedule A to the directors' report (continued)

shares which are in uncertificated form are effected by means of the CREST system.

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require. Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

the time being issued and outstanding on the first call date or any dividend payment date thereafter

- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards dividends and a repayment of capital on the winding up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference shares and equal basis, the right on a return of capital on the winding-up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue

- The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with Article 150.2(e)(ii) after six months from the due date thereof; and/or
- A resolution of Investec plc is proposed which resolution directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding-up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand-denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling non-redeemable, non-cumulative, non-participating preference shares, as outlined above, save that they are denominated in South African Rand.

Plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with any other shares of Investec plc that are expressed to rank *pari passu* therewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for

- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:

Schedule A to the directors' report (continued)

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the: (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

Powers of directors

Subject to the Articles, the Companies Act 2006, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc.

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Investec plc or of any third party.

Significant agreements: change of control

The Articles of Association of both Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party the agreements establishing the DLC structure will terminate.

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Independent auditor's report to members of Investec plc

Opinion on financial statements

In our opinion:

- The combined consolidated financial statements give a true and fair view of the state of the group's affairs as at 31 March 2015 and of its profit for the year then ended;
- The group financial statements have been appropriately prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Investec plc for the year ended 31 March 2015, which comprise:

- The combined consolidated income statement;
- The combined consolidated statement of comprehensive income;
- The combined consolidated balance sheet;
- The combined consolidated statement of cash flows;
- The combined consolidated statement of changes in equity;
- The group accounting policies and the related notes set out on pages 22 to 133, together with certain risk notes

marked as audited within volume two, Investec risk and Basel Pillar III report;

- the parent company balance sheet; and
- the parent company accounting policies and related notes set out on pages 126 to 128.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibility statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable

law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Investec plc combined consolidated and separate parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement and response to that risk

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team together with our audit response to the risks:

Refer to the key management assumptions in the accounting policies section of the financial statements on page 30, the audit committee report on pages 104 to 107 in volume one and the disclosures of credit risk marked as audited within the Investec risk and Basel Pillar III disclosure.

Significant risk	Response
Risk of inappropriate revenue recognition – Valuation of financial instruments, unlisted investments and embedded derivatives	
The valuation of financial instruments, unlisted investments and embedded derivatives is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates.	We tested the design and operating effectiveness of controls for the valuation of financial instruments, unlisted investments and embedded derivatives.
Emphasis is particularly paid to the Level 3 instruments where significant valuation inputs are unobservable.	We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of the model inputs and key assumptions.
	Where such inputs and assumptions were not observable in the market we engaged our valuation specialists to critically assess whether they fell within an acceptable range based on relevant knowledge and experience of the market.
	In addition we tested material valuations in detail and where appropriate sought additional external evidence from that provided by management. In doing so, we assessed the methodologies used, the data used and the judgments and assumptions made, where valuation inputs were unobservable.

Independent auditor's report to members of Investec plc (continued)

Significant risk	Response
The monitoring of credit quality and the appropriateness of the allowance for credit losses	
The appropriateness of the allowance for credit losses is highly subjective due to the high degree of judgement applied by management in determining the impairment provisions.	We documented and tested the process and controls for assessing, calculating and booking loans and receivables impairment provisions, including the overarching governance, classification, review and approval procedures. In addition, we tested loan exposures on a sample basis to ensure all loans which had suffered an incurred loss event had been included in the specific provisioning process. Management assess the impairment provisioning on loan exposures in the Investec plc Specialist Bank on an individual basis. We audited an extensive sample of such exposures to understand the latest developments which influence performance and recoverability and critically assessed the basis of determining any impairment provisions held. In certain circumstances this also involved us utilising our own internal valuation specialists to challenge the collateral values that support the recovery of the loan exposures. This is an inherently judgemental process and particularly important where management are pursuing turnaround strategies in the legacy portfolio. We reviewed and challenged assumptions around future cash flow projections and the valuation of collateral held. Where turnaround strategies require additional funding to execute we have reviewed the approval of the strategies by the Global Credit Committee as well as obtained representations from management as to their intent and ability to make such funds available. Certain leasing portfolios in the Specialist Bank are subject to collective provisioning approaches. In these portfolios, we critically assessed the appropriateness of the methodologies underlying the provisioning models and the assumptions and data input into such models. In examining the models and assumptions, we back tested the performance of the models to ensure all relevant risks and drivers were reflected in the calculations.
Significant risk	Response
The quality of financial reporting – Inaccurate or improper accounting and financial reporting of large or complex transactions, including risk of inappropriate or late centralised adjustments	
We focused on this area because the group has entered into a number of significant disposals during the year with the results of these transactions having a material impact on the results of the group.	We have examined a number of large or complex transactions including the sales of Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgages and certain other Investec mortgage assets. For each of the sales noted we have audited the accuracy of the profit or loss booked on completion of the transactions as well as assessing the disclosures made in the financial statements to check they complied with the relevant accounting standards and other pronouncements on disclosures.
We also focused on this area because there are certain transactions where the outcome is uncertain and the treatment will only be determined upon the resolution of negotiation or, in some cases, litigation with third parties. Consequently management makes judgments about the quantum of potential liabilities which are subject to change in future periods as more information becomes available.	As set out in the financial statements, since the settlement of the group's tax position is judgemental and subject to final resolution with the relevant tax authorities, the calculations of provisions are subject to inherent uncertainty. We examined correspondence between the group and its external advisors and between the group and the relevant third parties. We examined the matters in dispute and assessed the available evidence and the provisions made by management and concluded they are reasonable.

Our application of materiality

We apply the concept of materiality in both planning and performing the audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from

material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

When establishing our overall audit strategy we determined a magnitude of uncorrected misstatements that we judged would be

material for the financial statements as a whole. We determined materiality for the group to be £22.7 million (2014: £22.0 million), which is approximately 5% (2014: 5%) of adjusted operating profit, and approximately 1% (2014: 1%) of equity. We used adjusted operating profits to exclude the non-recurring gains/losses on group disposals, gains/losses related to litigation, claims and assessments.

The removal of these items in determining our materiality provided a stable basis which focused on the underlying profitability of the group. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

Audit work at individual components is undertaken based on a percentage of our total performance materiality. The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was £7.8 million to £1.9 million.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £1.1 million (2014: £1.1 million), as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality described above and in light of other relevant qualitative considerations.

Certain disclosures required by the financial reporting framework have been presented in the Investec risk and Basel Pillar III disclosure report in volume two of the Annual Report, rather than in the notes to the financial statements and have been identified as audited.

An overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements.

Following our assessment of the risk of material misstatement to the group financial statements, our audit scope focused on selecting 21 (2014: 24) components which represent the principal business units within the group and account for 96% (2014: 96%) of the group's total assets and 94% (2014: 94%) of the group's adjusted operating

profit before goodwill, intangibles and tax. Of these, 17 (2014: 23) were subject to a full scope audit, while at the remaining 4 (2014: 1) specific scope audit procedures were performed including full audit of the accounts that were impacted by our assessed risks of material misstatement. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. For the remaining 10 (2014: 15) components which were neither full nor specific scope and which account for 4% (2014: 4%) of the group's total assets and 6% (2014: 6%) of the group's adjusted operating profit before goodwill, intangibles and tax, we primarily performed analytical procedures to confirm there were no significant risks of material misstatement in the group financial statements.

The group audit team follow a programme of planned visits to full scope components that has been designed to ensure that the Senior Statutory Auditor visits or participates in meetings at each of the key locations where the group audit scope was focused at least once every year. In addition to the location visit, the group audit team reviewed key working papers supporting conclusions on significant risk areas and participated in the component team's planning including the component team's discussion of fraud and error.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our

knowledge of the group acquired in the course of performing our audit; or

- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 7, in relation to going concern; and
- The disclosures made in the corporate governance report relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review

Ernst & Young LLP

Andy Bates (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor

London

10 June 2015

Notes:

1. *The maintenance and integrity of the Investec web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Independent auditor's report to members of Investec Limited

To the shareholders of Investec Limited

We have audited the accompanying group annual financial statements of Investec Limited, which comprise the combined consolidated balance sheet as at 31 March 2015, the combined consolidated income statement, the combined consolidated statement of comprehensive income, the combined consolidated statement of changes in equity and combined consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 22 to 125 within volume three, the separate Investec Limited parent company accounts, which comprise the balance sheet as at 31 March 2015, the income statement and statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 129 to 133 within volume three, and the information in the risk management section within volume two and the Remuneration report within volume one that is marked audited.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with

ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

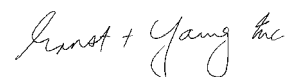
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate balance sheets of Investec Limited at 31 March 2015, and its consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate cash flow statements for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2015, we have read the directors' report, audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Ernst & Young Inc.
Per Ernest van Rooyen
Chartered Accountant (SA)
Registered Auditor
Director

10 June 2015

Combined consolidated income statement

£'000	Notes	Year to 31 March 2015	Year to 31 March 2014*
Interest income	2	1 790 867	1 905 383
Interest expense	2	(1 155 890)	(1 253 704)
Net interest income		634 977	651 679
Fee and commission income	3	1 226 257	1 136 902
Fee and commission expense	3	(137 214)	(147 481)
Investment income	4	128 334	166 809
Trading income arising from			
– customer flow		106 313	103 914
– balance sheet management and other trading activities		(13 424)	10 587
Other operating income	5	12 236	18 554
Total operating income before impairment losses on loans and advances		1 957 479	1 940 964
Impairment losses on loans and advances	26	(128 381)	(166 152)
Operating income		1 829 098	1 774 812
Operating costs	6	(1 322 705)	(1 307 243)
Depreciation on operating leased assets	6	(1 535)	(6 044)
Operating profit before goodwill and acquired intangibles		504 858	461 525
Impairment of goodwill	33	(5 337)	(12 797)
Amortisation of acquired intangibles	34	(14 497)	(13 393)
Operating costs arising from integration, restructuring and partial disposal of subsidiaries		–	(20 890)
Operating profit		485 024	414 445
Net (loss)/gain on disposal of subsidiaries	35	(93 033)	9 821
Profit before taxation		391 991	424 266
Taxation on operating profit before goodwill and acquired intangibles	8	(99 023)	(78 910)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	8	(17 574)	7 289
Profit after taxation		275 394	352 645
Profit attributable to Asset Management non-controlling interests		(18 184)	(11 031)
Profit attributable to other non-controlling interests		(11 701)	(10 849)
Earnings attributable to shareholders		245 509	330 765
Earnings per share (pence)			
– Basic	9	24.4	34.3
– Diluted	9	23.1	32.3

* As restated for restatements detailed in note 59.

Combined consolidated statement of comprehensive income

£'000	Notes	Year to 31 March 2015	Year to 31 March 2014*
Profit after taxation		275 394	352 645
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income	8	(32 816)	(3 582)
Gains on realisation of available-for-sale assets recycled through the income statement	8	(4 660)	(2 972)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	8	1 037	347
Foreign currency adjustments on translating foreign operations		(58 318)	(407 479)
Items that will never be reclassified to the income statement			
Remeasurement of net defined pension asset	8	6 340	(5 870)
Total comprehensive income/(loss)		186 977	(66 911)
Total comprehensive income/(loss) attributable to non-controlling interests		32 050	(12 724)
Total comprehensive income/(loss) attributable to ordinary shareholders		120 124	(89 455)
Total comprehensive income attributable to perpetual preferred securities		34 803	35 268
Total comprehensive income/(loss)		186 977	(66 911)

* As restated for restatements detailed in note 59.

Combined consolidated balance sheet

£'000	Notes	31 March 2015	31 March 2014*
Assets			
Cash and balances at central banks	17	2 529 562	2 080 190
Loans and advances to banks	18	3 045 864	3 280 179
Non-sovereign and non-bank cash placements		586 400	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	19	1 812 156	1 388 980
Sovereign debt securities	20	2 958 641	3 215 432
Bank debt securities	21	1 161 055	1 568 097
Other debt securities	22	627 373	605 378
Derivative financial instruments	23	1 580 681	1 619 415
Securities arising from trading activities	24	1 086 349	870 088
Investment portfolio	25	947 846	825 745
Loans and advances to customers	26	16 740 263	16 281 612
Own originated loans and advances to customers securitised	27	448 647	875 755
Other loans and advances	26	574 830	1 693 569
Other securitised assets	27	780 596	3 576 526
Interests in associated undertakings	28	25 244	24 316
Deferred taxation assets	29	99 301	131 142
Other assets	30	1 741 713	1 474 992
Property and equipment	31	102 354	108 738
Investment properties	32	617 898	509 228
Goodwill	33	361 527	433 571
Intangible assets	34	147 227	159 169
Non-current assets classified as held for sale	13	40 726	41 637
		38 016 253	41 278 948
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	36	6 337 149	5 862 959
		44 353 402	47 141 907
Liabilities			
Deposits by banks		1 908 294	2 721 170
Derivative financial instruments	23	1 544 168	1 170 232
Other trading liabilities	37	885 003	861 412
Repurchase agreements and cash collateral on securities lent	19	1 284 945	1 316 087
Customer accounts (deposits)		22 614 868	22 609 784
Debt securities in issue	38	1 709 369	1 596 630
Liabilities arising on securitisation of own originated loans and advances	27	109 953	729 534
Liabilities arising on securitisation of other assets	27	616 909	3 041 435
Current taxation liabilities		201 790	208 041
Deferred taxation liabilities	29	76 481	97 116
Other liabilities	39	1 845 679	1 572 877
		32 797 459	35 924 318
Liabilities to customers under investment contracts	36	6 335 326	5 861 389
Insurance liabilities, including unit-linked liabilities	36	1 823	1 570
		39 134 608	41 787 277
Subordinated liabilities	41	1 178 299	1 338 752
		40 312 907	43 126 029
Equity			
Ordinary share capital	42	226	224
Perpetual preference share capital	43	153	153
Share premium	44	2 258 148	2 473 131
Treasury shares	45	(68 065)	(85 981)
Other reserves		(563 985)	(467 247)
Retained income		1 874 360	1 652 016
Shareholders' equity excluding non-controlling interests		3 500 837	3 572 296
Other Additional Tier 1 securities in issue	46	30 599	–
Non-controlling interests	47	509 059	443 582
– Perpetual preferred securities issued by subsidiaries		229 957	252 713
– Non-controlling interests in partially held subsidiaries		279 102	190 869
Total equity		4 040 495	4 015 878
Total liabilities and equity		44 353 402	47 141 907

* As restated for restatements detailed in note 59.

Combined consolidated cash flow statement

For the year to 31 March
£'000

	Notes	2015	2014*
Profit before taxation adjusted for non-cash items	49	722 593	704 233
Taxation paid		(105 230)	(35 508)
Increase in operating assets	49	(2 312 292)	(979 947)
Increase in operating liabilities	49	2 291 132	1 290 173
Net cash inflow from operating activities		596 203	978 951
Cash flow on acquisition of group operations	35	(6 503)	(270)
Cash flow on disposal of group operations	35	226 291	38 232
Cash flow on net disposal of associates		131	6 231
Cash flow on acquisition of property, equipment and intangible assets		(45 775)	(42 487)
Cash flow on disposal of property, equipment and intangible assets		19 593	22 607
Net cash inflow from investing activities		193 737	24 313
Dividends paid to ordinary shareholders		(168 486)	(150 053)
Dividends paid to other equity holders		(64 269)	(43 319)
Proceeds on issue of shares, net of related costs		38 896	31 650
Proceeds on issue of Other Additional Tier 1 securities		30 599	–
Cash flow on acquisition of treasury shares, net of related costs		(122 637)	(98 688)
Proceeds on issue of other equity instruments**		19 764	35 477
Proceeds from partial disposal of subsidiaries	35	40 914	122 716
Proceeds from subordinated debt raised		–	82 930
Repayment of subordinated debt		(33 793)	(215 314)
Net cash outflow from financing activities		(259 012)	(234 601)
Effects of exchange rates on cash and cash equivalents		(17 091)	(281 225)
Net increase in cash and cash equivalents		513 837	487 438
Cash and cash equivalents at the beginning of the year		4 049 011	3 561 573
Cash and cash equivalents at the end of the year		4 562 848	4 049 011
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		2 529 562	2 080 190
On demand loans and advances to banks		1 446 886	1 453 632
Non-sovereign and non-bank cash placements		586 400	515 189
Cash and cash equivalents at the end of the year		4 562 848	4 049 011

* As restated for restatements detailed in note 59.

** Includes equity instruments issued by subsidiaries.

Cash and cash equivalents have a maturity profile of less than three months.

Combined consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2013 – as previously reported	223	153	2 494 618	(89 545)
Restatements on adoption of IFRIC 21	–	–	–	–
At 1 April 2013 – as restated	223	153	2 494 618	(89 545)
Movement in reserves 1 April 2013 – 31 March 2014				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	–	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive loss for the year	–	–	–	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	1	–	31 649	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Non-controlling interest relating to partial disposal of subsidiaries	–	–	–	–
Capital conversion of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(53 136)	(45 552)
Transfer to capital reserve account	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	49 116
At 31 March 2014	224	153	2 473 131	(85 981)
Movement in reserves 1 April 2014 – 31 March 2015				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(4 212)	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income for the year	–	–	(4 212)	–
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	38 894	–
Issue of Other Additional Tier 1 securities in issue	–	–	–	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition of non-controlling interests	–	–	–	–
Partial sale of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(74 034)	(48 603)
Transfer from share premium	–	–	(175 631)	–
Transfer from regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	66 519
At 31 March 2015	226	153	2 258 148	(68 065)

Other reserves						Shareholders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income				
10 968	10 754	37 322	(48 384)	(104 197)	1 349 560	3 661 472	–	280 043	3 941 515
–	–	–	–	–	3 738	3 738	–	–	3 738
10 968	10 754	37 322	(48 384)	(104 197)	1 353 298	3 665 210	–	280 043	3 945 253
–	–	–	–	–	330 765	330 765	–	21 880	352 645
–	–	–	(3 582)	–	–	(3 582)	–	–	(3 582)
–	(2 972)	–	–	–	–	(2 972)	–	–	(2 972)
–	347	–	–	–	–	347	–	–	347
–	(271)	(3 254)	2 190	(371 096)	(444)	(372 875)	–	(34 604)	(407 479)
–	–	–	–	–	(5 870)	(5 870)	–	–	(5 870)
–	(2 896)	(3 254)	(1 392)	(371 096)	324 451	(54 187)	–	(12 724)	(66 911)
–	–	–	–	–	66 905	66 905	–	–	66 905
–	–	–	–	–	(150 053)	(150 053)	–	–	(150 053)
–	–	–	–	–	(35 268)	(35 268)	–	18 702	(16 566)
–	–	–	–	–	–	–	–	(18 702)	(18 702)
–	–	–	–	–	–	–	–	(5 838)	(5 838)
–	–	–	–	–	–	31 650	–	–	31 650
–	–	–	–	–	–	–	–	35 477	35 477
–	–	–	–	–	–	–	–	(270)	(270)
–	–	–	–	–	146 727	146 727	–	20 213	166 940
–	–	–	–	–	–	–	–	126 681	126 681
–	–	–	–	–	–	(98 688)	–	–	(98 688)
5	–	–	–	–	(5)	–	–	–	–
–	–	4 923	–	–	(4 923)	–	–	–	–
–	–	–	–	–	(49 116)	–	–	–	–
10 973	7 858	38 991	(49 776)	(475 293)	1 652 016	3 572 296	–	443 582	4 015 878
–	–	–	–	–	245 509	245 509	–	29 885	275 394
–	–	–	(32 816)	–	–	(32 816)	–	–	(32 816)
–	(4 660)	–	–	–	–	(4 660)	–	–	(4 660)
–	1 037	–	–	–	–	1 037	–	–	1 037
–	–	(138)	6 051	(56 782)	(5 989)	(61 070)	587	2 165	(58 318)
–	–	–	–	–	6 340	6 340	–	–	6 340
–	(3 623)	(138)	(26 765)	(56 782)	245 860	154 340	587	32 050	186 977
–	–	–	–	–	63 475	63 475	–	–	63 475
–	–	–	–	–	(168 486)	(168 486)	–	–	(168 486)
–	–	–	–	–	(34 803)	(34 803)	–	18 702	(16 101)
–	–	–	–	–	–	–	–	(18 702)	(18 702)
–	–	–	–	–	–	–	–	(29 466)	(29 466)
–	–	–	–	–	–	38 896	–	–	38 896
–	–	–	–	–	–	–	30 012	–	30 012
–	–	–	–	–	–	–	–	19 725	19 725
–	–	–	–	–	–	–	–	39	39
–	–	–	–	–	(2 244)	(2 244)	–	43 129	40 885
–	–	–	–	–	–	(122 637)	–	–	(122 637)
–	–	–	–	–	175 631	–	–	–	–
–	–	(9 430)	–	–	9 430	–	–	–	–
–	–	–	–	–	(66 519)	–	–	–	–
10 973	4 235	29 423	(76 541)	(532 075)	1 874 360	3 500 837	30 599	509 059	4 040 495

Accounting policies



Basis of presentation

The group annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) which comply with IFRSs as issued by the International Accounting Standards Board (IASB). At 31 March 2015, IFRS as endorsed by the EU are identical in all material respects to current IFRS applicable to the group, with differences only in the effective dates of certain standards. However, the group has early adopted these relevant standards to ensure compliance with both frameworks.

The group annual financial statements have been prepared on a historical cost basis, except for investment properties, available-for-sale investments, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or, subject to hedge accounting and liabilities for pension fund surpluses and deficits that have been measured at fair value.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: Capital Disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 83 to 93 in volume two.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report on pages 151 to 158 in volume one.

Restatements and presentation of information

The group has adopted the following new or revised standard from 1 April 2014:

IFRIC 21 Levies

The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy and an entity does not have a constructive obligation to pay

a levy that will be triggered in a future period as a result of being economically compelled to continue to operate in that future period. The new interpretation has been applied retrospectively and its application has caused the recognition date for the Financial Services Compensation Scheme (FSCS) levy to be changed from 31 December prior to the beginning of the relevant levy year to the following 1 April. The group has accordingly restated the prior periods to reflect this change and additional details are shown in note 59.

Other standards became effective during the year which did not have an impact on the group.

Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited that operate under a dual listed company (DLC) structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role and accordingly are reported as a single reporting entity under IFRS.

All subsidiaries or structured entities are consolidated when the group controls an investee. The group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the group from the date on which control is obtained until the date the group can no longer demonstrate control.

Investec performs a reassessment of consolidation whenever there is a change in the substance of the relationship between Investec and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Investec also holds investments, for example private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether Investec controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the group exercises significant influence over operating and financial policies, are treated as interests in associated

undertakings. Interests in associated undertakings are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases. In circumstances where interests in associated undertakings or joint venture holdings arise in which the group has no strategic intention, these investments are classified as 'venture capital' holdings and are designated as held at fair value through profit or loss.

For equity accounted associates, the combined consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the group's share of the net assets of the associate.

The consolidated balance sheet reflects the associated undertakings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains and losses within the group that do not reflect an impairment to the asset, are eliminated in full regarding subsidiaries and to the extent of the interest in an associate.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components, whose operating results are reviewed regularly by chief operating decision makers which include members of the board and for which discrete financial information is available.

The group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the group's three principal business divisions namely, Asset Management, Wealth & Investment and Specialist Banking. Group costs that are disclosed separately largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group-level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group. Historically, these numbers were reflected solely in the results of the Specialist Bank

Accounting policies (continued)

and the group has now decided to reflect these separately.

A geographical analysis is also presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments.

The Australian businesses are reported under the 'UK and Other' geographical segment and the 'UK and Other' Specialist Banking segment.

For further detail on the group's segmental reporting basis refer to pages 69 to 92 in volume one of the divisional review section of the integrated annual report.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at each acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 in the income statement. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The group engages in equity-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting

date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and current share prices.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

Foreign operations are subsidiaries, interests in associated undertakings or branches of the group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transaction arises based on rates of exchange ruling at the date of the transaction.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains and losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation

Accounting policies (continued)

reserve) upon consolidation and is recognised in the income statement upon disposal of the net investment

- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the group, as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transaction.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities and other operating income.

Revenue is recognised when it can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue related to provision of services is recognised when the related services are performed. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised in the income statement using the effective interest method. Fees charged on lending transactions are included in the effective yield calculation to the extent that they form an integral part of the effective interest rate yield, but exclude those fees earned for a separately identifiable significant act, which are recognised upon completion of the act. Fees and commissions charged *in lieu* of interest are recognised as income as part of the effective interest rate on the underlying loan.

The effective interest method is based on the estimated life of the underlying instrument and, where this estimate is not readily available, the contractual life.

Fee and commission income includes fees earned from providing advisory services as well as portfolio management and includes rental income from investment properties. Investment advisory and management fees are accrued over the period to which the income relates. Performance fees are recognised when they become receivable. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains and losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked to market daily. Equity investments received *in lieu* of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the group's right to receive payment is established.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from interests in associated undertakings, income from assurance activities and revenue from consolidated private equity investments. Operating costs associated with these investments are included in operating costs in the income statement.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs. A transfer is made between the hierarchy when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial fair value. All other transaction costs are recorded in the income statement immediately.

Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the timeframe established by market convention are recorded at trade date.

Financial assets and liabilities held at fair value through profit or loss

Financial instruments held at fair value through profit or loss include all instruments classified as held-for-trading and those instruments designated as held at fair value through profit or loss.

Financial instruments classified as held-for-trading or designated as held at fair

value through profit or loss are recorded at fair value on the balance sheet with changes in fair value recognised in the income statement. Financial instruments are classified as trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the group's key management personnel, and
- A contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial instruments with fixed or determinable payments and maturity dates which the group has the intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective interest method, less impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in interest income

in the income statement. The losses arising from impairment of such investments are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude the following:

- Those that the group intends to trade in, which are classified as held-for-trading and those that the group designates as at fair value through profit or loss
- Those that the group designates as available-for-sale
- Those for which the group may not recover substantially all of its initial investment, other than because of credit deterioration, which is accounted for as available-for-sale instruments.

Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method, less impairment losses. The effective interest rate represents the rate that exactly discounts future projected cash flows through the expected life of the financial instrument, to the net carrying amount of the financial instrument. Included in the calculation of the effective interest rate is any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Losses arising from impairment of such investments are recognised in the income statement line 'impairment losses on loans and advances'.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Securitisation/credit investment and trading activities exposures

The group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The group predominantly focuses on the securitisation of residential and commercial mortgages and lease receivables. The group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the group has exposure

to or rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the group consolidates the structured entity, the group recognises the assets and liabilities on a gross basis. When the group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the group in the structured entity is reflected.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, or loans and receivables. They include strategically held equity instruments that are not interests in associated undertakings, joint ventures or subsidiaries of the group. Further, certain debt instruments that are held at fair value due to being quoted on an active market, which are neither actively traded nor held-to-maturity instruments, are classified as available-for-sale financial assets.

Financial assets classified as available-for-sale are measured at fair value with unrealised gains and losses recognised directly in other comprehensive income in the available-for-sale reserve. When the asset is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement. Interest earned while holding available-for-sale financial assets is reported as interest income using the effective interest rate. Dividends earned while holding available-for-sale financial assets are recognised in the income statement when the right of payment has been established.

If an available-for-sale instrument is determined to be impaired, the respective cumulative unrealised losses previously recognised in other comprehensive income are included in the income statement in the period in which the impairment is identified.

Impairments on available-for-sale equity instruments are not reversed once recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, limited to the impairment value previously recognised in the income statement.

Financial liabilities

Financial liabilities are classified as non-trading, held-for-trading or designated as held at fair value through profit or loss.

Non-trading liabilities are recorded at amortised cost applying the effective interest method.

Held-for-trading liabilities or liabilities designated as held at fair value through profit or loss are measured at fair value.

All changes in fair value of financial liabilities are recognised in the income statement.

Day-one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for impairment at each balance sheet date and when an indicator of impairment is identified.

The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Over and above individual collective impairments raised at specific portfolio levels, the group recognises a collective impairment allowance at a central level (within the Specialist Banking business segment) that takes into account macro-economic factors, mainly driven by data related to the prevailing credit markets and which indicate incurred but not

specifically identified losses across the loan portfolios (that is, exposures in all business segments). Assets specifically identified as impaired are excluded from the collective assessment.

Impairments are credited to an allowance account which is carried against the carrying value of financial assets. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the group.

An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net expected proceeds on realisation of collateral) discounted at the original effective rate. Impairments of financial assets held at amortised cost are recognised in the income statement.

To cater for any shortfall between regulatory provision requirements (in the respective jurisdictions) and impairments based on the principles above, a transfer is made from distributable to non-distributable reserves, being the regulatory general risk reserve. The non-distributable regulatory risk reserve ensures that minimum regulatory provisioning requirements are maintained.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the group's rights to cash flows have expired or when the group has transferred its rights to cash flows relating to the financial assets and either: (a) the group has transferred substantially all the risk and rewards associated with the financial assets or (b) the group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original

liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

The group may reclassify, in certain rare circumstances, non-derivative financial assets out of the held-for-trading category and into the available-for-sale, loans and receivables, or held-to-maturity categories. It may also reclassify, in certain circumstances, financial instruments out of the available-for-sale category and into the loans and receivables category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Derivative instruments

All derivative instruments of the group are recorded on the balance sheet at fair value. Positive and negative fair values are reported as assets and liabilities, respectively.

Derivative positions are entered into either for trading purposes or as part of the group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit and losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed in the hedge accounting section below).

Derivative instruments transacted as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held-for-trading.

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through profit and loss, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting

The group applies either fair value or cash flow hedge or hedge of net investments in

foreign operations accounting when the transactions meet the specified hedge accounting criteria. To qualify for hedge accounting treatment, the group ensures that all of the following conditions are met:

- At inception of the hedge, the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument, relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other

comprehensive income is reclassified to the income statement immediately and recognised in trading income from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is released to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

Qualifying hedges of a net investment in a foreign operation including a hedge of a monetary item that is accounted for as part of the net investment are accounted for in a way similar to cash flow hedges. Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Embedded derivatives

To the extent that a derivative may be embedded in a hybrid contract and the hybrid contract is not carried at fair value with changes in fair value recorded in the income statement, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative if and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group, and the group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec plc or Investec Limited are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent issued equity repurchased by the group which has not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, at a fixed price or a selling price plus a lender's return, they remain on-balance sheet. Proceeds received are recorded as a liability on the balance sheet under 'repurchase agreements and cash

Accounting policies (continued)

collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Securities borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

The cash collateral from agency-based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

Financial guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amortisation and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement all changes in the balance sheet carrying value are recognised in the income statement.

Instalment credit, leases and rental agreements

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a financial lease.

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are

included in loans and advances where the group is the lessor and included in liabilities where the group is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight-line basis over the lease term. Contingent rentals are accrued to the income statement when incurred.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current and comparative annual depreciation rates for each class of property and equipment is as follows:

• Computer and related equipment	20% – 33%
• Motor vehicles	20% – 25%
• Furniture and fittings	10% – 20%
• Freehold buildings	2%
• Leasehold property and improvements*	

* *Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property depreciation rates are determined by reference to the period of the lease.*

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists.

Routine maintenance and service costs for group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the group.

Investment property

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried at fair value, with fair value gains and losses recognised in the income statement in investment income.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

Trading properties

Trading properties are carried at the lower of cost and net realisable value.

Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments.

For intangible assets with a finite life, amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the expected useful life of the asset (currently three to twenty years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset.

Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets, other than investment property, for indication of impairment. The recoverable amount, being the higher of fair value less cost of disposal and value in use, is determined for any assets for which an indication of impairment is identified. If the

Accounting policies (continued)

recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients.

As these are not assets of the group, they are not recognised on the balance sheet but are included at market value as part of assets under administration.

Taxation and deferred taxation

Current tax payable is provided on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately. Insurance premiums are recognised in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

Employee benefits

The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme, all employer contributions are charged to income as incurred, in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the

liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus (to the extent that it is considered recoverable) or deficit in the balance sheet.

Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in other comprehensive income.

The group has no liabilities for other post-retirement benefits.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on the balance sheet.

Standards and interpretations issued but not yet effective

The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these annual financial statements. The group intends to comply with these standards from the effective dates.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 will replace certain key elements of IAS 39. The mandatory effective date for IFRS 9 is from 1 January 2018 with

Accounting policies (continued)

early adoption permitted. However, IFRS 9 has not yet been endorsed by the European Union. The two key elements that would impact the group's accounting policies include:

- Classification and measurement of financial assets and financial liabilities: the standard requires that all financial assets be classified as either held at fair value or amortised cost. The amortised cost classification is only permitted where it is held within a business model where the underlying cash flows are held in order to collect contractual cash flows and that the cash flows arise solely from payment of principal and interest. The standard further provides that gains and losses on assets held at fair value are measured through the income statement unless the entity has elected to present gains and losses on non-trading equity investments (individually elected) directly through comprehensive income. With reference to financial liabilities held at fair value, the standard proposes that changes to fair value attributable to credit risk is taken directly to other comprehensive income without recycling.
- Impairment methodology: the key change is related to a shift from an incurred loss to an expected loss impairment methodology. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

IFRS 9 also includes guidance on hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 Hedge Accounting.

There are additional disclosures and consequential amendments in IFRS 7 resulting from the introduction of the hedge accounting chapter in IFRS 9. These will become effective when IFRS 9 is applied.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2017 with early application permitted. IFRS 15 provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for obligations as they are satisfied. The standard should be applied retrospectively, with certain practical expedients available. The group does not anticipate a material impact on adoption of this standard.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the group.

Key management assumptions

In preparation of the annual financial statements the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments primarily in the private equity, direct investments portfolios and embedded derivatives. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility



Details of unlisted investments can be found in note 15 with further analysis contained in the risk management section on pages 45 to 47 in volume two.

- The determination of impairments against assets that are carried at amortised cost and impairments relating to available-for-sale financial assets involves the assessment of future cash flows which is judgemental in nature



Refer to pages 31 to 43 in volume two in the risk management section for further analysis on impairments.

- The group's income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group recognises liabilities for taxation based on estimates of levels of taxation expected to be payable, taking into consideration expert external advice where appropriate. The final resolution may result in different amounts of cash flows to those initially provided and any necessary adjustments are taken into consideration in the period in which they are identified
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.
- In order to meet the objectives of IFRS 12, management performs an assessment of the value of each associate in relation to the value of total assets, as well as any qualitative considerations that may exist, in order to determine materiality to the reporting entity for disclosure purposes.

Notes to the annual financial statements

For the year to 31 March 2015
£'000

	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Combined consolidated segmental analysis					
2015					
Segmental business analysis – income statement					
Net interest income	4 307	6 556	624 114	–	634 977
Net fee and commission income	428 555	299 663	360 825	–	1 089 043
Investment income	22	4 123	124 189	–	128 334
Trading income arising from					
– customer flow	–	1 024	105 289	–	106 313
– balance sheet management and other trading activities	1 485	574	(15 483)	–	(13 424)
Other operating income	1 690	1 277	9 269	–	12 236
Total operating income before impairment on loans and advances	436 059	313 217	1 208 203	–	1 957 479
Impairment losses on loans and advances	–	–	(128 381)	–	(128 381)
Operating income	436 059	313 217	1 079 822	–	1 829 098
Operating costs	(287 084)	(234 436)	(761 873)	(39 312)	(1 322 705)
Depreciation on operating leased assets	–	–	(1 535)	–	(1 535)
Operating profit/(loss) before goodwill and acquired intangibles	148 975	78 781	316 414	(39 312)	504 858
Profit attributable to other non-controlling interests	–	–	(11 701)	–	(11 701)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	148 975	78 781	304 713	(39 312)	493 157
Profit attributable to Asset Management non-controlling interests	(18 184)	–	–	–	(18 184)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	130 791	78 781	304 713	(39 312)	474 973
Selected returns and key statistics					
Return on equity (pre-tax)*	95.2%	25.5%	10.7%		13.7%
Return on tangible equity (pre-tax)*	236.3%	136.1%	10.9%		16.4%
Cost to income ratio	65.8%	74.8%	63.1%		67.6%
Staff compensation to operating income	47.6%	55.9%	45.2%		47.4%
Operating profit per employee (£'000)	100.1	54.0	57.4		59.7
Total assets (£'million)	626	1 655	42 072		44 353

* Refer to calculation on page 52 in volume one.

Notes to the annual financial statements (continued)

For the year to 31 March 2014
£'000

	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
1. Combined consolidated segmental analysis (continued)					
2014					
Segmental business analysis – income statement					
Net interest income	3 918	7 857	639 904	–	651 679
Net fee and commission income	409 341	275 377	304 703	–	989 421
Investment income	28	2 183	164 598	–	166 809
Trading income arising from					
– customer flow	–	1 324	102 590	–	103 914
– balance sheet management and other trading activities	(1 982)	58	12 511	–	10 587
Other operating income	2 875	1 234	14 445	–	18 554
Total operating income before impairment on loans and advances	414 180	288 033	1 238 751	–	1 940 964
Impairment losses on loans and advances	–	–	(166 152)	–	(166 152)
Operating income	414 180	288 033	1 072 599	–	1 774 812
Operating costs	(270 361)	(221 934)	(778 504)	(36 444)	(1 307 243)
Depreciation on operating leased assets	–	–	(6 044)	–	(6 044)
Operating profit before goodwill and acquired intangibles	143 819	66 099	288 051	(36 444)	461 525
Profit attributable to other non-controlling interests	–	–	(10 849)	–	(10 849)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	143 819	66 099	277 202	(36 444)	450 676
Profit attributable to Asset Management non-controlling interests	(11 031)	–	–	–	(11 031)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	132 788	66 099	277 202	(36 444)	439 645
Selected returns and key statistics					
Return on equity (pre-tax)*	104.1%	19.9%	9.5%		12.4%
Return on tangible equity (pre-tax)*	328.5%	142.1%	9.9%		15.2%
Cost to income ratio	65.3%	77.1%	63.2%		67.6%
Staff compensation to operating income	47.7%	56.1%	43.5%		46.3%
Operating profit per employee (£'000)	105.1	48.7	50.6		54.9
Total assets (£'million)	555	1 919	44 668		47 142

* Refer to calculation on page 52 in volume one.

Notes to the annual financial statements (continued)

For the year to 31 March 2015
£'000

UK and
Other

Southern
Africa

Total
group

1. Combined consolidated segmental analysis

(continued)

2015

Segmental geographic analysis – income statement

Net interest income	327 482	307 495	634 977
Net fee and commission income	731 097	357 946	1 089 043
Investment income	(2 210)	130 544	128 334
Trading income arising from			
– customer flow	88 259	18 054	106 313
– balance sheet management and other trading activities	(28 186)	14 762	(13 424)
Other operating income	10 639	1 597	12 236
Total operating income before impairment on loans and advances	1 127 081	830 398	1 957 479
Impairment losses on loans and advances	(102 707)	(25 674)	(128 381)
Operating income	1 024 374	804 724	1 829 098
Operating costs	(895 586)	(427 119)	(1 322 705)
Depreciation on operating leased assets	(1 535)	–	(1 535)
Operating profit before goodwill and acquired intangibles	127 253	377 605	504 858
Loss/(profit) attributable to other non-controlling interests	16 856	(28 557)	(11 701)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	144 109	349 048	493 157
Profit attributable to Asset Management non-controlling interests	(10 053)	(8 131)	(18 184)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	134 056	340 917	474 973
Impairment of goodwill	(4 376)	(961)	(5 337)
Amortisation of acquired intangibles	(14 497)	–	(14 497)
Net (loss)/gain on disposal of subsidiaries	(93 060)	27	(93 033)
Earnings attributable to shareholders before taxation	22 123	339 983	362 106
Taxation on operating profit before goodwill and acquired intangibles	(28 362)	(70 661)	(99 023)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(17 574)	–	(17 574)
Earnings attributable to shareholders	(23 813)	269 322	245 509
Selected returns and key statistics			
Return on equity (post-tax)*	4.9%	18.4%	10.6%
Return on tangible equity (post-tax)*	6.9%	18.4%	12.7%
Cost to income ratio	79.6%	51.4%	67.6%
Staff compensation to operating income	56.1%	35.5%	47.4%
Operating profit per employee (£'000)	38.0	78.2	59.7
Effective operational tax rate	22.3%	18.7%	19.6%
Total assets (£'million)	17 969	26 384	44 353

* Refer to calculation on page 51 in volume one.

Notes to the annual financial statements (continued)

For the year to 31 March 2014
£'000

UK and
Other

Southern
Africa

Total
group

1. Combined consolidated segmental analysis

(continued)

2014

Segmental geographic analysis – income statement

Net interest income	356 734	294 945	651 679
Net fee and commission income	634 570	354 851	989 421
Investment income	99 099	67 710	166 809
Trading income arising from			
– customer flow	77 044	26 870	103 914
– balance sheet management and other trading activities	(9 308)	19 895	10 587
Other operating income	16 013	2 541	18 554
Total operating income before impairment on loans and advances	1 174 152	766 812	1 940 964
Impairment losses on loans and advances	(126 911)	(39 241)	(166 152)
Operating income	1 047 241	727 571	1 774 812
Operating costs	(890 662)	(416 581)	(1 307 243)
Depreciation on operating leased assets	(6 044)	–	(6 044)
Operating profit before goodwill and acquired intangibles	150 535	310 990	461 525
Loss/(profit) attributable to other non-controlling interests	2 720	(13 569)	(10 849)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	153 255	297 421	450 676
Profit attributable to Asset Management non-controlling interests	(5 535)	(5 496)	(11 031)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	147 720	291 925	439 645
Impairment of goodwill	(11 233)	(1 564)	(12 797)
Amortisation of acquired intangibles	(13 393)	–	(13 393)
Operating costs arising from integration, restructuring and partial disposal of subsidiaries	(18 919)	(1 971)	(20 890)
Net gain on disposal of subsidiaries	9 653	168	9 821
Earnings attributable to shareholders before taxation	113 828	288 558	402 386
Taxation on operating profit before goodwill and acquired intangibles	(30 770)	(48 140)	(78 910)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	7 289	–	7 289
Earnings attributable to shareholders	90 347	240 418	330 765
Selected returns and key statistics			
Return on equity (post-tax)*	5.4%	16.5%	10.0%
Return on tangible equity (post-tax)*	7.8%	16.7%	12.3%
Cost to income ratio	76.2%	54.3%	67.6%
Staff compensation to operating income	51.5%	36.6%	46.3%
Operating profit per employee (£'000)	39.1	69.4	54.9
Effective operational tax rate	20.4%	15.5%	17.1%
Total assets (£'million)	22 061	25 081	47 142

* Refer to calculation on page 51 in volume one.

Notes to the annual financial statements (continued)

For the year to 31 March
£'000

UK and
Other

Southern
Africa

Total
group

1. Combined consolidated segmental analysis

(continued)

Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests

2015

Asset Management	75 491	73 484	148 975
Wealth & Investment	56 871	21 910	78 781
Specialist Banking	41 795	262 918	304 713
	174 157	358 312	532 469
Group costs	(30 048)	(9 264)	(39 312)
Total group	144 109	349 048	493 157
Other non-controlling interest – equity			11 701
Operating profit			504 858

2014

Asset Management	67 585	76 234	143 819
Wealth & Investment	46 065	20 034	66 099
Specialist Banking	67 277	209 925	277 202
	180 927	306 193	487 120
Group costs	(27 672)	(8 772)	(36 444)
Total group	153 255	297 421	450 676
Other non-controlling interest – equity			10 849
Operating profit			461 525

Notes to the annual financial statements (continued)

At 31 March 2015
£'000

UK and
Other

Southern
Africa

Total
group

1. Combined consolidated segmental analysis

(continued)

2015

Segmental geographic analysis – balance sheet assets and liabilities

Assets

Cash and balances at central banks	2 181 242	348 320	2 529 562
Loans and advances to banks	1 050 412	1 995 452	3 045 864
Non-sovereign and non-bank cash placements	–	586 400	586 400
Reverse repurchase agreements and cash collateral on securities borrowed	1 214 949	597 207	1 812 156
Sovereign debt securities	1 212 910	1 745 731	2 958 641
Bank debt securities	219 342	941 713	1 161 055
Other debt securities	222 485	404 888	627 373
Derivative financial instruments	736 297	844 384	1 580 681
Securities arising from trading activities	670 298	416 051	1 086 349
Investment portfolio	400 941	546 905	947 846
Loans and advances to customers	7 061 117	9 679 146	16 740 263
Own originated loans and advances to customers securitised	–	448 647	448 647
Other loans and advances	553 166	21 664	574 830
Other securitised assets	411 983	368 613	780 596
Interests in associated undertakings	21 931	3 313	25 244
Deferred taxation assets	73 618	25 683	99 301
Other assets	1 317 392	424 321	1 741 713
Property and equipment	63 069	39 285	102 354
Investment properties	65 736	552 162	617 898
Goodwill	356 090	5 437	361 527
Intangible assets	136 655	10 572	147 227
Non-current assets classified as held for sale	–	40 726	40 726

17 969 633 20 046 620 38 016 253

Other financial instruments at fair value through profit or loss in respect of liabilities to customers

– 6 337 149 6 337 149

17 969 633 26 383 769 44 353 402

Liabilities

Deposits by banks	207 963	1 700 331	1 908 294
Derivative financial instruments	854 247	689 921	1 544 168
Other trading liabilities	251 879	633 124	885 003
Repurchase agreements and cash collateral on securities lent	597 259	687 686	1 284 945
Customer accounts (deposits)	10 298 493	12 316 375	22 614 868
Debt securities in issue	1 191 986	517 383	1 709 369
Liabilities arising on securitisation of own originated loans and advances	–	109 953	109 953
Liabilities arising on securitisation of other assets	330 526	286 383	616 909
Current taxation liabilities	104 605	97 185	201 790
Deferred taxation liabilities	45 403	31 078	76 481
Other liabilities	1 411 727	433 952	1 845 679

15 294 088 17 503 371 32 797 459

Liabilities to customers under investment contracts

– 6 335 326 6 335 326

Insurance liabilities, including unit-linked liabilities

– 1 823 1 823

15 294 088 23 840 520 39 134 608

Subordinated liabilities

596 923 581 376 1 178 299

15 891 011 24 421 896 40 312 907

Notes to the annual financial statements (continued)

At 31 March 2014
£'000

UK and
Other

Southern
Africa

Australia

Total
group

1. Combined consolidated segmental analysis (continued)

2014

Segmental geographic analysis – balance sheet assets and liabilities

Assets

Cash and balances at central banks	1 706 423	337 572	36 195	2 080 190
Loans and advances to banks	1 213 531	2 003 156	63 492	3 280 179
Non-sovereign and non-bank cash placements	–	515 189	–	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	909 437	479 543	–	1 388 980
Sovereign debt securities	946 004	1 983 017	286 411	3 215 432
Bank debt securities	234 728	1 196 915	136 454	1 568 097
Other debt securities	221 063	376 150	8 165	605 378
Derivative financial instruments	868 270	700 545	50 600	1 619 415
Securities arising from trading activities	586 706	283 382	–	870 088
Investment portfolio	336 148	483 148	6 449	825 745
Loans and advances to customers	6 492 335	8 506 986	1 282 291	16 281 612
Own originated loans and advances to customers securitised	–	428 117	447 638	875 755
Other loans and advances	1 413 630	279 939	–	1 693 569
Other securitised assets	2 798 158	778 368	–	3 576 526
Interests in associated undertakings	17 947	2 950	3 419	24 316
Deferred taxation assets	65 971	26 033	39 138	131 142
Other assets	1 140 024	292 204	42 764	1 474 992
Property and equipment	59 377	42 815	6 546	108 738
Investment properties	61 715	447 513	–	509 228
Goodwill	397 756	6 560	29 255	433 571
Intangible assets	149 121	5 821	4 227	159 169
Non-current assets classified as held for sale	–	41 637	–	41 637

	19 618 344	19 217 560	2 443 044	41 278 948
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 862 959	–	5 862 959
	19 618 344	25 080 519	2 443 044	47 141 907

Liabilities

Deposits by banks	1 416 696	1 304 474	–	2 721 170
Derivative financial instruments	598 218	527 362	44 652	1 170 232
Other trading liabilities	391 650	469 762	–	861 412
Repurchase agreements and cash collateral on securities lent	614 733	701 354	–	1 316 087
Customer accounts (deposits)	9 406 909	11 670 995	1 531 880	22 609 784
Debt securities in issue	1 003 759	487 254	105 617	1 596 630
Liabilities arising on securitisation of own originated loans and advances	–	280 450	449 084	729 534
Liabilities arising on securitisation of other assets	2 374 599	666 836	–	3 041 435
Current taxation liabilities	107 142	100 770	129	208 041
Deferred taxation liabilities	69 255	27 861	–	97 116
Other liabilities	1 153 598	384 062	35 217	1 572 877

	17 136 559	16 621 180	2 166 579	35 924 318
Liabilities to customers under investment contracts	–	5 861 389	–	5 861 389
Insurance liabilities, including unit-linked liabilities	–	1 570	–	1 570
	17 136 559	22 484 139	2 166 579	41 787 277
Subordinated liabilities	668 007	597 803	72 942	1 338 752
	17 804 566	23 081 942	2 239 521	43 126 029

Notes to the annual financial statements (continued)

For the year to 31 March 2015 £'000	Asset Management			Wealth & Investment		
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total
1. Combined consolidated segmental analysis (continued) Segmental business and geographic analysis – income statement 2015						
Net interest income	300	4 007	4 307	6 209	347	6 556
Net fee and commission income	267 111	161 444	428 555	238 661	61 002	299 663
Investment income	–	22	22	3 486	637	4 123
Trading income arising from						
– customer flow	–	–	–	895	129	1 024
– balance sheet management and other trading activities	1 501	(16)	1 485	356	218	574
Other operating income	136	1 554	1 690	1 276	1	1 277
Total operating income before impairment losses on loans and advances	269 048	167 011	436 059	250 883	62 334	313 217
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	269 048	167 011	436 059	250 883	62 334	313 217
Operating costs	(193 557)	(93 527)	(287 084)	(194 012)	(40 424)	(234 436)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill and acquired intangibles	75 491	73 484	148 975	56 871	21 910	78 781
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	75 491	73 484	148 975	56 871	21 910	78 781
Profit attributable to Asset Management non-controlling interests	(10 053)	(8 131)	(18 184)	–	–	–
Operating profit before goodwill, acquired intangibles and after non-controlling interests	65 438	65 353	130 791	56 871	21 910	78 781
Selected returns and key statistics						
Cost to income ratio	71.9%	56.0%	65.8%	77.3%	64.9%	74.8%
Staff compensation to operating income	55.4%	34.9%	47.6%	58.5%	45.3%	55.9%

Specialist Banking			Group costs			Total group
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	
320 973	303 141	624 114	–	–	–	634 977
225 325	135 500	360 825	–	–	–	1 089 043
(5 696)	129 885	124 189	–	–	–	128 334
87 364	17 925	105 289	–	–	–	106 313
(30 043)	14 560	(15 483)	–	–	–	(13 424)
9 227	42	9 269	–	–	–	12 236
607 150	601 053	1 208 203	–	–	–	1 957 479
(102 707)	(25 674)	(128 381)	–	–	–	(128 381)
504 443	575 379	1 079 822	–	–	–	1 829 098
(477 969)	(283 904)	(761 873)	(30 048)	(9 264)	(39 312)	(1 322 705)
(1 535)	–	(1 535)	–	–	–	(1 535)
24 939	291 475	316 414	(30 048)	(9 264)	(39 312)	504 858
16 856	(28 557)	(11 701)	–	–	–	(11 701)
41 795	262 918	304 713	(30 048)	(9 264)	(39 312)	493 157
–	–	–	–	–	–	(18 184)
41 795	262 918	304 713	(30 048)	(9 264)	(39 312)	474 973
78.9%	47.2%	63.1%				67.6%
55.6%	34.6%	45.2%				47.4%

Notes to the annual financial statements (continued)

For the year to 31 March 2014 £'000	Asset Management			Wealth & Investment		
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total
1. Combined consolidated segmental analysis (continued) Segmental business and geographic analysis – income statement 2014						
Net interest income	277	3 641	3 918	7 987	(130)	7 857
Net fee and commission income	244 962	164 379	409 341	217 413	57 964	275 377
Investment income	–	28	28	1 875	308	2 183
Trading income arising from						
– customer flow	–	–	–	389	935	1 324
– balance sheet management and other trading activities	(2 314)	332	(1 982)	(72)	130	58
Other operating income	(129)	3 004	2 875	1 232	2	1 234
Total operating income before impairment losses on loans and advances	242 796	171 384	414 180	228 824	59 209	288 033
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	242 796	171 384	414 180	228 824	59 209	288 033
Operating costs	(175 211)	(95 150)	(270 361)	(182 759)	(39 175)	(221 934)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill and acquired intangibles	67 585	76 234	143 819	46 065	20 034	66 099
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	67 585	76 234	143 819	46 065	20 034	66 099
Profit attributable to Asset Management non-controlling interests	(5 535)	(5 496)	(11 031)	–	–	–
Operating profit before goodwill, acquired intangibles and after non-controlling interests	62 050	70 738	132 788	46 065	20 034	66 099
Selected returns and key statistics						
Cost to income ratio	72.2%	55.5%	65.3%	79.9%	66.2%	77.1%
Staff compensation to operating income	54.7%	37.8%	47.7%	58.4%	47.2%	56.1%

Specialist Banking			Group costs			Total group
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	
348 470	291 434	639 904	–	–	–	651 679
172 195	132 508	304 703	–	–	–	989 421
97 224	67 374	164 598	–	–	–	166 809
76 655	25 935	102 590	–	–	–	103 914
(6 922)	19 433	12 511	–	–	–	10 587
14 910	(465)	14 445	–	–	–	18 554
702 532	536 219	1 238 751	–	–	–	1 940 964
(126 911)	(39 241)	(166 152)	–	–	–	(166 152)
575 621	496 978	1 072 599	–	–	–	1 774 812
(505 020)	(273 484)	(778 504)	(27 672)	(8 772)	(36 444)	(1 307 243)
(6 044)	–	(6 044)	–	–	–	(6 044)
64 557	223 494	288 051	(27 672)	(8 772)	(36 444)	461 525
2 720	(13 569)	(10 849)	–	–	–	(10 849)
67 277	209 925	277 202	(27 672)	(8 772)	(36 444)	450 676
–	–	–	–	–	–	(11 031)
67 277	209 925	277 202	(27 672)	(8 772)	(36 444)	439 645
72.5%	51.0%	63.2%				67.6%
49.9%	35.1%	43.5%				46.3%

Notes to the annual financial statements (continued)

For the year to 31 March 2015
£'000

		UK Specialist Banking		
		UK and Other	Australia	Total
1.	Combined consolidated segmental analysis			
	<i>(continued)</i>			
	Additional detail on UK and other Specialist Banking			
	2015			
	Net interest income	295 956	25 017	320 973
	Net fee and commission income	187 201	38 124	225 325
	Investment income	(7 685)	1 989	(5 696)
	Trading income arising from			
	– customer flow	85 399	1 965	87 364
	– balance sheet management and other trading activities	(30 662)	619	(30 043)
	Other operating income	9 065	162	9 227
	Total operating income before impairment on loans and advances	539 274	67 876	607 150
	Impairment losses on loans and advances	(94 925)	(7 782)	(102 707)
	Operating income	444 349	60 094	504 443
	Operating costs	(421 815)	(56 154)	(477 969)
	Depreciation on operating leased assets	(1 535)	–	(1 535)
	Operating profit before goodwill and acquired intangibles	20 999	3 940	24 939
	Loss attributable to other non-controlling interests	16 856	–	16 856
	Operating profit before goodwill, acquired intangibles and after other non-controlling interests	37 855	3 940	41 795
	Selected returns and key statistics			
	Cost to income ratio	78.4%	82.7%	78.9%
	Staff compensation to operating income	55.4%	57.5%	55.6%

Notes to the annual financial statements (continued)

For the year to 31 March 2014
£'000

UK Specialist Banking			
	UK and Other	Australia	Total
1. Combined consolidated segmental analysis (continued)			
Additional detail on UK and other Specialist Banking			
2014			
Net interest income	276 955	71 515	348 470
Net fee and commission income	144 944	27 251	172 195
Investment income	97 665	(441)	97 224
Trading income arising from			
– customer flow	65 989	10 666	76 655
– balance sheet management and other trading activities	(4 143)	(2 779)	(6 922)
Other operating income	14 642	268	14 910
Total operating income before impairment on loans and advances	596 052	106 480	702 532
Impairment losses on loans and advances	(104 792)	(22 119)	(126 911)
Operating income	491 260	84 361	575 621
Operating costs	(406 803)	(98 217)	(505 020)
Depreciation on operating leased assets	(6 044)	–	(6 044)
Operating profit before goodwill and acquired intangibles	78 413	(13 856)	64 557
Loss attributable to other non-controlling interests	2 720	–	2 720
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	81 133	(13 856)	67 277
Selected returns and key statistics			
Cost to income ratio	68.9%	92.2%	72.5%
Staff compensation to operating income	47.5%	63.2%	49.9%

Notes to the annual financial statements (continued)

		UK and Other		Southern Africa		Total group	
		Balance sheet value	Interest income	Balance sheet value	Interest income	Balance sheet value	Interest income
For the year to 31 March 2015							
£'000		Notes					
2. Net interest income							
Cash, near cash and bank debt and sovereign debt securities	1	5 878 855	48 967	6 214 823	274 165	12 093 678	323 132
Core loans and advances	2	7 061 117	424 071	10 127 793	808 754	17 188 910	1 232 825
– Private client		3 341 861	169 272	6 726 853	524 190	10 068 714	693 462
– Corporate, institutional and other clients		3 719 256	254 799	3 400 940	284 564	7 120 196	539 363
Other debt securities and other loans and advances		775 651	101 816	426 552	23 758	1 202 203	125 574
Other interest-earning assets	3	411 983	94 612	368 613	14 724	780 596	109 336
Total interest-earning assets		14 127 606	669 466	17 137 781	1 121 401	31 265 387	1 790 867

		UK and Other		Southern Africa		Total group	
		Balance sheet value	Interest expense	Balance sheet value	Interest expense	Balance sheet value	Interest expense
For the year to 31 March 2015							
£'000		Notes					
Deposits by banks and other debt-related securities	4	1 997 208	41 869	2 905 400	51 519	4 902 608	93 388
Customer accounts (deposits)		10 298 493	157 813	12 316 375	702 722	22 614 868	860 535
Other interest-bearing liabilities	5	330 526	82 421	396 336	16 503	726 862	98 924
Subordinated liabilities		596 923	59 881	581 376	43 162	1 178 299	103 043
Total interest-bearing liabilities		13 223 150	341 984	16 199 487	813 906	29 422 637	1 155 890
Net interest income			327 482		307 495		634 977

Notes:

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

Notes to the annual financial statements (continued)

		UK and Other		Southern Africa		Total group	
		Balance sheet value	Interest income	Balance sheet value	Interest income	Balance sheet value	Interest income
For the year to 31 March 2014		Notes					
£'000							
2. Net interest income							
(continued)							
Cash, near cash and bank debt and sovereign debt securities	1	5 532 675	61 907	6 515 392	295 811	12 048 067	357 718
Core loans and advances	2	8 222 264	542 480	8 935 103	765 050	17 157 367	1 307 530
– Private client		5 146 582	267 408	6 037 359	488 165	11 183 941	755 573
– Corporate, institutional and other clients		3 075 682	275 072	2 897 744	276 885	5 973 426	551 957
Other debt securities and other loans and advances		1 642 858	74 598	656 089	31 088	2 298 947	105 686
Other interest-earning assets	3	2 798 158	124 783	778 368	9 666	3 576 526	134 449
Total interest-earning assets		18 195 955	803 768	16 884 952	1 101 615	35 080 907	1 905 383

		UK and Other		Southern Africa		Total group	
		Balance sheet value	Interest expense	Balance sheet value	Interest expense	Balance sheet value	Interest expense
For the year to 31 March 2014		Notes					
£'000							
Deposits by banks and other debt-related securities	4	3 140 805	76 542	2 493 082	62 435	5 633 887	138 977
Customer accounts (deposits)		10 938 789	222 458	11 670 995	655 969	22 609 784	878 427
Other interest-bearing liabilities	5	2 823 683	80 766	947 286	41 531	3 770 969	122 297
Subordinated liabilities		740 949	67 268	597 803	46 735	1 338 752	114 003
Total interest-bearing liabilities		17 644 226	447 034	15 709 166	806 670	33 353 392	1 253 704
Net interest income			356 734		294 945		651 679

Notes:

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

Notes to the annual financial statements (continued)

For the year to 31 March
£'000

UK and
Other

Southern
Africa

Total
group

3. Net fee and commission income

2015

Asset management and wealth management businesses net fee and commission income

505 772 222 446 728 218

Fund management fees/fees for assets under management

540 050 201 374 741 424

Private client transactional fees

59 566 32 302 91 868

Fee and commission expense

(93 844) (11 230) (105 074)

Specialist Banking net fee and commission income

225 325 135 500 360 825

Corporate and institutional transactional and advisory services

219 870 115 220 335 090

Private client transactional fees

25 019 32 856 57 875

Fee and commission expense

(19 564) (12 576) (32 140)

Net fee and commission income

731 097 357 946 1 089 043

– Annuity fees (net of fees payable)

541 327 276 143 817 470

– Deal fees

189 770 81 803 271 573

2014

Asset management and wealth management businesses net fee and commission income

462 375 222 343 684 718

Fund management fees/fees for assets under management

497 863 191 271 689 134

Private client transactional fees

61 887 33 287 95 174

Fee and commission expense

(97 375) (2 215) (99 590)

Specialist Banking net fee and commission income

172 195 132 508 304 703

Corporate and institutional transactional and advisory services

177 053 118 667 295 720

Private client transactional fees

29 871 27 003 56 874

Fee and commission expense

(34 729) (13 162) (47 891)

Net fee and commission income

634 570 354 851 989 421

– Annuity fees (net of fees payable)

461 427 257 662 719 089

– Deal fees

173 143 97 189 270 332

Trust and fiduciary fees amounted to £0.2 million (2014: £9.5 million) and are included in Private client transaction fees.

For the year to 31 March
£'000

UK and
Other

Southern
Africa

Total
group

4. Investment income

2015

Realised

80 014 65 746 145 760

Unrealised

(90 296) 48 097 (42 199)

Dividend income

5 878 24 808 30 686

Funding and other net related income/(costs)

2 194 (8 107) (5 913)

(2 210) 130 544 128 334

2014

Realised

53 986 19 534 73 520

Unrealised

34 991 14 899 49 890

Dividend income

10 885 38 569 49 454

Funding and other net related costs

(763) (5 292) (6 055)

99 099 67 710 166 809

Notes to the annual financial statements (continued)

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
4. Investment income (continued)					
2015					
UK and Other					
Realised	63 395	8 494	–	8 125	80 014
Unrealised	(76 850)	(23 175)	8 726	1 003	(90 296)
Dividend income	5 878	–	–	–	5 878
Funding and other net related income	–	–	–	2 194	2 194
	(7 577)	(14 681)	8 726	11 322	(2 210)
Southern Africa					
Realised	42 214	3 814	19 741	(23)	65 746
Unrealised	29 358	8 241	10 169	329	48 097
Dividend income	24 808	–	–	–	24 808
Funding and other net related (costs)/income	(13 212)	–	–	5 105	(8 107)
	83 168	12 055	29 910	5 411	130 544
Total investment income/(loss)	75 591	(2 626)	38 636	16 733	128 334
2014					
UK and Other					
Realised	37 822	11 457	–	4 707	53 986
Unrealised	52 059	(12 837)	–	(4 231)	34 991
Dividend income	10 692	–	–	193	10 885
Funding and other net related costs	–	–	–	(763)	(763)
	100 573	(1 380)	–	(94)	99 099
Southern Africa					
Realised	12 607	–	8 610	(1 683)	19 534
Unrealised	1 746	(2 851)	16 374	(370)	14 899
Dividend income	38 569	–	–	–	38 569
Funding and other net related (costs)/income	(9 830)	–	(1 534)	6 072	(5 292)
	43 092	(2 851)	23 450	4 019	67 710
Total investment income/(loss)	143 665	(4 231)	23 450	3 925	166 809

* Including embedded derivatives (warrants and profit shares).

Notes to the annual financial statements (continued)

For the year to 31 March

£'000

2015

2014

5. Other operating income

Rental income from properties	5 661	857
Gains/(losses) on realisation of properties	84	(441)
Unrealised gains on other investments	2 375	2 975
Income from operating leases	2 183	9 336
Operating income from associates	1 933	5 827
	12 236	18 554

For the year to 31 March

£'000

2015

2014

6. Operating costs

Staff costs	927 980	897 743
– Salaries and wages (including directors' remuneration)	777 945	735 144
– Training and other costs	16 794	25 504
– Share-based payment expense	56 012	62 236
– Social security costs	42 032	40 994
– Pensions and provident fund contributions	35 197	33 865
Premises expenses (excluding depreciation)	63 201	70 477
Equipment expenses (excluding depreciation)	54 433	56 386
Business expenses*	193 529	198 008
Marketing expenses	58 833	55 923
Depreciation, amortisation and impairment on property, equipment and intangibles	24 729	28 706
	1 322 705	1 307 243
Depreciation on operating leased assets	1 535	6 044
	1 324 240	1 313 287
The following amounts were paid by the group to the auditors in respect of the audit of the financial statements and for other services provided to the group		
Ernst & Young fees		
Fees payable to the company's auditors for the audit of the company's accounts	781	752
Fees payable to the company's auditors and its associates for other services:		
– Audit of the company's subsidiaries pursuant to legislation	5 713	6 614
– Audit-related assurance services	551	257
– Tax compliance services	731	753
– Other assurance services	1 257	10
	9 033	8 386
KPMG fees		
Fees payable to the company's auditors for the audit of the company's accounts	1 342	1 275
Fees payable to the company's auditors and its associates for other services:		
– Audit of the company's subsidiaries pursuant to legislation	1 020	806
– Audit-related assurance services	433	153
– Tax compliance services	1 270	843
– Services related to corporate finance transactions	9	45
– Other assurance services	284	450
	4 358	3 572
Total	13 391	11 958

* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.



Details of the directors' emoluments, pensions and their interests are disclosed in the remuneration report on pages 151 to 158 in volume one.

Notes to the annual financial statements (continued)

7. Share-based payments

The group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis. The purpose of the staff share schemes is to promote an *esprit de corps* within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.



Further information on the group share options and long-term incentive plans is provided on pages 176 to 177 in volume one of the remuneration report and on our website.

For the year to 31 March £'000	Asset Management	Wealth & Investment	Specialist Banking	Total group
Share-based payment expense				
2015				
Equity-settled	3 786	9 133	46 966	59 885
Total income statement charge	3 786	9 133	46 966	59 885*
2014				
Equity-settled	10 027	8 554	48 324	66 905
Total income statement charge	10 027	8 554	48 324	66 905*

* Of the £59.9 million charge (2014: £66.9 million), £56.0 million (2014: £62.2 million) is included in operating costs and £3.9 million (2014: £4.7 million) is an accelerated share-based payments charge that is included in the income statement in net loss on disposal of subsidiaries and operating costs arising from integration, restructuring and partial disposal of subsidiaries respectively.

Included in the above income statement charge is as an accelerated share-based payment charge as a result of modifications to certain options granted. This expense for the year was £0.01 million (2014: £0.3 million).

For the year to 31 March £'000	2015	2014
Fair value of options granted in the year		
UK schemes	24 943	30 054
South African schemes	41 904	45 287

Details of options outstanding during the year	UK schemes				South African schemes			
	2015		2014		2015		2014	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at the beginning of the year	42 877 067	0.04	50 514 354	0.05	44 475 185	–	44 300 546	–
Granted during the year	6 721 210	0.16	9 200 128	0.05	10 719 215	–	13 549 614	–
Exercised during the year [^]	(15 562 258)	0.02	(12 249 975)	0.01	(12 306 518)	–	(11 643 554)	–
Expired during the year	–	–	–	–	(1 253 909)	–	(1 731 421)	–
Options forfeited during the year	(1 605 255)	0.28	(4 587 440)	0.19	–	–	–	–
Outstanding at the end of the year	32 430 764	0.06	42 877 067	0.04	41 633 973	–	44 475 185	–
Exercisable at the end of the year	137 197	–	561 720	0.11	87 083	–	5 332	–

[^] The weighted average share price at date of exercise was £5.41 (2014: £4.35) for the UK schemes and R96.84 (2014: R68.06) for the South African schemes.

Notes to the annual financial statements (continued)

7. Share-based payments (continued)

Additional information relating to options	UK schemes		South African schemes	
	2015	2014	2015	2014
Options with strike prices				
Exercise price range	£3.20 – £5.72	£3.20 – £5.00	n/a	n/a
Weighted average remaining contractual life	2.07 years	2.79 years	n/a	n/a
Long-term incentive option with no strike price				
Exercise price range	£nil	£nil	Rnil	Rnil
Weighted average remaining contractual life	1.80 years	2.58 years	2.15 years	2.72 years
Weighted average fair value of options and long-term grants at measurement date	£3.71	£3.27	R69.52	R51.73
The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows:				
– Share price at date of grant	£5.16 – £5.72	£4.26 – £4.59	R90 – R100.57	R66.84 – R71.20
– Exercise price	£nil, £5.16 – £5.72	£nil, £4.26 – £4.59	Rnil	Rnil
– Expected volatility	25.24% – 30%	30%	25.24% – 30%	30%
– Option life	4.5 – 5.25 years	4.5 – 5.25 years	1 – 5 Years	3 – 6 years
– Expected dividend yields	4.86% – 5.04%	4.42% – 5.90%	4.45% – 4.62%	3.89% – 5.08%
– Risk-free rate	1.36% – 1.70%	0.98% – 1.44%	6.78 % – 7.18%	6.04 % – 7.08%

Expected volatility was determined based on the implied volatility levels quoted by the equity derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical group data with an adjustment to actual attrition on final vesting.

Notes to the annual financial statements (continued)

For the year to 31 March
£'000

2015

2014

8. Taxation

Income statement tax charge

Current taxation

UK

Current tax on income for the year

19 457 23 883

Adjustments in respect of prior years

6 309 (8 193)

Corporation tax before double tax relief

25 766 15 690

– Double taxation relief

(425) (611)

25 341 15 079

Southern Africa

– in respect of current year

72 249 44 418

– in respect of prior year adjustments

– (5 947)

72 249 38 471

Europe

2 272 2 998

Australia

211 –

Other

1 626 981

Withholding tax on companies

132 56

Total current taxation

101 831 57 585

Deferred taxation

UK

(22 814) 4 482

Southern Africa

(1 720) 9 613

Europe

5 097 96

Australia

34 199 (154)

Other

4 (1)

Total deferred taxation

14 766 14 036

Total taxation charge for the year

116 597 71 621

Total taxation charge for the year comprises:

Taxation on operating profit before goodwill

99 023 78 910

Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries

17 574 (7 289)

116 597 71 621

Deferred taxation comprises:

Origination and reversal of temporary differences

19 396 12 613

Changes in tax rates

274 (289)

Adjustment in respect of prior years

(4 904) 1 712

14 766 14 036

Notes to the annual financial statements (continued)

For the year to 31 March
£'000

2015

2014

8. Taxation (continued)

The rates of corporation tax for the relevant years are:

	%	%
UK	21	23
South Africa	28	28
Europe (average)	10	10
Australia	30	30

Profit before taxation	391 991	424 266

Taxation on profit before taxation	116 597	71 621

Effective tax rate	29.74%	16.88%

The taxation charge on activities for the year is different from the standard rate as detailed below:

Taxation on profit on ordinary activities before taxation at UK rate of 21% (2014: 23%)	82 318	97 581
Taxation adjustments relating to foreign earnings	(24 710)	(31 846)
Goodwill and non-operating items	40 995	–
Taxation relating to prior years	1 405	(6 481)
Share options accounting expense	8 635	3 828
Share options exercised during the year	(11 032)	(10 386)
Unexpired share options future tax deduction	256	4 904
Non-taxable income	(2 411)	(1 831)
Net other permanent differences	17 018	16 217
Unrealised capital losses	776	812
Movement of brought forward trading losses	3 071	(888)
Change in tax rate	276	(289)
Total taxation charge as per income statement	116 597	71 621

Other comprehensive income taxation effects

Fair value movements on cash flow hedges taken directly to other comprehensive income	(32 816)	(3 582)
Pre-taxation	(30 422)	(8 588)
Taxation effect	(2 394)	5 006
Gains on realisation of available-for-sale assets recycled through the income statement	(4 660)	(2 972)
Pre-taxation	(2 267)	(4 083)
Taxation effect	(2 393)	1 111
Fair value movements on available-for-sale assets taken directly to other comprehensive income	1 037	347
Pre-taxation	(1 398)	502
Taxation effect	2 435	(155)
Re-measurement of net defined pension asset (note 40)	6 340	(5 870)
Pre-taxation	5 247	(7 686)
Taxation effect	1 093	1 816

Statement of changes in equity taxation effects

Share based payment adjustment	63 475	66 905
Pre-taxation IFRS 2 option reserve	59 315	66 905
Taxation effect	4 160	–

Notes to the annual financial statements (continued)

For the year to 31 March

2015

2014

9. Earnings per share

	£'000	£'000
Earnings		
Earnings attributable to shareholders	245 509	330 765
Preference dividends paid	(34 803)	(35 268)
Earnings and diluted earnings attributable to ordinary shareholders	210 706	295 497
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	897 466 433	890 019 394
Weighted average number of treasury shares	(34 815 248)	(27 467 498)
Weighted average number of shares in issue during the year	862 651 185	862 551 896
Weighted average number of shares resulting from future dilutive potential shares	47 937 173	51 847 815
Adjusted weighted number of shares potentially in issue	910 588 358	914 399 711
Earnings per share – pence	24.4	34.3
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year.		
Diluted earnings per share – pence	23.1	32.3
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.		
Adjusted earnings per share – pence	39.4	37.9
Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders, after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year.		
	£'000	£'000
Earnings attributable to shareholders	245 509	330 765
Impairment of goodwill	5 337	12 797
Amortisation of acquired intangibles, net of taxation	14 497	13 393
Operating cost arising from integration, restructuring and partial disposals of subsidiaries	–	20 890
Net loss/(profit) on disposal of subsidiaries and restructuring costs	93 033	(9 821)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	17 574	(7 289)
Preference dividends paid	(34 803)	(35 268)
Accrual adjustment on earnings attributable to other equity holders*	(1 211)	(386)
Currency hedge attributable to perpetual equity instruments*	(413)	1 842
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	339 523	326 923

* In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

Notes to the annual financial statements (continued)

For the year to 31 March

2015

2014

9. Earnings per share (continued)

Headline earnings per share - pence

Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listings Requirements, and in terms of circular 2/2013 issued by the South African Institute of Chartered Accountants.

	35.8	33.8
	£'000	£'000
Earnings attributable to shareholders	245 509	330 765
Impairment of goodwill	5 337	12 797
Net loss on disposal of subsidiaries	93 033	–
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	20 666	–
Preference dividends paid	(34 803)	(35 268)
Property revaluation, net of taxation**	(16 312)	(13 761)
Gains on available-for-sale instruments recycled through the income statement**	(4 660)	(2 972)
Headline earnings attributable to ordinary shareholders**	308 770	291 561

** Taxation on headline earnings adjustments amounted to £7.2 million (2014: £4.3 million) with an impact of £7.4 million (2014: £6.3 million) on earnings attributable to non-controlling interests.

	2015		2014	
	Pence per share	Total £'000	Pence per share	Total £'000
10. Dividends				
Ordinary dividend				
Final dividend for prior year	11.0	95 637	10.0	81 906
Interim dividend for current year	8.5	72 849	8.0	68 147
Total dividend attributable to ordinary shareholders recognised in current financial year	19.5	168 486	18.0	150 053

The directors have proposed a final dividend in respect of the financial year ended 31 March 2015 of 11.5 pence per ordinary share.

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 216 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 11.5 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec plc of 2.5 pence per ordinary share and through a dividend payment on the SA DAS share of 9 pence per ordinary share.

The final dividend will be payable on Friday, 14 August 2015 to shareholders on the register at the close of business on Friday, 31 July 2015.

Notes to the annual financial statements (continued)

For the year to 31 March	2015			2014		
	Pence per share*	Cents per share*	Total £'000	Pence per share*	Cents per share*	Total £'000
10. Dividends (continued)						
Perpetual preference dividend						
Final dividend for prior year	7.48	410.58	9 081	7.48	402.64	11 942
Interim dividend for current year	7.52	433.55	9 596	7.52	404.86	11 305
Total dividend attributable to perpetual preference shareholders recognised in current financial year	15.00	844.13	18 677	15.00	807.50	23 247

* Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.

The directors have declared a final dividend in respect of the financial year ended 31 March 2015 of 7.47945 pence (Investec plc shares traded on the JSE Limited) and 7.47945 pence (Investec plc shares traded on the Channel Island Stock Exchange), 358.70081 cents (Investec Limited) and 384.34536 cents (Investec Bank Limited) per perpetual preference share. The final dividend will be payable on Monday, 22 June 2015 to shareholders on the register at the close of business on Friday, 12 June 2015.

For the year to 31 March
£'000

	2015	2014
Dividends attributable to perpetual preferred securities	14 528	12 021

The €200 000 000 fixed/floating rate guaranteed, non-voting, non-cumulative perpetual preferred securities paid dividends of 7.075% in both years as set out in note 47.

Dividends attributable to Other Additional Tier 1 securities in issue	1 598	–

The R550 000 000 Other Additional Tier 1 floating rate notes pay dividends at a rate equal to the three-month JIBAR plus 4.25% on a quarterly basis as set out in note 46.

Total perpetual preference dividend and Other Additional Tier 1 dividend	34 803	35 268

For the year to 31 March
£'000

11. Miscellaneous items

Operating lease expenses recognised in operating costs expenses:

Minimum lease payments	38 464	43 884
	38 464	43 884

Operating lease income recognised in income:

Minimum lease payments	42 037	41 095
Sublease payments	–	18
	42 037	41 113

The majority of the operating lease expenses in the group relate to leases on property.

Rental income from leasing motor vehicles and properties is included in 'Other operating income' and 'Fee and commission income' respectively.

Operating lease receivables

Future minimum lease payments under non-cancellable operating leases:

Less than one year	54 057	32 497
One to five years	148 267	114 363
Later than five years	63 290	36 489
	265 614	183 349

Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The leases typically run for a period of three years or longer. Lessees are entitled to the use of the properties leased to them for their own business purposes for the duration of the contracted lease period.

Notes to the annual financial statements (continued)

For the year to 31 March
£'000

12. Analysis of income and impairments by category of financial instruments

2015

	Trading	Designated at inception	At fair value through profit or loss
Net interest income	2 712	46 103	
Fee and commission income	55 902	1 976	
Fee and commission expense	(971)	(777)	
Investment income	1 211	87 134	
Trading income arising from			
– customer flow	97 529	8 649	
– balance sheet management and other trading activities	877	(14 912)	
Other operating income	–	1 694	
Total operating income before impairment losses on loans and advances	157 260	129 867	
Impairment losses on loans and advances	–	–	
Operating income	157 260	129 867	

2014

Net interest income	8 416	108 015	
Fee and commission income	41 352	1 224	
Fee and commission expense	(124)	(8 066)	
Investment income	1 613	107 797	
Trading income arising from			
– customer flow	101 913	1 496	
– balance sheet management and other trading activities	8 603	886	
Other operating income	–	2 845	
Total operating income before impairment losses on loans and advances	161 773	214 197	
Impairment losses on loans and advances	–	–	
Operating income	161 773	214 197	

	Held-to-maturity	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Non-financial instruments	Other fee income	Total
	46 918	1 466 304	60 096	(992 718)	–	5 562	634 977
	–	120 755	147	4 976	67 970	974 531	1 226 257
	–	(12 742)	–	(9 212)	(3 312)	(110 200)	(137 214)
	(925)	174	4 158	–	36 582	–	128 334
	–	–	–	135	–	–	106 313
	27 524	831	(103)	(27 641)	–	–	(13 424)
	–	–	–	–	10 536	6	12 236
	73 517	1 575 322	64 298	(1 024 460)	111 776	869 899	1 957 479
	–	(124 442)	(3 939)	–	–	–	(128 381)
	73 517	1 450 880	60 359	(1 024 460)	111 776	869 899	1 829 098
	44 630	1 461 274	51 936	(1 030 059)	(261)	7 728	651 679
	–	107 072	134	4 822	30 886	951 412	1 136 902
	(68)	(8 302)	–	(3 799)	(1 706)	(125 416)	(147 481)
	(13)	6 324	13 597	–	37 491	–	166 809
	–	–	–	505	–	–	103 914
	–	(325)	156	1 267	–	–	10 587
	–	–	–	–	15 709	–	18 554
	44 549	1 566 043	65 823	(1 027 264)	82 119	833 724	1 940 964
	–	(166 152)	–	–	–	–	(166 152)
	44 549	1 399 891	65 823	(1 027 264)	82 119	833 724	1 774 812

Notes to the annual financial statements (continued)

At 31 March £'000	At fair value through profit or loss		Available- for-sale	Total instruments at fair value
	Trading	Designated at inception		
13. Analysis of financial assets and liabilities by category of financial instruments				
2015				
Assets				
Cash and balances at central banks	1 302	–	–	1 302
Loans and advances to banks	–	178 907	–	178 907
Non-sovereign and non-bank cash placements	160	–	–	160
Reverse repurchase agreements and cash collateral on securities borrowed	959 361	–	–	959 361
Sovereign debt securities	–	1 298 338	1 462 560	2 760 898
Bank debt securities	–	298 650	186 880	485 530
Other debt securities	12	26 692	468 823	495 527
Derivative financial instruments*	1 580 681	–	–	1 580 681
Securities arising from trading activities	867 010	219 339	–	1 086 349
Investment portfolio	–	893 056	54 790	947 846
Loans and advances to customers	–	707 376	–	707 376
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	627 928	–	627 928
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	46 214	35 763	–	81 977
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Non-current assets classified as held for sale**	–	–	–	–
	3 454 740	4 286 049	2 173 053	9 913 842
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 454 740	4 286 049	2 173 053	9 913 842
Liabilities				
Deposits by banks	–	–	–	–
Derivative financial instruments*	1 544 168	–	–	1 544 168
Other trading liabilities	885 003	–	–	885 003
Repurchase agreements and cash collateral on securities lent	553 730	–	–	553 730
Customer accounts (deposits)	–	924 083	–	924 083
Debt securities in issue	–	473 037	–	473 037
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	616 909	–	616 909
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	99 572	35 696	–	135 268
	3 082 473	2 049 725	–	5 132 198
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	3 082 473	2 049 725	–	5 132 198
Subordinated liabilities	–	–	–	–
	3 082 473	2 049 725	–	5 132 198

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

** Non-current assets classified as held for sale relates to an acquisition of a 100% interest in an entity. Management have entered into negotiations to dispose of a controlling interest in the entity.

During the year ended 31 March 2009, the group reclassified certain financial instruments out of fair value through profit or loss. These assets were originally classified as held-for-trading but the group's intentions in regard to these assets changed and the



For more information on hedges, please refer to note 53 on pages 112 and 113.

	Held- to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance- related at fair value	Non-financial instruments	Total
	–	2 528 260	–	2 528 260	–	–	2 529 562
	–	2 866 957	–	2 866 957	–	–	3 045 864
	–	586 240	–	586 240	–	–	586 400
	–	852 795	–	852 795	–	–	1 812 156
197 743	–	–	–	197 743	–	–	2 958 641
468 804	206 721	–	–	675 525	–	–	1 161 055
30 728	101 118	–	–	131 846	–	–	627 373
–	–	–	–	–	–	–	1 580 681
–	–	–	–	–	–	–	1 086 349
–	–	–	–	–	–	–	947 846
–	16 032 887	–	–	16 032 887	–	–	16 740 263
–	448 647	–	–	448 647	–	–	448 647
–	574 830	–	–	574 830	–	–	574 830
–	152 668	–	–	152 668	–	–	780 596
–	–	–	–	–	–	25 244	25 244
–	–	–	–	–	–	99 301	99 301
–	1 305 644	–	–	1 305 644	–	354 092	1 741 713
–	–	–	–	–	–	102 354	102 354
–	–	–	–	–	–	617 898	617 898
–	–	–	–	–	–	361 527	361 527
–	–	–	–	–	–	147 227	147 227
–	–	–	–	–	–	40 726	40 726
697 275	25 656 767	–	–	26 354 042	–	1 748 369	38 016 253
–	–	–	–	–	6 337 149	–	6 337 149
697 275	25 656 767	–	–	26 354 042	6 337 149	1 748 369	44 353 402
–	–	1 908 294	–	1 908 294	–	–	1 908 294
–	–	–	–	–	–	–	1 544 168
–	–	–	–	–	–	–	885 003
–	–	731 215	–	731 215	–	–	1 284 945
–	–	21 690 785	–	21 690 785	–	–	22 614 868
–	–	1 236 332	–	1 236 332	–	–	1 709 369
–	–	109 953	–	109 953	–	–	109 953
–	–	–	–	–	–	–	616 909
–	–	–	–	–	–	201 790	201 790
–	–	–	–	–	–	76 481	76 481
–	–	1 239 985	–	1 239 985	–	470 426	1 845 679
–	–	26 916 564	–	26 916 564	–	748 697	32 797 459
–	–	–	–	–	6 335 326	–	6 335 326
–	–	–	–	–	1 823	–	1 823
–	–	26 916 564	–	26 916 564	6 337 149	748 697	39 134 608
–	–	1 178 299	–	1 178 299	–	–	1 178 299
–	–	28 094 863	–	28 094 863	6 337 149	748 697	40 312 907

group reclassified £112.3 million and £7.8 million to the loans and receivables and available-for-sale classifications, respectively. The amount reclassified reflected the fair value of the financial assets at the date of reclassification. As the majority of these assets have been written down by the current year end, the group does not deem it material to undertake any further disclosure in the annual financial statements for the current year and the prior year. The carrying value of the assets reclassified is £21.2 million (2014: £31.7 million) and the fair value is £21.1 million (2014: 16.4 million).

Notes to the annual financial statements (continued)

At 31 March £'000	At fair value through profit or loss		Available- for-sale	Total instruments at fair value
	Trading	Designated at inception		
13. Analysis of financial assets and liabilities by category of financial instruments (continued)				
2014				
Assets				
Cash and balances at central banks	7 143	–	–	7 143
Loans and advances to banks	1	112 147	–	112 148
Non-sovereign and non-bank cash placements	1 561	–	–	1 561
Reverse repurchase agreements and cash collateral on securities borrowed	645 449	–	–	645 449
Sovereign debt securities	–	1 526 633	1 495 333	3 021 966
Bank debt securities	46 530	348 507	292 942	687 979
Other debt securities	40 534	72 247	432 967	545 748
Derivative financial instruments*	1 619 415	–	–	1 619 415
Securities arising from trading activities	787 200	82 888	–	870 088
Investment portfolio	–	754 654	71 091	825 745
Loans and advances to customers	–	788 963	–	788 963
Own originated loans and advances to customers securitised	–	–	–	–
Other loans and advances	–	–	–	–
Other securitised assets	–	1 230 452	–	1 230 452
Interests in associated undertakings	–	–	–	–
Deferred taxation assets	–	–	–	–
Other assets	529	34 150	–	34 679
Property and equipment	–	–	–	–
Investment properties	–	–	–	–
Goodwill	–	–	–	–
Intangible assets	–	–	–	–
Non-current assets classified as held for sale **	–	–	–	–
	3 148 362	4 950 641	2 292 333	10 391 336
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–
	3 148 362	4 950 641	2 292 333	10 391 336
Liabilities				
Deposits by banks	–	60	–	60
Derivative financial instruments*	1 170 232	–	–	1 170 232
Other trading liabilities	861 412	–	–	861 412
Repurchase agreements and cash collateral on securities lent	525 335	–	–	525 335
Customer accounts (deposits)	–	1 109 161	–	1 109 161
Debt securities in issue	–	501 634	–	501 634
Liabilities arising on securitisation of own originated loans and advances	–	–	–	–
Liabilities arising on securitisation of other assets	–	1 182 147	–	1 182 147
Current taxation liabilities	–	–	–	–
Deferred taxation liabilities	–	–	–	–
Other liabilities	29 479	31 662	–	61 141
	2 586 458	2 824 664	–	5 411 122
Liabilities to customers under investment contracts	–	–	–	–
Insurance liabilities, including unit-linked liabilities	–	–	–	–
	2 586 458	2 824 664	–	5 411 122
Subordinated liabilities	–	–	–	–
	2 586 458	2 824 664	–	5 411 122

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

** Non-current assets classified as held for sale relates to an acquisition of a 100% interest in an entity. Management have entered into negotiations to dispose of a controlling interest in the entity.



For more information on hedges, please refer to note 53 on pages 112 and 113.

	Held- to-maturity	Loans and receivables	Financial liabilities at amortised cost	Total instruments at amortised cost	Insurance- related at fair value	Non-financial instruments	Total
	–	2 073 047	–	2 073 047	–	–	2 080 190
	–	3 168 031	–	3 168 031	–	–	3 280 179
	–	513 628	–	513 628	–	–	515 189
	–	743 531	–	743 531	–	–	1 388 980
193 466	–	–	–	193 466	–	–	3 215 432
678 144	201 974	–	–	880 118	–	–	1 568 097
30 585	29 045	–	–	59 630	–	–	605 378
–	–	–	–	–	–	–	1 619 415
–	–	–	–	–	–	–	870 088
–	–	–	–	–	–	–	825 745
40 234	15 452 415	–	–	15 492 649	–	–	16 281 612
–	875 755	–	–	875 755	–	–	875 755
–	1 693 569	–	–	1 693 569	–	–	1 693 569
–	2 346 074	–	–	2 346 074	–	–	3 576 526
–	–	–	–	–	–	24 316	24 316
–	–	–	–	–	–	131 142	131 142
–	1 149 019	–	–	1 149 019	–	291 294	1 474 992
–	–	–	–	–	–	108 738	108 738
–	–	–	–	–	–	509 228	509 228
–	–	–	–	–	–	433 571	433 571
–	–	–	–	–	–	159 169	159 169
–	–	–	–	–	–	41 637	41 637
942 429	28 246 088	–	–	29 188 517	–	1 699 095	41 278 948
–	–	–	–	–	5 862 959	–	5 862 959
942 429	28 246 088	–	–	29 188 517	5 862 959	1 699 095	47 141 907
–	–	2 721 110	–	2 721 110	–	–	2 721 170
–	–	–	–	–	–	–	1 170 232
–	–	–	–	–	–	–	861 412
–	–	790 752	–	790 752	–	–	1 316 087
–	–	21 500 623	–	21 500 623	–	–	22 609 784
–	–	1 094 996	–	1 094 996	–	–	1 596 630
–	–	729 534	–	729 534	–	–	729 534
–	–	1 859 288	–	1 859 288	–	–	3 041 435
–	–	–	–	–	–	208 041	208 041
–	–	–	–	–	–	97 116	97 116
–	–	1 062 371	–	1 062 371	–	449 365	1 572 877
–	–	29 758 674	–	29 758 674	–	754 522	35 924 318
–	–	–	–	–	5 861 389	–	5 861 389
–	–	–	–	–	1 570	–	1 570
–	–	29 758 674	–	29 758 674	5 862 959	754 522	41 787 277
–	–	1 338 752	–	1 338 752	–	–	1 338 752
–	–	31 097 426	–	31 097 426	5 862 959	754 522	43 126 029

Notes to the annual financial statements (continued)

14. 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)

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

Fair value disclosures on investment properties are included in the investment properties note 32 on page 84.

At 31 March £'000	Total investments at fair value	Fair value category		
		Level 1	Level 2	Level 3
2015				
Assets				
Cash and balances at central banks	1 302	1 302	–	–
Loans and advances to banks	178 907	178 907	–	–
Non-sovereign and non-bank cash placements	160	–	160	–
Reverse repurchase agreements and cash collateral on securities borrowed	959 361	–	959 361	–
Sovereign debt securities	2 760 898	2 759 792	1 106	–
Bank debt securities	485 530	192 469	293 061	–
Other debt securities	495 527	379 690	97 793	18 044
Derivative financial instruments	1 580 681	204 626	1 332 534	43 521
Securities arising from trading activities	1 086 349	1 083 956	2 393	–
Investment portfolio	947 846	131 782	70 279	745 785
Loans and advances to customers	707 376	–	671 376	36 000
Other securitised assets	627 928	–	–	627 928
Other assets	81 977	81 910	67	–
	9 913 842	5 014 434	3 428 130	1 471 278
Liabilities				
Derivative financial instruments	1 544 168	328 214	1 213 288	2 666
Other trading liabilities	885 003	840 647	44 356	–
Repurchase agreements and cash collateral on securities lent	553 730	–	553 730	–
Customer accounts (deposits)	924 083	–	924 083	–
Debt securities in issue	473 037	–	473 037	–
Liabilities arising on securitisation of other assets	616 909	–	–	616 909
Other liabilities	135 268	96 865	38 403	–
	5 132 198	1 265 726	3 246 897	619 575
Net assets	4 781 644	3 748 708	181 233	851 703

Notes to the annual financial statements (continued)

At 31 March £'000	Total instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3

14. Fair value hierarchy (continued)

2014

Assets

Cash and balances at central banks	7 143	7 143	–	–
Loans and advances to banks	112 148	110 650	1 498	–
Non-sovereign and non-bank cash placements	1 561	–	1 561	–
Reverse repurchase agreements and cash collateral on securities borrowed	645 449	–	645 449	–
Sovereign debt securities	3 021 966	3 021 966	–	–
Bank debt securities	687 979	203 016	484 963	–
Other debt securities	545 748	302 417	171 222	72 109
Derivative financial instruments	1 619 415	163 639	1 347 463	108 313
Securities arising from trading activities	870 088	870 088	–	–
Investment portfolio	825 745	109 922	107 456	608 367
Loans and advances to customers	788 963	–	745 810	43 153
Other securitised assets	1 230 452	1	–	1 230 451
Other assets	34 679	33 406	426	847
	10 391 336	4 822 248	3 505 848	2 063 240

Liabilities

Deposits by banks	60	–	60	–
Derivative financial instruments	1 170 232	242 043	916 884	11 305
Other trading liabilities	861 412	823 368	38 044	–
Repurchase agreements and cash collateral on securities lent	525 335	–	525 335	–
Customer accounts (deposits)	1 109 161	–	1 109 161	–
Debt securities in issue	501 634	–	501 018	616
Liabilities arising on securitisation of other assets	1 182 147	–	–	1 182 147
Other liabilities	61 141	31 662	29 479	–
	5 411 122	1 097 073	3 119 981	1 194 068

Net assets

	4 980 214	3 725 175	385 867	869 172

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 in the current and the prior year.

Notes to the annual financial statements (continued)

14. Fair value hierarchy (continued)

Level 3 instruments

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

For the year to 31 March £'000	Total level 3 financial instruments	Fair value through profit and loss instruments	Available- for-sale instruments
Balance as at 1 April 2013	489 762	460 838	28 924
Transfers due to application of IFRS 13	533 098	533 098	–
Total gains or losses	66 317	67 634	(1 317)
– In the income statement	67 533	67 533	–
– In the statement of comprehensive income	(1 216)	101	(1 317)
Purchases	124 005	124 005	–
Sales	(91 555)	(88 478)	(3 077)
Issues	(10 343)	(10 343)	–
Settlements	(22 380)	(22 374)	(6)
Transfers into level 3	46 227	46 227	–
Transfers out of level 3	(87 103)	(27 631)	(59 472)
Transfers into non-current assets held for sale	(41 637)	(41 637)	–
Foreign exchange adjustments	(137 219)	(137 250)	31
Balance as at 31 March 2014	869 172	904 089	(34 917)
Total gains or losses	122 239	120 412	1 827
– In the income statement	121 813	120 412	1 401
– In the statement of comprehensive income	426	–	426
Purchases	152 975	123 092	29 883
Sales	(290 650)	(253 447)	(37 203)
Issues	(6 996)	(6 996)	–
Settlements	(68 982)	(52 553)	(16 429)
Transfers into level 3	63 545	21 416	42 129
Transfers out of level 3	545	545	–
Foreign exchange adjustments	9 855	4 437	5 418
Balance as at 31 March 2015	851 703	860 995	(9 292)

For the year ended 31 March 2015, there were transfers from the level 2 to the level 3 category to the value of £62.7 million because the significance of the unobservable inputs used to determine the fair value increased sufficiently to warrant a transfer. For the remaining transfers, the group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

Notes to the annual financial statements (continued)

14. Fair value hierarchy (continued)

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

For the year to 31 March £'000	Total	Realised	Unrealised
2015			
Total gains or (losses) on fair value through profit and loss instrument			
Fee and commission (expense)/income	7 859	(51)	7 910
Investment income	101 304	81 979	19 325
Trading income arising from customer flow	13 999	–	13 999
Trading income arising from balance sheet management and other trading activities	(97)	877	(974)
Other operating income	(1 252)	–	(1 252)
	121 813	82 805	39 008
Total gains on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	1 401	1 401	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	426	–	426
	1 827	1 401	426
2014			
Total gains or (losses) included in the income statement for the year			
Net interest income	14 896	–	14 896
Fee and commission expense	(485)	–	(485)
Investment income	55 712	54 658	1 054
Trading income arising from customer flow	2 294	–	2 294
Trading income arising from balance sheet management and other trading activities	(5 731)	–	(5 731)
Other operating income	847	–	847
	67 533	54 658	12 875
Total gains or (losses) on available-for-sale instruments			
Gains on realisation of available-for-sale assets recycled through the income statement	101	101	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(1 317)	–	(1 317)
	(1 216)	101	(1 317)

Notes to the annual financial statements (continued)

14. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 31 March 2015 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Discount rates
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates, yield curves and volatilities
Sovereign debt securities	Discounted cash flow model	Discount rates
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Discount rates, swap curves and NCD curves
Other debt securities	Discounted cash flow model	Discount rates, swap curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, standard industry 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	Discount rate and fund unit price
	Comparable quoted inputs	Net assets
Loans and advances to customers	Discounted cash flow model	Swap curves and discount rates
Other assets	Discounted cash flow model	Discount rates
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
Other trading liabilities	Discounted cash flow model	Discount rates
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Discount rates
Customer accounts (deposits)	Discounted cash flow model	Swap curves and discount rates
Debt securities in issue	Discounted cash flow model	Swap curves and discount rates
Other liabilities	Discounted cash flow model	Discount rates

Notes to the annual financial statements (continued)

14. Fair value hierarchy (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 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement	
				Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	18 044			156	(205)
		Discount rates	(5%) – 5%	14	(60)
		Credit spreads	(2%) – 3%	114	(128)
		Other	(6%) – 5%	28	(17)
Derivative financial instruments	43 521			16 685	(11 121)
		Discount rates	(5%) – 5%	358	(283)
		Volatilities	(4%) – 3%	626	(1 536)
		Volatilities	(25%)/40%	3 227	(1 363)
		Credit spreads	(50bps)/50bps	1 279	(692)
		Cash flow adjustments	(3%) – 8%	7	(6)
		Price-earnings multiple	**	3 816	(4 074)
		Other	^	2 505	(457)
		Other	(11%) – 10%	4 867	(2 710)
Investment portfolio	706 843			173 264	(85 332)
		Price-earnings multiple	(10%) – 10% or	1 517	(1 210)
		Price-earnings multiple	**	100 880	(54 829)
		EBITDA	5x EBITDA	6 958	(2 640)
		Other	^	18 296	(17 988)
		Other	(10%) – 10%	45 613	(8 665)
Loans and advances to customers	36 000			6 500	(1 347)
		Cash flows	(5%) – 5%	5 407	–
		Other	(9%) – 3%	1 093	(1 347)
Other securitised assets*	627 928			16 556	(11 495)
		Credit spreads	-6 months/+12 month adjustment to CDR curve	5 228	(167)
		Other		11 328	(11 328)
Liabilities					
Derivative financial instruments	(2 666)			1 830	(1 442)
		Cash flow adjustments	(2%) – 1%	1 830	(1 442)
Liabilities arising on securitisation of other assets*	(616 909)			19 021	(13 749)
		Credit default rates,# Loss severity, prepayment rates	(5%) – 5%	5 228	(167)
		Other		13 793	(13 582)
	812 761			234 012	(124 691)

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

** The price-earnings multiple has been stressed on an investment by investment basis in order to obtain the aggressive and conservative valuations.

^ These valuation sensitivities have been stressed individually using varying scenario-based techniques to obtain the aggressive and conservative valuations.

The variation techniques applied have changed from the previous year due to the sale and deconsolidation of various liabilities held in the previous year.

Notes to the annual financial statements (continued)

14. Fair value hierarchy (continued)

At 31 March 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in other comprehensive income	
				Favourable changes £'000	Unfavourable changes £'000
2015					
Assets					
Investment portfolio	38 942	EBITDA	(10%) – 10% or 5x EBITDA	2 658	(2 058)
				2 658	(2 058)
Total Level 3	851 703			236 670	(126 749)

At 31 March 2014	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement	
				Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	72 109			6 227	(4 770)
		Discount rates	(5%) – 5%	670	(3 829)
		Credit spreads	(5%) – 5%	4 693	(310)
		Other	(5%) – 5%	864	(631)
Derivative financial instruments	108 313			12 354	(6 430)
		Volatilities	(2%) – 2%	601	(698)
		Credit spreads	(6.5bps) – 6.5bps	256	(684)
		Volatilities	20%/50%	4 204	(2 307)
		Other^	^	3 182	(1 344)
		Other	(11%) – 10%	4 111	(1 397)
Investment portfolio	583 221			105 995	(59 688)
		Volatilities	(10%) – 10%	4	(4)
		EBITDA	(10%) – 10% or 5x EBITDA	606	(9 665)
		Other^	^	88 849	(48 503)
		Other	(10%) – 10%	16 536	(1 516)
Loans and advances to customers	43 153			2 439	(5 615)
		Cash flows	(9%) – 3%	1 337	(4 076)
		Other		1 102	(1 539)
Other securitised assets*	1 230 451			38 432	(39 120)
		Underlying market price adjustments	(5%)/5%	30 310	(30 310)
		Credit spreads	-6 months/+12 month adjustment to CDR curve	8 122	(8 810)
Other assets	847	Discount rates	(5%) – 5%	30	(28)
Liabilities					
Derivative financial instruments	(11 305)	Volatilities	(4%) – 4%	648	(438)
Debt securities in issue	(616)	Volatilities	(2%) – 4%	15	(8)
Liabilities arising on securitisation of other assets*	(1 182 147)			40 225	(39 600)
		Credit spreads	(6.5bps) – 6.5bps	6 078	(6 120)
		Underlying market price adjustments	(5%) – 5%	34 147	(33 480)
	844 026			206 365	(155 697)

Notes to the annual financial statements (continued)

14. Fair value hierarchy (continued)

At 31 March 2014	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in other comprehensive income	
				Favourable changes £'000	Unfavourable changes £'000
Assets				13 001	(1 007)
Investment portfolio	25 146	EBITDA	(10%) – 10% or 5x EBITDA	12 769	(891)
		Other	(10%) – 10%	232	(116)
Total Level 3	869 172			219 366	(156 704)

* 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.

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 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. 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 inputs into a discounted cash flow valuation.

EBITDA

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

Price earnings multiple

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

Notes to the annual financial statements (continued)

At 31 March £'000		Fair value category			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost					
2015					
Assets					
Cash and balances at central banks	2 528 260	2 528 260	^	^	^
Loans and advances to banks	2 866 957	2 866 957	^	^	^
Non-sovereign and non-bank cash placements	586 240	586 580	586 580	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	852 795	852 795	^	–	–
Sovereign debt securities	197 743	202 949	202 949	–	–
Bank debt securities	675 525	709 768	484 258	225 510	–
Other debt securities	131 846	130 146	16 659	9 670	103 817
Loans and advances to customers*	16 032 887	16 082 898	798 879	8 210 259	7 073 760
Own originated loans and advances to customers securitised	448 647	448 647	–	448 647	–
Other loans and advances	574 830	620 568	25 294	37 114	558 160
Other securitised assets	152 668	152 667	80 961	71 706	–
Other assets	1 305 644	1 305 519	1 029 911	219 132	56 476
	26 354 042	26 487 754			
Liabilities					
Deposits by banks	1 908 294	1 920 130	158 250	1 689 063	72 817
Repurchase agreements and cash collateral on securities lent	731 215	730 508	107 437	623 071	–
Customer accounts (deposits)	21 690 785	21 739 660	7 118 741	14 620 919	–
Debt securities in issue	1 236 332	1 266 315	30 600	1 125 648	110 067
Liabilities arising on securitisation of own originated loans and advances	109 953	109 953	^	^	^
Other liabilities	1 239 985	1 237 888	912 140	260 997	64 751
Subordinated liabilities	1 178 299	1 180 558	1 180 520	38	–
	28 094 863	28 185 012			

Financial instruments for which fair value approximates carrying value

^ For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate financial instruments.

* Management has re-evaluated the significance of the unobservable inputs for certain loans and advances and have concluded that it is appropriate to transfer these instruments to a level 2 valuation.

Notes to the annual financial statements (continued)

At 31 March £'000		Carrying amount	Fair value	Fair value category		
				Level 1	Level 2	Level 3
15. Fair value of financial instruments at amortised cost						
(continued)						
2014						
Assets						
Cash and balances at central banks	2 073 047	2 073 047	^	^	^	
Loans and advances to banks	3 168 031	3 161 681	1 336 818	1 824 863	–	
Non-sovereign and non-bank cash placements	513 628	513 628	^	^	^	
Reverse repurchase agreements and cash collateral on securities borrowed	743 531	743 531	^	^	^	
Sovereign debt securities	193 466	197 972	197 972	–	–	
Bank debt securities	880 118	912 490	632 527	279 963	–	
Other debt securities	59 630	67 022	21 382	21 580	24 060	
Loans and advances to customers	15 492 649	15 509 586	49 316	955 934	14 504 336	
Own originated loans and advances to customers securitised	875 755	893 352	^	^	^	
Other loans and advances	1 693 569	1 529 812	–	478 904	1 050 908	
Other securitised assets	2 346 074	2 382 226	452 928	111 816	1 817 482	
Other assets	1 149 019	1 139 700	803 521	321 631	14 548	
	29 188 517	29 124 047				
Liabilities						
Deposits by banks	2 721 110	2 734 972	745 932	1 924 209	64 831	
Repurchase agreements and cash collateral on securities lent	790 752	793 772	278 487	515 285	–	
Customer accounts (deposits)	21 500 623	21 494 701	5 188 137	16 306 564	–	
Debt securities in issue	1 094 996	1 073 606	55 338	738 323	279 945	
Liabilities arising on securitisation of own originated loans and advances	729 534	729 533	^	^	^	
Liabilities arising on securitisation of other assets	1 859 288	1 780 745	–	1 423 185	357 560	
Other liabilities	1 062 371	1 048 996	782 597	235 402	30 997	
Subordinated liabilities	1 338 752	1 339 355	1 339 355	–	–	
	31 097 426	30 995 680				

Financial instruments for which fair value approximates carrying value

^ For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value and have been reflected in level 1. This assumption also applies to demand deposits and savings accounts without a specific maturity which are included in customer accounts (deposits) and variable rate financial instruments.

15. Fair value of financial instruments at amortised cost (continued)

Financial instruments for which fair value does not approximate carrying value

Fixed-rate financial instruments

The fair value of fixed-rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. Certain financial instruments, that would normally be carried at fair value, continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on the balance sheet.

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Bank debt securities	Valued using a cash flow model of the bonds, discounted by an observable market credit curve.
Other debt securities	Priced with reference to similar trades in an observable market as well as calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Own originated loans and advances to customers securitised	Calculation of the current cash flows of fixed-rate loans at current expected interest rates.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other securitised assets	Calculated using a model based on future cash flows.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
Deposits by banks	Calculation of fair value using appropriate funding rates. Calculation of the present value of future cash flows, discounted as appropriate.
Repurchase agreements and cash collateral on securities lent	Calculation of the present value of future cash flows, discounted as appropriate.
Short-term customer accounts (deposits)	Where the deposits are short-term in nature, carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities, they are valued using a cash flow model, discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised, fair value is equal to the carrying value. Other debt securities are valued using a cash flow model, discounted as appropriate to the securities for funding and interest rates.
Liabilities arising on securitisation of other assets	Valued using a cash flow model taking into account any hedging, discounted as appropriate.
Other liabilities	Where the other liabilities are short-term in nature, carrying amounts are assumed to approximate fair value.
Subordinated liabilities	Valued with reference to market prices.

Notes to the annual financial statements (continued)

At 31 March £'000	Carrying value	Fair value adjustment		Change in fair value attributable to credit risk		Maximum exposure to credit risk
		Year to date	Cumulative	Year to date	Cumulative	
16. Designated at fair value: loans and receivables and financial liabilities						
Loans and receivables designated at fair value through profit or loss						
2015						
Loans and advances to customers	707 376	5 579	16 052	–	–	707 376
Other securitised assets	627 928	(73 883)	(42 197)	(38 703)	(22 461)	627 928
	1 335 304	(68 304)	(26 145)	(38 703)	(22 461)	1 335 304
2014*						
Other debt securities	3 371	3 297	(9 447)	2 727	(2 615)	3 371
Loans and advances to customers	788 963	(45 274)	6 883	–	–	788 963
Other securitised assets	1 230 452	45 778	(99 872)	26 674	(123 546)	1 230 452
Other assets	847	59	847	–	–	847
	2 023 633	3 860	(101 589)	29 401	(126 161)	2 023 633

* Restated-loans and advances to banks are primarily money market accounts and do not bear characteristics of loans and receivables.

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment		Change in fair value attributable to credit risk	
			Year to date	Cumulative	Year to date	Cumulative
Financial liabilities designated at fair value through profit or loss						
2015						
Customer accounts (deposits)	924 083	918 159	(12 685)	5 924	–	–
Debt securities in issue	473 037	466 242	(9 626)	(142)	(2 722)	(7 690)
Liabilities arising on securitisation of other assets	616 909	806 815	(12 956)	(195 453)	30 011	(34 755)
Other liabilities	35 696	35 696	1 256	18 304	–	–
	2 049 725	2 226 912	(34 011)	(171 367)	27 289	(42 445)
2014						
Deposits by banks	60	60	(202)	–	–	–
Customer accounts (deposits)	1 109 161	1 116 083	(22 877)	(6 922)	–	–
Debt securities in issue	501 673	488 970	27 772	12 703	3 470	5 229
Liabilities arising on securitisation of other assets	1 190 492	1 312 052	124 694	(121 560)	49 533	(36 889)
Other liabilities	31 654	36 647	1 712	(4 993)	–	–
	2 833 040	2 953 812	131 099	(120 772)	53 003	(31 660)

Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

Notes to the annual financial statements (continued)

At 31 March
£'000

2015

2014

17. Cash and balances at central banks

The country risk of cash and balances at central banks lies in the following geographies:

South Africa	342 032	327 553
United Kingdom	2 146 945	1 681 929
Europe (excluding UK)	34 296	24 490
Australia	–	36 195
Other	6 289	10 023
	2 529 562	2 080 190

At 31 March
£'000

2015

2014

18. Loans and advances to banks

The country risk of loans and advances to banks lies in the following geographies:

South Africa	812 111	870 760
United Kingdom	996 439	1 150 387
Europe (excluding UK)	604 013	662 167
Australia	99 944	80 342
Asia	66 469	175 561
United States of America	428 195	287 377
Other	38 693	53 585
	3 045 864	3 280 179

At 31 March
£'000

2015

2014

19. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

Assets

Reverse repurchase agreements	1 473 558	991 391
Cash collateral on securities borrowed	338 598	397 589
	1 812 156	1 388 980

As part of the reverse repurchase and securities borrowing agreements the group has received securities that it is allowed to sell or re-pledge. £870.0 million (2014: £1.0 billion) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.

Liabilities

Repurchase agreements	1 177 508	1 206 625
Cash collateral on securities lent	107 437	109 462
	1 284 945	1 316 087

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £1.3 billion (2014: £1.5 billion). They are pledged as security for the term of the underlying repurchase agreement.

Notes to the annual financial statements (continued)

At 31 March
£'000

	2015	2014
20. Sovereign debt securities		
Bonds	667 051	893 046
Floating rate notes	–	48 855
Government securities	614 378	476 286
Treasury bills	1 677 212	1 797 245
	2 958 641	3 215 432
The country risk of the sovereign debt securities lies in the following geographies:		
South Africa	1 744 625	1 983 017
United Kingdom	1 196 877	826 219
Europe (excluding UK)*	16 033	119 785
Australia	–	286 411
Other	1 106	–
	2 958 641	3 215 432

* Where Europe (excluding UK) includes securities held largely in Germany and France.

At 31 March
£'000

	2015	2014
21. Bank debt securities		
Bonds	709 556	742 661
Debentures	53 784	59 449
Floating rate notes	397 715	764 059
Other	–	1 928
	1 161 055	1 568 097
The country risk of bank debt securities lies in the following geographies:		
South Africa	387 971	413 039
United Kingdom	404 862	537 108
Europe (excluding UK)	120 669	191 553
Australia	–	102 362
United States of America	238 555	314 015
Other	8 998	10 020
	1 161 055	1 568 097

Notes to the annual financial statements (continued)

At 31 March
£'000

	2015	2014
22. Other debt securities		
Bonds	501 633	391 819
Floating rate notes	28 978	52 252
Asset-based securities	87 790	150 144
Residual notes	–	9 340
Other investments	8 972	1 823
	627 373	605 378
The country risk of other debt securities lies in the following geographies:		
South Africa	362 895	302 919
United Kingdom	118 640	168 876
Europe (excluding UK)	61 926	53 344
Australia	14 428	34 564
United States of America	17 014	45 675
Other	52 470	–
	627 373	605 378

23. Derivative financial instruments

The group enters into various contracts for derivatives both as principal for trading purposes and as customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the present value of future positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

Notes to the annual financial statements (continued)

At 31 March £'000	2015			2014		
	Notional principal amounts	Positive fair value	Negative fair value	Notional principal amounts	Positive fair value	Negative fair value
23. Derivative financial instruments (continued)						
Foreign exchange derivatives						
Forward foreign exchange contracts	10 241 995	162 200	208 358	14 364 519	97 616	86 600
Currency swaps	7 103 760	403 966	736 887	7 683 969	436 114	597 503
OTC options bought and sold	5 593 003	115 279	107 165	3 763 267	46 543	44 649
Other foreign exchange contracts	234 362	3 640	4 840	910 011	2 268	3 887
OTC derivatives	23 173 120	685 085	1 057 250	26 721 766	582 541	732 639
Interest rate derivatives						
Caps and floors	1 412 395	30 072	1 930	1 119 741	5 770	8 280
Swaps	30 312 219	304 384	410 884	41 657 236	380 023	339 182
Forward rate agreements	17 341 257	9 332	8 866	47 152 374	24 744	24 906
OTC options bought and sold	89 016	1 502	1 502	627	1 706	1 533
Other interest rate contracts	27 815	9 761	5 094	27 340	11 857	7 279
OTC derivatives	49 182 702	355 051	428 276	89 957 318	424 100	381 180
Exchange traded futures	–	–	–	28 636	87	66
	49 182 702	355 051	428 276	89 985 954	424 187	381 246
Equity and stock index derivatives						
OTC options bought and sold	3 370 609	265 829	105 923	4 742 951	230 074	115 430
Equity swaps and forwards	867 835	4 959	14 200	346 576	5 092	847
OTC derivatives	4 238 444	270 788	120 123	5 089 527	235 166	116 277
Exchange traded futures	1 055 609	4 433	4 076	2 112 370	38 504	75 909
Exchange traded options	6 360 209	177 541	289 916	6 557 965	119 296	158 046
Warrants	101 076	965	139 677	15 445	1 018	78 312
	11 755 338	453 727	553 792	13 775 307	393 984	428 544
Commodity derivatives						
OTC options bought and sold	111 234	485	485	74 435	4 160	2 766
Commodity swaps and forwards	1 110 144	58 975	44 441	749 686	108 930	112 486
OTC derivatives	1 221 378	59 460	44 926	824 121	113 090	115 252
Credit derivatives	735 070	15 332	6 249	778 067	15 577	8 033
Embedded derivatives*		51 754	–		135 341	–
Cash collateral		(39 728)	(546 325)		(45 305)	(495 482)
Derivatives per balance sheet		1 580 681	1 544 168		1 619 415	1 170 232

* Mainly includes profit shares received as part of lending transactions.

Notes to the annual financial statements (continued)

At 31 March
£'000

	2015	2014
24. Securities arising from trading activities		
Bonds	194 841	107 110
Floating rate notes	2 253	11 207
Government securities	380 274	361 830
Listed equities	506 588	389 941
Other investments	2 393	–
	1 086 349	870 088

At 31 March
£'000

	2015	2014
25. Investment portfolio		
Listed equities	178 541	110 848
Unlisted equities*	769 305	714 897
	947 846	825 745

* Unlisted equities includes loan instruments that are convertible into equity.

At 31 March
£'000

	2015	2014
26. Loans and advances to customers and other loans and advances		
Gross loans and advances to customers	16 992 064	16 545 335
Impairments of loans and advances to customers	(251 801)	(263 723)
Net loans and advances to customers	16 740 263	16 281 612
Gross other loans and advances to customers	605 819	1 899 098
Impairments of other loans and advances to customers	(30 989)	(205 529)
Net other loans and advances to customers	574 830	1 693 569
<i>For further analysis on loans and advances refer to pages 31 to 43 in volume two in the risk management section.</i>		
Specific and portfolio impairments		
Reconciliation of movements in specific and portfolio impairments:		
Loans and advances to customers		
Specific impairment		
Balance at the beginning of the year	238 020	274 239
Charge to the income statement	115 689	120 377
Reversals and recoveries recognised in the income statement	(16 224)	(11 719)
Utilised	(117 394)	(131 012)
Disposals	(1 432)	–
Transfers	–	(1 816)
Exchange adjustment	(10 464)	(12 049)
Balance at the end of the year	208 195	238 020

Notes to the annual financial statements (continued)

At 31 March
£'000

2015

2014

26. Loans and advances to customers and other loans and advances (continued)

Portfolio impairment

Balance at the beginning of the year	25 703	14 998
Charge to the income statement	18 603	12 574
Disposals	(1 127)	–
Transfers	–	(96)
Exchange adjustment	427	(1 773)
Balance at the end of the year	43 606	25 703

Other loans and advances

Specific impairment

Balance at the beginning of the year	88 475	77 307
Charge to the income statement	9 610	28 917
Utilised	(8 282)	(19 676)
Disposals	(56 653)	–
Transfers	–	1 816
Exchange adjustment	(3 070)	111
Balance at the end of the year	30 080	88 475

Portfolio impairment

Balance at the beginning of the year	117 054	106 864
Charge to the income statement	4 683	10 165
Disposals	(120 826)	–
Transfers	–	96
Exchange adjustment	(2)	(71)
Balance at the end of the year	909	117 054

Total specific impairments	238 275	326 495
Total portfolio impairments	44 515	142 757
Total impairments	282 790	469 252

Interest income recognised on loans that have been impaired	6 480	19 125

Reconciliation of income statement charge:

Loans and advances to customers	118 068	121 232
Specific impairment charged to the income statement	99 465	108 658
Portfolio impairment charged to the income statement	18 603	12 574
Securitised assets (refer to note 27)	(3 980)	5 838
Specific impairment charged to the income statement	3 894	20 343
Portfolio impairment released to the income statement	(7 874)	(14 505)
Other loans and advances	14 293	39 082
Specific impairment charged to the income statement	9 610	28 917
Portfolio impairment charged to the income statement	4 683	10 165

Total income statement charge	128 381	166 152

Notes to the annual financial statements (continued)

At 31 March
£'000

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27. Securitised assets and liabilities arising on securitisation

Gross own originated loans and advances to customers securitised	448 921	876 595
Impairments of own originated loans and advances to customers securitised	(274)	(840)
Net own originated loans and advances to customers securitised	448 647	875 755
Other securitised assets are made up of the following categories of assets:		
– Cash and cash equivalents	152 668	248 793
– Loans and advances to customers net of impairments	627 928	1 540 884
– Kensington securitised assets net of impairments	–	1 786 849
Total other securitised assets	780 596	3 576 526
The associated liabilities are recorded on balance sheet in the following line items:		
Liabilities arising on securitisation of own originated loans and advances	109 953	729 534
Liabilities arising on securitisation of other assets	616 909	3 041 435
Specific and portfolio impairments		
Reconciliation of movements in group-specific and portfolio impairments of assets that have been securitised:		
Specific impairment		
Balance at the beginning of the year	(3 266)	(2 137)
Charge to the income statement	3 984	20 343
Utilised	(5 206)	(20 199)
Recoveries	(90)	75
Disposals	4 736	–
Exchange adjustment	(3)	(1 348)
Balance at the end of the year	153	(3 266)
Own originated loans and advances to customers securitised	153	390
Kensington loans and advances securitised and other securitised assets	–	(3 656)
Portfolio impairment		
Balance at the beginning of the year	30 652	45 125
Release to the income statement	(7 874)	(14 505)
Disposals	(22 631)	–
Exchange adjustment	(26)	32
Balance at the end of the year	121	30 652
Own originated loans and advances to customers securitised and other securitised assets	121	450
Kensington loans and advances securitised	–	30 202
Total portfolio and specific impairments on balance sheet	274	27 386

Notes to the annual financial statements (continued)

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2015

2014

28. Interests in associated undertakings

Interests in associated undertakings consist of:

Net asset value	18 210	17 250
Goodwill	7 034	7 066
Investment in associated undertakings	25 244	24 316

Associated undertakings comprise unlisted investments.

Analysis of the movement in our share of net assets:

At the beginning of the year	17 250	20 909
Exchange adjustments	706	(1 637)
Disposals	(255)	(6 527)
Acquisitions	124	296
Operating income from associates (included in other operating income)	1 933	5 827
Dividends received	(1 548)	(1 618)
At the end of the year	18 210	17 250

Analysis of the movement in goodwill:

At the beginning of the year	7 066	7 041
Exchange adjustments	(32)	25
At the end of the year	7 034	7 066

Notes to the annual financial statements (continued)

At 31 March
£'000

	2015	2014
29. Deferred taxation		
Deferred taxation assets	99 301	131 142
Deferred taxation liabilities	(76 481)	(97 116)
Net deferred taxation assets	22 820	34 026
The net deferred taxation assets arise from:		
Deferred capital allowances	30 540	26 362
Income and expenditure accruals	50 102	34 269
Asset in respect of unexpired options	23 052	21 833
Unrealised fair value adjustments on financial instruments	(46 180)	(27 435)
Losses carried forward	11 861	43 299
Liability in respect of pensions surplus	(6 553)	(5 112)
Asset in respect of pension contributions	–	569
Deferred tax on acquired intangibles	(25 617)	(28 844)
Revaluation of property	(14 277)	(18 739)
Debt buyback	(170)	(15 839)
Finance lease accounting	3 394	2 848
Other temporary differences	812	1 555
Fair value on cash flow hedges	(4 144)	(740)
Net deferred taxation assets	22 820	34 026
Reconciliation of net deferred taxation assets/(liabilities):		
At the beginning of the year	34 026	54 829
Charge to income statement – current year taxation	(14 766)	(14 030)
Charge directly in other comprehensive income	(324)	1 888
Other	2 957	(247)
Exchange adjustments	927	(8 414)
At the end of the year	22 820	34 026

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections.

Deferred taxation assets are not recognised in respect of capital losses and excess management expenses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £106.4 million (2014: £131.5 million), capital losses carried forward of £37.8 million (2014: £26.2 million) and excess management expenses of £11.4 million (2014: £12.5 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised.

The Finance Act 2013 reduced the main rate of corporate taxation to 20% with effect from 1 April 2015. The effect of these reductions is reflected in the above calculation as the rate was substantively enacted before 31 March 2015.

At 31 March
£'000

	2015	2014
30. Other assets		
Settlement debtors	1 059 205	917 756
Trading properties	216 049	135 818
Prepayments and accruals	71 882	126 727
Pension assets (refer to note 40)	35 900	25 560
Trading initial margin	61 179	19 274
Other	297 498	249 857
	1 741 713	1 474 992

Notes to the annual financial statements (continued)

At 31 March £'000	Freehold properties	Leasehold improve- ments	Furniture and vehicles	Equipment	Operating leases*	Total
31. Property and equipment						
2015						
Cost						
At the beginning of the year	48 949	54 004	25 583	77 749	32 831	239 116
Exchange adjustments	207	(2 005)	27	(5)	(2)	(1 778)
Disposal of subsidiary undertakings	–	–	(552)	(336)	–	(888)
Additions	–	13 784	569	10 752	9 508	34 613
Disposals	(117)	(8 222)	(5 115)	(2 320)	(16 402)	(32 176)
At the end of the year	49 039	57 561	20 512	85 840	25 935	238 887
Accumulated depreciation						
At the beginning of the year	(1 919)	(27 716)	(20 533)	(57 652)	(22 558)	(130 378)
Exchange adjustments	247	250	(10)	89	2	578
Disposals	–	1 836	2 473	1 651	6 064	12 024
Disposal of subsidiary undertakings	–	–	536	306	–	842
Depreciation charge for the year	(610)	(5 158)	(900)	(11 396)	(1 535)	(19 599)
At the end of the year	(2 282)	(30 788)	(18 434)	(67 002)	(18 027)	(136 533)
Net carrying value	46 757	26 773	2 078	18 838	7 908	102 354
2014						
Cost						
At the beginning of the year	37 176	61 509	31 158	83 639	63 247	276 729
Exchange adjustments	4 457	(12 680)	(1 365)	(8 392)	(1)	(17 981)
Disposal of subsidiary undertakings	–	(1 824)	(1 951)	(1 722)	–	(5 497)
Additions	7 342	8 454	1 129	14 518	3 428	34 871
Disposals	(26)	(1 455)	(3 388)	(10 294)	(33 843)	(49 006)
At the end of the year	48 949	54 004	25 583	77 749	32 831	239 116
Accumulated depreciation						
At the beginning of the year	(1 780)	(25 482)	(22 861)	(59 712)	(32 793)	(142 628)
Exchange adjustments	521	802	669	5 015	–	7 007
Disposals	–	1 029	3 231	6 907	16 279	27 446
Disposal of subsidiary undertakings	–	1 379	939	1 443	–	3 761
Depreciation charge for the year	(660)	(5 444)	(2 511)	(11 305)	(6 044)	(25 964)
At the end of the year	(1 919)	(27 716)	(20 533)	(57 652)	(22 558)	(130 378)
Net carrying value	47 030	26 288	5 050	20 097	10 273	108 738

* These are assets held by the group, in circumstances where the group is the lessor.

On 3 December 2010 the group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been shown separately on the face of the income statement.

Notes to the annual financial statements (continued)

At 31 March
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2015 2014

32. Investment properties

At the beginning of the year	509 228	451 975
Additions	109 662	148 428
Disposals	(3 497)	(16 807)
Fair value movement	18 895	16 374
Exchange adjustment	(16 390)	(90 742)
At the end of the year	617 898	509 228

All investment properties are classified as level 3 in the fair value hierarchy.

Fair value hierarchy – investment property

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. Properties are valued under the income capitalisation method and discounted cashflow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method, a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and, to this, an appropriate market-derived discount rate is applied to establish the present value of the income stream.

Valuation techniques used to derive level 3 fair values

For all classes of investment property, the significant unobservable inputs listed below are used in the income capitalisation method to determine the fair value measurement at the end of the reporting period.

Significant unobservable inputs	Relationship between unobservable inputs and fair value measurement
Expected Rental Value (ERV)	Increases/(decreases) in ERV would increase/(decrease) estimated fair value.
Equivalent yield	Increases/(decreases) in the equivalent yield would result in decreases/(increases) in the estimated fair value.
Long-term vacancy rate	Increases/(decreases) in the long-term vacancy rate would result in decreases/(increases) in the estimated fair value.

Given the high tenancy rates of the fund's property portfolio, the long-term vacancy rate may not always be applicable. The table above includes the following descriptions and definitions relating to key unobservable inputs made in determining fair value:

Significant unobservable inputs	Relationship between unobservable inputs and fair value measurement
Expected Rental Value (ERV)	The rent at which space could be let in the market conditions prevailing at the date of valuation.
Equivalent yield	The equivalent yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to ERV at the next review, but with no further rental growth.
Long-term vacancy rate	The ERV of the expected long-term average structural vacant space divided by ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area.

There are inter-relationships between ERV, the long-term vacancy rate and the equivalent yield. Having a lower/(higher) vacancy rate would increase/(decrease) the ERV for a property.

The following factors influence the equivalent yield applied by management when determining the fair value of a building:

- Vacancy rate
- Expected rental
- Lease term

Further analysis of investment properties is in the risk management section on pages 45 to 47 in volume two.

Notes to the annual financial statements (continued)

At 31 March
£'000

	2015	2014
33. Goodwill		
Cost		
At the beginning of the year	556 414	621 062
Acquisition of subsidiaries	180	–
Disposal of subsidiaries	(145 688)	(8 148)
Written off	–	(17 327)
Exchange adjustments	(4 660)	(39 173)
At the end of the year	406 246	556 414
Accumulated impairments		
At the beginning of the year	(122 843)	(154 156)
Income statement charge	(5 337)	(12 797)
Disposals of subsidiaries	80 229	–
Written off	–	17 327
Exchange adjustments	3 232	26 783
At the end of the year	(44 719)	(122 843)
Net carrying value	361 527	433 571
Analysis of goodwill by line of business and geography:		
UK and Other		
Asset Management	88 045	88 045
Wealth & Investment	242 126	242 951
Specialist Banking	25 919	96 015
	356 090	427 011
South Africa		
Asset Management	3 320	4 346
Wealth & Investment	1 877	1 963
Specialist Banking	240	251
	5 437	6 560
Total group	361 527	433 571

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

33. Goodwill (continued)

UK, Europe and Australia

The three most significant cash-generating units giving rise to goodwill are Investec Asset Management, Kensington and Wealth & Investment which now includes the business of Williams de Broë (acquired in 2012 as part of the Evolution Group) which was merged with IWI in August 2012.

For Wealth & Investment goodwill of £236.3 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 9.9% (2014: 10.3%) which incorporate an expected revenue growth rate of 2% (March 2014: 2%).

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

For Investec Asset Management, the value placed on the business from the sale of 15% of the company to management in July 2013 comfortably supports the value of the goodwill of £88.0 million.

The sale of Kensington Group plc was effective on 31 January 2015. The net goodwill balance held of £39.7 million was written off to the loss on sale and is shown as a disposal in the reconciliation on page 85.

The sale of Investec Bank (Australia) Limited's (IBAL) Professional Finance (Experian), Asset Finance and deposit-taking businesses was effective 31 July 2014. Goodwill of £24.6 million was disposed of in relation to these businesses. The balance of goodwill in Australia mainly relates to the Specialist Banking business and following an assessment it has now been fully impaired.

South Africa

The majority of the goodwill attributed to the South African operations relate to Investec Asset Management, particularly to the businesses from the Fedsure acquisition, which have been identified as a separate cash-generating unit. The goodwill relating to Fedsure has been tested for impairment, taking into account profitability, being the current year profits and the budgeted profits and funds under management. The discount rate applied of 14.47% is determined using the South African risk-free rate adjusted for the risk related to the cash-generating unit.

Movement in goodwill

2015

Goodwill arising from acquisitions (£0.18 million) relates to the acquisition of Mann Island Finance group in 2014 (as detailed in note 35).

Goodwill cost and impairment reduced following the disposal of Investec Bank (Australia) Limited and the Kensington Group in 2015 (as detailed in note 35).

2014

Goodwill cost and impairment reduced following the disposal of certain subsidiaries in 2014 (as detailed in note 35).

Notes to the annual financial statements (continued)

At 31 March £'000	Acquired software	Internally generated software	Intellectual property	Management contracts	Client relationships	Total
34. Intangible assets						
2015						
Cost						
At the beginning of the year	69 902	4 226	2 034	916	185 110	262 188
Exchange adjustments	(1 047)	–	–	(104)	(570)	(1 721)
Acquisition of a subsidiary undertaking	–	–	–	–	3 416	3 416
Additions	10 526	636	–	–	–	11 162
Disposals	(14 600)	(89)	(2 034)	(85)	–	(16 808)
At the end of the year	64 781	4 773	–	727	187 956	258 237
Accumulated amortisation and impairments						
At the beginning of the year	(57 224)	(3 636)	(378)	(216)	(41 565)	(103 019)
Exchange adjustments	673	–	–	(19)	186	840
Disposals	11 914	–	378	39	–	12 331
Amortisation	(6 490)	(175)	–	(117)	(14 380)	(21 162)
At the end of the year	(51 127)	(3 811)	–	(313)	(55 759)	(111 010)
Net carrying value	13 654	962	–	414	132 197	147 227
2014						
Cost						
At the beginning of the year	74 174	4 530	3 526	883	185 253	268 366
Exchange adjustments	(8 039)	(1 554)	(565)	33	(143)	(10 268)
Additions	5 639	1 250	727	–	–	7 616
Disposals	(1 872)	–	(1 654)	–	–	(3 526)
At the end of the year	69 902	4 226	2 034	916	185 110	262 188
Accumulated amortisation and impairments						
At the beginning of the year	(57 429)	(3 477)	(328)	(79)	(28 486)	(89 799)
Exchange adjustments	7 495	578	84	(3)	180	8 334
Disposals	626	–	–	–	–	626
Amortisation	(7 916)	(737)	(134)	(134)	(13 259)	(22 180)
At the end of the year	(57 224)	(3 636)	(378)	(216)	(41 565)	(103 019)
Net carrying value	12 678	590	1 656	700	143 545	159 169

Client relationships all relate to the acquisitions of Rensburg Sheppards plc in June 2010, EVG in December 2011, Investec Capital Asia Limited in April 2011 and NCB Group in June 2012.

35. Acquisitions and disposals

2015

Acquisitions

On 8 April 2014 the group acquired the entire share capital of Robert Smith Group (Automotive) Limited (the parent of Mann Island Finance group (MIF)), a vehicle finance brokerage business.

£'000	Book value of assets and liabilities	Fair value of assets and liabilities
Loans and advances to banks	559	559
Deferred taxation assets	332	332
Other assets	2 484	2 484
Property and equipment	74	74
Intangible assets	–	5 824
Goodwill	–	180
	3 449	9 453
Current taxation liabilities	530	530
Other liabilities	2 396	2 396
	2 926	2 926
Net assets/(liabilities) fair value of net assets acquired	523	6 527
Fair value of cash consideration		7 062
		7 062
Loans and advances to banks at acquisition		559
Fair value of cash consideration		(7 062)
Net cash outflow		(6 503)

For the post-acquisition period of 8 April 2014 to 31 March 2015, the operating income of MIF totalled £7.5 million and profit before taxation totalled £0.9 million. There is no material difference between this and the operating income and profit if the acquisition had been on 1 April 2014 as opposed to 8 April 2014.

Disposals

The net loss on sale of subsidiaries of £93 million in the income statement arises from the sale of Investec Bank (Australia) Limited and the sale of the Start Mortgage Holdings and Kensington Group plc companies and subsidiaries as described below. The net cash inflow on these items amount to £226 million. Cash and cash equivalents in the subsidiaries disposed of was £75 million.

The sale of Investec Bank (Australia) Limited's (IBAL) Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This has resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold.

The sale of the group's Irish intermediated mortgage business, Start Mortgage Holdings Limited, together with certain other Irish mortgage assets to an affiliate of Lone Star Funds was effective on 4 December 2014. The sale of the UK intermediated mortgage business Kensington Group plc (Kensington) together with certain other Investec mortgage assets to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners was effective on 30 January 2015 for cash proceeds of £170 million. This has resulted in the derecognition of approximately £4.1 billion of assets and approximately £2 billion of external liabilities associated with these businesses.

Notes to the annual financial statements (continued)

£'000	Book value of assets and liabilities IBAL	Book value of assets and liabilities Kensington and Start	Book value of assets and liabilities Total
35. Acquisitions and disposals (continued)			
The breakdown of significant balance sheet line items derecognised are shown below:			
Loans and advances to banks	–	47 540	47 540
Debt securities	299 904	42 141	342 045
Derivatives	–	95 565	95 565
Loans and advances to customers	1 009 199	755 270	1 764 469
Own originated loans and advances securitised	372 094	–	372 094
Other loans and advances	–	1 185 465	1 185 465
Other securitised assets	–	1 981 729	1 981 729
Combined other asset lines	44 377	7 087	51 464
Total assets	1 725 574	4 114 797	5 840 371
Deposits by banks	–	311 660	311 660
Customer accounts	1 212 467	–	1 212 467
Debt securities in issue	68 488	–	68 488
Liabilities arising on securitisation of own originated loans and advances	367 531	(128 979)	238 552
Liabilities arising on securitisation of other assets	–	1 616 003	1 616 003
Subordinated debt	42 291	71 173	113 464
Combined other liability lines	4 343	171 435	175 778
Total liabilities	1 695 120	2 041 292	3 736 412
Net assets and liabilities sold			2 103 959
Cash received in settlement of pre-existing relationships*			1 914 167
Proceeds on sale of subsidiaries			226 291
Goodwill and other adjustments on sale			(129 532)
Loss on disposal of subsidiaries			(93 033)

* Reflected as movements in operating assets and operating liabilities within the cash flow (note 49).

During the year the group had a net cash inflow of £42.2 million due to transactions with the non-controlling interests of Investec Property Fund Limited.

2014

Acquisitions

There were no significant acquisitions of subsidiaries during the year ended 31 March 2014.

Disposals

The net gain on the sale of subsidiaries of £9.8 million in the income statement arises from the sale of Lease Direct Finance Limited and the sale of Investec Trust (Switzerland) SA, Investec Trust (Jersey) Limited and Investec Trust Mauritius Limited.

The net cash inflow on these items amounted to £38.2 million.

On 31 July 2013, Investec completed the sale of 15% of its Asset Management business, owned by Investec plc and Investec Limited, for a consideration of £180 million in cash to the senior management of the business who have also been granted options to acquire, over a period of seven years beginning on 1 April 2013, a further 5% interest. As part of this transaction Investec plc has realised a gain of £61.6 million on the disposal of a non-controlling interest in its subsidiary, Investec Asset Management Limited, which is reflected in equity together with an increase in non-controlling interests of £11.0 million. Investec Limited has realised a gain of £82.2 million on the disposal of a non-controlling interest in its subsidiary, Investec Asset Management Holdings (Pty) Ltd, which is reflected in equity together with an increase in non-controlling interests of £12.1 million. The group has funded £44.2 million of this acquisition, resulting in net proceeds of £122.7 million.

Notes to the annual financial statements (continued)

At 31 March
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36. Long-term assurance business attributable to policyholders

Liabilities to customers under investment contracts and insurance liabilities, including unit-linked liabilities

Investec Employee Benefits Limited (IEB)

Investec Assurance Limited

34 227 37 513

6 301 099 5 823 876

6 335 326 5 861 389

Insurance liabilities, including unit-linked liabilities – IEB

1 823 1 570

6 337 149 5 862 959

Investec Employee Benefits Limited

The assets of the long-term assurance fund attributable to policyholders are detailed below:

Investments

36 050 39 083

36 050 39 083

Investments above comprise:

Interest-bearing securities

12 740 16 129

Stocks, shares and unit trusts

12 796 14 638

Deposits

10 514 8 316

36 050 39 083

Investec Assurance Limited

The assets of the long-term assurance fund attributable to policyholders are detailed below:

Investments

6 272 215 5 794 780

Debtors and prepayments

7 895 3 665

Other assets

20 989 25 431

6 301 099 5 823 876

The linked assets are classed as level 1 financial instruments with the linked liabilities also classed as level 1.

Assets of long-term assurance fund attributable to policyholders

Investments shown above comprise:

Interest-bearing securities

1 528 063 1 565 280

Stocks, shares and unit trusts

4 058 834 3 507 183

Deposits

685 318 722 317

6 272 215 5 794 780

The business of Investec Assurance Limited is that of linked business with retirement funds.

The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies.

Notes to the annual financial statements (continued)

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£'000

	2015	2014
37. Other trading liabilities		
Deposits	44 356	38 044
Short positions		
– Equities	632 574	503 295
– Gilts	208 073	320 073
	885 003	861 412

At 31 March
£'000

	2015	2014
38. Debt securities in issue		
Bonds and medium-term notes repayable:		
Less than three months	49 809	9 210
Three months to one year	160 366	136 499
One to five years	521 735	112 186
Greater than five years	69 167	34 427
	801 077	292 322
Other unlisted debt securities in issue repayable:		
Less than three months	18 458	16 911
Three months to one year	100 394	106 025
One to five years	475 833	630 977
Greater than five years	313 607	550 395
	908 292	1 304 308
	1 709 369	1 596 630

At 31 March
£'000

	2015	2014
39. Other liabilities		
Settlement liabilities	1 063 371	815 727
Other creditors and accruals	575 607	536 943
Other non-interest-bearing liabilities	206 701	220 207
	1 845 679	1 572 877

Notes to the annual financial statements (continued)

At 31 March
£'000

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2014

40. Pension commitments

Income statement charge		
Defined benefit obligations net income included in net interest income	(1 219)	(1 329)
Defined benefit net costs included in administration costs	442	482
Cost of defined contribution schemes included in staff costs	35 197	33 865
Net income statement charge in respect of pensions	34 420	33 018

The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes with the exception of two schemes in the UK being the Guinness Mahon Pension Fund scheme (GM scheme) and the Investec Asset Management Pension scheme (IAM scheme). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The plans are subject to UK regulations, which require the trustees to agree a funding strategy and contribution schedule for the plans. The role of the trustees is to ensure that the schemes are administered in accordance with the scheme rules and relevant legislation, and to safeguard the assets in the best interest of all members and beneficiaries.

The trustees are solely responsible for setting investment policy and for agreeing funding requirements with the employer through the triennial valuation process. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2015 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions in relation to the defined contribution schemes outstanding at the year end.

The major assumptions used were:

Discount rate	3.20%	4.40%
Rate of increase in salaries	3.00%	3.40%
Rate of increase in pensions in payment	1.80% – 3.00%	1.80% – 3.40%
Inflation (RPI)	3.00%	3.40%
Inflation (CPI)	2.00%	2.40%

Demographic assumptions

One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PCMA00 MC and PCFA00 base tables with allowance for future improvements in line with the medium cohort projection subject to a 1% underpin. The life expectancies underlying the valuation are as follows:

	Years	Years
Male aged 65	87.8	87.7
Female aged 65	89.8	89.7
Male aged 45	89.7	89.6
Female aged 45	91.2	91.1

Sensitivity analysis of assumptions

The sensitivities are only presented for the GM scheme as the equivalent increases/decreases in assumptions for the IAM scheme do not have a material impact.

If the discount rate was 0.25% higher (lower), the scheme liabilities would decrease by approximately £6.2 million (increase £6.3 million) if all the other assumptions remained unchanged.

If the inflation assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £3.4 million (decrease by £3.4 million). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the salary, deferred pension and pension in payment increases. The other assumptions remain unchanged.

If the salary increase assumption was 0.25% higher (lower), the scheme liabilities would increase by approximately £0.4 million (decrease by £0.4 million) if all the other assumptions remained unchanged.

40. Pension commitments (continued)

If the pension increases assumptions were 0.25% higher (lower), the scheme liabilities would increase by approximately £2.4 million (decrease by £2.4 million) if all the other assumptions remained unchanged.

If life expectancies were to increase (decrease) by one year, the scheme liabilities would increase by approximately £5.1 million (decrease by £5.1 million) if all the other assumptions remained unchanged.

If the deferred revaluation assumption was 0.25% higher the scheme liabilities would increase by £1.4 million, or decrease by £1.3 million if the deferred revaluation assumption decreased by 0.25%.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis has been performed on the basis that the relevant assumption would occur in isolation, holding other assumptions constant.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the same methodology that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Risk exposures

A description of the risks which the pension schemes expose Investec can be found in the Risk Management report on page 77. The group ultimately underwrites the risks relating to the defined benefit plans. If the contributions currently agreed are insufficient to pay the benefits due, the group will need to make further contributions to the plans.

The plan assets held in the scheme were:

At 31 March £'000	2015	2014
GM scheme		
Gilts	165 729	132 799
Cash	2 600	2 634
Total market value of assets	168 329	135 433
IAM scheme		
Managed funds	24 442	22 280
Cash	49	34
Total market value of assets	24 491	22 314

There are no assets which are unquoted.

None of the group's own assets or properties occupied or used by the group is held within the assets of the scheme.

The investment strategy in place for the GM scheme is to switch to gilts over the period to 31 March 2021. At 31 March 2015, the allocation of the GM scheme's invested assets was 100% to gilts and cash. This is ahead of the investment strategy. The higher allocation is due to additional switches from equities to gilts during the first and third quarter of 2013 under the agreed outperformance trigger mechanism. Details of the investment strategy can be found in the GM scheme's statement of investment principles, which the trustees update as its policy evolves.

The trustees' current investment strategy is to strike a balance between maximising the returns on the scheme's assets and minimising the risks associated with lower than expected returns.

Notes to the annual financial statements (continued)

At 31 March £'000	2015			2014		
	GM	IAM	Total	GM	IAM	Total
40. Pension commitments						
(continued)						
Recognised in the balance sheet						
Fair value of fund assets	168 329	24 491	192 820	135 433	22 314	157 747
Present value of obligations	(137 947)	(18 973)	(156 920)	(116 083)	(16 104)	(132 187)
Net asset (recognised in other assets)	30 382	5 518	35 900	19 350	6 210	25 560
Recognised in the income statement						
Net interest income	947	272	1 219	1 057	272	1 329
Past service costs	(377)	(65)	(442)	(310)	(172)	(482)
Net amount recognised in the income statement	570	207	777	747	100	847
Recognised in the statement of comprehensive income						
Return on plan assets (excluding amounts in net interest income)	(28 219)	(1 982)	(30 201)	7 858	197	8 055
Actuarial gain arising from changes in financial assumptions	22 106	2 956	25 062	–	–	–
Actuarial loss arising from experience adjustments	(33)	(75)	(108)	(285)	(84)	(369)
Remeasurement of defined benefit asset	(6 146)	899	(5 247)	7 573	113	7 686
Deferred tax	(1 229)	136	(1 093)	(1 501)	(315)	(1 816)
Remeasurement of net defined benefit asset	(7 375)	1 035	(6 340)	6 072	(202)	5 870

At 31 March £'000	GM	IAM	Total
Changes in the net asset recognised in the balance sheet			
Balance at 1 April 2013	21 860	6 223	28 083
Net income recognised in the income statement	747	100	847
Amount recognised in other comprehensive income	(7 573)	(113)	(7 686)
Contributions paid	4 316	–	4 316
Balance at 1 April 2014	19 350	6 210	25 560
Net income recognised in the income statement	570	207	777
Amount recognised in other comprehensive income	6 146	(899)	5 247
Contributions paid	4 316	–	4 316
Balance at 31 March 2015	30 382	5 518	35 900

Notes to the annual financial statements (continued)

At 31 March
£'000

	GM	IAM	Total
40. Pension commitments (continued)			
Changes in the present value of defined benefit obligations			
Defined benefit obligation at 1 April 2013	115 643	15 721	131 364
Interest expense	4 994	685	5 679
Remeasurement gains and losses:			–
– Actuarial loss arising from experience adjustments	(285)	(84)	(369)
Past service cost	–	172	172
Benefits and expenses paid	(4 269)	(390)	(4 659)
Defined benefit obligation at 1 April 2014	116 083	16 104	132 187
Interest expense	4 993	693	5 686
Remeasurement gains and losses:			
– Actuarial gain arising from changes in financial assumptions	22 106	2 956	25 062
– Actuarial gain arising from experience adjustments	(33)	(75)	(108)
Benefits and expenses paid	(5 202)	(705)	(5 907)
Defined benefit obligation at 31 March 2015	137 947	18 973	156 920
Changes in the fair value of plan assets			
Fair value of plan assets at 1 April 2013	137 503	21 944	159 447
Interest income	6 051	957	7 008
Remeasurement (loss)/gain:			
– Return on plan assets (excluding amounts in net interest income)	(7 858)	(197)	(8 055)
Contributions by the employer	4 316	–	4 316
Benefits and expenses paid	(4 579)	(390)	(4 969)
Fair value of plan assets at 1 April 2014	135 433	22 314	157 747
Interest income	5 940	965	6 905
Remeasurement gain:			
– Return on plan assets (excluding amounts in net interest income)	28 219	1 982	30 201
Contributions by the employer	4 316	–	4 316
Benefits and expenses paid	(5 579)	(770)	(6 349)
Fair value of plan assets at 31 March 2015	168 329	24 491	192 820

The triennial funding valuation of the schemes was carried out as at 31 March 2012. Contributions requirements, including any deficit recovery plans, were agreed between the group and the Trustees in March 2013 to address the scheme deficit.

Under the agreed contribution plan deficit contributions of £6 million were paid into the IAM scheme in March 2013, such that the scheme is now fully funded.

Under the agreed contribution plan deficit contributions of £4.3 million were paid into the GM scheme in the year to 31 March 2015 and the group expects to make £4.3 million of contributions to the defined benefit schemes in the 2015 – 2016 financial year.

The weighted average duration of the GM scheme's liabilities at 31 March 2015 is 19 years (31 March 2014: 17 years).

This includes average duration of active members of 25 years, average duration of deferred pensioners of 24 years and average duration of pensioners in payment of 11 years.

The weighted average duration of the IAM scheme's liabilities at 31 March 2015 is 19 years (31 March 2014: 18 years). This includes average duration of deferred pensioners of 20.5 years and average duration of pensioners in payment of 11.5 years.

Notes to the annual financial statements (continued)

At 31 March
£'000

2015

2014

41. Subordinated liabilities

Issued by Investec Finance plc

Guaranteed subordinated step-up notes

– 33 979

Guaranteed undated subordinated callable step-up notes

18 510 18 750

Issued by Investec Bank plc

Subordinated fixed-rate medium-term notes

578 413 577 941

Issued by Investec Bank (Australia) Limited

Subordinated floating rate medium-term notes

– 38 950

Issued by Kensington Group Limited (formerly Kensington Group plc)

Callable subordinated notes

– 71 174

Issued by Investec Bank Limited

IV08 13.735% subordinated unsecured callable upper tier 2 bonds

11 127 11 392

IV09 variable rate subordinated unsecured callable upper tier 2 bonds

11 127 11 392

IV012 variable rate subordinated unsecured callable bonds

– 14 240

IV013 variable rate subordinated unsecured callable bonds

2 782 2 848

IV014 10.545% subordinated unsecured callable bonds

6 954 7 120

IV015 variable rate subordinated unsecured callable bonds

75 108 76 894

IV016 variable rate subordinated unsecured callable bonds

18 081 18 512

IV017 indexed rate subordinated unsecured callable bonds

114 825 110 264

IV019 indexed rate subordinated unsecured callable bonds

4 771 4 536

IV019A indexed rate subordinated unsecured callable bonds

17 624 16 787

IV022 variable rate subordinated unsecured callable bonds

55 468 56 788

IV023 variable rate subordinated unsecured callable bonds

47 846 48 984

IV024 variable rate subordinated unsecured callable bonds

5 897 6 038

IV025 variable rate subordinated unsecured callable bonds

55 635 56 959

IV026 variable rate subordinated unsecured callable bonds

41 726 42 719

IV030 indexed rate subordinated unsecured callable bonds

19 055 18 263

IV030A indexed rate subordinated unsecured callable bonds

20 467 19 606

IV031 variable rate subordinated unsecured callable bonds

27 818 28 479

IV032 variable rate subordinated unsecured callable bonds

45 065 46 137

1 178 299 1 338 752

Notes to the annual financial statements (continued)

At 31 March
£'000

2015 2014

41. Subordinated liabilities (continued)

All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand

Remaining maturity:

In one year or less, or on demand	9 736	14 240
In more than one year, but not more than two years	18 510	115 121
In more than two years, but not more than five years	22 254	405 153
In more than five years	1 127 799	804 238
	1 178 299	1 338 752

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Guaranteed subordinated step-up notes

On 13 February 2015, Investec Finance plc redeemed at par the entire issue £33 793 000 of guaranteed subordinated step-up notes due in 2016. The notes had been guaranteed by Investec Bank plc and listed on the Luxembourg Stock Exchange.

Guaranteed undated subordinated callable step-up notes

Investec Finance plc has in issue £17 861 000 of 6.25% guaranteed undated subordinated step-up notes callable in 2017 at a discount (perpetual notes). Interest is paid semi-annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 23 January 2017, subject to the prior consent of the Prudential Regulation Authority. On 23 January 2017 the interest rate will be reset to become three-month LIBOR plus 2.11% payable quarterly in arrears.

Medium-term notes

Subordinated fixed-rate medium-term notes (denominated in Pounds Sterling)

On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 17 February 2022. On 29 June 2011 Investec Bank plc issued £75 000 000 of 9.625% subordinated notes due 2022 at a premium (2022 notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 notes issued on 17 February 2011).

Subordinated floating rate medium-term notes (denominated in Australian Dollars)

The group disposed of its interest in Investec Bank (Australia) Limited on 31 July 2014. At that date the A\$20 000 000 of floating rate medium-term notes issued by the company on 12 February 2010 and the A\$50 000 000 of floating rate medium-term notes issued by the company on 20 December 2012, due to parties outside of the Investec Group, were removed from the balance sheet.

Callable subordinated notes

The group disposed of its interest in Kensington Group Limited on 30 January 2015. At that date the £69 767 000 of Callable Subordinated Notes due 2015, due to parties outside the Investec Group, were removed from the balance sheet.

IV08 13.735% subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV08 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid six-monthly in arrears on 31 October and 30 April at a rate of 13.735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called.

IV09 variable rate subordinated unsecured callable upper tier 2 bonds

R200 million Investec Bank Limited IV09 locally registered subordinated unsecured callable bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to three-month JIBAR plus 3.75% until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 5.625% above JIBAR payable quarterly in arrears until called.

41. Subordinated liabilities (continued)

IV012 variable rate subordinated unsecured callable bonds

Rnil (2014: R250 million) Investec Bank Limited IV012 locally registered subordinated unsecured callable bonds were due in November 2019. Interest is payable quarterly in arrears on 26 November, 26 February, 26 May and 26 August at a rate equal to three-month JIBAR plus 3.25% until 26 November 2014. From and including 26 November 2014 up to and excluding 26 November 2019 interest is paid at a rate equal to three-month JIBAR plus 4.50%. The maturity date was 26 November 2019, but the company had the option to call the bonds from 26 November 2014. The bonds were called on 26 November 2014.

IV013 variable rate subordinated unsecured callable bonds

R50 million Investec Bank Limited IV013 locally registered subordinated unsecured callable bonds are due in June 2020. Interest is payable quarterly in arrears on 22 March, 22 June, 22 September and 22 December at a rate equal to three-month JIBAR plus 2.75% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid at a rate equal to three-month JIBAR plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV014 10.545% subordinated unsecured callable bonds

R125 million Investec Bank Limited IV014 locally registered subordinated unsecured callable bonds are due in June 2020. Interest is payable six-monthly in arrears on 22 June and 22 December at a fixed rate of 10.545% until 22 June 2015. From and including 22 June 2015 up to and excluding 22 June 2020 interest is paid quarterly in arrears on 22 June, 22 September, 22 December and 22 March at a rate equal to three-month JIBAR plus 5.50%. The maturity date is 22 June 2020, but the company has the option to call the bonds from 22 June 2015.

IV015 variable rate subordinated unsecured callable bonds

R1 350 million Investec Bank Limited IV015 locally registered subordinated unsecured callable bonds are due in September 2022. Interest is payable quarterly in arrears on 20 December, 20 March, 20 June and 20 September at a rate equal to three-month JIBAR plus 2.65% basis points until 20 September 2017. From and including 20 September 2017 up to and excluding 20 September 2022 interest is paid at a rate equal to three-month JIBAR plus 4.00%. The maturity date is 20 September 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 20 September 2017.

IV016 variable rate subordinated unsecured callable bonds

R325 million Investec Bank Limited IV016 locally registered subordinated unsecured callable bonds are due in December 2021. Interest is payable quarterly in arrears on 6 December, 6 March, 6 June and 6 September at a rate equal to three-month JIBAR plus 2.75% up to and excluding 6 December 2021. The maturity date is 6 December 2021, but the company has the option to call the bonds upon regulatory capital disqualification or from 6 December 2016.

IV017 indexed rate subordinated unsecured callable bonds

R2 063 million (2014: R1 936 million) Investec Bank Limited IV017 locally registered subordinated unsecured callable bonds are due in January 2022. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.75%. The IV017 is a replica of the R212 South African government bond. The maturity date is 31 January 2022, but the company has the option to call the bonds upon regulatory capital disqualification or from 31 January 2017.

IV019 indexed rate subordinated unsecured callable bonds

R86 million (2014: R79 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV019A indexed rate subordinated unsecured callable bonds

R317 million (2014: R295 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the company has the option to call the bonds upon regulatory capital disqualification from 3 April 2023.

IV022 variable rate subordinated unsecured callable bonds

R997 million Investec Bank Limited IV022 locally registered subordinated unsecured callable bonds are due in April 2022. Interest is payable quarterly on 2 January, 2 April, 2 July and 2 October at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 2 April 2022. The maturity date is 2 April 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 2 April 2017.

41. Subordinated liabilities (continued)

IV023 variable rate subordinated unsecured callable bonds

R860 million Investec Bank Limited IV023 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 11 January, 11 April, 11 July and 11 October at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 11 July 2022. The maturity date is 11 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 11 July 2017.

IV024 variable rate subordinated unsecured callable bonds

R106 million Investec Bank Limited IV024 locally registered subordinated unsecured callable bonds are due in July 2022. Interest is payable quarterly on 27 January, 27 April, 27 July and 27 October at a rate equal to the three-month JIBAR plus 2.70% up to and excluding 27 July 2022. The maturity date is 27 July 2022, but the company has the option to call the bonds upon regulatory capital disqualification from 27 July 2017.

IV025 variable rate subordinated unsecured callable bonds

R1 000 million Investec Bank Limited IV025 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 12 December, 12 March, 12 June and 12 September at a rate equal to the three-month JIBAR plus 2.50% up to and excluding 12 September 2024. The maturity date is 12 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 12 September 2019.

IV026 variable rate subordinated unsecured callable bonds

R750 million Investec Bank Limited IV026 locally registered subordinated unsecured callable bonds are due in September 2024. Interest is payable quarterly on 27 December, 27 March, 27 June and 27 September at a rate equal to the three-month JIBAR plus 2.45% up to and excluding 27 September 2024. The maturity date is 27 September 2024, but the company has the option to call the bonds upon regulatory capital disqualification from 27 September 2019.

IV030 indexed rate subordinated unsecured callable bonds

R342 million (2014: R321 million) Investec Bank Limited IV030 locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030 is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV030A indexed rate subordinated unsecured callable bonds

R368 million (2014: R344 million) Investec Bank Limited IV030A locally registered subordinated unsecured callable bonds are due in January 2025. Interest on these inflation-linked bonds is payable semi-annually on 31 January and 31 July at a rate of 2.00%. The IV030A is a replica of the I2025 South African government bond. The maturity date is 31 January 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 31 January 2020.

IV031 variable rate subordinated unsecured callable bonds

R500 million Investec Bank Limited IV031 locally registered subordinated unsecured callable bonds are due in March 2025. Interest is payable quarterly on 11 December, 11 March, 11 June and 11 September at a rate equal to the three-month JIBAR plus 2.95% up to and excluding 11 March 2025. The maturity date is 11 March 2025, but the company has the option to call the bonds upon regulatory capital disqualification from 11 March 2020.

IV032 variable rate subordinated unsecured callable bonds

R810 million Investec Bank Limited IV032 locally registered subordinated unsecured callable bonds are due in August 2023. Interest is payable quarterly on 14 November, 14 February, 14 May, 14 August at a rate equal to the three-month JIBAR plus 2.95%. The maturity date is 14 August 2023, but the company has the option to call the bonds upon regulatory capital disqualification from 14 August 2018.

Notes to the annual financial statements (continued)

At 31 March

2015

2014

42. Ordinary share capital

Investec plc

Issued, allotted and fully paid

Number of ordinary shares

At the beginning of the year

Issued during the year

At the end of the year

Nominal value of ordinary shares

At the beginning of the year

Issued during the year

At the end of the year

Number of special converting shares

At the beginning of the year

Issued during the year

At the end of the year

Nominal value of special converting shares

At the beginning of the year

Issued during the year

At the end of the year

Number of UK DAN shares

At the beginning and end of the year

Nominal value of UK DAN share

At the beginning and end of the year

Number of UK DAS shares

At the beginning and end of the year

Nominal value of UK DAS share

At the beginning and end of the year

Number of special voting shares

At the beginning and end of the year

Nominal value of special voting share

At the beginning and end of the year

Number

Number

608 756 343

605 196 771

4 853 299

3 559 572

613 609 642

608 756 343

£'000

£'000

122

121

1

1

123

122

Number

Number

282 934 529

279 639 164

2 814 094

3 295 365

285 748 623

282 934 529

£'000

£'000

56

56

1

–

57

56

Number

Number

1

1

£'000

£'000

*

*

Number

Number

1

1

£'000

£'000

*

*

Number

Number

1

1

£'000

£'000

*

*

* Less than £1 000.

Notes to the annual financial statements (continued)

At 31 March

2015

2014

42. Ordinary share capital (continued)

Investec Limited

Authorised

The authorised share capital of Investec Limited is R1 960 002 (2014: R1 960 002), comprising 450 000 000 (2014: 450 000 000) ordinary shares of R0.0002 each, 47 000 000 (2014: 47 000 000) redeemable, non-participating preference shares with a par value of R0.01 each, 1 500 000 (2014: 1 500 000) Class ILRP1 redeemable, non-participating preference shares of R0.01 each, 1 500 000 (2014: nil) Class ILRP2 redeemable, non-participating preference shares of R0.01 each, 20 000 000 (2014: 20 000 000) non-redeemable, non-participating preference shares of R0.01 each, 50 000 (2014: 50 000) variable rate cumulative redeemable preference shares of R0.60 each, 100 000 000 (2014: 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of R0.01 each, 1 (2014: 1) Dividend Access (South African Resident) redeemable preference share of R1, 1 (2014: 1) Dividend Access (Non-South African Resident) redeemable preference share of R1, 700 000 000 (2014: 700 000 000) special convertible redeemable preference shares of R0.0002 each (special converting shares).

Issued, allotted and fully paid

Number of ordinary shares

At the beginning of the year

Issued during the year

At the end of the year

Nominal value of ordinary shares

At the beginning of the year

Issued during the year

At the end of the year

Number of special converting shares

At the beginning of the year

Issued during the year

At the end of the year

Nominal value of special converting shares

At the beginning of the year

Issued during the year

At the end of the year

Number of SA DAN shares

At the beginning and end of the year

Nominal value of SA DAN share

At the beginning and end of the year

Number

Number

282 934 529

279 639 164

2 814 094

3 295 365

285 748 623

282 934 529

£'000

£'000

46

46

*

*

46

46

Number

Number

608 756 343

605 196 771

4 853 299

3 559 572

613 609 642

608 756 343

£'000

£'000

5

5

*

*

5

5

Number

Number

1

1

£'000

£'000

*

*

* Less than £1 000.

Notes to the annual financial statements (continued)

At 31 March

2015

2014

42. Ordinary share capital (continued)

	Number	Number
Number of SA DAS shares		
At the beginning and end of the year	1	1
Nominal value of SA DAS share	£'000	£'000
At the beginning and end of the year	*	*
Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited:		
Total called up share capital	231	229
Less: held by Investec Limited	(2)	(2)
Less: held by Investec plc	(3)	(3)
Total called up share capital	226	224

* Less than £1 000.

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling/Rand exchange rates.

In terms of the DLC structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

Staff share scheme

The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees is disclosed in note 7.

Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:

	Number 2015	Number 2014
For the year to 31 March		
Opening balance	87 352 252	94 814 900
Granted during the year	17 440 425	22 749 742
Exercised	(27 868 776)	(23 893 529)
Forfeited	(2 859 164)	(6 318 861)
Closing balance	74 064 737	87 352 252

The purpose of the staff share scheme is to promote an *esprit de corps* within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.

The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the group's share price.

At present, the practice of the group is to give all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from four to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance and contribution made by the respective staff members.



The extent of the directors' and staff interests in the incentive schemes is detailed on pages 157 and 158 and 178 to 180 in volume one.

Notes to the annual financial statements (continued)

At 31 March
£'000

2015 2014

43. Perpetual preference shares of holding company

Perpetual preference share capital	153	153
Perpetual preference share premium (refer to note 44)	377 506	377 506
	377 659	377 659

Issued by Investec Limited

32 214 499 (2014: 32 214 499) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums:

– Preference share capital	2	2
– Preference share premium	228 057	228 057

Preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.77% of prime on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.

An ordinary dividend will not be declared by Investec Limited unless the preference dividend has been declared. If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

Issued by Investec plc

9 381 149 (2014: 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.

– Preference share capital	94	94
– Preference share premium	79 490	79 490

5 700 000 (2014: 5 700 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share.

– Preference share capital	57	57
– Preference share premium	49 917	49 917

Preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.

An ordinary dividend will not be declared by Investec plc unless the preference dividend has been declared.

If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

Notes to the annual financial statements (continued)

At 31 March
£'000

2015 2014

43. Perpetual preference shares of holding company

(continued)

Issued by Investec plc – Rand-denominated

1 859 900 (2014: 1 859 900) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR99.999 per share on 29 June 2011.

– Preference share capital

* *

– Preference share premium

16 601 16 601

416 040 (2014: 416 040) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at a premium of ZAR 99.999 per share on 11 August 2011.

– Preference share capital

* *

– Preference share premium

3 441 3 441

Rand-denominated preference shareholders will receive a dividend, if declared, based on the coupon rate (being equivalent to South African prime rate multiplied by 95%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.

An ordinary dividend will not be declared by Investec plc unless the Rand preference dividend has been declared.

If declared, Rand preference dividends are payable semi-annually at least seven business days prior to the date on which Investec pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

377 659 377 659

* Less than £1000.

At 31 March
£'000

2015 2014

44. Share premium

Share premium account – Investec plc

1 203 855 1 354 581

Share premium account – Investec Limited

676 787 741 044

Perpetual preference share premium

377 506 377 506

2 258 148 2 473 131

Notes to the annual financial statements (continued)

At 31 March	2015	2014
45. Treasury shares		
	£'000	£'000
Treasury shares held by subsidiaries of Investec Limited and Investec plc	68 065	85 981
	Number	Number
Investec plc ordinary shares held by subsidiaries	8 325 971	10 617 633
Investec Limited ordinary shares held by subsidiaries	21 162 694	19 043 838
Investec plc and Investec Limited shares held by subsidiaries	29 488 665	29 661 471
Reconciliation of treasury shares:	Number	Number
At the beginning of the year	29 661 471	30 070 670
Purchase of own shares by subsidiary companies	22 500 856	18 181 675
Shares disposed of by subsidiaries	(22 673 662)	(18 590 874)
At the end of the year	29 488 665	29 661 471
Market value of treasury shares:	£'000	£'000
Investec plc	46 709	51 474
Investec Limited	118 723	92 325
	165 432	143 799

At 31 March £'000	2015	2014
46. Other Additional Tier 1 securities in issue		
Issued by Investec Limited		
Other Additional Tier 1 securities	30 599	–
	30 599	–

Investec Limited issued R550 million Other Additional Tier 1 floating rate notes on 14 August 2014. Interest is payable quarterly on 12 August, 12 November, 12 February and 12 May at a rate equal to the three-month JIBAR plus 4.25%. There is no maturity date but the issuer has the option to redeem on 12 August 2024 and on every interest payment date thereafter.

Notes to the annual financial statements (continued)

At 31 March
£'000

2015

2014

47. Non-controlling interests

Perpetual preferred securities issued by subsidiaries
Non-controlling interests in partially held subsidiaries

229 957	252 713
279 102	190 869
509 059	443 582

Perpetual preferred securities issued by subsidiaries

Issued by Investec plc subsidiaries

144 598	165 323

€200 000 000 (2014: €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities (preferred securities) were issued by Investec Tier 1 (UK) LP (a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities which are guaranteed by Investec plc are callable at the option of the issuer subject to the approval of the UK Regulator on the tenth anniversary of the issue, and if not called are subject to a step-up in coupon of one and a half times the initial credit spread above the three-month Eurozone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the preferred securities will be at 7.075%.

The issuer has the option not to pay a distribution when it falls due, but this would then prevent the payment of ordinary dividends by the company.

Under the terms of the issue, there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.

Issued by an Investec Limited subsidiary

85 359	87 390

15 447 630 (2014: 15 447 630) non-redeemable non-cumulative non-participating preference shares of one cent each issued at various premiums.

Preference shareholders will be entitled to receive dividends, if declared, at a rate of 83.33% of prime on R100 being the deemed value of the issue price of the preference share held. Preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or *pari passu* with the preference shares.

An ordinary dividend will not be declared by Investec Bank Limited unless the preference dividend has been declared.

If declared, preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.

229 957	252 713

Notes to the annual financial statements (continued)

47. Non-controlling interests (continued)

The following table summarises the information relating to the group's subsidiary that has material non-controlling interests:

	Investec Asset Management Holdings (Pty) Ltd*		Investec Asset Management Limited**		Investec Property Fund Limited*	
	2015	2014	2015	2014	2015	2014
Non-controlling interests (NCI) (%)	15.0%	15.0%	15.0%	15.0%	66.9%	55.7%
Summarised financial information	£'000	£'000	£'000	£'000	£'000	£'000
Total assets	6 470 270	6 053 512	411 419	335 020	489 673	368 678
Total liabilities	6 389 234	5 965 786	309 501	237 589	121 603	77 470
Revenue	167 010	171 384	269 048	242 796	51 583	31 274
Operating profit	73 484	76 234	75 491	67 585	49 223	29 280
Carrying amount of NCI	12 690	13 161	15 180	14 614	244 952	163 055
Profit allocated to NCI	8 131	5 496	10 053	5 535	31 658	15 676

* Investec Asset Management Holdings (Pty) Ltd and Investec Property Fund Limited are subsidiaries of Investec Limited.

** Investec Asset Management Limited is an indirect subsidiary of Investec plc.

	2015		2014	
At 31 March	Total future minimum payments	Present value	Total future minimum payments	Present value
£'000				
48. Finance lease disclosures				
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	238 618	189 766	271 818	214 855
One to five years	347 125	301 452	557 727	471 552
Later than five years	4 510	4 289	20 055	15 159
	590 253	495 507	849 600	701 566
Unearned finance income	94 746		148 034	

At 31 March 2015, unguaranteed residual values accruing to the benefit of Investec were £2.7 million (2014: £29.4 million). Finance leases in the group mainly relate to leases on property, equipment and motor vehicles.

Notes to the annual financial statements (continued)

For the year to 31 March
£'000

2015

2014

49. Notes to the cash flow statement

Profit before taxation adjusted for non-cash items is derived as follows:

Profit before taxation

391 991 424 266

Adjustment for non-cash items included in net income before taxation:

Impairment of goodwill

5 337 12 797

Amortisation of intangible assets

14 497 13 393

Loss/(gain) on disposal of subsidiaries

93 033 (9 821)

Depreciation and impairment of property, equipment and intangibles

26 264 34 750

Impairment of loans and advances

128 381 166 152

Operating income from associates

(1 933) (5 827)

Dividends received from associates carried at fair value

1 548 1 618

Share-based payment charges

63 475 66 905

Profit before taxation adjusted for non-cash items

722 593 704 233

Increase in operating assets

Loans and advances to banks

11 787 (395 083)

Reverse repurchase agreements and cash collateral on securities borrowed

(434 659) 774 522

Sovereign debt securities

69 913 302 132

Bank debt securities

228 303 (16 079)

Other debt securities

(21 744) (252 405)

Derivative financial instruments

(93 786) 168 202

Securities arising from trading activities

(224 105) 30 756

Investment portfolio

(139 098) (24 155)

Loans and advances to customers

(1 879 036) (943 883)

Securitised assets

1 218 650 206 123

Other assets

(312 563) 321 228

Investment properties

(120 093) (156 259)

Assurance assets

(615 861) (995 046)

(2 312 292) (979 947)

Increase in operating liabilities

Deposits by banks

(471 593) (37 848)

Derivative financial instruments

405 070 (124 619)

Other trading liabilities

36 059 115 657

Repurchase agreements and cash collateral on securities lent

(14 530) (431 611)

Customer accounts

1 580 234 1 304 265

Debt securities in issue

196 794 (125 906)

Securitised liabilities

(1 180 257) (212 955)

Other liabilities

1 123 494 (192 997)

Assurance liabilities

615 861 995 046

2 291 132 1 289 032

Notes to the annual financial statements (continued)

At 31 March
£'000

2015 2014

50. Commitments

Undrawn facilities	3 267 814	3 016 254
Other commitments	38 226	25 245
	3 306 040	3 041 499

The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on the balance sheet.

Operating lease commitments

Future minimum lease payments under non-cancellable operating leases:

Less than one year	48 923	51 375
One to five years	185 025	170 652
Later than five years	122 034	134 751
	355 982	356 778

At 31 March
£'000

Carrying amount
of pledged asset

Related liability

2015

2014

2015

2014

Pledged assets

Other loans and advances	25 253	–	25 253	–
Loans and advances to banks	210 061	224 254	164 661	247 937
Sovereign debt securities	433 059	537 376	596 527	771 101
Bank debt securities	474 899	654 973	285 130	297 376
Other debt securities	171 548	87 818	95 222	41 863
Securities arising from trading activities	599 992	553 287	594 401	463 817
Reverse repurchase agreements and cash collateral on securities borrowed	38 808	129 574	26 254	129 574
	1 953 620	2 187 282	1 787 448	1 951 668

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

Notes to the annual financial statements (continued)

At 31 March
£'000

2015 2014

51. Contingent liabilities

Guarantees and assets pledged as collateral security:

– Guarantees and irrevocable letters of credit

1 061 266 908 581

1 061 266 908 581

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec plc and Investec Limited on behalf of third parties and other group companies. The guarantees are issued as part of the banking business.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) as at 31 December of the year preceding the scheme year.

Following the default of a number of deposit takers in 2008, the FSCS has borrowed from HM Treasury to fund the compensation costs for customers of those firms. Although the majority of this loan is expected to be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the firms that defaulted, any shortfall will be funded by deposit-taking participants of the FSCS.

Investec Bank plc is a participating member of the FSCS and the bank has accrued £1.65 million for its share of levies that will be raised by the FSCS. The accrual is based on estimates for the interest the FSCS will pay on the loan and estimates of the level of the bank's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal proceedings

Investec operates in a legal and regulatory environment that exposes it to litigation risks. As a result, Investec is involved in disputes and legal proceedings which arise in the ordinary course of business. Investec does not expect the ultimate resolution of any of the proceedings to which Investec is party to have a significant adverse effect on the financial position of the group. These claims, if any, cannot be reasonably estimated at this time.

Specifically, a claim has been made in the Royal Court of Guernsey against ITG Limited (formerly Investec Trust (Guernsey) Limited), a subsidiary of Investec plc, for breach of equitable duty for skill and care with a related claim for liability for the debts of a client trust. The outcome of these claims cannot reasonably be estimated at this time but Investec does not expect the ultimate resolution of the proceedings to have a material adverse effect on the financial position of the group.

Notes to the annual financial statements (continued)

For the year to 31 March
£'000

2015 2014

52. Related party transactions

Transactions, arrangements and agreements involving directors and others:
Transactions, arrangements and agreements involving directors with directors and connected persons and companies controlled by them, and with officers of the company, were as follows:

Directors, key management and connected persons and companies controlled by them

Loans

At the beginning of the year	33 472	43 463
Increase in loans	14 461	5 666
Repayment of loans	(10 024)	(11 026)
Exchange adjustment	(694)	(4 631)
At the end of the year	37 215	33 472

Guarantees

At the beginning of the year	4 409	4 757
Additional guarantees granted	6 062	4 409
Guarantees cancelled	(1 876)	(4 591)
Exchange adjustment	(83)	(166)
At the end of the year	8 512	4 409

Deposits

At the beginning of the year	(27 668)	(53 544)
Increase in deposits	(27 261)	(20 463)
Decrease in deposits	19 245	26 089
Exchange adjustment	147	20 250
At the end of the year	(35 537)	(27 668)

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

For the year to 31 March
£'000

2015 2014

Transactions with other related parties

Loan from Investec Bank (Mauritius) Limited to Forty Two Point Two

25 734 42 737

The loan arises from Investec's portion of funding in relation to the 15% acquisition of Investec Asset Management by senior management of the business

Transactions with associates

Amounts due from associates	9 069	16 409

Interest income from loans to associates

1 218 959

Fees and commission income from associates

202 108

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

53. Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Central Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the classification between fair value hedges and cash flow hedges and in particular accounting hedges require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed-rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Cumulative gains or (losses) on hedging instrument	Current year gains or (losses) on hedging instrument	Cumulative gains or (losses) on hedged item	Current year gains or (losses) on hedged item
2015						
Assets	Interest rate swap	(138 888)	(114 243)	(102 675)	101 462	97 588
Liabilities	Interest rate swap	8 276	8 276	3 023	(8 161)	(2 989)
		(130 612)	(105 967)	(99 652)	93 301	94 599
2014						
Assets	Interest rate swap	(4 057)	(4 057)	37 098	15 462	(36 143)
	Cross-currency swap	(165)	(165)	306	165	(306)
Liabilities	Interest rate swap	(28 562)	(12 391)	(6 157)	(5 534)	14 774
	Cross-currency swap	(124)	(124)	336	124	(336)
		(32 908)	(16 737)	31 583	10 217	(22 011)

As at year end the hedges were both retrospectively and prospectively effective.

Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and recycled to the income statement when the cash flow occurs. The nominal expected future cash flows that are subject to cash flow hedges are:

At 31 March £'000	Description of financial instrument designated as hedging instrument	Fair value of hedging instrument	Period cash flows are expected to occur and affect income statement
2015			
Assets	Cross-currency swap	242 346	Three months
	Forward exchange contract	21	Within a year
		242 367	
2014			
Assets	Interest rate swap	516	Three months to five years
	Cross-currency swap	275 141	Three months to five years
Liabilities	Interest rate swap	(6 084)	One to five years
		269 573	

There was no ineffective portion recognised in the income statement.

Releases to the income statement for cash flow hedges are included in net interest income.

Notes to the annual financial statements (continued)

53. Hedges (continued)

Hedges of net investments in foreign operations

During the current year, the group has closed out various foreign exchange contracts it held to hedge the exposure of the Investec plc group balance sheet to its net investment, in Australian Dollars, in the Australian operations of the group.

At 31 March £'000	Hedging instrument fair value
2015	–
2014	(1 081)

There was no ineffective portion recognised in the income statement in the current year and the prior year.

For the year ended 31 March 2015, Investec Bank Limited has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in US Dollars, in Investec Bank (Mauritius) Limited.

At 31 March R'million	Hedging instrument fair value
2015	(19 531)
2014	(1 897)

There was no ineffective portion recognised in the income statement in the current and the prior year.

54. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month	
2015			
Liabilities			
Deposits by banks	112 346	140 209	
Derivative financial instruments	783 784	24 557	
Derivative financial instruments – held for trading	781 051	–	
Derivative financial instruments – held for hedging risk	2 733	24 557	
Other trading liabilities	885 003	–	
Repurchase agreements and cash collateral on securities lent	573 982	528 152	
Customer accounts (deposits)	7 418 595	2 810 120	
Debt securities in issue	–	49 914	
Liabilities arising on securitisation of own originated loans and advances	–	–	
Liabilities arising on securitisation of other assets	–	5 726	
Other liabilities	338 783	1 084 193	
Subordinated liabilities	39	3 403	
Total on balance sheet liabilities	10 112 532	4 646 274	
Contingent liabilities	334 647	4 067	
Commitments	486 607	5 145	
Total liabilities	10 933 786	4 655 486	
2014			
Liabilities			
Deposits by banks	432 019	413 896	
Derivative financial instruments	728 205	3 148	
– held for trading	726 567	–	
– held for hedging risk	1 638	3 148	
Other trading liabilities	861 412	–	
Repurchase agreements and cash collateral on securities lent	619 690	200 194	
Customer accounts (deposits)	6 624 635	2 970 493	
Debt securities in issue	3 947	18 445	
Liabilities arising on securitisation of own originated loans and advances	301	15 499	
Liabilities arising on securitisation of other assets	–	25 277	
Other liabilities	313 349	811 933	
Subordinated liabilities	–	3 436	
Total on-balance sheet liabilities	9 583 558	4 462 321	
Contingent liabilities	450 724	33 688	
Commitments	443 740	48 265	
Total liabilities	10 478 022	4 544 274	

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flow on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time. For an unaudited analysis based on discounted cash flows please refer to pages 68 and 69 in volume two.

	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
	46 312 107 903	557 47 158	678 088 68 183	848 696 270 830	107 804 254 312	1 934 012 1 556 727
	– 107 903	– 47 158	– 68 183	– 270 830	– 254 312	781 051 775 676
	– (233 337) 3 853 050 103 852 – 2 194 299 612 17 512	– 37 911 3 330 352 150 470 492 7 688 57 967 9 639	– 74 556 1 917 003 272 717 65 14 835 36 044 75 734	– 230 653 3 056 024 1 069 031 304 417 106 420 113 436 573 739	– 96 261 287 587 144 103 109 378 678 803 51 042 1 090 563	885 003 1 308 178 22 672 730 1 790 087 414 352 815 666 1 981 078 1 770 628
	4 197 098	3 642 234	3 137 225	6 573 246	2 819 853	35 128 462
	229 336 560 346	10 794 106 338	13 326 325 268	423 685 995 109	72 046 844 952	1 087 901 3 323 765
	4 986 780	3 759 366	3 475 819	7 992 040	3 736 851	39 540 128
	235 068 147 275	96 195 6 727	147 066 42 625	1 321 793 194 881	185 714 77 894	2 831 751 1 200 755
	– 147 275	– 6 727	– 42 625	– 194 881	– 77 894	726 567 474 188
	– – 4 449 274 173 114 (14 607) 101 129 178 122 8 559	– – 3 989 910 143 918 47 388 94 165 99 749 10 532	– 147 947 2 056 912 328 518 165 880 178 694 64 804 96 575	– 292 177 2 460 766 685 588 901 842 1 008 438 113 525 799 861	– 56 538 207 016 557 237 3 352 2 082 725 51 219 1 218 395	861 412 1 316 546 22 759 006 1 910 767 1 119 655 3 490 428 1 632 701 2 137 358
	5 277 934	4 488 584	3 229 021	7 778 871	4 440 090	39 260 379
	59 509 326 901	16 923 49 196	56 473 236 381	147 513 1 005 589	143 751 931 427	908 581 3 041 499
	5 664 344	4 554 703	3 521 875	8 931 973	5 515 268	43 210 459

55. Principal subsidiaries and associated companies – Investec plc

			Interest	
At 31 March	Principal activity	Country of incorporation	2015	2014
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holding Company Limited	Investment holding	England and Wales	100.0%	100.0%
Indirect subsidiaries of Investec plc				
Investec Asset Finance plc	Leasing company	England and Wales	100.0%	100.0%
Investec Asset Finance & Leasing (Pty) Ltd	Leasing company	Australia	–	100.0%
Investec Asset Management Limited	Asset management	England and Wales	85.0%	85%
Investec Bank plc	Banking institution	England and Wales	100.0%	100.0%
Investec Bank (Australia) Limited	Banking Institution	Australia	–	100.0%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100.0%	100.0%
Investec Bank (Switzerland) AG	Banking institution	Switzerland	100.0%	100.0%
Investec Capital Asia Limited	Investment banking	Hong Kong	100.0%	100.0%
Investec Capital & Investments (Ireland) Limited	Financial services	Ireland	100.0%	100.0%
Investec Professional Finance (Pty) Ltd	Financial services	Australia	–	100.0%
Investec Finance plc	Debt issuer	England and Wales	100.0%	100.0%
Investec Group (UK) plc	Holding company	England and Wales	100.0%	100.0%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Holdings (Australia) Limited	Holding company	Australia	100.0%	100.0%
Investec Investments (UK) Limited	Investment holding	England and Wales	100.0%	100.0%
Investec Ireland Limited	Financial services	Ireland	100.0%	100.0%
Investec Securities (US) LLC	Financial services	USA	100.0%	100.0%
Investec Trust Holdings AG	Investment holding	Switzerland	100.0%	100.0%
Investec Wealth & Investment Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%
Kensington Group Limited (formerly Kensington Group plc)	Financial services	England and Wales	–	100.0%
Reichmans Geneva SA	Trade finance	Switzerland	100.0%	100.0%
Rensburg Sheppards plc	Holding company	England and Wales	100.0%	100.0%
St James’ Park Mortgage Funding Limited	Financial services	England and Wales	–	100.0%
Start Funding No 1 Limited	Financial services	Ireland	–	100.0%
Start Funding No 2 Limited	Financial services	Ireland	–	100.0%
Williams de Broë Limited	Stockbroking and portfolio management	England and Wales	100.0%	100.0%

55. Principal subsidiaries and associated companies – Investec plc (continued)

The company has taken advantage of the exemption under section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements. A complete list of subsidiary and associated undertakings will be included in the next Investec plc annual return filed with the Registrar of Companies..

At 31 March	Principal activity	Country of incorporation	Interest	
			2015	2014
Principal associated company				
Hargreave Hale Limited	Stockbroking and portfolio management	England and Wales	35.0%	35.0%

For more details on associated companies refer to note 28.

Consolidated structured entities

Investec plc has no equity interest in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Bedrock CMBS GMBH	Structured commercial real estate loan assets
Foundation CMBS Limited	Structured commercial real estate loan assets
Gresham Capital CLO BV	Structured debt and loan portfolios
Landmark Mortgage Securities No 2 plc	Securitised Residential Mortgages (UK)
Landmark Mortgage Securities No 3 plc	Securitised Residential Mortgages (UK)
Residential Mortgage Securities 23 plc	Securitised Residential Mortgages (UK)
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 1 plc	Securitised receivables (UK)
Temese Funding 2 plc	Securitised receivables (UK)
Yorker Trust	Structured debt and loan portfolios

55. Principal subsidiaries and associated companies – Investec plc (continued)

For additional detail on the assets and liabilities arising on securitisation refer to note 27. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on page 48 to 51 in volume two.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of equity notes combined with its control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained, such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the group's retention of equity notes and because it continues to act as the collateral manager. The group is not required to fund any losses above those incurred on the notes it has retained.

Structured commercial real estate loan assets

The group has securitised a number of commercial real estate loan assets. These structured entities are consolidated as the group has retained all of the notes issued. The group continues to recognise the commercial real estate loan assets on its balance sheet. The group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables

The group has securitised portfolios of medium-term lease and hire purchase receivables. These structured entities are consolidated as the group has retained the equity notes and control over servicing activities. The group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations

The group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds where the group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity like returns and ability to influence the strategic and financial decision-making.

The group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £169.1 million (2014: £157.9 million).

Significant restrictions

As is typical for a large group of companies there are restrictions on the ability of the group to obtain distributions of capital, access the assets or repay the liabilities of members of the group due to the statutory, regulatory and contractual requirements of its subsidiaries. These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated.

These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank plc, Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG which must maintain compliance with the regulatory minimum.

Capital management within the group is discussed in the risk management report on pages 80 and 81 in volume two.

Statutory requirements

The group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

55. Principal subsidiaries and associated companies – Investec plc (continued)

Contractual requirements

Asset encumbrance – the group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the group. The assets typically affected are disclosed in notes 19 and 58.

Structured associates

The group has investments in a number of structured funds specialising in aircraft financing where the group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the group has significant influence over the fund and therefore the funds are treated as associates.

The group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	Nature and purpose	Interest held by the group
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors These vehicles are financed through the issue of units to investors	Investments in units issued by the fund Management fees

The table below sets out an analysis of the carrying amounts of interests held by the group in structured associate entities.

The maximum exposure to loss is the carrying amount of the assets held.

31 March 2015 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	35 443	Limited to the carrying value	Investment income	2 751

31 March 2014 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	39 883	Limited to the carrying value	Investment income	1 825

Unconsolidated structured entities

31 March 2015

The table below describes the types of structured entities that the group does not consolidate but in which it holds an interest and originally set up. In making the assessment of whether to consolidate these structured entities, the group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 22 to 30.

Type of structured entity	Nature and purpose	Interest held by the group
Investment funds	To generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors	Investments in units issued by the fund Management fees
Residential mortgage securitisations	To generate a return for investors through providing exposure to residential mortgage risk These vehicles are financed through the issue of notes to investors.	Investments in notes

55. Principal subsidiaries and associated companies – Investec plc (continued)

The table below sets out an analysis of the carrying amounts of interests held by the group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

31 March 2015 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	5 015	Limited to the carrying value	302 703	Investment expense	(11 732)
Residential mortgage securitisations	Other debt securities	7 139	Limited to the carrying value	192 891	Net interest income	120
	Other loans and advances	77 628	Limited to the carrying value	1 642 784	Investment expense	260
					Net interest income	9 057

31 March 2014 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss of the group	Total assets of the entity £'000	Income earned from structured entity	£'000
Investment funds	Investment portfolio	5 568	Limited to the carrying value	199 946	Investment expense	15 139
Residential mortgage securitisations	Other debt securities	41 791	Limited to the carrying value	163 829	Interest expense	(1 042)
					Investment expense	(98)

Financial support provided to the unconsolidated structured entity

There are no contractual agreements which require the group to provide any additional financial or non-financial support to these structured entities.

During the year, the group has not provided any such support and does not have any current intentions to do so in the future.

Sponsoring

The group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

The table below sets out information in respect of structured entities that the group sponsors, but in which the group does not have an interest.

Structured entities with no interest held

	2015 Structured CDO and CLO securitisations [^]	2014 Residential mortgage securitisations
Why it is considered a structured entity	This is a CDO and CLO securitisation where Investec has no continuing interest as the notes previously held have been redeemed or fully written off. The entity is considered structured as the vehicle was set up so that the variable return does not follow the shareholding.	These are residential mortgage securitisations where Investec has no continuing interest as the notes previously held have been redeemed or fully written off. The entities are considered structured as the vehicles are set up so that the variable returns do not follow the shareholding.
Income amount and type	Nil	Mortgage manager fees of £83 000 per annum.
Carrying amount of all assets transferred	£222 million of CDO and CLO assets.	£269 million of mortgage assets.

[^] Collateralised Debt Obligation (CDO) and Collateralised Loan Obligation (CLO).

Interests in structured entities which the group has not set up

Purchased securitisation positions

The group buys and sells interest in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases, the group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities and its maximum exposure to loss is restricted to the carrying value of the asset. Details of the value of these interest is included in the risk management report on pages 48 and 49.

56. Principal subsidiaries and associated companies – Investec Limited

			Interest	
At 31 March	Principal activity	Country of incorporation	2015	2014
Direct subsidiaries of Investec Limited				
Investec Asset Management Holdings (Pty) Ltd	Investment holding	South Africa	85.0%	85.0%
Investec Bank Limited	Registered bank	South Africa	100.0%	100.0%
Investec Employee Benefits Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec International Holdings (Gibraltar) Limited	Investment holding	Gibraltar	100.0%	100.0%
Investec Securities (Pty) Ltd	Registered stockbroker	South Africa	100.0%	100.0%
Fedsure International (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Property Group Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Indirect subsidiaries of Investec Limited				
Investec Asset Management (Pty) Ltd	Asset management	South Africa	85.0%	85.0%
Investec Insurance Brokers (Pty) Ltd	Insurance broking	South Africa	100.0%	100.0%
Investec International Holdings (Pty) Ltd	Investment holding	South Africa	100.0%	100.0%
Investec Fund Managers SA (RF) (Pty) Ltd	Unit trust management	South Africa	85.0%	85.0%
Investec Bank (Mauritius) Limited	Banking institution	Mauritius	100.0%	100.0%
Investec Property Group (Pty) Ltd	Property trading	South Africa	100.0%	100.0%
Reichmans Holdings (Pty) Ltd	Trade financing	South Africa	100.0%	100.0%
Investec Employee Benefits Limited	Long-term insurance	South Africa	100.0%	100.0%
Investec Assurance Limited	Insurance company	South Africa	85.0%	85.0%
Investec Property Fund Limited	Engage in long-term immovable property investment	South Africa	33.1%	44.3%

The following subsidiaries are not consolidated for regulatory purposes:

Investec Assurance Limited

Investec Employee Benefits Holdings (Pty) Ltd and its subsidiaries

There are no subsidiaries which are consolidated for regulatory but not for accounting purposes.

Consolidated structured entities

Investec Limited has residual economic interests in the following structured entities which are consolidated. Typically a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the group has control over these structures include assessing the purpose and design of the entity, considering whether the group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Private Mortgages 1 (RF) (Pty) Ltd	Securitised residential mortgages
Private Mortgages 2 (RF) (Pty) Ltd	Securitised residential mortgages
Private Residential Mortgages (RF) Ltd	Securitised residential mortgages
Fox Street 1 (RF) Ltd	Securitised residential mortgages
Fox Street 2 (RF) Ltd	Securitised residential mortgages
Fox Street 3 (RF) Ltd	Securitised residential mortgages
Fox Street 4 (RF) Ltd	Securitised residential mortgages
Integer Home Loans (Pty) Ltd	Securitised third party originated residential mortgages

For additional detail on the assets and liabilities arising on securitisation refer to note 27. For details of the risks to which the group is exposed through all of its securitisations are included in the risk management report on pages 48 and 49 in volume two.

56. Principal subsidiaries and associated companies – Investec Limited (continued)

The group considers that it has control over Investec Property Fund Limited as a result of the number of common directors with the holding company and the impact this has on the beneficial returns. Management considers this interest to currently be sufficient to meet the definition of control. Any change in the holding in Investment Property Fund Limited would require a re-assessment of the facts and circumstances.

The key assumptions for the main types of structured entities which the group consolidates are summarised below:

Securitised residential mortgages

The group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the group's holdings of subordinated notes. The group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Securitised third party originated residential mortgages

The group has a senior and subordinated investment in a third party originated structured entity. This structured entity is consolidated due to the group's exposure to residual economic benefits. The group is not required to fund any losses above those incurred on the investment made.

Interests in Asset Management and Wealth & Investment Funds

Management have concluded that the investment funds in the Asset Management and Wealth & Investment businesses do not meet the definition of structured entities as the group does not hold material interests in these funds and currently does not provide financial support or other support. Transactions with these funds are conventional customer-supply relationships.

Notes to the annual financial statements (continued)

At 31 March R'million	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
57. Offsetting						
2015						
Assets						
Cash and balances at central banks	2 529 562	–	2 529 562	–	–	2 529 562
Loans and advances to banks	3 592 189	(546 325)	3 045 864	–	(185 581)	2 860 283
Non-sovereign and non-bank cash placements	586 400	–	586 400	–	–	586 400
Reverse repurchase agreements and cash collateral on securities borrowed	1 817 569	(5 413)	1 812 156	(511 862)	(3 657)	1 296 637
Sovereign debt securities	2 958 641	–	2 958 641	(609 167)	–	2 349 474
Bank debt securities	1 161 055	–	1 161 055	(290 084)	–	870 971
Other debt securities	627 373	–	627 373	(95 222)	–	532 151
Derivative financial instruments*	9 563 579	(7 982 898)	1 580 681	(640 122)	(81 087)	859 472
Securities arising from trading activities	1 086 349	–	1 086 349	(645 260)	–	441 089
Investment portfolio	947 846	–	947 846	–	–	947 846
Loans and advances to customers	16 851 416	(111 153)	16 740 263	–	–	16 740 263
Own originated loans and advances to customers securitised	448 647	–	448 647	–	–	448 647
Other loans and advances	574 830	–	574 830	–	(25 253)	549 577
Other securitised assets	780 596	–	780 596	–	–	780 596
Other assets*	19 208 154	(17 466 441)	1 741 713	(2 960)	–	1 738 753
	62 734 206	(26 112 230)	36 621 976	(2 794 677)	(295 578)	33 531 721
Liabilities						
Deposits by banks	1 956 497	(48 203)	1 908 294	–	(46 431)	1 861 863
Derivative financial instruments	2 972 410	(1 428 242)	1 544 168	(741 275)	(203 056)	599 837
Other trading liabilities*	24 986 100	(24 101 097)	885 003	(243 315)	–	641 688
Repurchase agreements and cash collateral on securities lent	1 284 945	–	1 284 945	(1 284 945)	–	–
Customer accounts (deposits)	22 717 546	(102 678)	22 614 868	–	(18 094)	22 596 774
Debt securities in issue	1 709 369	–	1 709 369	(312 416)	(7 777)	1 389 176
Liabilities arising on securitisation of own originated loans and advances	109 953	–	109 953	–	–	109 953
Liabilities arising on securitisation of other assets	616 909	–	616 909	–	–	616 909
Other liabilities	2 277 689	(432 010)	1 845 679	(53 556)	–	1 792 123
Subordinated liabilities	1 178 299	–	1 178 299	–	–	1 178 299
	59 809 717	(26 112 230)	33 697 487	(2 635 507)	(275 358)	30 786 622

* Obligations arising in equity transactions in our prime brokerage business and are legally enforceable and settled net.

Notes to the annual financial statements (continued)

Amounts subject to enforceable netting arrangements						
Effects of offsetting on-balance sheet			Related amounts not offset			
At 31 March R'million	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
57. Offsetting (continued)						
2014						
Assets						
Cash and balances at central banks	2 080 190	–	2 080 190	–	–	2 080 190
Loans and advances to banks	3 777 136	(496 957)	3 280 179	–	(167 766)	3 112 413
Non-sovereign and non-bank cash placements	515 189	–	515 189	–	–	515 189
Reverse repurchase agreements and cash collateral on securities borrowed	1 594 619	(205 639)	1 388 980	(402 427)	(122 792)	863 761
Sovereign debt securities	3 215 432	–	3 215 432	(630 953)	–	2 584 479
Bank debt securities	1 568 097	–	1 568 097	(313 387)	–	1 254 710
Other debt securities	605 378	–	605 378	(41 865)	–	563 513
Derivative financial instruments	2 819 889	(1 200 474)	1 619 415	(486 197)	(356 769)	776 449
Securities arising from trading activities	870 088	–	870 088	(456 589)	–	413 499
Investment portfolio	825 745	–	825 745	–	–	825 745
Loans and advances to customers	16 319 740	(38 128)	16 281 612	–	(150)	16 281 462
Own originated loans and advances to customers securitised	875 755	–	875 755	–	–	875 755
Other loans and advances	1 693 569	–	1 693 569	–	–	1 693 569
Other securitised assets	3 576 526	–	3 576 526	–	–	3 576 526
Other assets	24 609 027	(23 134 035)	1 474 992	–	(15 661)	1 459 331
	64 946 380	(25 075 233)	39 871 147	(2 331 418)	(663 138)	36 876 591
Liabilities						
Deposits by banks	2 766 463	(45 293)	2 721 170	–	(226 667)	2 494 503
Derivative financial instruments	1 671 769	(501 537)	1 170 232	(458 918)	(281 705)	429 609
Other trading liabilities*	24 843 289	(23 981 877)	861 412	(272 846)	–	588 566
Repurchase agreements and cash collateral on securities lent	1 316 190	(103)	1 316 087	(1 277 769)	(68 073)	(29 755)
Customer accounts (deposits)	22 647 912	(38 128)	22 609 784	–	(33 748)	22 576 036
Debt securities in issue	1 596 630	–	1 596 630	(321 884)	(1 224)	1 273 522
Liabilities arising on securitisation of own originated loans and advances	729 534	–	729 534	–	–	729 534
Liabilities arising on securitisation of other assets	3 041 435	–	3 041 435	–	–	3 041 435
Other liabilities	2 084 763	(508 295)	1 576 468	–	–	1 576 468
Subordinated liabilities	1 338 752	–	1 338 752	–	–	1 338 752
	62 036 737	(25 075 233)	36 961 504	(2 331 417)	(611 417)	34 018 670

* Obligations arising in equity transactions in our prime brokerage business and are legally enforceable and settled net.

58. Derecognition

Transfers of financial assets that do not result in derecognition

The group has been party to securitisation transactions whereby assets continue to be recognised on the balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2015		2014	
No derecognition achieved £'000	Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities	Carrying amount of assets that are continued to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	542 057	(110 067)	837 711	(233 450)
Other loans and advances	172 582	–	560 461	(181 996)
Other securitised assets	231 979	(197 208)	428 513	(347 234)
	946 618	(307 275)	1 826 685	(762 680)

For transfer of assets in relation to repurchase agreements see note 19.

59. Restatements

The group has adopted the following new or revised standards from 1 April 2014:

IFRIC 21 Levies

The group has adopted IFRIC 21 Levies from 1 April 2014.

The cumulative impact of the restatement as at March 2013 is a decrease in operating costs and other liabilities of £4.7 million and an increase in taxation on operating profit before goodwill and deferred taxation liabilities of £1.0 million. The net impact on retained income at 31 March 2014 is an increase of £2.8 million.

Investec plc parent company accounts

Balance sheet

At 31 March
£'000

	Notes	2015	2014
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 817 840	1 817 840
Current assets			
Amounts owed by group undertakings		473 982	545 581
Tax		20 207	14 550
Other debtors		23	32
Prepayments and accrued income		259	371
Cash at bank and in hand			
– balances with other banks		563	567
		495 034	561 101
		2 312 874	2 378 941
Current liabilities			
Bank loans	c		
– with subsidiary undertaking		66 710	44 498
– with other banks		–	40 013
Debt securities in issue		18 078	29 712
Derivative financial instruments		104	178
Amounts owed to group undertakings		630 817	754 940
Other liabilities		721	509
Accruals and deferred income		4 539	3 094
		720 969	872 944
Capital and reserves			
Called-up share capital	d	180	178
Perpetual preference shares	d	151	151
Share premium account	d	1 171 441	1 146 548
Capital reserve	d	180 483	356 292
Retained income	d	239 650	2 828
Total capital and reserves		1 591 905	1 505 997
Total capital and liabilities		2 312 874	2 378 941

The notes on pages 127 and 128 form an integral part of the financial statements.

Approved and authorised for issue by the board of directors on 10 June 2015 and signed on its behalf by:



Stephen Koseff
Chief executive officer

10 June 2015

Notes to Investec plc parent company accounts

a. Accounting policies

Basis of preparation

The parent accounts of Investec plc are prepared under the historical cost convention and in accordance with UK accounting standards, and on a going concern basis.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pounds Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pounds Sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Investments

Investments are stated at cost less any impairment in value.

Income

Dividends from subsidiaries are recognised when paid. Interest is recognised on an accrual basis.

Taxation

Corporate tax is provided on taxable profits at the current rate.

Company's own profit and loss account

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 to not present its own profit and loss account.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 to not present its own cash flow statement. A cash flow statement, prepared under International Financial Reporting Standards, is included in the consolidated financial statements of the group.

Financial instruments

The company has taken advantage of the exemption in Financial Reporting Standard 29 to not present its own disclosures in respect of financial instruments as disclosures prepared in accordance with International Reporting Standards are included in the consolidated annual financial statements of the group.

Financial liabilities

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

Related party transactions

Transactions, arrangements and agreements involving directors and others are disclosed in note 52 to the group financial statements. The company has taken advantage of the exemptions available in Financial Reporting Standard 8 group from disclosing transactions with related parties which are wholly owned members of Investec plc group.

b. Investments in subsidiary undertakings

£'000	2015	2014
At the beginning and end of the year	1 817 840	1 817 840

c. Bank loans

The company drew down a Pounds Sterling-denominated loan of £40 million on 10 February 2014 which bears interest at a fixed margin above three-month LIBOR and was repaid on 10 February 2015. During the year ended 31 March 2014, the company launched its own European Medium Term Note programme (EMTN). The company issued two fixed-rate notes under this programme. A US Dollar-denominated note of US\$15 million was issued on 14 February 2014, repaid 16 February 2015 and on the same day a Euro-denominated note of €25 million was issued which matures 29 September 2017 and pays interest semi-annually.

Notes to Investec plc parent company accounts (continued)

d. Statement of changes in shareholders' equity

£'000	Share capital	Perpetual preference shares	Share premium	Capital reserve	Profit and loss account	Total equity
At 1 April 2014	178	151	1 146 548	356 292	2 828	1 505 997
Issue of ordinary shares	2	–	24 893	–	–	24 895
Release of capital reserve to profit and loss	–	–	–	(175 809)	175 809	–
Profit for the year	–	–	–	–	161 330	161 330
Dividends paid to preference shareholders	–	–	–	–	(3 315)	(3 315)
Dividends paid to ordinary shareholders	–	–	–	–	(97 002)	(97 002)
At 31 March 2015	180	151	1 171 441	180 483	239 650	1 591 905

e. Parent company profit and loss account

No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

The company's profit for the year, determined in accordance with the Act, was £161 330 000 (2014: £48 309 000).

f. Audit fees

Details of the company's audit fees are set out in note 6 to the group financial statements.

g. Dividends

Details of the company's dividends are set out in note 10 to the group financial statements.

h. Share capital

Details of the company's ordinary share capital are set out in note 42 to the group financial statements. Details of the perpetual preference shares are set out in note 43 to the group financial statements.

i. Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included in the combined consolidated financial statements of Investec plc and Investec Limited for the year ended 31 March 2015.

The information as detailed here for Investec plc parent company is a summary. For detailed notes refer to the Investec plc group and company annual financial statements.

Condensed Investec Limited parent company accounts

Income statement

For the year to 31 March
R'million

	2015	2014
Interest income	101	69
Interest expense	(47)	(31)
Net interest income	54	38
Fee and commission expense	(1)	(5)
Investment income	1 279	1 578
Trading income arising from balance sheet management and other trading activities	(2)	42
Operating income	1 330	1 653
Operating costs	111	64
Operating profit	1 441	1 717
Non-operational costs arising from disposal of subsidiary	–	641
Profit before taxation	1 441	2 358
Taxation	(26)	42
Profit after taxation	1 415	2 400

Statement of comprehensive income

For the year to 31 March
R'million

	2015	2014
Profit after taxation	1 415	2 400
Total comprehensive income	1 415	2 400
Total comprehensive income attributable to ordinary shareholders	1 164	2 188
Total comprehensive income attributable to perpetual preferred securities and other Additional Tier 1 securities	251	212
Total comprehensive income	1 415	2 400

Condensed Investec Limited parent company accounts (continued)

Balance sheet

At 31 March R'million	Notes	2015	2014
Assets			
Loans and advances to banks		34	31
Other debt securities		–	3
Other assets		–	5
Investment in subsidiaries	b	15 854	15 720
		15 888	15 759
Liabilities			
Debt securities in issue		913	808
Current taxation liabilities		118	107
Other liabilities		170	119
		1 201	1 034
Equity			
Ordinary share capital	c	1	1
Share premium		10 347	10 094
Other reserves		62	62
Retained income		3 727	4 568
Shareholders' equity excluding Additional Tier 1 securities in issue		14 137	14 725
Other Additional Tier 1 securities in issue		550	–
Total equity		14 687	14 725
Total liabilities and shareholders' equity		15 888	15 759

Condensed Investec Limited parent company accounts (continued)

Statement of changes in equity

R'million	Share capital	Share premium	Other reserves	Retained income	Total shareholders' equity	Other Additional Tier 1 securities in issue	Total equity
At 1 April 2013	1	9 863	62	4 288	14 214	–	14 214
Total comprehensive income	–	–	–	2 400	2 400	–	2 400
Share-based payments adjustments	–	–	–	(288)	(288)	–	(288)
Dividends paid to ordinary shareholders	–	–	–	(1 620)	(1 620)	–	(1 620)
Dividends paid to perpetual preference shareholders	–	–	–	(212)	(212)	–	(212)
Issue of ordinary shares	–	231	–	–	231	–	231
At 31 March 2014	1	10 094	62	4 568	14 725	–	14 725
Total comprehensive income	–	–	–	1 415	1 415	–	1 415
Share-based payments adjustments	–	–	–	(679)	(679)	–	(679)
Dividends paid to ordinary shareholders	–	–	–	(1 326)	(1 326)	–	(1 326)
Dividends paid to perpetual preference shareholders	–	–	–	(251)	(251)	–	(251)
Issue of ordinary shares	–	253	–	–	253	–	253
Issue of Other Additional Tier 1 securities in issue	–	–	–	–	–	550	550
At 31 March 2015	1	10 347	62	3 727	14 137	550	14 687

Condensed Investec Limited parent company accounts (continued)

Cash flow statement

For the year to 31 March

R'million

	2015	2014
Cash flows from operating activities		
Cash generated by operating activities	762	1 429
Taxation paid	(15)	(98)
Increase in operating liabilities	156	403
Decrease in operating assets	8	523
Net cash inflow from operating activities	911	2 257
Cash flows from financing activities		
Proceeds on issue of shares, net of related costs	253	231
Proceeds on issue of Other Additional Tier 1 securities in issue	550	–
Dividends paid	(1 577)	(1 832)
Net increase in subsidiaries and loans to group companies	(134)	(655)
Net cash outflow from financing activities	(908)	(2 256)
Net increase in cash and cash equivalents	3	1
Cash and cash equivalents at the beginning of the year	31	30
Cash and cash equivalents at the end of the year	34	31
Cash and cash equivalents is defined as including:		
On demand loans and advances to banks	34	31
Cash and cash equivalents at the end of the year	34	31

Cash and cash equivalents have a maturity profile of less than three months.

Condensed notes to Investec Limited parent company accounts

a. Accounting policies

Basis of presentation

The parent company accounts of Investec Limited are prepared in accordance with International Financial Reporting Standards and in a manner consistent with the policies disclosed on pages 22 to 30 for the group accounts, except as noted below:

Foreign currencies

The presentational and functional currency for Investec Limited parent company is South African Rand. All foreign currency transactions are initially recorded and translated to the functional currency at the rate applicable at the time of the transaction.

Investment in subsidiaries

Investment in subsidiaries are statement at cost less any impairment in value.

b. Investment in subsidiaries

R'million	2015	2014
At the beginning of the year	15 720	14 424
Net increase in investment in subsidiaries	–	855
Disposal of subsidiaries	–	(12)
Increase in loans to subsidiaries	134	453
At the end of the year	15 854	15 720

A list of the companies principal subsidiaries is detailed in note 55 to the group accounts on pages 121 to 122.

c. The company's share capital is detailed in note 42 to the group accounts on pages 101 to 102.

d. The company's perpetual preference shares are detailed in note 43 to the group accounts on page 103 to 104.

The information detailed here for Investec Limited parent company is a summary. For detailed notes refer to the Investec Limited group and company annual financial statements.

Definitions

Adjusted shareholders' equity

Refer to calculation on page 50 in volume one

Cost to income ratio

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

Core loans and advances

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 31 in volume two

Dividend cover

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

Earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (i.e. adjusted earnings)

Refer to page 53

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items

Refer to page 53

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

Market capitalisation

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

Net tangible asset value per share

Refer to calculation on page 48 in volume one

Non-operating items

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

Operating profit

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

Operating profit per employee

Refer to calculation on page 53 in volume one

Recurring income

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

Return on average adjusted shareholders' equity

Refer to calculation on page 50 in volume one

Return on average adjusted tangible shareholders' equity

Refer to calculation on page 50 in volume one

Return on risk-weighted assets

Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 89 in volume one

Staff compensation to operating income ratio

All employee-related costs expressed as a percentage of operating income

Third party assets under administration

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

Total capital resources

Includes shareholders' equity, subordinated liabilities and non-controlling interests

Total equity

Total shareholders' equity including non-controlling interests

Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 53

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Registration number

Investec plc

Registration number 3633621

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Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

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Fani Titi (chairman)
Zarina BM Bassa[^]
Laurel C Bowden[°]
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
Bradley Fried
David Friedland
Haruko Fukuda OBE
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Ian R Kantor
Lord Malloch-Brown^{*}
Khumo L Shuenyane^{*}
Peter RS Thomas

George FO Alford, Olivia C Dickson and M Peter Malungani resigned with effect 7 August 2014.
Sir David Prosser resigned with effect 8 August 2014.

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[°] Appointed with effect 1 January 2015.

^{*} Appointed with effect 8 August 2014.



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