INTERIM

2017

Results presentation
for the six months ended
30 September 2017

Out of the Ordinary®

Investec

Specialist Banking | Asset Management | Wealth & Investment

Contents

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

Investec (comprising Investec plc and Investec Limited) is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base.

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.

Our philosophies

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance.

We value

Distinctive performance
- Outstanding talent – empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina, 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

What we do

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

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

Our strategic goals and objectives are based on our aspiration to be recognised as a distinctive specialist bank and asset manager

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.

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.

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.

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 strategy

Our long-term strategy is 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 long-term internationalisation strategy

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

We have a very deliberate and focused client strategy:

- to leverage our unique client profile
- to provide the best integrated solution supported by our comprehensive digital offering.

Asset Management

- Focusing on delivery of competitive investment performance
- Grow in Advisor channel and continue to scale Multi-Asset and Global Equities
- Focus on our large markets, especially North America

Wealth & Investment

- Continue to develop the digital channel and enhance the Click & Invest offering
- Continued coordination of capabilities across businesses

Specialist Banking

- Building and developing our client franchises across all areas
- Improving the ROE in the business
- Implementing the UK Private Banking strategy

Other

- Continue investing in technology and people to maintain digital client experience
- Improving the cost to income ratio by focusing on operational efficiencies
- Diversity across the group and transformation in SA

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:

Asset Management

Operating completely independently

Corporate/institutional/government

- Investment management services to external clients

Specialist Banking

- Lending
- Transactional banking
- Deposit raising activities
- Treasury and trading
- Advisory
- Investment activities

Wealth & Investment

Private client (high net worth/high income)/ charities/trusts

- Investment management services
- Independent financial planning advice

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.

Capital light activities

56%

Contributed to group income

- Asset management
- Wealth management
- Advisory services
- Transactional banking services
- Property and other funds

Capital intensive activities

44%

Contributed to group income

- Lending portfolios
- Investment portfolios
- Trading income
  - client flows
  - balance sheet management

Fee and commission income ← **Types of income** → **Net interest, investment, associate and trading income**

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Overview of results

Introduction

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 interim 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.

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.

	30 Sept 2017		31 March 2017		30 Sept 2016	
Currency per £1.00	**Period end**	**Average**	**Period end**	**Average**	**Period end**	**Average**
South African Rand	18.10	17.06	16.77	18.42	17.88	19.99
Australian Dollar	1.71	1.69	1.64	1.75	1.70	1.83
Euro	1.13	1.14	1.17	1.19	1.16	1.23
US Dollar	1.34	1.30	1.25	1.31	1.30	1.38

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 year has appreciated by 14.7% and the closing rate has depreciated by 7.9% since 31 March 2017.

An overview of the operating environment impacting our business

South Africa

Our views

While South Africa has seen a recent recovery in economic growth (of 2.5% on the quarter, annualised) led by cessation of drought in many areas of the country, this rebound is anticipated to be temporary and the year is still set to record growth of below 1.0% year-on-year.

Global equity markets have reached new highs, with volatility subdued, and global risk-on remains a feature as the lengthy bull market persists. Emerging markets have seen strong foreign portfolio inflows in the risk-on period on meaningful interest rate differentials, while low bond yields (and volatility) in advanced economies have supported global bourses.

The lift in global markets over the six-month period also assisted the JSE. The JSE has seen a positive performance over the last six months, with a total return of 7.6% (April to September 2017) – despite the foreign net sell off of domestic equity holdings over the period. The JSE lifted from 52 056 to 55 580, and with a 25 basis point cut in the repo rate in July, optimism rose on the expectation that South Africa had entered a shallow interest rate cut cycle. The Rand traded in a tighter range than it has done in other periods, with the lower volatility of the domestic currency likely having proved helpful to the JSE over the period. On the domestic debt front government bonds remained huge recipients of the global risk-on trend into emerging market debt, with net foreign purchases of R40.9 billion over the period.

However, despite rising global growth, South Africa's economic growth remains weak. The heavy weight that politics has in South Africa, and in particular the perceived frequent, conflicting political and economic policy proposals, especially populist ones, has negatively impacted sentiment, and thus investment. Since 2015 South Africa has experienced a net outflow of foreign holdings of South African equities as risks have been perceived to be heavily tilted to the downside. Specifically, economic growth has been weak to contracting, credit rating downgrades have occurred on deteriorating government finances, and the poor fiscal health of many major state owned entities has required assistance from the government.

While South Africa has seen a recent recovery in economic growth (of 2.5% on the quarter, annualised, in quarter two 2017), led by the cessation of drought in many areas of the country, this rebound is anticipated to be temporary and the year is still set to record growth of below 1.0% year-on-year. A gradual rise in economic growth is anticipated out to 2022, reaching a still weak 2.0% by then. The risks remain tilted to the downside, with a possibility of further credit rating downgrades, contractions in GDP and depressed investor sentiment. However, the outcome of the African National Congress (ANC) elective conference this December could impact the domestic risk outlook.

United Kingdom

Our views

The pace of the UK economic expansion has slowed recording expansion of 0.3% in both quarter one and quarter two. The UK is on track to record growth of around 1.5% over 2017 overall.

UK economic developments have continued to be overshadowed by political developments over recent months, following the triggering of Article 50 at the end of March and with it the commencement of the formal two-year Brexit negotiating window. Brexit negotiations were delayed in the run up to the summer by the General Election on 8 June, which saw the ruling Conservative party lose its standalone majority and instead enter a 'confidence and supply' arrangement with the Democratic Unionist Party (DUP), to allow it to continue to govern.

Brexit negotiations recommenced in earnest in late August after the UK published a series of position papers. Talks so far have been focused on so called separation issues such as the settlement of existing obligations including financial ones and EU nationals' rights. They have yet to discuss the UK's future trading arrangements with the EU at all and may well not do so until some agreement is reached on any financial settlement between the UK and EU, post-Brexit. The British government has continued to push for a two-year transitional arrangement to avoid a Brexit 'cliff edge' after the UK's two-year negotiating period closes.

The pace of UK economic expansion has slowed this year, reflecting the squeeze to real household spending power amidst rising inflation and subdued wage growth. Over the first two quarters of this year, the UK economy was recorded expanding by 0.3% in quarter one and 0.3% in quarter two. It looks to be on track to record growth of around 1.5% over 2017 overall.

In September the Bank of England's Monetary Policy Committee (MPC) warned that some withdrawal of monetary stimulus was likely to be appropriate over the coming months. Since then the MPC opted to raise the Bank rate by 25 basis points to 0.50% on 2 November, the first rise in official policy rates for 10 years.

Fiscal policy plans have been relatively steady over the past year, although these may be adjusted when the UK Budget is presented on 22 November.

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

United States

Our views

After a weak start to the year in which the US economy expanded by just 1.2% in quarter one (annualised), GDP growth rebounded by 3.1% in the second quarter.

Data available for the third quarter so far point to the US economy holding onto its fairly solid underlying momentum.

However, the 2017 hurricane season has been a severe one, temporarily hitting industrial output and likely squeezing consumer spending, pushing down on growth expectations for the second half of the year. However any squeeze on growth this year is expected to be recovered next year.

Through 2017 to date, a tighter labour market has encouraged the Federal Open Market Committee to raise interest rates twice, with the Federal funds target rate range at 1.00%-1.25% following two 25 basis point rises in March and June. The unemployment rate reached 4.2% in September, the lowest level since 2001, below the Federal Reserve's view of the 'longer-term' unemployment rate of 4.5%-4.8%.

A further hike in the Federal Funds target rate range is now widely expected in December 2017, taking the rate to 1.25%-1.50%. The Federal Reserve also announced that it will start to unwind its $4.2 trillion of QE holdings on its balance sheet at its September 2017 policy meeting. The Federal Reserve, as of October 2017, has begun to reduce its balance sheet through not reinvesting maturing bonds up to a monthly cap. The cap started at $10 billion per month, rising up slowly to reach a maximum of $50 billion per month, in due course.

In US politics, efforts to repeal and replace 'Obamacare' with President Trump's own health care programme have been put on the backburner after several failed attempts to pass legislative proposals through Congress. The administration has since turned its attention to tax reform, seeking to push through widespread tax changes including a reduction in corporate taxes from 35% to 20%. The passage of such legislation is unlikely to be plain sailing, but, assuming some elements of the plan are eventually passed, there may be some further upside support for US economic momentum next year.

Eurozone

Our views

The Eurozone recovery solidified and broadened over the first half of the fiscal year.

The 0.6% quarter-on-quarter growth rate in quarter two 2017 represented the seventeenth consecutive quarter of economic expansion. This momentum looks to be maintained in the coming quarters with the most recent survey evidence remaining robust. Individual country performance has seen recent laggards including France and Italy witnessing stronger growth. The Euro area's largest economy, Germany, has continued to grow at a robust pace but it is perhaps the strong recoveries of those countries which received financial aid during the Euro crisis, which stand out most.

The labour market backdrop has continued to strengthen with the Euro area unemployment rate having fallen to 9.1%, the lowest level since February 2009 and 3 percentage points below the 12.1% peak reached following the financial crisis. In turn the improving employment conditions have been underpinning household spending providing a positive contribution to GDP growth. Meanwhile credit conditions have remained supportive of the economic outlook, with borrowing costs for households and corporates remaining near record lows and credit availability improving.

European Central Bank (ECB) interest rate policy was unchanged over the period with the main refinancing rate held at 0.00% and the deposit rate at -0.40%. The monthly pace of ECB asset purchases also remained unchanged at €60 billion. The firming growth backdrop has led to small changes in the ECB's forward guidance on its monetary policy stance. However, any wider recalibration of ECB policy and the pace of its asset purchases is set to be gradual given the ECB's caution over inflation, which is still below the ECB's target of 'below but close to 2%' inflation.

European political events have punctuated the period, with elections in France and Germany. However, despite concerns over political risks emerging from the rise of populist, anti-EU parties, both elections resulted in a resemblance of the status quo being maintained. The ebbing of political risks, strengthening economic growth and a very gradual movement away from ultra-loose monetary policy has supported the Euro over the year; the single currency has been one of the best performing G10 currencies against the US dollar, up 10% over the period.

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

Global stock markets

Our views

Global equity markets enjoyed a positive first half of the year.

The S&P 500 gained 6.6% over the period, reaching a new closing high of 2 519. However gains in the S&P 500 were outpaced by the MSCI world index which saw an increase of 8%. Other major indices also gained with the Euro Stoxx 50 seeing a gain of 3.5% and the Shanghai Composite a 3.9% rise.

UK equity markets underperformed their peers, with indices ending the period almost unchanged. Against the positive wider market backdrop UK listed equities faced headwinds from a stronger Pound, as currency translation effects eroded overseas earnings.

Global growth has been a supportive factor for risk sentiment as has the continued speculation that the US administration will eventually announce a sizeable tax reform package. Furthermore, sentiment has been helped along by market positive election results in Europe. This period of equity market gains has coincided with market volatility falling to record lows.

The April to September period saw $3.4 billion of outflows from the South African equity market at a time when emerging markets in aggregate continued to attract inflows. Despite this South African share prices made respectable gains – resource, financial and industrial stocks all rallied as the improving global backdrop saw re-ratings of local counters.

Operating environment

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

	Period ended 30 Sept 2017	Period ended 31 March 2017	Average for the six months: 1 April 2017 to 30 Sept 2017	Period ended 30 Sept 2016	Period ended 31 March 2016	Average for the six months: 1 April 2016 to 30 Sept 2016
Market indicators						
FTSE All share	4 050	3 990	4 045	3 755	3 395	3 543
JSE All share	55 580	52 056	54 017	51 950	52 250	52 608
S&P	2 519	2 363	2 432	2 168	2 060	2 119
Nikkei	20 356	18 909	19 696	16 450	16 759	16 448
Dow Jones	22 405	20 663	21 436	18 308	17 685	18 069
Rates						
UK overnight	0.20%	0.17%	0.21%	0.16%	0.41%	0.38%
UK 10 year	1.36%	1.20%	1.18%	0.76%	1.42%	1.14%
UK Clearing Banks Base Rate	0.25%	0.25%	0.25%	0.25%	0.50%	0.42%
LIBOR – three month	0.34%	0.34%	0.30%	0.38%	0.59%	0.51%
SA R186	8.55%	8.84%	8.62%	8.67%	9.10%	8.91%
Rand overnight	6.77%	6.97%	6.89%	6.96%	6.92%	6.95%
SA prime overdraft rate	10.25%	10.50%	10.40%	10.50%	10.50%	10.50%
JIBAR – three month	6.99%	7.36%	7.22%	7.36%	7.23%	7.33%
US 10 year	2.33%	2.40%	2.25%	1.61%	1.79%	1.65%
Commodities						
Gold	US$1 284/oz	US$1 247/oz	US$1 269/oz	US$1 322/oz	US$1 233/oz	US$1 297/oz
Brent Crude Oil	US$58/bbl	US$53/bbl	US$52/bbl	US$49/bbl	US$40/bbl	US$47/bbl
Platinum	US$920/oz	US$940/oz	US$947/oz	US$1 034/oz	US$976/oz	US$1 045/oz

Source: Datastream.

Commentary

Basis of presentation

Statutory basis

Statutory information is set out on pages 64 to 78. In order to present a more meaningful view of the group's performance the results continue to be presented on an ongoing basis as explained further below.

Ongoing basis

The results presented on an ongoing basis exclude items that in management's view could distort the comparison of performance between periods. Based on this principle, the remaining legacy business in the UK continues to be excluded from underlying profit.

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2017. A reconciliation between the statutory and ongoing income statement is provided.

Overview of results

Unless the context indicates otherwise, all comparatives included in the commentary relate to the six months ended 30 September 2016. Group results have benefited from a 14.7% appreciation of the average Rand: Pounds Sterling exchange rate over the period. Amounts represented on a currency neutral basis for income statement items assume that the relevant average exchange rates for the six-month period to 30 September 2017 remain the same as those in the prior period. Balance sheet items have been negatively impacted by a 7.9% depreciation of the closing Rand:Pounds Sterling exchange rate since 31 March 2017. Amounts represented on a currency neutral basis for balance sheet items assume that the relevant closing exchange rates at 30 September 2017 remain the same as those at 31 March 2017.

Sound growth in key earnings drivers

- The Asset Management and Wealth & Investment businesses have benefited from higher funds under management supported by favourable equity markets and combined net inflows of £3.6 billion.
- The Specialist Banking businesses have continued to see good growth in loan portfolios and client activity, notwithstanding the persistent macro uncertainty in both geographies.
- The group has continued to invest for growth with the increase in costs largely reflecting planned spend in growing the client franchise businesses.
- Digital and online innovation and enhancements across the group, coupled with a high touch client centric service model has further entrenched the strength of our franchises particularly in the private banking and wealth management businesses.
- Geographical and operational diversity continues to support a sustainable recurring income base and earnings through varying market conditions.

Statutory operating profit salient features

- Statutory operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests ("operating profit") increased 11.8% to £314.6 million (2016: £281.4 million) – an increase of 1.1% on a currency neutral basis.
- Statutory adjusted earnings per share (EPS) before goodwill, acquired intangibles and non-operating items increased 17.2% from 22.7 pence to 26.6 pence – an increase of 5.7% on a currency neutral basis.

Satisfactory performance from the ongoing business

- Ongoing operating profit increased 10.5% to £347.5 million (2016: £314.5 million) – an increase of 0.9% on a currency neutral basis.
- Ongoing adjusted EPS before goodwill, acquired intangibles and non-operating items increased 14.8% from 25.7 pence to 29.5 pence – an increase of 4.7% on a currency neutral basis.
- Recurring income as a percentage of total operating income amounted to 76.4% (2016: 72.4%).
- The annualised credit loss charge as a percentage of average gross core loans and advances amounted to 0.28% (2016: 0.19%), remaining at the lower end of the group's long-term range despite an increase in impairments.
- Third party assets under management increased 2.4% to £154.3 billion (31 March 2017: £150.7 billion) – an increase of 5.1% on a currency neutral basis.
- Customer accounts (deposits) decreased 3.9% to £28.0 billion (31 March 2017: £29.1 billion) – an increase of 0.7% on a currency neutral basis.
- Core loans and advances increased 0.6% to £22.4 billion (31 March 2017: £22.2 billion) – an increase of 5.6% on a currency neutral basis.

The UK legacy portfolio continues to be actively managed down

- The legacy portfolio reduced from £476 million at 31 March 2017 to £425 million largely through asset sales, redemptions and write-offs.
- The legacy business reported a loss before taxation of £32.9 million (2016: £33.0 million).

Maintained a sound balance sheet

- Capital remained comfortably in excess of current regulatory requirements. Investec Limited ended the period in line with the group's common equity tier 1 ratio target, while Investec plc continued to report a ratio ahead of this target. The group is comfortable with its common equity tier 1 ratio target at a 10% level, as its current leverage ratios for both Investec Limited and Investec plc are above 7%.
- Liquidity remained strong with cash and near cash balances amounting to £10.7 billion.

Dividend increase of 5.0%

- The board declared a dividend of 10.5 pence per ordinary share (2016: 10.0 pence) resulting in a dividend cover based on the group's adjusted EPS before goodwill and non-operating items of 2.5 times (2016: 2.3 times), consistent with the group's dividend policy.

Overall group performance – ongoing basis

Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests ("operating profit") increased 10.5% to £347.5 million (2016: £314.5 million) – an increase of 0.9% on a currency neutral basis.

The combined South African businesses reported operating profit 7.9% ahead of the prior period (in Rands), whilst the combined UK and Other businesses posted a 5.0% decrease in operating profit in Pounds Sterling.

Business unit review – ongoing basis

Asset Management

Asset Management operating profit increased 1.2% to £83.2 million (2016: £82.3 million). The business benefited from higher average funds under management supported by positive market movements and solid net inflows of £2.1 billion. Earnings were negatively impacted by lower performance fees in South Africa. Total funds under management amount to £98.2 billion (31 March 2017: £95.3 billion).

Wealth & Investment

Wealth & Investment operating profit increased by 14.7% to £49.5 million (2016: £43.2 million) supported by higher average funds under management and net inflows of £1.5 billion. The UK business had a strong performance while earnings in South Africa have been impacted by lower brokerage volumes. Total funds under management amount to £55.5 billion (31 March 2017: £54.8 billion).

Specialist Banking

Specialist Banking operating profit increased by 12.5% to £239.4 million (2016: £212.8 million).

The South African business reported an increase in operating profit in Rands of 21.6%. Earnings were supported by a strong performance from the investment portfolio. Growth in the private banking franchise as well as a good performance from the corporate treasury and corporate advisory businesses resulted in an increase in fees. Core loans and advances increased 6.5% to R251.5 billion (31 March 2017: R236.2 billion). The credit loss ratio on average core loans and advances amounted to 0.30% (2016: 0.29%), remaining at the lower end of its long-term average, despite the business reporting an increase in impairments.

The UK and Other businesses reported a 22.1% decrease in operating profit. Strong growth in net interest income was supported by loan book growth of 4.1% to £8.5 billion (31 March 2017: £8.1 billion) and a reduction in the cost of funding. This was offset by a decrease in non interest revenue following particularly strong investment banking and client flow trading activity levels in the prior period. In line with the division's current investment strategy to support franchise growth, IT infrastructure costs and headcount increased, notably for the continued build out of the private client banking offering. Costs are also impacted by the additional premises expenses relating to the London office move scheduled for the end of the 2018 calendar year. The credit loss ratio amounted to 0.22% (2016: 0.04%) as impairments increased off a particularly low base.

Further information on key developments within each of the business units is provided in a detailed report published on the group's website: http://www.investec.com.

Group costs

These 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. These costs amounted to £24.7 million (2016: £23.8 million).

Financial statement analysis – ongoing basis

Total operating income

Total operating income before impairment losses on loans and advances increased by 13.2% to £1 190.9 million (2016: £1 052.3 million).

Net interest income increased by 16.0% to £364.4 million (2016: £314.2 million) driven by sound levels of lending activity across the banking businesses and a reduction in the UK's cost of funding.

Net fee and commission income increased by 9.4% to £666.0 million (2016: £608.6 million) as a result of higher average funds under management over the period and net inflows in the Asset Management and Wealth Management businesses. In addition, the Specialist Banking business in South Africa benefited from growth in the private banking franchise and a good performance from the corporate treasury and corporate advisory businesses.

Investment income increased significantly to £61.9 million (2016: £28.8 million) driven by a strong performance from the South African investment portfolio partially offset by less realisations in the UK investment portfolios.

Share of post taxation operating profit of associates of £23.7 million (2016: £9.6 million) primarily reflects earnings in relation to the group's investment in the IEP Group.

Trading income arising from customer flow decreased by 12.7% to £64.2 million (2016: £73.5 million) as a consequence of lower volatility relative to the elevated levels experienced in the prior period following the Brexit vote. Trading income from other trading activities reflected a profit of £5.1 million (2016: £12.4 million).

Impairment losses on loans and advances

Impairments on loans and advances increased from £18.0 million to £31.1 million; however the group's annualised credit loss ratio remains at the lower end of its long-term average at 0.28% (2016: 0.19%). Since 31 March 2017 gross defaults have reduced from £249.8 million to £218.9 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 0.56% (31 March 2017: 0.69%).

Operating costs

The ratio of total operating costs to total operating income improved marginally amounting to 66.5% (2016: 66.7%). Total operating costs grew by 12.9% to £792.5 million (2016: £701.8 million) reflecting continued planned spend on IT infrastructure and higher headcount across divisions to support increased activity and growth initiatives; notably the build out of the UK private client offering. Costs are also impacted by additional premises expenses relating to the London office's future premises move.

Taxation

The effective tax rate amounts to 14.5% (2016: 19.4%) mainly impacted by the lower rate in South Africa following the release of provisions no longer required.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests mainly comprises:

- £10.7 million profit attributable to non-controlling interests in the Asset Management business.
- £19.9 million profit attributable to non-controlling interests in the Investec Property Fund Limited.

Balance sheet analysis

Since 31 March 2017:

- Total shareholders' equity (including non-controlling interests) remained in line at £4.8 billion – an increase of 3.7% on a currency neutral basis. The weakening of the closing Rand exchange rate relative to Pounds Sterling has resulted in a reduction in total equity of £221 million.
- Net asset value per share decreased 2.1% to 421.8 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased 1.8% to 370.2 pence largely as a result of the depreciation of the Rand as described above.

  On a currency neutral basis net asset value per share and net tangible asset value per share increased by 1.8% and 2.5%, respectively.
- The annualised return on adjusted average shareholders' equity remained at 12.5%.
- The annualised return on adjusted average shareholders' equity of the ongoing business reduced marginally from 14.2% to 14.1%.

Liquidity and funding

As at 30 September 2017 the group held £10.7 billion in cash and near cash balances (£5.0 billion in Investec plc and R102.6 billion in Investec Limited) which amounted to 38.2% of customer deposits. Loans and advances to customers as a percentage of customer deposits amounted to 79.9% (31 March 2017: 76.2%). The cost of funding in the UK has continued to be managed down. The group will continue to focus on maintaining an optimal overall liquidity and funding profile. Based on the group's own interpretations of the EU Delegated Act and in line with the BCBS' final recommendations, Investec plc and Investec Bank plc (solo basis) comfortably exceed the relevant regulatory liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The LCR reported to the Prudential Regulatory Authority at 30 September 2017 was 610% for Investec plc and 520% for Investec Bank plc (solo basis). Investec Bank Limited (solo basis) ended the period to 30 September 2017 with the three-month average of its LCR at 127.0%, which is well ahead of the minimum levels required. Further detail with respect to the bank's LCR ratio in the UK and South Africa is provided on the website.

Capital adequacy and leverage ratios

The group is targeting a minimum common equity tier 1 capital ratio above 10% and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited. The group's anticipated fully loaded Basel III common equity tier 1 capital adequacy ratios in both Investec plc and Investec Limited are reflected on page 173.

Legacy business – overview of results

Since 31 March 2017 the group's legacy portfolio in the UK has continued to be actively managed down from £476 million to £425 million largely through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £32.9 million (2016: £33.0 million). The remaining legacy portfolio will continue to be managed down. Total net defaults in the legacy book amount to £106 million (31 March 2017: £125 million).

Accounting policies and disclosures

These unaudited summarised combined consolidated financial results have been prepared in terms of the recognition and measurement criteria of International Financial Reporting Standards, and the presentation and disclosure requirements of IAS 34, (Interim Financial Reporting).

The accounting policies applied in the preparation of the results for the period to 30 September 2017 are consistent with those adopted in the financial statements for the year ended 31 March 2017.

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.

IFRS 9 Financial Instruments

The group will adopt IFRS 9 Financial Instruments on 1 April 2018.

The group expects that the recognition and measurement basis of the majority of the group's financial assets will be largely unchanged on application of IFRS 9, based on the analysis performed to date.

The impairment requirements will lead to significant changes in the accounting treatment for certain financial instruments as a result of a shift from an incurred loss to an expected loss impairment methodology. Credit risk methodologies have been defined and model build has significantly been completed. Approval, testing and validation of the models is ongoing.

IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The group intends to continue applying IAS 39's hedge accounting.

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The group does not intend to restate comparatives.

The regulatory capital impact of IFRS 9 has been proposed by regulatory bodies with transitional capital arrangements being announced for 1 January 2018 which would allow a phase in of the Day 1 capital impact over a number of years.

It will not be practical to disclose reliable financial impact estimates until the implementation programme and validation and testing is further advanced.

IFRS 15 Revenue from contracts with customers

The group's current measurement and recognition principles are aligned to the standard and the group does not expect an impact to measurement principles currently applied. The impact of the disclosure requirements of the standard is currently being assessed.

The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance Director. The financial statements for the six months to 30 September 2017 will be posted to stakeholders on 30 November 2017. These accounts will be available on the group's website on the same date.

Proviso

- Please note that matters discussed in this announcement may contain forward looking statements which are subject to various risks and uncertainties and other factors, including, but not limited to:
  - the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS.
  - domestic and global economic and business conditions.
  - market related risks.
- A number of these factors are beyond the group's control.
- These factors may cause the group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed or implied.
- Any forward looking statements made are based on the knowledge of the group at 15 November 2017.
- The information in the announcement for the six months ended 30 September 2017, which was approved by the board of directors on 15 November 2017, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The 31 March 2017 financial statements were filed with the registrar and were unqualified with the audit report containing no statements in respect of sections 498(2) or 498(3) of the UK Companies Act.
- This announcement is available on the group's website: www.investec.com

Financial assistance

Shareholders are referred to the Special Resolution number 3, which was approved at the annual general meeting held on 10 August 2017, relating to the provision of direct or indirect financial assistance in terms of section 45 of the South African Companies Act, No 71 of 2008 to related or inter-related companies. Shareholders are hereby notified that in terms of section 45(5)(a) of the South African Companies Act, the board of directors of Investec Limited provided such financial assistance during the period 1 April 2017 to 30 September 2017.

Outlook

While the global economy has improved our two key geographies suffer from continued political uncertainty.

Notwithstanding this, the group has continued to improve in shape and capability. Further progress has been made in dealing with the UK legacy book and the development of the private bank in the UK is gaining traction, as are the various digital initiatives. The continued investment in infrastructure and people across the group is indicative of the group's confidence in the franchise and will position the businesses appropriately for future growth and development.

On behalf of the boards of Investec plc and Investec Limited

Fani Titi
Chairman

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

15 November 2017

02

Unaudited ongoing financial statements

Introduction – understanding our results

Sale of businesses

During the 2015 financial year the group sold a number of businesses namely, Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited.

The sales of these businesses had a significant effect on the comparability of our financial statutory position and results particularly in financial year 2015 and financial year 2016.

In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. The additional information presented on an ongoing basis excludes items that, in management's view, could distort the comparison of performance between periods (for both current and historical information). Based on this principle, the following items are excluded from underlying statutory profit (for both current and historical information, where applicable) 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 page 33).

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2017.

A reconciliation between the statutory and ongoing income statement is provided on page 21.

Ongoing information

The tables that follow provide information on our ongoing results.

	Results in Pounds Sterling			Results in Rand		
	Six months to 30 Sept 2017	**Six months to 30 Sept 2016**	**% change**	**Six months to 30 Sept 2017**	**Six months to 30 Sept 2016**	**% change**
Operating profit before taxation* (million)	£348	£314	10.5%	R5 940	R6 253	(5.0%)
Adjusted earnings attributable to shareholders** (million)	£272	£230	18.4%	R4 659	R4 559	2.2%
Adjusted earnings per share**	29.5p	25.7p	14.8%	505c	509c	(0.8%)

* *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

£'000	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Net interest income	364 374	314 151	680 539
Net fee and commission income	666 010	608 564	1 271 591
Investment income	61 899	28 800	135 631
Share of post taxation operating profit of associates	23 677	9 639	18 890
Trading income arising from			
– customer flow	64 163	73 479	158 006
– balance sheet management and other trading activities	5 143	12 370	8 078
Other operating income	5 671	5 298	13 158
Total operating income before impairment losses on loans and advances	**1 190 937**	**1 052 301**	**2 285 893**
Impairment losses on loans and advances	(31 101)	(18 004)	(57 149)
Operating income	**1 159 836**	**1 034 297**	**2 228 744**
Operating costs	(791 330)	(701 801)	(1 502 623)
Depreciation on operating leased assets	(1 177)	–	(2 169)
Operating profit before goodwill, acquired intangibles and non-operating items	**367 329**	**332 496**	**723 952**
Profit attributable to other non-controlling interests	(19 800)	(18 033)	(60 239)
Profit attributable to Asset Management non-controlling interests	(10 663)	(9 924)	(20 291)
Operating profit before taxation	**336 866**	**304 539**	**643 422**
Taxation on operating profit before goodwill and acquired intangibles	(50 960)	(62 696)	(130 438)
Preference dividends accrued	(13 665)	(11 925)	(25 838)
Adjusted attributable earnings to ordinary shareholders	**272 241**	**229 918**	**487 146**
Adjusted earnings per share (pence)	29.5	25.7	54.1
Number of weighted average shares (million)	922.9	895.7	900.4
Cost to income ratio	66.5%	66.7%	65.8%

Reconciliation from statutory summarised income statement to ongoing summarised income statement

For the six months to 30 September 2017 £'000	Statutory as disclosed^	Removal of: UK legacy business	Ongoing business
Net interest income	364 321	(53)	364 374
Net fee and commission income	666 010	–	666 010
Investment income	62 074	175	61 899
Share of post taxation operating profit of associates	23 677	–	23 677
Trading income arising from			
– customer flow	64 160	(3)	64 163
– balance sheet management and other trading activities	5 146	3	5 143
Other operating income	5 669	(2)	5 671
Total operating income before impairment losses on loans and advances	**1 191 057**	**120**	**1 190 937**
Impairment losses on loans and advances	(59 593)	(28 492)	(31 101)
Operating income/(loss)	**1 131 464**	**(28 372)**	**1 159 836**
Operating costs	(795 883)	(4 553)	(791 330)
Depreciation on operating leased assets	(1 177)	–	(1 177)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**334 404**	**(32 925)**	**367 329**
Profit attributable to other non-controlling interests	(19 800)	–	(19 800)
Profit attributable to Asset Management non-controlling interests	(10 663)	–	(10 663)
Operating profit/(loss) before taxation	**303 941**	**(32 925)**	**336 866**
Taxation on operating profit before goodwill and acquired intangibles	(44 996)	5 964*	(50 960)
Preference dividends accrued	(13 665)	–	(13 665)
Adjusted attributable earnings to ordinary shareho lders	**245 280**	**(26 961)**	**272 241**
Adjusted earnings per share (pence)	26.6		29.5
Number of weighted average shares (million)	922.9		922.9
Cost to income ratio	66.9%		66.5%

* *Applying the UK's effective statutory taxation rate of 18.1%.*
^ *Refer to page 64.*

Reconciliation from statutory summarised income statement to ongoing summarised income statement

(continued)

For the six months to 30 September 2016 £'000	Statutory as disclosed^	Removal of: UK legacy business	Ongoing business
Net interest income	313 465	(686)	314 151
Net fee and commission income	608 488	(76)	608 564
Investment income	29 024	224	28 800
Share of post taxation operating profit of associates	9 639	–	9 639
Trading income arising from			
– customer flow	73 438	(41)	73 479
– balance sheet management and other trading activities	12 370	–	12 370
Other operating income	5 298	–	5 298
Total operating income/(loss) before impairment losses on loans and advances	**1 051 722**	**(579)**	**1 052 301**
Impairment losses on loans and advances	(46 591)	(28 587)	(18 004)
Operating income/(loss)	**1 005 131**	**(29 166)**	**1 034 297**
Operating costs	(705 680)	(3 879)	(701 801)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**299 451**	**(33 045)**	**332 496**
Profit attributable to other non-controlling interests	(18 033)	–	(18 033)
Profit attributable to Asset Management non-controlling interests	(9 924)	–	(9 924)
Operating profit/(loss) before taxation	**271 494**	**(33 045)**	**304 539**
Taxation on operating profit before goodwill and acquired intangibles	(56 279)	6 417*	(62 696)
Preference dividends accrued	(11 925)	–	(11 925)
Adjusted attributable earnings to ordinary shareholders	**203 290**	**(26 628)**	**229 918**
Adjusted earnings per share (pence)	22.7		25.7
Number of weighted average shares (million)	895.7		895.7
Cost to income ratio	67.1%		66.7%

* *Applying the group's effective statutory taxation rate of 19.4%.*
^ *Refer to pages 64.*

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

For the six months to 30 September 2017 £'000	UK and Other Specialist Banking statutory as disclosed^	Removal of: UK legacy business	UK and Other Specialist Banking ongoing business
Net interest income	155 482	(53)	155 535
Net fee and commission income	103 006	–	103 006
Investment income	15 063	175	14 888
Share of post taxation operating profit of associates	953	–	953
Trading income arising from			
– customer flow	55 020	(3)	55 023
– balance sheet management and other trading activities	3 504	3	3 501
Other operating income	2 769	(2)	2 771
Total operating income before impairment losses on loans and advances	**335 797**	**120**	**335 677**
Impairment losses on loans and advances	(37 631)	(28 492)	(9 139)
Operating income/(loss)	**298 166**	**(28 372)**	**326 538**
Operating costs	(260 032)	(4 553)	(255 479)
Depreciation on operating leased assets	(1 149)	–	(1 149)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**36 985**	**(32 925)**	**69 910**
Loss attributable to other non-controlling interests	4 223	–	4 223
Operating profit/(loss) before taxation	**41 208**	**(32 925)**	**74 133**

For the six months to 30 September 2016 £'000	UK and Other Specialist Banking statutory as disclosed^	Removal of: UK legacy business	UK and Other Specialist Banking ongoing business
Net interest income	130 432	(686)	131 118
Net fee and commission income	114 297	(76)	114 373
Investment income	17 385	224	17 161
Share of post taxation operating profit of associates	314	–	314
Trading income arising from			
– customer flow	64 666	(41)	64 707
– balance sheet management and other trading activities	10 747	–	10 747
Other operating income	3 858	–	3 858
Total operating income/(loss) before impairment losses on loans and advances	**341 699**	**(579)**	**342 278**
Impairment losses on loans and advances	(30 078)	(28 587)	(1 491)
Operating income/(loss)	**311 621**	**(29 166)**	**340 787**
Operating costs	(247 336)	(3 879)	(243 457)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**64 285**	**(33 045)**	**97 330**
Profit attributable to other non-controlling interests	(2 119)	–	(2 119)
Operating profit/(loss) before taxation	**62 166**	**(33 045)**	**95 211**

^ *Refer to pages 105 and 107.*

02 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 six months to 30 September 2017 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	49 949	33 284	83 233	1.2%	23.9%
Wealth & Investment	35 441	14 087	49 528	14.7%	14.3%
Specialist Banking	74 133	165 291	239 424	12.5%	68.9%
	159 523	**212 662**	**372 185**	10.0%	107.1%
Group costs	(17 295)	(7 361)	(24 656)	3.5%	(7.1%)
Total group	**142 228**	**205 301**	**347 529**	10.5%	100.0%
Other non-controlling interest – equity			19 800		
Operating profit			**367 329**		
% change	**(5.0%)**	**24.6%**	**10.5%**		
% of total	**40.9%**	**59.1%**	**100.0%**		

For the six months to 30 September 2016 £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	43 116	39 138	82 254	26.2%
Wealth & Investment	29 192	14 005	43 197	13.7%
Specialist Banking	95 211	117 623	212 834	67.7%
	167 519	**170 766**	**338 285**	**107.6%**
Group costs	(17 758)	(6 064)	(23 822)	(7.6%)
Total group	**149 761**	**164 702**	**314 463**	**100.0%**
Other non-controlling interest – equity			18 033	
Operating profit			**332 496**	
% of total	**47.6%**	**52.4%**	**100.0%**	

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

£'000	30 Sept 2017	30 Sept 2016	% change
Total ongoing UK and Other Specialist Banking per above	**74 133**	**95 211**	**(22.1%)**
UK legacy remaining	(32 925)	(33 045)	0.4%
Total UK and Other Specialist Banking per statutory accounts	**41 208**	**62 166**	**(33.7%)**

Ongoing segmental geographic analysis – summarised income statement

For the six months to 30 September £'000	2017 UK and Other	2017 Southern Africa	2017 Total	2016 UK and Other	2016 Southern Africa	2016 Total
Net interest income	157 579	206 795	364 374	133 332	180 819	314 151
Net fee and commission income	419 693	246 317	666 010	389 542	219 022	608 564
Investment income	15 299	46 600	61 899	18 527	10 273	28 800
Share of post taxation operating profits of associates	1 368	22 309	23 677	1 016	8 623	9 639
Trading income arising from						
– customer flow	55 403	8 760	64 163	64 954	8 525	73 479
– balance sheet management and other trading activities	1 820	3 323	5 143	12 269	101	12 370
Other operating income/(loss)	4 743	928	5 671	5 330	(32)	5 298
Total operating income before impairment losses on loans and advances	**655 905**	**535 032**	**1 190 937**	**624 970**	**427 331**	**1 052 301**
Impairment losses on loans and advances	(9 139)	(21 962)	(31 101)	(1 491)	(16 513)	(18 004)
Operating income	**646 766**	**513 070**	**1 159 836**	**623 479**	**410 818**	**1 034 297**
Operating costs	(507 612)	(283 718)	(791 330)	(471 599)	(230 202)	(701 801)
Depreciation on operating leased assets	(1 149)	(28)	(1 177)	–	–	–
Operating profit before goodwill, acquired intangibles and non-operating items	**138 005**	**229 324**	**367 329**	**151 880**	**180 616**	**332 496**
(Profit)/loss attributable to other non-controlling interests	4 223	(24 023)	(19 800)	(2 119)	(15 914)	(18 033)
Operating profit before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**142 228**	**205 301**	**347 529**	**149 761**	**164 702**	**314 463**
Profit attributable to Asset Management non-controlling interests	(6 873)	(3 790)	(10 663)	(5 756)	(4 168)	(9 924)
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**135 355**	**201 511**	**336 866**	**144 005**	**160 534**	**304 539**
Cost to income ratio	77.5%	53.0%	66.5%	75.5%	53.9%	66.7%

Ongoing segmental business and geographic analysis – summarised income statement

For the six months to 30 September 2017 £'000	Asset Management UK and Other	 Southern Africa	 Total	Wealth & Investment UK and Other	 Southern Africa	 Total
Net interest income	19	2 418	2 437	2 025	2 539	4 564
Net fee and commission income	169 543	88 461	258 004	147 144	40 749	187 893
Investment income	–	25	25	411	220	631
Share of post taxation operating profit of associates	–	–	–	415	–	415
Trading income arising from						
– customer flow	–	–	–	380	185	565
– balance sheet management and other trading activities	(1 683)	263	(1 420)	2	68	70
Other operating income	1 972	853	2 825	–	–	–
Total operating income before impairment losses on loans and advances	**169 851**	**92 020**	**261 871**	**150 377**	**43 761**	**194 138**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**169 851**	**92 020**	**261 871**	**150 377**	**43 761**	**194 138**
Operating costs	(119 902)	(58 736)	(178 638)	(114 936)	(29 674)	(144 610)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**49 949**	**33 284**	**83 233**	**35 441**	**14 087**	**49 528**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**49 949**	**33 284**	**83 233**	**35 441**	**14 087**	**49 528**
Profit attributable to Asset Management non-controlling interests	(6 873)	(3 790)	(10 663)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**43 076**	**29 494**	**72 570**	**35 441**	**14 087**	**49 528**
Cost to income ratio	70.6%	63.8%	68.2%	76.4%	67.8%	74.5%

Ongoing segmental business and geographic analysis – summarised income statement

(continued)

Specialist Banking			Group costs			
UK and Other	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**	**Total group**
155 535	201 838	357 373	–	–	–	364 374
103 006	117 107	220 113	–	–	–	666 010
14 888	46 355	61 243	–	–	–	61 899
953	22 309	23 262	–	–	–	23 677
55 023	8 575	63 598	–	–	–	64 163
3 501	2 992	6 493	–	–	–	5 143
2 771	75	2 846	–	–	–	5 671
335 677	**399 251**	**734 928**	**–**	**–**	**–**	**1 190 937**
(9 139)	(21 962)	(31 101)	–	–	–	(31 101)
326 538	**377 289**	**703 827**	**–**	**–**	**–**	**1 159 836**
(255 479)	(187 947)	(443 426)	(17 295)	(7 361)	(24 656)	(791 330)
(1 149)	(28)	(1 177)	–	–	–	(1 177)
69 910	**189 314**	**259 224**	**(17 295)**	**(7 361)**	**(24 656)**	**367 329**
4 223	(24 023)	(19 800)	–	–	–	(19 800)
74 133	**165 291**	**239 424**	**(17 295)**	**(7 361)**	**(24 656)**	**347 529**
–	–	–	–	–	–	(10 663)
74 133	**165 291**	**239 424**	**(17 295)**	**(7 361)**	**(24 656)**	**336 866**
76.4%	47.1%	60.4%	n/a	n/a	n/a	66.5%

Ongoing segmental business and geographic analysis – summarised income statement

(continued)

For the six months to 30 September 2016 £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
Net interest income	90	2 512	2 602	2 124	3 103	5 227
Net fee and commission income	146 378	88 234	234 612	128 791	35 996	164 787
Investment income	–	7	7	1 366	39	1 405
Share of post taxation operating profit of associates	–	–	–	702	–	702
Trading income arising from						
– customer flow	–	–	–	247	121	368
– balance sheet management and other trading activities	1 337	(892)	445	185	(43)	142
Other operating income/(loss)	1 472	(65)	1 407	–	–	–
Total operating income before impairment losses on loans and advances	**149 277**	**89 796**	**239 073**	**133 415**	**39 216**	**172 631**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**149 277**	**89 796**	**239 073**	**133 415**	**39 216**	**172 631**
Operating costs	(106 161)	(50 658)	(156 819)	(104 223)	(25 211)	(129 434)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**43 116**	**39 138**	**82 254**	**29 192**	**14 005**	**43 197**
Profit attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**43 116**	**39 138**	**82 254**	**29 192**	**14 005**	**43 197**
Profit attributable to Asset Management non-controlling interests	(5 756)	(4 168)	(9 924)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**37 360**	**34 970**	**72 330**	**29 192**	**14 005**	**43 197**
Cost to income ratio	71.1%	56.4%	65.6%	78.1%	64.3%	75.0%

Ongoing segmental business and geographic analysis – summarised income statement

(continued)

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
131 118	175 204	306 322	–	–	–	314 151
114 373	94 792	209 165	–	–	–	608 564
17 161	10 227	27 388	–	–	–	28 800
314	8 623	8 937	–	–	–	9 639
64 707	8 404	73 111	–	–	–	73 479
10 747	1 036	11 783	–	–	–	12 370
3 858	33	3 891	–	–	–	5 298
342 278	**298 319**	**640 597**	**–**	**–**	**–**	**1 052 301**
(1 491)	(16 513)	(18 004)	–	–	–	(18 004)
340 787	**281 806**	**622 593**	**–**	**–**	**–**	**1 034 297**
(243 457)	(148 269)	(391 726)	(17 758)	(6 064)	(23 822)	(701 801)
97 330	**133 537**	**230 867**	**(17 758)**	**(6 064)**	**(23 822)**	**332 496**
(2 119)	(15 914)	(18 033)	–	–	–	(18 033)
95 211	**117 623**	**212 834**	**(17 758)**	**(6 064)**	**(23 822)**	**314 463**
–	–	–	–	–	–	(9 924)
95 211	**117 623**	**212 834**	**(17 758)**	**(6 064)**	**(23 822)**	**304 539**
71.1%	49.7%	61.2%	n/a	n/a	n/a	66.7%

Return on equity – ongoing basis

£'000	30 Sept 2017	31 March 2017	Average	30 Sept 2016	31 March 2016	Average
Calculation of average shareholders' equity						
Ordinary shareholders' equity	3 878 052	3 859 535	3 868 794	3 615 732	2 990 009	3 302 871
Goodwill and intangible assets (excluding software)	(480 826)	(490 841)	(485 834)	(501 698)	(503 996)	(502 847)
Adjusted tangible shareholders' equity	**3 397 226**	**3 368 694**	**3 382 960**	**3 114 034**	**2 486 013**	**2 800 024**

£'000	30 Sept 2017	31 March 2017	30 Sept 2016
Operating profit*	367 329	723 952	332 496
Non-controlling interests	(30 463)	(80 530)	(27 957)
Accrued preference dividends, adjusted for currency hedge	(13 665)	(25 838)	(11 925)
Revised operating profit	**323 201**	**617 584**	**292 614**
Taxation on operating profit before goodwill and acquired intangibles	(50 960)	(130 438)	(62 696)
Adjusted attributable earnings to ordinary shareholders*	**272 241**	**487 146**	**229 918**
Pre-taxation return on average adjusted shareholders' equity	16.7%	18.0%	17.7%
Post-taxation return on average adjusted shareholders' equity	14.1%	14.2%	13.9%
Pre-taxation return on average adjusted tangible shareholders' equity	19.1%	21.1%	20.9%
Post-taxation return on average adjusted tangible shareholders' equity	16.1%	16.6%	16.4%

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

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

	UK and Other		Southern Africa		Total group	
£'000	30 Sept 2017	31 March 2017	30 Sept 2017	31 March 2017	30 Sept 2017	31 March 2017
Gross core loans and advances to customers	**8 501 878**	**8 169 901**	**13 964 547**	**14 158 547**	**22 466 425**	**22 328 448**
Total impairments	**(27 115)**	**(25 356)**	**(67 351)**	**(72 152)**	**(94 466)**	**(97 508)**
Specific impairments	(11 962)	(12 393)	(40 893)	(52 689)	(52 855)	(65 082)
Portfolio impairments	(15 153)	(12 963)	(26 458)	(19 463)	(41 611)	(32 426)
Net core loans and advances to customers	**8 474 763**	**8 144 545**	**13 897 196**	**14 086 395**	**22 371 959**	**22 230 940**
Average gross core loans and advances to customers	**8 335 890**	**7 706 123**	**14 061 547**	**12 258 560**	**22 397 437**	**19 964 683**
Total income statement charge for impairments on core loans and advances	**(8 965)**	**(20 690)**	**(21 921)**	**(36 580)**	**(30 886)**	**(57 270)**
Gross default loans and advances to customers	49 255	34 166	169 531	215 633	218 786	249 799
Specific impairments	(11 962)	(12 393)	(40 893)	(52 689)	(52 855)	(65 082)
Portfolio impairments	(15 153)	(12 963)	(26 458)	(19 463)	(41 611)	(32 426)
Defaults net of impairments before collateral held	**22 140**	**8 810**	**102 180**	**143 481**	**124 320**	**152 291**
Collateral and other credit enhancements	44 358	25 948	223 547	259 057	267 905	285 005
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**
Ratios						
Total impairments as a % of gross core loans and advances to customers	0.32%	0.31%	0.48%	0.51%	0.42%	0.44%
Total impairments as a % of gross default loans	55.05%	74.21%	39.73%	33.46%	43.18%	39.03%
Gross defaults as a % of gross core loans and advances to customers	0.58%	0.42%	1.21%	1.52%	0.97%	1.12%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.26%	0.11%	0.74%	1.02%	0.56%	0.69%
Net defaults as a % of net core loans and advances to customers	–	–	–	–	–	–
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.22%	0.27%	0.30%	0.29%	0.28%	0.29%

Core loans and asset quality – ongoing business

(continued)

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

	Statutory as disclosed^	Removal of: UK Legacy business	Ongoing business
30 September 2017 (£'000)			
Gross core loans and advances to customers	**22 998 405**	**531 980**	**22 466 425**
Total impairments	(201 505)	(107 039)	(94 466)
Specific impairments	(122 383)	(69 528)	(52 855)
Portfolio impairments	(79 122)	(37 511)	(41 611)
Net core loans and advances to customers	**22 796 900**	**424 941**	**22 371 959**
31 March 2017 (£'000)			
Gross core loans and advances to customers	**22 906 165**	**577 717**	**22 328 448**
Total impairments	(199 028)	(101 520)	(97 508)
Specific impairments	(136 177)	(71 095)	(65 082)
Portfolio impairments	(62 851)	(30 425)	(32 426)
Net core loans and advances to customers	**22 707 137**	**476 197**	**22 230 940**

^ *Refer to page 133.*

The legacy business in the UK Specialist Bank comprises:

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

Legacy business – overview of results

Since 31 March 2017 the group's legacy portfolio in the UK has continued to be actively managed down from £476 million to £425 million largely through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £32.9 million (2016: £33.0 million). The remaining legacy portfolio will continue to be managed down. Total net defaults in the legacy book amount to £106 million (31 March 2017: £125 million).

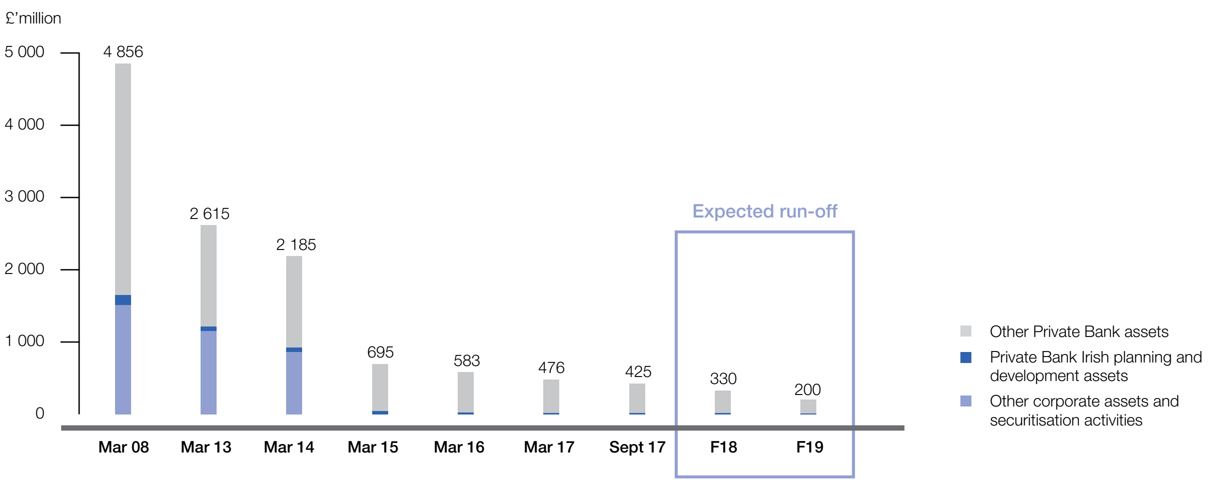
An analysis of assets within the legacy business

	30 Sept 2017		31 March 2017	
£'million	Total net assets (after impairments)	Total balance sheet impairment	Total net assets (after impairments)	Total balance sheet impairment
Private Bank Irish planning and development assets	15	13	18	9
Other Private Bank assets	410	94	458	93
Total legacy assets	**425**	**107**	**476**	**102**
Performing	319	–	351	–
Non-performing	106	107*	125	102*

* *Included in balance sheet impairments is a group portfolio impairment of £37.5 million (31 March 2017: £30.4 million).*

Expected run-off of legacy assets

Total remaining UK legacy assets



03

Divisional and segmental 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

Equities
Fixed Income
Multi-asset
Alternatives

Where we operate

Africa
Americas
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
Europe
Hong Kong
Mauritius

Specialist Banking

What we do

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

Where we operate

Southern Africa
UK
Europe
Australia
Hong Kong
India
USA

Integrated global management structure

Global roles

Chief executive officer	Stephen Koseff	**Executive director**	Hendrik du Toit
Managing director	Bernard Kantor	**Group risk and finance director**	Glynn Burger

GEOGRAPHICAL BUSINESS LEADERS

South Africa
Glynn Burger
Richard Wainwright

United Kingdom
David van der Walt
Steve Elliott

Specialist Banking
Ciaran Whelan
David van der Walt

Asset Management
Hendrik du Toit

Wealth & Investment
Steve Elliott

SUPPORT STRUCTURES

Human resources and organisational development
Marc Kahn

Corporate governance and compliance
Bradley Tapnack

Group finance
Nishlan Samujh

Share schemes and secretarial
Les Penfold

Asset Management

At Investec Asset Management, we believe in investing for a better tomorrow. We want to assist people around the globe to retire with dignity or meet their financial objectives by offering specialist, active investment expertise. We are a patient, long-term business offering organically-developed investment capabilities through active segregated mandates or mutual funds to sophisticated clients. Our clients include some of the world's largest private and public sector pension funds, financial institutions, corporates, foundations, central banks and intermediaries serving individual investors. Our business is to manage our clients' investments to the highest standard possible by exceeding their investment and client service expectations.

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

It all began in South Africa in 1991. After more than twenty-six years, we have grown to become a successful global investment management firm from the emerging markets. We continue to develop an owner culture and are committed to building a long-term intergenerational business.

Our investment team of over 200 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units. These teams are supported by our global operations platform.

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 to:
  - Investing
  - Client base
  - Operations platform
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership
- Committed to investing for a sustainable future.

Interim highlights

Net flows of
£2.1 billion
(2016: £1.1 billion)

Assets under management
£98.2 billion
(2016: £89.8 billion)

Operating margin
31.8%
(2016: 34.4%)

Operating profit before non-controlling interests increased by 1.2% to
£83.2 million
contributing **26.5%** to group profit

What we do

Organisational structure

Investments

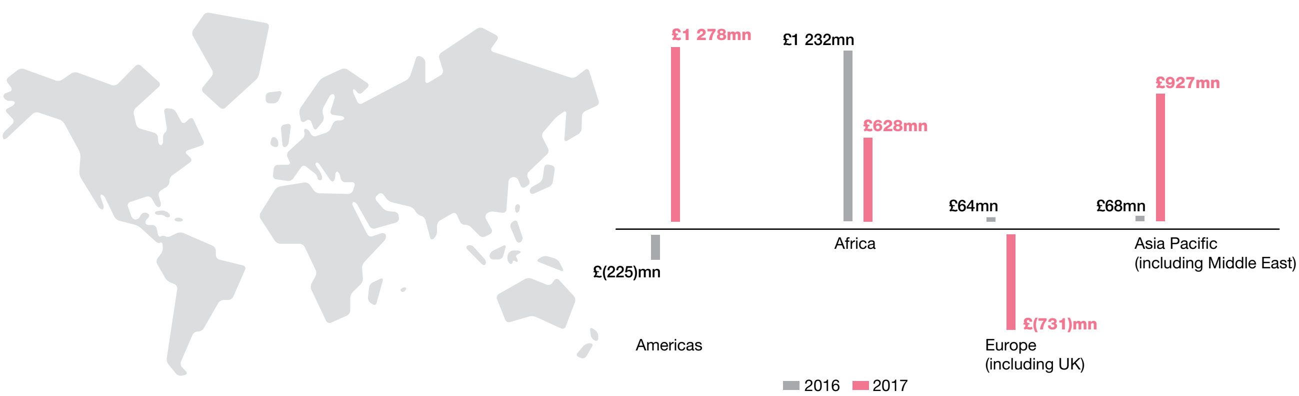
Equities	Fixed Income	Multi-Asset	Alternatives
– Global – Regional – Emerging	– Developed – Emerging – Multi-strategy – Absolute return	– Global/ Regional solutions – Income solutions	– Commodities – Private equity – Real estate – Infrastructure debt

Client groups

United Kingdom	Africa	Americas	Asia Pacific	Europe

Global operations platform

Where we operate



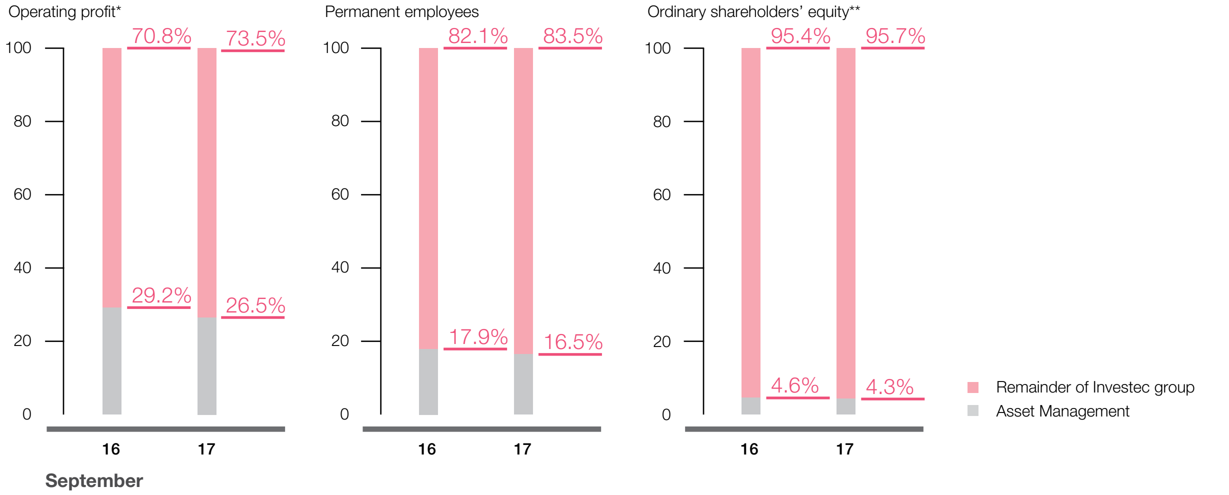
Net flows by geography

For the six months to 30 September 2016 and 30 September 2017.
Note: The net flows exclude a historic low value cash plus account which is subject to volatile net flows.

Asset Management

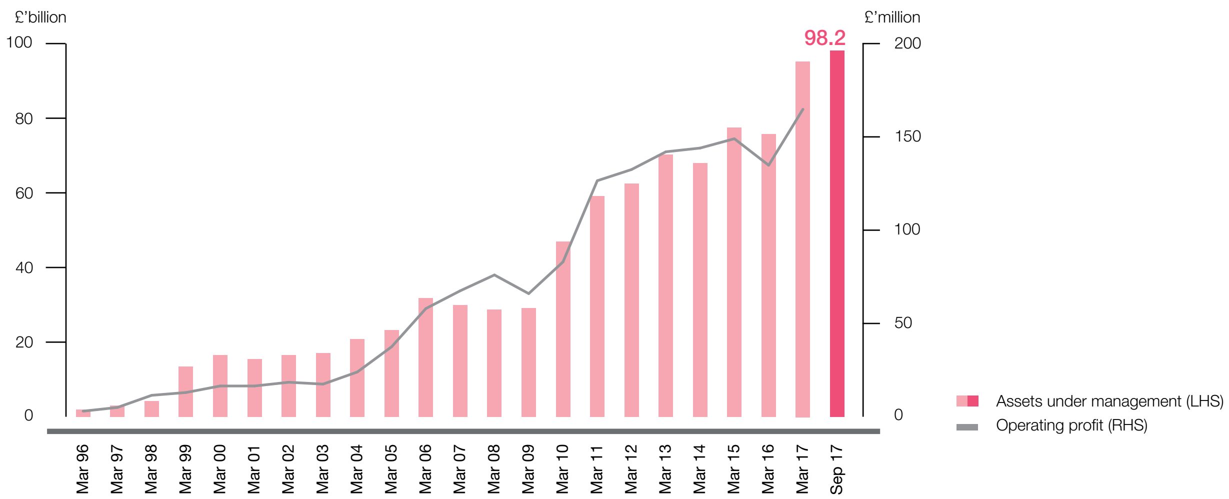
(continued)

Financial analysis



* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.
** As calculated on page 98 , based on regulatory capital requirements.

Historical financial performance



Income statement analysis

For the six months to £'000	30 Sept 2017	30 Sept 2016	Variance	% change
Net interest income	2 437	2 602	(165)	(6.3%)
Net fee and commission income	258 004	234 612	23 392	10.0%
Investment income	25	7	18	>100%
Trading (loss)/income arising from balance sheet management and other trading activities	(1 420)	445	(1 865)	(>100%)
Other operating income	2 825	1 407	1 418	>100%
Total operating income	**261 871**	**239 073**	**22 798**	**9.5%**
Operating costs	(178 638)	(156 819)	(21 819)	13.9%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests	**83 233**	**82 254**	**979**	**1.2%**
Profit attributable to Asset Management non-controlling interests*	(10 663)	(9 924)	(739)	7.4%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**72 570**	**72 330**	**240**	**0.3%**
UK and Other	43 076	37 360	5 716	15.3%
Southern Africa	29 494	34 970	(5 476)	(15.7%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**72 570**	**72 330**	**240**	**0.3%**
Selected returns and key statistics				
Ordinary shareholders' equity**	168 158	162 519	5 639	3.5%
ROE (pre-tax)**	90.8%	93.9%		
Return on tangible equity (pre-tax)**	180.3%	201.5%		
Operating margin	31.8%	34.4%		
Operating profit per employee (£'000)^	81.3	85.3		

* *Earnings after tax attributable to non-controlling interests includes the portion of earnings attributable to the 16% shareholding in the business by employees.*
** *As calculated on pages 98 and 100, based on regulatory capital requirements.*
^ *Operating profit per employee excludes Silica, our third party administration business.*

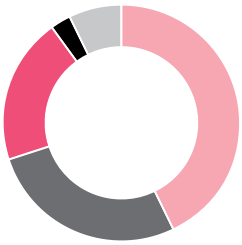
The variance in operating profit over the period can be explained as follows:

- Improved markets and net flow growth positively impacted our net fee and commission income.
- Performance fees decreased over the year (to £4.4 million) compared with the prior year (of £20.5 million).
- Sterling weakness and other currency impacts increased our cost base.
- Against this backdrop, our operating profit before non-controlling interests increased by 1.2%.

Assets under management and net flows

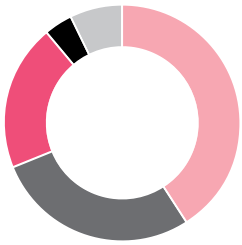
£'million	AUM 30 Sept 2017	Net flows	Markets/ foreign exchange movements	AUM 31 March 2017
Equities	42 590	1 891	1 835	38 864
Fixed Income	26 082	(520)	(498)	27 100
Multi-Asset	19 606	792	(126)	18 940
Alternatives	3 113	(137)	(229)	3 479
Third party funds on advisory platform	6 835	76	(145)	6 904
Total	**98 226**	**2 102**	**837**	**95 287**

Assets under management by asset class



30 Sept 2017

Equities	43%
Fixed Income	27%
Multi-Asset	20%
Alternatives	3%
Third party funds on advisory platform	7%



31 March 2017

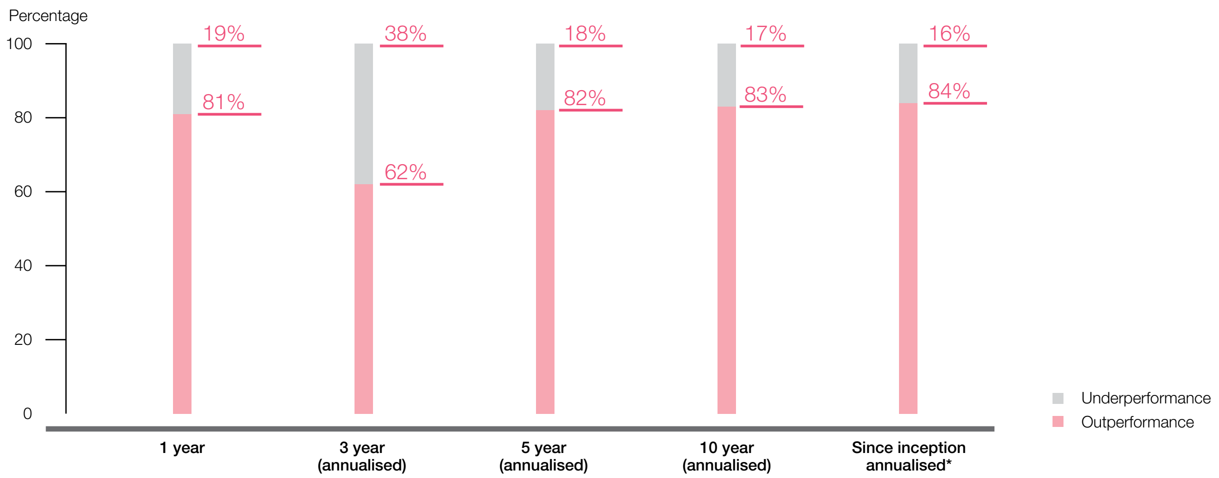
Equities	41%
Fixed Income	28%
Multi-Asset	20%
Alternatives	4%
Third party funds on advisory platform	7%

Note: The assets under management and net flows exclude a historic low value cash plus account which is subject to volatile net flows.

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 risk parameters. Our long-term track record remains competitive.

Overall firm performance

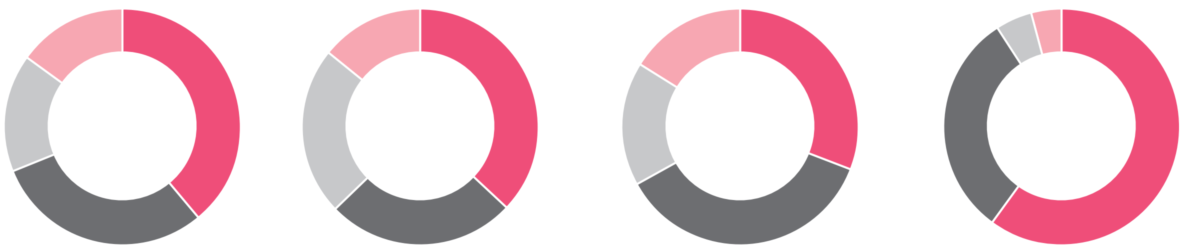


Source: Calculated by Investec Asset Management from StatPro. Performance to 30 September 2017.

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

Note: Outperformance (underperformance) is calculated as the sum of the total market values for individual portfolios that have positive active returns (negative active returns) expressed as a percentage of total assets under management. Our percentage of fund performance is reported on the basis of total assets under management and therefore does not include terminated funds. Total assets under management exclude double-counting of pooled products and third party assets administered on our South African platform. Benchmarks used for the above analysis include cash, peer group averages, inflation and market indices as specified in client mandates or fund prospectuses. For all periods shown, market values are as at the period end date.

Mutual funds investment performance



One year

First quartile	39%
Second quartile	30%
Third quartile	16%
Fourth quartile	15%

Three year

First quartile	37%
Second quartile	26%
Third quartile	23%
Fourth quartile	14%

Five year

First quartile	31%
Second quartile	36%
Third quartile	17%
Fourth quartile	16%

Ten year

First quartile	60%
Second quartile	31%
Third quartile	5%
Fourth quartile	4%

Note: Assets under management weighted performance to 30 September 2017. Fund performance and ranking as per Morningstar data using primary share classes net of fees. Peer group universes are the Investment Association, the Global Investment Fund Sector or the Association of Savings and Investments South Africa sectors as classified by Morningstar. Cash or cash-equivalent funds are excluded from charts.

Independent recognition (calendar year)

- Winner of Global Investor's Emerging Market Equity Manager of the Year
- Winner of Private Equity Africa's Credit Deal of the Year and Credit Investor of the Year
- Raging Bull Awards for Best South African General Equity Fund (Investec Value Fund) and Top Outright Performance over 21 years by a South African General Equity Fund (Investec Equity Fund)

Questions and answers

Hendrik du Toit

Chief executive officer

Q. How has the operating environment impacted your business over the past six months?

The global political environment remains uncertain, while the situation in our two domestic markets, South Africa and the United Kingdom, does not add to investor confidence. Notwithstanding this, asset markets have remained buoyant, thus supporting growth in assets under management.

The long-term growth prospects of the asset management industry remain compelling. The industry nevertheless faces significant challenges emanating from the low-yield environment, growing regulatory scrutiny, changing investor needs and the rapidly-evolving technology landscape. In the years ahead, active asset managers will have to articulate their value proposition increasingly clearly to avoid commoditisation. In spite of these long-term trends, our flows for the first half of the year have been solid.

Q. What have been the key developments in your business over the past six months?

The return to net inflows and the significant improvement in our investment performance across the house are the two key developments. It is also gratifying to see that our efforts in the Advisor market have been rewarded with growing inflows.

The ongoing stability over our investment teams and the experience and depth of our talent pool give us confidence for the future, in spite of the elevated levels of financial markets.

We have continued to invest in our people, nurture the culture that binds us together and focus on excellence. As a result, we have a motivated and energetic team with a long-term orientation, built to be inter-generational.

Q. What are your strategic objectives for the next six months?

Our fundamental strategic objectives and principles remain unchanged: we are organically building a competitive global, active investment management firm that helps our clients achieve their financial objectives by focusing on investment performance and client service. We do this globally across the Institutional and Advisor markets, while meeting sensible medium and long-term client demand with appropriately-designed offerings. Our ultimate aim is to manage our clients' money to the highest possible standard and in line with their expectations and product and strategy specifications.

Although we are cognizant of the prevailing challenges for our industry, we are confident about our future and look to remain an active asset manager. We recognise the need to justify our existence by continuing to offer real value to clients through appropriate and relevant products, combined with a compelling service proposition.

Over the rest of the financial year, our primary focus areas will be to maintain strong investment performance, continue to scale our Multi-Asset and Quality capabilities and grow our Advisor business. North America will also be a focus area for growth.

Beyond financial results, we are devoting time to prepare our people for less hospitable market conditions. We are also working hard to align our business with the general quest for a more sustainable, inclusive and responsible system. As a responsible steward of long-term capital, we have to face up to our responsibilities and systemic challenges at hand.

Q. What is your outlook for the next six months?

At Investec Asset Management we always think about the long term. We believe that we have created a sustainable, competitive, long-term business and remain committed to being an active investment manager. Our momentum is positive and we are confident about the future.

We see current trends persisting over the next six months with the increasing risk of a market correction or significant currency risk remaining in respect of South Africa and the UK.

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 head: Eddie Clarke

The business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities.

Investec Wealth & Investment is one of the UK's leading private client investment managers, the largest in South Africa, has a significant European presence and is developing its operations internationally.

Our value proposition

- 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, Republic of Ireland and Guernsey
- The business has five distinct channels: direct, intermediaries, charities, international and digital
- 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.

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

Interim highlights

Net inflows of
£1.5 billion
(2016: £0.7 billion)

Assets under management
£55.5 billion
(2016: £51.3 billion)

Operating margin
25.5%
(2016: 25.0%)

Operating profit up 14.7% to
£49.5 million
contributing **15.7%** to group profit

What we do

UK and Other

Investment 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.

Financial planning

- Retirement planning
- Succession planning.

The UK operations are conducted through Investec Wealth & Investment Limited and Investec Click & Invest Limited. The other Wealth & Investment operations are conducted through Investec Bank Switzerland, Investec Wealth & Investment Ireland, Investec Wealth & Investment Channel Islands and in Hong Kong, through Investec Capital Asia Limited.

Over 1 350 staff operate from offices located throughout the above jurisdictions, with combined funds under management of £37.1 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

Southern 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 R117.1 billion of discretionary and annuity managed assets and a further R214.9 billion of funds under various other forms of administration.

Where we operate

UK and Other

Brand well recognised

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

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers

Newly launched digital investment offering, Investec Click & Invest

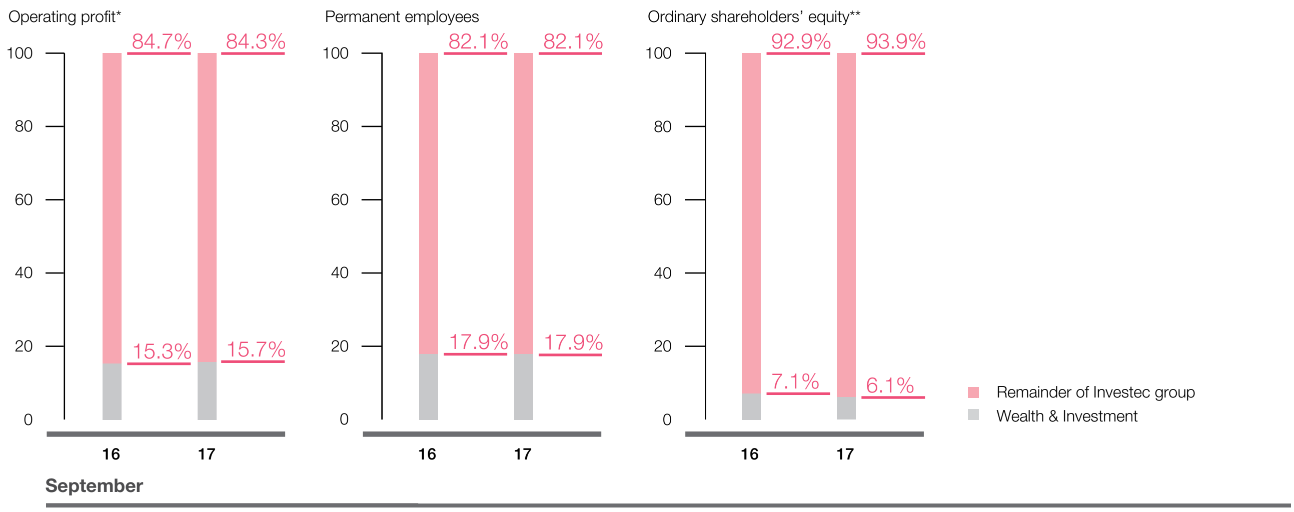
South Africa and Mauritius

Strong brand and positioning

Largest player in the South African market

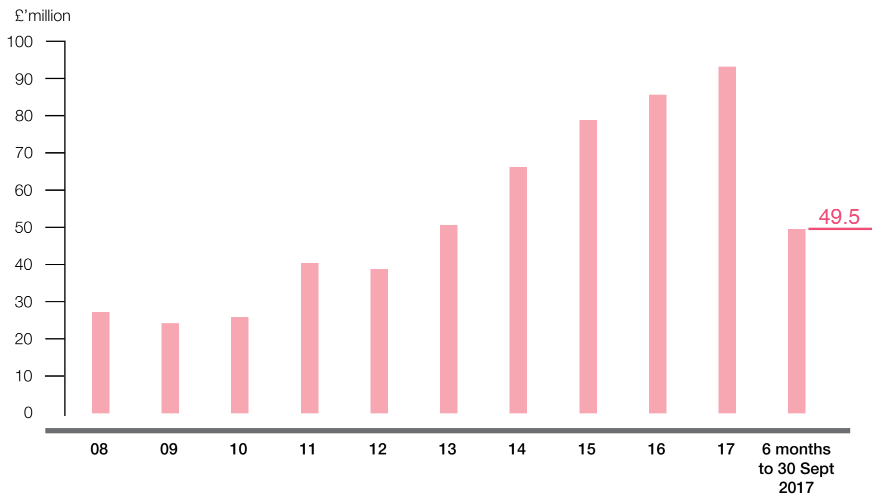
Developing Wealth & Investment capability in Mauritius

Financial analysis



* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
** *As calculated on page 98, based on regulatory capital requirements.*

Operating profit^ — track record



^ *Trend reflects numbers as at the year ended 31 March, unless otherwise stated. Amounts are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

Income statement analysis

For the six months to £'000	30 Sept 2017	30 Sept 2016	Variance	% change
Net interest income	4 564	5 227	(663)	(12.7%)
Net fee and commission income	187 893	164 787	23 106	14.0%
Investment income	631	1 405	(774)	(55.1%)
Share of post taxation operating profit of associates	415	702	(287)	(40.9%)
Trading income arising from				
– customer flow	565	368	197	53.5%
– balance sheet management and other trading activities	70	142	(72)	(50.7%)
Total operating income	**194 138**	**172 631**	**21 507**	**12.5%**
Operating costs	(144 610)	(129 434)	(15 176)	11.7%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**49 528**	**43 197**	**6 331**	**14.7%**
UK and Europe	35 441	29 192	6 249	21.4%
Southern Africa	14 087	14 005	82	0.6%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation after other non-controlling interests	**49 528**	**43 197**	**6 331**	**14.7%**
Selected returns and key statistics				
Ordinary shareholders' equity*	240 911	249 145	(8 234)	(3.3%)
ROE (pre-tax)*	38.4%	31.3%		
Return on tangible equity (pre-tax)*	164.1%	165.0%		
Operating margin	25.5%	25.0%		
Operating profit per employee (£'000)*	28.6	26.9		

* *As calculated on pages 98 and 100, based on regulatory capital requirements.*

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

- The UK business continued to generate strong net inflows amounting to £1.3 billion. Operating income benefited from growth in average funds under management supported by a higher level of market indices at the key quarterly billing dates.
- The South African business posted an operating profit of R240 million, a decrease of 14.0% (in Rand terms) over the prior period as a result of lower brokerage volumes. Progress continued to be made in generating discretionary net inflows and growing annuity assets under management.
- The business globally continued to invest in its digital platforms, IT infrastructure and in recruiting experienced investment managers. Headcount increased by 6.0% from 30 September 2016 to 30 September 2017.

Analysis of key earnings drivers (funds under management)

£'million	30 Sept 2017	31 March 2017	% change	30 Sept 2016	31 March 2016	% change
UK and Other	**37 111**	**35 555**	**4.4%**	**33 359**	**29 769**	**12.1%**
Discretionary	28 071	26 336	6.6%	24 311	21 747	11.8%
Non-discretionary and other	9 040	9 219	(1.9%)	9 048	8 022	12.8%
South Africa	**18 344**	**19 218**	**(4.5%)**	**17 969**	**15 690**	**14.5%**
Discretionary and annuity assets	6 469	6 552	(1.3%)	5 913	4 945	19.6%
Non-discretionary and other	11 875	12 666	(6.2%)	12 056	10 745	12.2%
Total	**55 455**	**54 773**	**1.2%**	**51 328**	**45 459**	**12.9%**

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

Funds under management

£'million	30 Sept 2017	31 March 2017	% change	30 Sept 2016	31 March 2016	% change
Investec Wealth & Investment Limited (UK)	**33 548**	**31 866**	**5.3%**	**30 013**	**27 105**	**10.7%**
Discretionary	26 993	25 393	6.3%	23 472	21 120	11.1%
Non-discretionary	6 555	6 473	1.3%	6 541	5 985	9.3%
Other	**3 563**	**3 689**	**(3.4%)**	**3 346**	**2 664**	**25.6%**
Discretionary	1 078	943	14.3%	839	627	33.8%
Non-discretionary	2 485	2 746	(9.5%)	2 507	2 037	23.1%
Total	**37 111**	**35 555**	**4.4%**	**33 359**	**29 769**	**12.1%**

Further analysis of the Investec Wealth & Investment Limited UK business

Funds under management and flows

£'billion	30 Sept 2017	31 March 2017	% change	30 Sept 2016	31 March 2016	% change
At the beginning of the period	**31.87**	**27.11**	**17.6%**	**27.11**	**27.32**	**(0.8%)**
Inflows	2.42	3.53	(31.4%)	1.80	3.38	(46.7%)
Outflows	(1.15)	(2.19)	(47.5%)	(1.11)	(2.04)	(45.6%)
Market adjustment^	0.53	3.71	(85.7%)	2.26	(1.26)	>100.0%
Transfers^^	–	(0.05)	100.0%	(0.05)	(0.03)	66.67%
Disposals*	(0.12)	(0.24)	(50.0%)	–	(0.26)	100.0%
At the end of the period	**33.55**	**31.87**	**5.3%**	**30.01**	**27.11**	**10.7%**
MSCI WMA Private Investors Balanced Index (at period end)	1 546	1 536	0.65%	3 915	3 556	10.1%
Annualised underlying rate of net organic growth in total funds under management**	8.0%	4.9%		5.1%	4.9%	
% of total funds managed on a discretionary basis	80.5%	79.7%		78.2%	77.9%	

^ *Impact of market movement and relative performance.*
^^ *Reflects the transfer of assets between jurisdictions.*
* *Reflects the disposal of funds relating to certain non-core operations.*
** *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.*

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

Funds under management

R'million	30 Sept 2017	31 March 2017	% change	30 Sept 2016	31 March 2016	% change
Discretionary and annuity assets	117 086	109 869	6.6%	105 735	104 480	1.2%
Non-discretionary	214 942	212 412	1.2%	215 593	227 033	(5.0%)
Total	**332 028**	**322 281**	**3.0%**	**321 328**	**331 513**	**(3.1%)**

Net inflows/(outflows) at cost over the period

R'million	30 Sept 2017	31 March 2017	30 Sept 2016	31 March 2016
Discretionary and annuity assets	2 502	8 335	3 669	9 300
Non-discretionary	1 185	(8 597)#	(4 463)#	5 615
Total	**3 687**	**(262)**	**(794)**	**14 915**

Includes an outflow of R4.9 billion of assets transferred to our specialised securities division not included in Wealth & Investment assets.

Questions and answers

Steve Elliott

Global head

Q. How has the operating environment impacted your business over the past six months?

In the UK, the first half of the financial year has presented significant challenges for investors, with numerous events and concerns in the political and economic environment testing investors' nerve. These include general elections in the UK and Europe, tensions over North Korea, the prospect of tighter monetary policy across a number of regions and the uncertainty of where the Brexit negotiations will lead. Despite the uncertainties, equity indices remained buoyant, having maintained the gains made during the latter part of the previous financial year and making further progress to reach new record highs. Our challenge has therefore been to manage the risks presented by the uncertainties whilst ensuring our clients remain positioned to benefit from market progress. Our well established research capability and investment process, and the close relationships we maintain with our clients, have served us well as we navigated through these challenges. The fact that the markets have continued to progress has had a positive impact on the performance of the business during the period.

South Africa is in a particularly difficult economic and political period and we found it difficult to increase the risk exposures in any of the major asset classes. The political outlook is uncertain, the probability of the country receiving further downgrades is still very much front of mind and economic growth rates are still languishing at close to zero at a time where global emerging markets are growing very strongly. The South African equity market has continued to see considerable foreign investment outflows while emerging markets are seeing strong inflows.

Increasing regulation of the investment management industry, particularly in the UK, has been a general theme for a number of years. However, the second Markets in Financial Instruments Directive (MiFID II), which takes effect on 3 January 2018, is the single biggest regulatory change the industry has faced for some time. In addition, the new General Data Protection Requirements (GDPR) come into effect in May 2018 and present a further significant change to the way businesses are required to manage data. Whilst we recognise the benefits these regulatory changes seek to achieve, the processes required to ensure the business and our clients are ready for these changes is complex and requires substantial resources. Consequently, preparing for these forthcoming regulatory changes has been a dominant theme for the UK business during the period, and this will continue into the second half of the financial year and beyond as the new regulatory environment beds down.

Q. What have been the key developments in your business over the past six months?

We have continued to enhance our domestic and international offerings for our clients, underpinned by our global investment process.

In South Africa we have been focusing on enhancing our self-directed investment offerings with the My Investment platform that allows investors to access our investment process and asset allocation online in building their portfolios. Investec Wealth & Investment and Private Bank have been awarded, for the fifth year in a row, the accolade of Best Private Bank and Wealth Manager in South Africa by the Financial Times of London. Also during this period, Investec was ranked joint second globally for mobile apps for wealth management in 2017 by My PrivateBanking Research. These once again affirm the strategy behind One Place, which gives clients integrated access to our investment and banking services, locally and internationally – in One Place.

In June the UK business launched its new digital discretionary investment management service, Investec Click & Invest. The service has received a positive reaction from the marketplace following its launch, attracting favourable media interest and being ranked first place in an independent survey of the digital portfolio management market. It was particularly pleasing that the survey highlighted outstanding performance in the areas of portfolio management and client coaching, being areas in which we have sought to differentiate the Click & Invest service from its peers.

Q. What are your strategic objectives for the next six months?

Whilst the launch of Click & Invest in the UK has been well received, the continuous development of our digital channel remains a high strategic priority. We are currently developing the next phase of enhancements to the Click & Invest service in order to build on what we have achieved so far. In addition, we remain committed to developing digital enhancements to our core investment management service and to make these available to the increasing number of clients of the core business whose preference is to receive elements of their service digitally.

Managing the impact on the business and our clients of the MiFID II and GDPR regulatory changes in the UK will also be an area of primary focus during the second half of the financial year. In addition to ensuring our readiness to comply with the new obligations these changes will bring, we are also investing in our systems and processes to ensure the operational impact of the changes is absorbed as efficiently as possible.

Our strategic priorities continue to include a number of initiatives that are driven by our desire to deliver continuous improvement to our client service. This reflects our focus on growing organically, which can only be achieved by maintaining high standards of client service. It is pleasing to report net organic growth in funds under management for the UK business for the first half of the financial year which is ahead of our long-term target of 5% per annum.

In the South African wealth management business, we will continue to focus on building a holistic robust advisory service, through enhanced planning tools, the introduction of goal-based investing as well as the addition of further alternative asset classes in order to provide more diversification of returns.

As in the UK, a strong theme for the coming months is increased digitisation across the entire proposition chain – from automatic onboarding, reporting, and enhanced access to domestic and global portfolio information and data. We will continue to develop and enhance our self-directed investment capabilities through the My Investment Platform, adding further developments to the goal-based investment tool as well as the addition of structured investments. We are also developing enhancements to our digital capabilities in the advisory business in order to assist our investment managers to leverage and scale their existing offering to our clients through the use of technology.

Our international investment offering continues to be streamlined and enhanced through the collaboration with our international platforms and integration of our global investment capabilities. This continues to be a core differentiator for the South African business.

The business continues to augment its One Place offering through working together with the private bank to offer an integrated banking and investment offering, both locally and globally. As the world becomes increasingly more complicated, our One Place offering continues to be an attractive value proposition for our global clients.

Q. What is your outlook for the next six months?

The business has made significant progress during the first half of the financial year, including the launch of Click & Invest and the achievement of strong net organic growth in funds under management, despite the inevitable pressures arising from the preparation for forthcoming regulatory changes. First half performance has benefited from favourable stock markets and there is undoubtedly some uncertainty over the extent to which equity markets will continue to maintain their gains in spite of the wider uncertainties that persist. Whilst business performance for the remainder of the financial year will in part be dependent upon the market conditions that prevail, the business remains well placed as we continue to invest in our strategic priorities.

The South African political and economic environment remains in flux, with much riding on December's ANC elective conference. That said, a lot of this risk is already reflected in the prices of assets. A positive, relatively market-friendly outcome at the elective conference could be the catalyst for an upward move in risk-assets. Given the amount of market-moving news flow likely to come in the next couple of months, our flexibility should allow us to take advantage of any market volatility or opportunities.

Specialist expertise delivered with dedication and energy

Global heads:
DAVID VAN DER WALT
CIARAN WHELAN

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

Our value proposition

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

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

Interim highlights

Operating profit (ongoing)
up 12.5% to
£239.4 million

Operating profit (statutory)
up 14.9% to
£206.5 million

11.8%
ROE (pre-tax) (statutory)
(2016: 12.6%)

Loans and advances (statutory)
£22.8 billion

14.0%
ROE (pre-tax) (ongoing)
(2016: 15.0%)

Customer deposits (statutory)
£28.0 billion

What we do

High income and high net worth private clients	Corporates/government/institutional clients	
Private Banking activities	**Investment activities**	**Corporate and Institutional banking**
Transactional banking and foreign exchange **Lending** **Deposits** **Investments**	**Principal investments** **Property investment fund management**	**Treasury and trading services** **Specialised lending, funds and debt capital markets** **Institutional research sales and trading** **Advisory**
– Southern Africa – UK and Europe	– Australia – Hong Kong – Southern Africa – UK and Europe	– Australia – Hong Kong – India – Southern Africa – UK and Europe – USA

Where we operate

North America

Distribution platform

UK and Europe

Brand well established

Sustainable business on the back of client activity

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

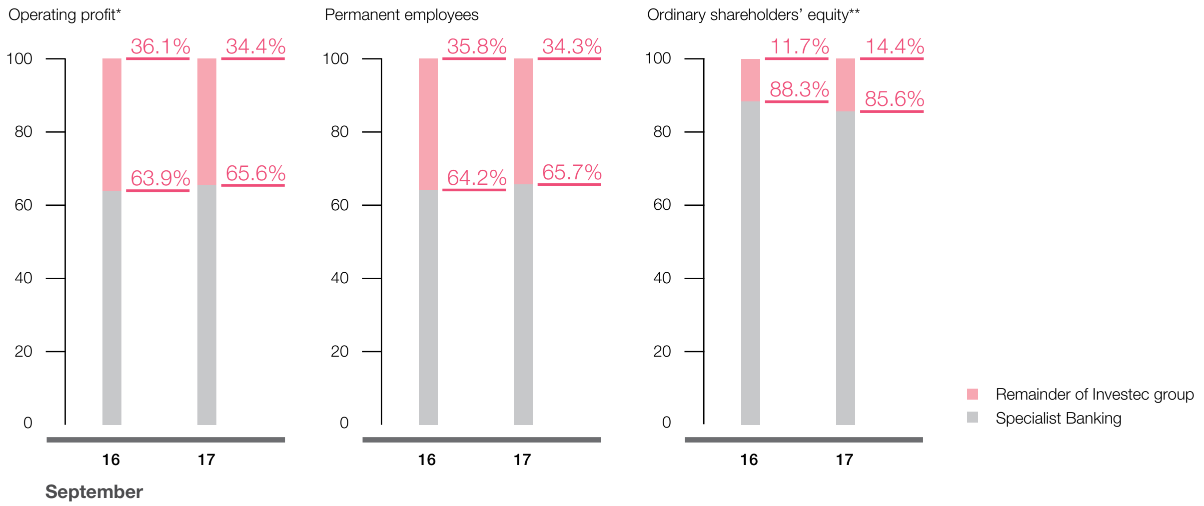
Experienced local teams in place with industry expertise

Focus is on entrenching position as a boutique operation

Specialist Banking

(continued)

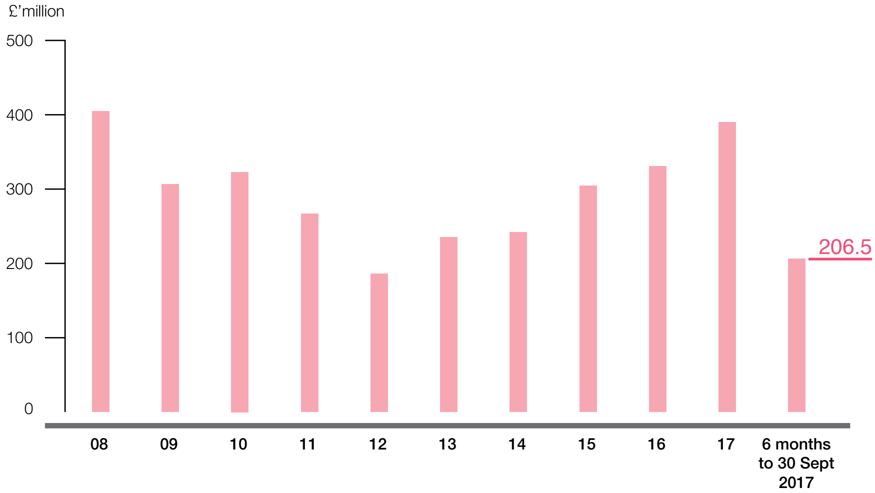
Financial analysis



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

** As calculated on page 98, based on regulatory capital requirements.

Operating profit^ — track record (statutory)



^ Trend reflects numbers as at the year ended 31 March, unless otherwise stated. Amounts are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.

Income statement analysis

For the six months to £'000	30 Sept 2017	30 Sept 2016	Variance	% change
Net interest income	357 320	305 636	51 684	16.9%
Net fee and commission income	220 113	209 089	11 024	5.3%
Investment income	61 418	27 612	33 806	>100%
Share of post taxation operating profit of associates	23 262	8 937	14 325	>100%
Trading income arising from				
– customer flow	63 595	73 070	(9 475)	(13.0%)
– balance sheet management and other trading activities	6 496	11 783	(5 287)	(44.9%)
Other operating income	2 844	3 891	(1 047)	(26.9%)
Total operating income before impairment on loans and advances	**735 048**	**640 018**	**95 030**	**14.8%**
Impairment losses on loans and advances	(59 593)	(46 591)	(13 002)	27.9%
Operating income	**675 455**	**593 427**	**82 028**	**13.8%**
Operating costs	(447 979)	(395 605)	(52 374)	13.2%
Depreciation on operating leased assets	(1 177)	–	(1 177)	100.0%
Operating profit before goodwill, acquired intangibles non-operating items and taxation	**226 299**	**197 822**	**28 477**	**14.4%**
Profit attributable to other non-controlling interests	(19 800)	(18 033)	(1 767)	9.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**206 499**	**179 789**	**26 710**	**14.9%**
UK and Other	41 208	62 166	(20 958)	(33.7%)
Ongoing^	74 133	95 211	(21 078)	(22.1%)
Legacy remaining^	(32 925)	(33 045)	120	(0.4%)
Southern Africa	165 291	117 623	47 668	40.5%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**206 499**	**179 789**	**26 710**	**14.9%**
Selected returns and key statistics				
Ordinary shareholders' equity**	3 364 240	3 109 871	254 369	8.2%
Southern Africa	1 855 413	1 643 823	211 590	12.9%
Ongoing UK and Other	1 454 520	1 401 195	53 325	3.8%
Remaining Legacy	54 307	64 853	(10 546)	(16.3%)
Statutory ROE (pre-tax)**	11.8%	12.6%		
Ongoing ROE (pre-tax)**	14.0%	15.0%		
Southern Africa	16.8%	15.1%		
Ongoing UK and Other	10.7%	15.8%		
Southern Africa excluding investment activities ROE (pre-tax)#	19.6%			
Cost to income ratio	61.0%	61.8%		
Operating profit per employee (£'000)**	32.0	30.2		

^ *Detailed income statement reconciliation provided on page 23.*
** *As calculated on pages 98 and 100, based on regulatory capital requirements.*
# *Refer to analysis on page 57.*

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

- Net interest income increased by 18.6% supported by sound levels of lending activity and a reduction in the cost of funding.
- Net fee and commission income decreased by 9.9% as a result of less investment banking and securities activity following a strong prior period.
- Investment income decreased 13.2% impacted by less realisations in the investment portfolios.
- Trading income from customer flow decreased 15.0% as a consequence of lower levels of volatility relative to the elevated levels experienced in the period following the Brexit vote.
- Against this backdrop, total operating income before impairments decreased by 1.9%.
- The credit loss ratio amounted to 0.22% (2016: 0.04%) as impairments increased off a particularly low base. Further information is provided on page 134.
- In line with the division's current investment strategy to support franchise growth, IT infrastructure costs and headcount increased, notably for the continued build out of the private client banking offering. Costs are also impacted by the additional premises expenses relating to the London office move scheduled for the end of the 2018 calendar year. Total operating costs increased by 5.4% during the period.

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

Note: The analysis and variances described below for the South African Specialist Banking division are based on the Rand numbers reported

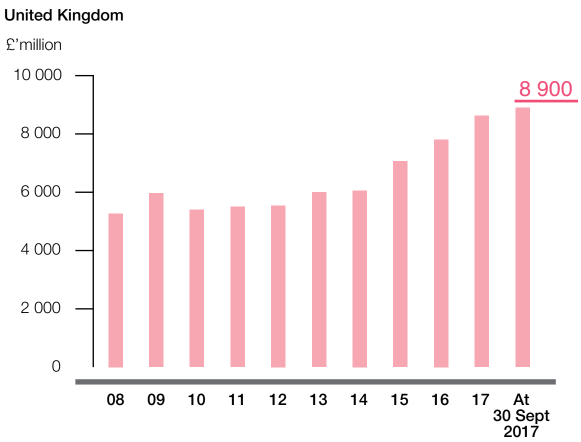
- Results in Pounds Sterling have been positively impacted by the appreciation of the average Rand:Pounds Sterling exchange rate of 14.7% over the period.
- The Specialist Banking division reported operating profit before taxation of R2 836 million (2016: R2 333 million), an increase of 21.6%.
- Net interest income decreased by 1.0% negatively impacted by additional subordinated debt issuance and an increase in the cost of foreign liabilities following the sovereign rating downgrade. Lending activity levels remained sound with core loans growing 6.5% since 31 March 2017.
- Net fees and commission income improved by 6.9% supported by continued growth in the Private Banking client base as well as a good performance from the corporate treasury and corporate advisory businesses.
- Investment income increased significantly supported by a strong performance from the investment portfolio.
- Share of post taxation operating profit of associates primarily reflects earnings in relation to the group's investment in IEP.
- Total trading income increased largely due to foreign currency translation impacts.
- Against this backdrop, total operating income increased by 15.3%.
- Impairments increased with the credit loss ratio on average core loans and advances amounting to 0.30% (2016: 0.29%), remaining at the lower end of its long-term average trend. Further information is provided on page 134.
- Operating expenses increased 9.0% reflecting higher headcount and IT infrastructure costs across the business to support increased activity and growth initiatives.

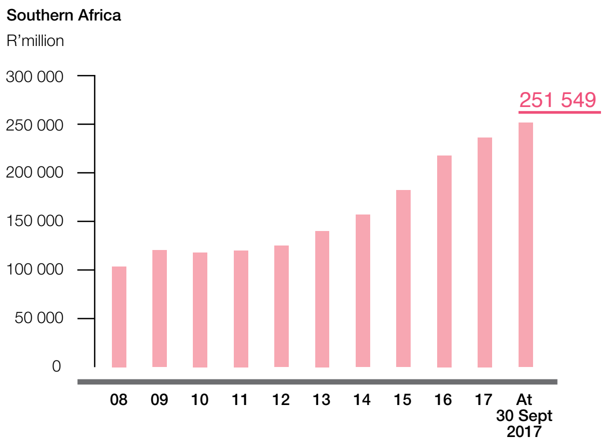
Analysis of key earnings drivers

Net core loans and advances

	£'million			Home currency (million)		
	30 Sept 2017	31 March 2017	% change	30 Sept 2017	31 March 2017	% change
UK	8 900	8 621	3.2%	£8 900	£8 621	3.2%
Southern Africa	13 897	14 086	(1.3%)	R251 549	R236 225	6.5%
Total	**22 797**	**22 707**	**0.4%**			

Net core loans and advances



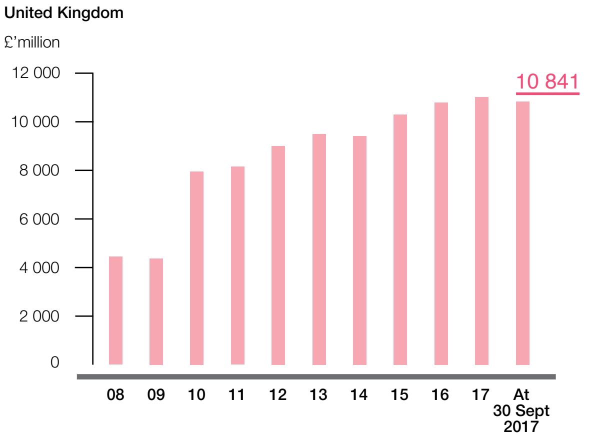


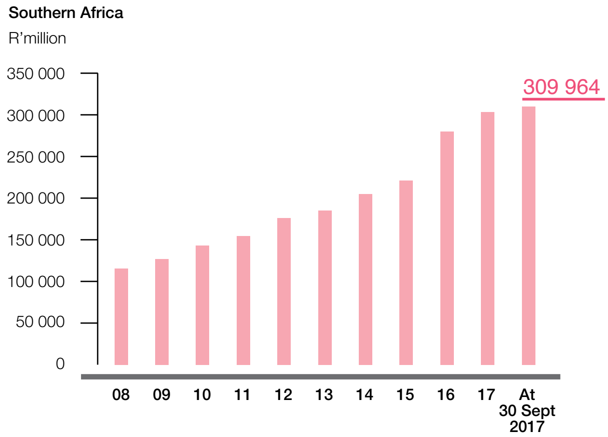
Trend reflects numbers as at the year ended 31 March, unless otherwise stated.

Customer deposits

	£'million			Home currency (million)		
	30 Sept 2017	31 March 2017	% change	30 Sept 2017	31 March 2017	% change
UK	10 841	11 013	(1.6%)	£10 841	£11 013	(1.6%)
Southern Africa	17 125	18 096	(5.4%)	R309 964	R303 470	2.1%
Total	**27 966**	**29 109**	**(3.9%)**			

Customer deposits





Trend reflects numbers as at the year ended 31 March, unless otherwise stated.

An analysis of net core loans over the period

Refer to further information on pages 140 to 143.

Net core loans – Southern Africa

R'million	30 Sept 2017	31 March 2017	% change
Lending collateralised by property	**41 815**	**40 332**	**3.7%**
Commercial real estate	**37 737**	**36 375**	**3.7%**
Commercial real estate – investment	33 710	33 521	0.6%
Commercial real estate – development	3 175	1 868	70.0%
Commercial vacant land and planning	852	986	(13.6%)
Residential real estate	**4 078**	**3 957**	**3.1%**
Residential real estate – development	3 423	2 619	30.7%
Residential real estate – vacant land and planning	655	1 338	(51.0%)
High net worth and other private client lending	**126 906**	**117 743**	**7.8%**
Mortgages	64 480	61 330	5.1%
High net worth and specialised lending	62 426	56 413	10.7%
Corporate and other lending	**83 307**	**78 476**	**6.2%**
Corporate and acquisition finance	14 426	13 225	9.1%
Asset-based lending	6 584	5 788	13.8%
Fund finance	5 234	5 548	(5.7%)
Other corporates and financial institutions and governments	45 662	43 914	4.0%
Asset finance	3 565	2 697	32.2%
Small ticket asset finance	2 514	2 142	17.4%
Large ticket asset finance	1 051	555	89.4%
Project finance	6 938	6 414	8.2%
Resource finance	898	890	0.9%
Portfolio impairments	**(479)**	**(326)**	**46.9%**
Total net core loans	**251 549**	**236 225**	**6.5%**

Net core loans – UK and Other

£'000	30 Sept 2017	31 March 2017	% change
Lending collateralised by property	**1 928 973**	**1 893 121**	**1.9%**
Commercial real estate	**1 142 361**	**1 158 847**	**(1.4%)**
Commercial real estate – investment	1 005 753	924 770	8.8%
Commercial real estate – development	86 866	146 100	(40.5%)
Commercial vacant land and planning	49 742	87 977	(43.5%)
Residential real estate	**786 612**	**734 274**	**7.1%**
Residential real estate – investment	252 092	253 622	(0.6%)
Residential real estate – development	472 495	438 687	7.7%
Residential real estate – vacant land and planning	62 025	41 965	47.8%
High net worth and other private client lending	**1 653 734**	**1 592 671**	**3.8%**
Mortgages	1 303 057	1 227 640	6.1%
High net worth and specialised lending	350 677	365 031	(3.9%)
Corporate and other lending	**5 369 661**	**5 178 338**	**3.7%**
Corporate and acquisition finance	1 342 433	1 309 335	2.5%
Asset-based lending	360 715	333 731	8.1%
Fund finance	967 981	861 140	12.4%
Other corporates and financial institutions and governments	680 724	718 760	(5.3%)
Asset finance	1 583 669	1 481 601	6.9%
Small ticket asset finance	1 175 015	1 055 528	11.3%
Large ticket asset finance	408 654	426 073	(4.1%)
Project finance	424 518	463 958	(8.5%)
Resource finance	9 621	9 813	(2.0%)
Portfolio impairments	**(52 664)**	**(43 388)**	**21.4%**
Total net core loans	**8 899 704**	**8 620 742**	**3.2%**

Additional information on the group's South African investment portfolio

30 September 2017	Asset analysis £'million	Income analysis £'million	Asset analysis R'million	Income analysis R'million
IEP Group (IEP)	320	22	5 787	374
Equity investments^	113	(8)	2 043	(135)
Property investments*	238	10	4 300	182
Total equity exposures	**671**	**24**	**12 130**	**421**
Associated loans and other assets	33	1	602	10
Total exposures on balance sheet	**704**	**25**	**12 732**	**431**
Debt funded	330	(14)	5 972	(243)
Equity	374	–	6 760	–
Total capital resources and funding	**704**		**12 732**	
Operating profit before taxation**		**11**		**188**
Taxation		(2)		(38)
Operating profit after taxation		**9**		**150**
Risk-weighted assets	**2 533**		**45 853**	
Ordinary shareholders' equity held on investment portfolio – 30 September 2017	374		6 760	
Ordinary shareholders' equity held on investment portfolio – 31 March 2017	398		6 670	
Average ordinary shareholders' equity held on investment portfolio – 30 September 2017	386		6 715	
Post-tax return on adjusted average ordinary shareholders' equity – 30 September 2017		**4.5%**		

* *The group's investment holding of 27.24% (31 March 2017: 27.86%) in the Investec Property Fund and 16.57% in the Investec Australia Property Fund.*
^ *Does not include equity investments residing in our corporate and private client businesses.*

** *Further analysis of operating profit before taxation:*

£'million	Total
Net interest expense	(32)
Net fee and commission income	43
Investment income	4
Share of post taxation operating profit of associates	22
Trading and other operating losses	(6)
Operating profit before goodwill, acquired intangibles and non-operating items	**31**
Profit attributable to other non-controlling interests	(20)
Operating profit before taxation	**11**

Additional information on the group's South African investment portfolio

31 March 2017	Asset analysis £'million	Income analysis £'million	Asset analysis R'million	Income analysis R'million
IEP Group (IEP)	323	16	5 413	303
Equity investments^	130	–	2 177	(1)
Property investments*	260	22	4 361	399
Total equity exposures	**713**	**38**	**11 951**	**701**
Associated loans and other assets	36	2	612	36
Total exposures on balance sheet	**749**	**40**	**12 563**	**737**
Debt funded	351	(24)	5 893	(446)
Equity	398	–	6 670	–
Total capital resources and funding	**749**		**12 563**	
Operating profit before taxation**		**16**		**291**
Taxation		(3)		(53)
Operating profit after taxation		**13**		**238**
Risk-weighted assets	**2 510**		**42 099**	
Ordinary shareholders' equity held on investment portfolio – 31 March 2017	398		6 670	
Ordinary shareholders' equity held on investment portfolio – 31 March 2016	301		6 354	
Average ordinary shareholders' equity held on investment portfolio – 31 March 2017	349		6 512	
Post-tax return on adjusted average ordinary shareholders' equity – 31 March 2017		**3.7%**		
Post-tax return on adjusted average ordinary shareholders' equity – 31 March 2016		14.7%		
Post-tax return on adjusted average ordinary shareholders' equity – 31 March 2015		15.1%		

* *The group's investment holding of 27.86%` in the Investec Property Fund and 16.57% in the Investec Australia Property Fund.*
^ *Does not include equity investments residing in our corporate and private client businesses.*

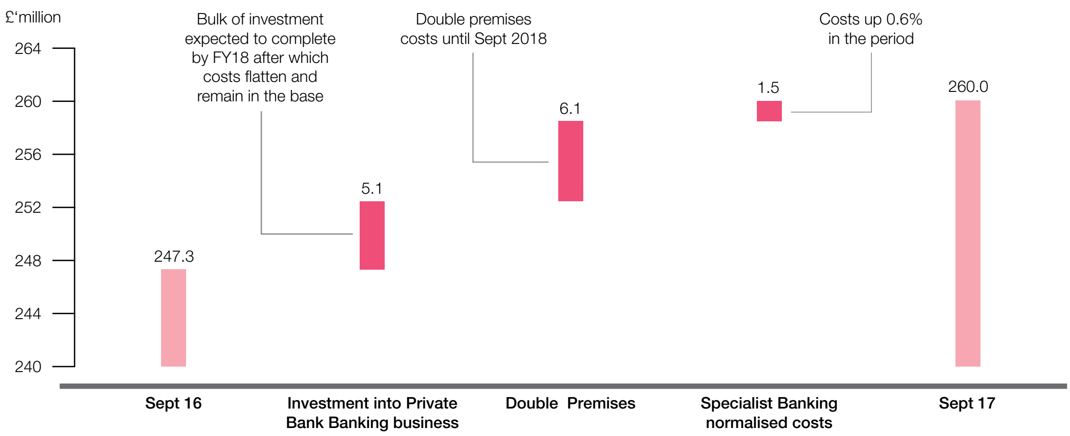
** *Further analysis of operating profit before taxation:*

£'million	Total
Net interest expense	(52)
Net fee and commission income	80
Investment income	35
Share of post taxation operating profit of associates	16
Trading and other operating losses	(5)
Operating income	**74**
Operating costs	(2)
Operating profit before goodwill, acquired intangibles and non-operating items	**72**
Profit attributable to other non-controlling interests	(56)
Operating profit before taxation	**16**

Additional information on the UK Specialist Banking costs

Statutory UK Specialist Bank

Cost Analysis — Sept 2017 vs Sept 2016



	Actual^			Adjusted*	Actual^
Cost to income ratio:	72.4%			71.5%	77.7%

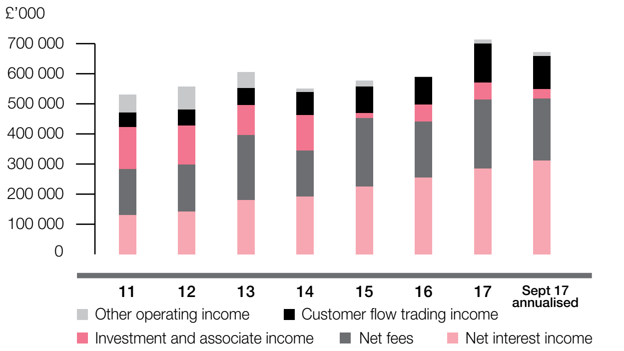
Actual operating costs Sept 2016:	£7.3m	£0.5m	£239.5m	= £247.3m
Actual operating costs March 2017:	£13.1m	£11.2m	£507.5m	= £531.8m
Actual operating costs Sept 2017:	£12.4m	£6.6m	£241.0m	= £260.0m

* *Adjusted to exclude the investment into the Private Bank Banking business and double premises costs incurred in the six-month period to 30 September 2017 as reflected above.*

^ *Refer to page 105 and 107.*

UK Specialist Bank ongoing

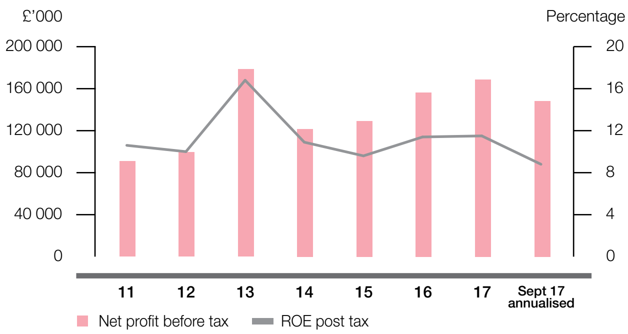
Total operating income



Total costs

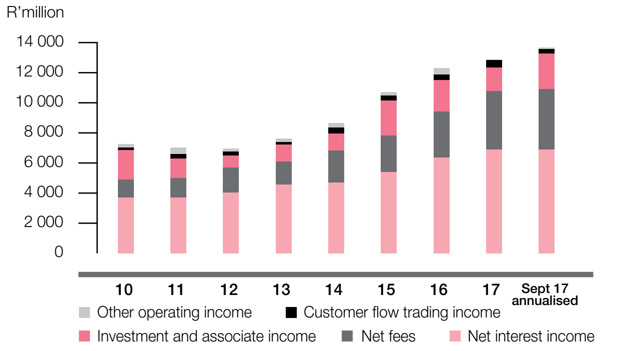
Impairments and credit loss ratio

Net profit before tax and ROE



Southern Africa Specialist Bank ongoing

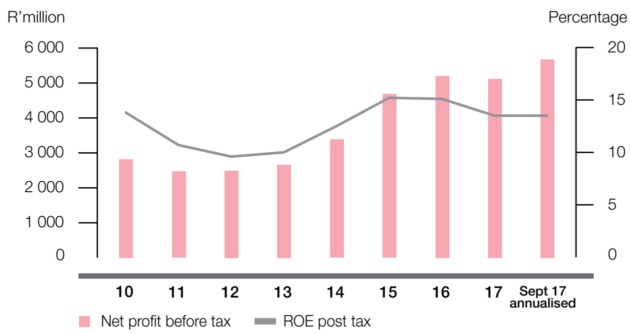
Total operating income



Total costs

Impairments and credit loss ratio

Net profit before tax and ROE (including the investment portfolio)*



* Refer to page 57.

Trends in the above graphs are for the year ended 31 March, unless otherwise stated.

Questions and answers

David van der Walt and Ciaran Whelan

Geographical business leaders — **United Kingdom**

Q. How has the operating environment impacted your business over the past six months?

The operating environment for the period was mixed. Compared to last year we saw lower levels of volatility and customer hedging which was elevated last year due to Brexit. Likewise Brexit has started to impact on market certainty and we saw a drop off in like for like M&A activity.

Low rates and high levels of liquidity continued to reduce credit spreads as people search for yield, however this was offset by deposit rates keeping pace. The high demand for yield meant that we saw high levels of refinancing.

Brexit uncertainty has seen consumer confidence decrease and has impacted central London property prices. Despite this our credit portfolios remain robust.

Q. What have been the key developments in your business over the past six months?

During the six months we have made steady progress in implementing our strategy. As indicated at the start of the year we did not expect M&A and customer flow levels to repeat at the record levels of the first six months of last year. However, lending activity levels remained sound with growth in the loan book, coupled with a reduction in the cost of funding, resulting in an increase in our net interest income.

During the period the continued investment in the Private Bank and the double rent of the new building meant that costs increased faster than revenues. The impact of the investment is now mostly reflected in the cost base and next year we should see some improvement as costs flatten and revenue increases reflect in the bottom line.

Q. What are your strategic objectives for the next six months?

A key objective for the next six months is to put the vast majority of some of our large strategic and regulatory projects behind us. The Private Bank needs to substantially complete its investment cycle and deliver on its key projects. This should put us in a good position to focus on revenue growth in the next financial year with a tighter control of costs.

Both the corporate and private banking businesses continue to grow client numbers and market share. This remains a key objective over the medium term.

Brexit remains a concern and we continue to evaluate our plans based on various possible Brexit negotiation outcomes.

Q. What is your outlook for the next six months?

We remain cautious in the current environment, however on the assumption that the environment remains similar to the prior year we are confident that we will be able to grow the business and our market share.

The implementation of ring fencing for larger banks may present opportunities.

Questions and answers

Richard Wainwright

Geographical business leader — **Southern Africa**

Q. How has the operating environment impacted your business over the past six months?

The first six months has seen an improving international landscape, with South Africa continuing to be held back by the political environment. Notwithstanding the South African environment, our clients have remained active and our international offering in our client segments remains a strategic advantage.

Q. What have been the key developments in your business over the past six months?

The Specialist Bank in South Africa reported results well ahead of the prior period. This reflects our continued client focus and co-ordination across divisions and implementation of enhanced strategies to penetrate our existing client base and grow our market share. In the period, we saw an improvement in the returns from our investment portfolio.

Investment in our digital and technology platforms continues as we remain competitive in our client facing digital platform, while simultaneously focusing on efficiencies in our core infrastructure. We moved up from fourteenth to second place ranking for our mobile app as ranked by My PrivateBanking Research, and were recently awarded 'Best Digital bank in South Africa' by the Global Finance publication.

We were recognised by the Financial Times of London as the best Private Bank and Wealth Manager in South Africa for the fifth year running. This is testament to our continued efforts to offer our private clients an international, stream lined offering.

Q. What are your strategic objectives for the next six months?

Building and developing our client franchises remains integral to the growth and development of our organisation and we are committed to optimising the client experience, ensuring our target clients do more with us as an organisation.

Our strategic focus in South Africa remains the following:

- Grow market share in our niche businesses
- Identify new sources of revenue across our existing client base:
  - Investec Life has recently been launched
  - Creation of Investec Specialist Investments
- Management of our liquidity ratios with an emphasis on retail funding initiatives
- Management of our capital to optimise returns
- Investment in our technology platforms, including digitalisation of products and services.

Q. What is your outlook for the next six months?

The political and economic environment in South Africa remains challenging with the threat of further rating downgrades exacerbating the prevailing negative sentiment. While we are cautious about the short-term outlook given the current macro uncertainties, client activity remains reasonable and continues to support momentum in the Specialist Banking businesses.

04

Unaudited statutory financial results

04 Statutory combined consolidated income statement

Unaudited statutory financial results

£'000	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Interest income	1 225 130	1 037 756	2 230 765
Interest expense	(860 809)	(724 291)	(1 550 870)
Net interest income	**364 321**	**313 465**	**679 895**
Fee and commission income	753 835	670 816	1 429 588
Fee and commission expense	(87 825)	(62 328)	(158 064)
Investment income	62 074	29 024	136 203
Share of post taxation operating profit of associates	23 677	9 639	18 890
Trading income arising from			
– customer flow	64 160	73 438	158 001
– balance sheet management and other trading activities	5 146	12 370	8 218
Other operating income	5 669	5 298	13 483
Total operating income before impairment losses on loans and advances	**1 191 057**	**1 051 722**	**2 286 214**
Impairment losses on loans and advances	(59 593)	(46 591)	(111 454)
Operating income	**1 131 464**	**1 005 131**	**2 174 760**
Operating costs	(795 883)	(705 680)	(1 513 231)
Depreciation on operating leased assets	(1 177)	–	(2 169)
Operating profit before goodwill and acquired intangibles	**334 404**	**299 451**	**659 360**
Impairment of goodwill	–	(270)	(4 749)
Amortisation of acquired intangibles	(8 142)	(8 469)	(17 197)
Profit before taxation	**326 262**	**290 712**	**637 414**
Taxation on operating profit before goodwill and acquired intangibles	(44 996)	(56 279)	(118 488)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	1 631	2 122	4 070
Profit after taxation	**282 897**	**236 555**	**522 996**
Profit attributable to other non-controlling interests	(19 800)	(18 033)	(60 239)
Profit attributable to Asset Management non-controlling interests	(10 663)	(9 924)	(20 291)
Earnings attributable to shareholders	**252 434**	**208 598**	**442 466**
Earnings per share (pence)			
– Basic	25.8	26.5	50.8
– Diluted	24.9	25.4	48.8
Adjusted earnings per share (pence)			
– Basic	26.6	22.7	48.3
– Diluted	25.7	21.8	46.4
Dividends per share (pence)			
– Interim	10.5	10.0	10.0
– Final	n/a	n/a	13.0
Headline earnings per share (pence)			
– Basic	24.6	24.8	48.2
– Diluted	23.8	23.8	46.3
Number of weighted average shares (million)	922.9	895.7	900.4

Statutory combined consolidated statement of comprehensive income

04

Unaudited statutory financial results

£'000	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Profit after taxation	282 897	236 555	522 996
Other comprehensive income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(1 824)	19 912	53 324
Gains on realisation of available-for-sale assets recycled through the income statement*	(4 760)	(8 132)	(7 781)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	13 816	52 980	54 863
Foreign currency adjustments on translating foreign operations	(220 844)	375 148	540 534
Items that will never be reclassified to the income statement			
Re-measurement of net defined pension liability	–	–	(43 580)
Total comprehensive income	**69 285**	**676 463**	**1 120 356**
Total comprehensive income attributable to ordinary shareholders	72 485	551 216	892 201
Total comprehensive (loss)/income attributable to non-controlling interests	(17 301)	113 268	202 497
Total comprehensive income attributable to perpetual preferred securities	14 101	11 979	25 658
Total comprehensive income	**69 285**	**676 463**	**1 120 356**

* *Net of taxation of £3.0 million [Six months to 30 September 2016: £19.5 million. Year to 31 March 2017: £16.8 million].*

Statutory combined consolidated balance sheet

At £'000	30 Sept 2017	31 March 2017	30 Sept 2016
Assets			
Cash and balances at central banks	3 356 259	3 351 702	4 233 278
Loans and advances to banks	2 308 618	3 191 041	3 154 517
Non-sovereign and non-bank cash placements	574 521	536 259	571 405
Reverse repurchase agreements and cash collateral on securities borrowed	1 690 036	2 358 970	2 424 849
Sovereign debt securities	3 608 316	3 804 627	3 639 215
Bank debt securities	604 511	639 189	641 542
Other debt securities	968 597	1 115 558	1 079 256
Derivative financial instruments	1 201 602	1 185 848	1 636 619
Securities arising from trading activities	1 395 766	1 376 668	1 215 293
Investment portfolio	911 480	835 899	806 696
Loans and advances to customers	22 351 228	22 189 975	20 376 991
Own originated loans and advances to customers securitised	445 672	517 162	521 063
Other loans and advances	367 401	355 248	371 111
Other securitised assets	153 786	148 964	153 133
Interests in associated undertakings	371 294	392 213	331 294
Deferred taxation assets	123 435	133 972	98 641
Other assets	2 016 057	1 900 480	2 306 954
Property and equipment	100 910	105 939	98 632
Investment properties	1 063 771	1 128 930	1 013 204
Goodwill	366 969	367 579	370 969
Intangible assets	132 692	143 261	146 845
Non-current assets held for sale	–	27 218	27 818
	44 112 921	**45 806 702**	**45 219 325**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	7 705 206	7 728 130	7 259 638
	51 818 127	**53 534 832**	**52 478 963**
Liabilities			
Deposits by banks	2 246 115	2 736 066	2 536 285
Derivative financial instruments	1 169 314	1 296 206	1 757 081
Other trading liabilities	968 917	978 911	983 407
Repurchase agreements and cash collateral on securities lent	730 170	690 615	1 048 993
Customer accounts (deposits)	27 966 006	29 109 428	28 304 921
Debt securities in issue	2 549 264	2 386 180	2 354 568
Liabilities arising on securitisation of own originated loans and advances	133 307	90 125	91 611
Liabilities arising on securitisation of other assets	131 740	128 838	112 754
Current taxation liabilities	197 244	227 828	200 390
Deferred taxation liabilities	38 304	40 408	63 586
Other liabilities	1 827 251	1 910 830	1 926 943
	37 957 632	**39 595 435**	**39 380 539**
Liabilities to customers under investment contracts	7 702 724	7 725 604	7 257 222
Insurance liabilities, including unit-linked liabilities	2 482	2 526	2 416
	45 662 838	**47 323 565**	**46 640 177**
Subordinated liabilities	1 389 091	1 402 638	1 353 958
	47 051 929	**48 726 203**	**47 994 135**
Equity			
Ordinary share capital	240	237	237
Perpetual preference share capital	31	31	38
Share premium	2 404 171	2 341 228	2 327 189
Treasury shares	(196 198)	(126 879)	(138 609)
Other reserves	(460 907)	(310 275)	(465 030)
Retained income	2 385 707	2 226 751	2 162 199
Shareholders' equity excluding non-controlling interests	**4 133 044**	**4 131 093**	**3 886 024**
Other additional Tier 1 securities in issue	30 386	32 798	30 757
Non-controlling interests	602 768	644 738	568 047
– Perpetual preferred securities issued by subsidiaries	84 763	91 492	85 798
– Non-controlling interests in partially held subsidiaries	518 005	553 246	482 249
Total equity	**4 766 198**	**4 808 629**	**4 484 828**
Total liabilities and equity	**51 818 127**	**53 534 832**	**52 478 963**

Statutory summarised combined consolidated cash flow statement

£'000	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year to 31 March 2017
Cash inflows from operations	357 998	370 866	708 810
Increase in operating assets	(1 009 683)	(652 118)	(445 528)
Increase in operating liabilities	705 103	1 829 100	498 146
Net cash inflow/(outflow) from operating activities	**53 418**	**1 547 848**	**761 428**
Net cash outflow from investing activities	5 292	(30 229)	(59 615)
Net cash outflow from financing activities	(121 852)	(32 265)	37 523
Effects of exchange rate changes on cash and cash equivalents	(144 595)	234 127	332 092
Net increase/(decrease) in cash and cash equivalents	**(207 737)**	**1 719 481**	**1 071 428**
Cash and cash equivalents at the beginning of the period	5 721 728	4 650 300	4 650 300
Cash and cash equivalents at the end of the period	**5 513 991**	**6 369 781**	**5 721 728**

Cash and cash equivalents is defined as including cash and balances at central banks, on-demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

Statutory combined consolidated statement of changes in equity

£000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2016	**228**	**153**	**2 239 364**	**(125 717)**
Movement in reserves 1 April 2016 – 30 September 2016				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
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	–	–	27 350	–
Total comprehensive income for the period	**–**	**–**	**27 350**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	9	–	211 054	–
Repurchase of perpetual preference shares	–	(115)	(122 048)	–
Issue of equity by subsidiaries	–	–	–	–
Partial sale of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(28 531)	(23 207)
Transfer from regulatory general risk reserve to retained income	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	10 315
At 30 September 2016	**237**	**38**	**2 327 189**	**(138 609)**
Movement in reserves 1 October 2016 – 31 March 2017				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
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	–	–	11 809	–
Remeasurement of net defined pension liability	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**11 809**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non–controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	–	–	17 023	–
Repurchase of perpetual preference shares	–	(7)	–	–
Issue of equity by subsidiaries	–	–	–	–

Statutory combined consolidated statement of changes in equity

(continued)

Other reserves: Capital reserve account	Other reserves: Available-for-sale reserve	Other reserves: Regulatory general risk reserve	Other reserves: Cash flow hedge reserve	Other reserves: Foreign currency reserves	Retained income	Shareholder's equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
10 973	**(34 879)**	**39 078**	**(108 475)**	**(690 748)**	**2 030 310**	**3 360 287**	**26 031**	**472 989**	**3 859 307**
–	–	–	–	–	208 598	208 598	–	27 957	236 555
–	–	–	19 912	–	–	19 912	–	–	19 912
–	(8 132)	–	–	–	–	(8 132)	–	–	(8 132)
–	52 980	–	–	–	–	52 980	–	–	52 980
–	–	(93)	273	257 581	–	285 111	4 726	85 311	375 148
–	**44 848**	**(93)**	**20 185**	**257 581**	**208 598**	**558 469**	**4 726**	**113 268**	**676 463**
–	–	–	–	–	24 954	24 954	–	–	24 954
–	–	–	–	–	(123 344)	(123 344)	–	–	(123 344)
–	–	–	–	–	(11 979)	(11 979)	1 575	2 979	(7 425)
–	–	–	–	–	–	–	(1 575)	(2 979)	(4 554)
–	–	–	–	–	–	–	–	(18 189)	(18 189)
–	–	–	–	–	–	211 063	–	–	211 063
–	–	–	–	–	40 427	(81 736)	–	–	(81 736)
–	–	–	–	–	–	–	–	(21)	(21)
–	–	–	–	–	48	48	–	–	48
–	–	–	–	–	–	(51 738)	–	–	(51 738)
–	–	(3 500)	–	–	3 500	–	–	–	–
–	–	–	–	–	(10 315)	–	–	–	–
10 973	**9 969**	**35 485**	**(88 290)**	**(433 167)**	**2 162 199**	**3 886 024**	**30 757**	**568 047**	**4 484 828**
–	–	–	–	–	233 868	233 868	–	52 573	286 441
–	–	–	33 412	–	–	33 412	–	–	33 412
–	351	–	–	–	–	351	–	–	351
–	1 883	–	–	–	–	1 883	–	–	1 883
–	–	93	(13)	114 800	–	126 689	2 041	36 656	165 386
–	–	–	–	–	(43 580)	(43 580)	–	–	(43 580)
–	**2 234**	**93**	**33 399**	**114 800**	**190 288**	**352 623**	**2 041**	**89 229**	**443 893**
–	–	–	–	–	31 007	31 007	–	–	31 007
–	–	–	–	–	(93 258)	(93 258)	–	–	(93 258)
–	–	–	–	–	(13 679)	(13 679)	1 911	3 914	(7 854)
–	–	–	–	–	–	–	(1 911)	(3 914)	(5 825)
–	–	–	–	–	–	–	–	(30 006)	(30 006)
–	–	–	–	–	–	17 023	–	–	17 023
–	–	–	–	–	–	(7)	–	–	(7)
–	–	–	–	–	507	507	–	16 556	17 063

Statutory combined consolidated statement of changes in equity

(continued)

£000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
Acquisition/reduction of non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(12 281)	(48 326)
Transfer from share premium	–	–	(2 512)	–
Transfer from regulatory general risk reserve and other equity movements	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	60 056
At 31 March 2017	**237**	**31**	**2 341 228**	**(126 879)**
Movement in reserves 1 April 2017 – 30 September 2017				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on realisation of available for sale assets recycled through the income statement	–	–	–	–
Fair value movements on available for sale assets	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(13 958)	–
Total comprehensive income for the period	**–**	**–**	**(13 958)**	**–**
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	3	–	105 203	–
Issue of equity by subsidiaries	–	–	–	–
Acquisition/reduction of non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(28 302)	(61 223)
Transfer from regulatory general risk reserve to retained income	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	(8 096)
At 30 September 2017	**240**	**31**	**2 404 171**	**(196 198)**

Statutory combined consolidated statement of changes in equity

(continued)

Other reserves									
Capital reserve account	**Available-for-sale reserve**	**Regulatory general risk reserve**	**Cash flow hedge reserve**	**Foreign currency reserves**	**Retained income**	**Shareholder's equity excluding non-controlling interests**	**Other Additional Tier 1 securities in issue**	**Non-controlling interests**	**Total equity**
–	–	–	–	–	11 540	11 540	–	912	12 452
–	–	–	–	–	–	(60 607)	–	–	(60 607)
–	–	–	–	–	2 512	–	–	–	–
–	–	4 229	–	–	(4 309)	(80)	–	–	(80)
–	–	–	–	–	(60 056)	–	–	–	–
10 973	**12 203**	**39 807**	**(54 891)**	**(318 367)**	**2 226 751**	**4 131 093**	**32 798**	**644 738**	**4 808 629**
–	–	–	–	–	252 434	252 434	–	30 463	282 897
–	–	–	(1 824)	–	–	(1 824)	–	–	(1 824)
–	(4 760)	–	–	–	–	(4 760)	–	–	(4 760)
–	13 816	–	–	–	–	13 816	–	–	13 816
–	–	57	–	(156 744)	(23)	(170 668)	(2 412)	(47 764)	(220 844)
–	**9 056**	**57**	**(1 824)**	**(156 744)**	**252 411**	**88 998**	**(2 412)**	**(17 301)**	**69 285**
–	–	–	–	–	34 688	34 688	–	–	34 688
–	–	–	–	–	(123 230)	(123 230)	–	–	(123 230)
–	–	–	–	–	(14 101)	(14 101)	1 855	4 086	(8 160)
–	–	–	–	–	–	–	(1 855)	(4 086)	(5 941)
–	–	–	–	–	–	–	–	(29 272)	(29 272)
–	–	–	–	–	–	105 206	–	–	105 206
–	–	–	–	–	–	–	–	2	2
–	–	–	–	–	(85)	(85)	–	4 601	4 516
–	–	–	–	–	–	(89 525)	–	–	(89 525)
–	–	(1 177)	–	–	1 177	–	–	–	–
–	–	–	–	–	8 096	–	–	–	–
10 973	**21 259**	**38 687**	**(56 715)**	**(475 111)**	**2 385 707**	**4 133 044**	**30 386**	**602 768**	**4 766 198**

Statutory dividends and earnings per share

	30 Sept 2017	30 Sept 2016
Ordinary dividends – pence per share		
Interim	10.5	10.0
Earnings	**£'000**	**£'000**
Earnings attributable to shareholders	252 434	208 598
Preference dividends paid	(14 101)	(11 979)
Gain on redemption of perpetual preference shares recognised directly in equity	–	40 427
Earnings and diluted earnings attributable to ordinary shareholders	**238 333**	**237 046**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the period	968 016 560	937 497 405
Weighted average number of treasury shares	(45 106 904)	(41 776 595)
Weighted average number of shares in issue during the period	922 909 656	895 720 810
Weighted average number of shares resulting from future dilutive potential shares	32 827 744	36 190 193
Adjusted weighted number of shares potentially in issue	**955 737 400**	**931 911 003**
Earnings per share – pence		
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	**25.8**	**26.5**
Diluted earnings per share – pence		
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	24.9	25.4
Statutory adjusted earnings per share – pence		
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	26.6	22.7
	£'000	**£'000**
Earnings attributable to shareholders	252 434	208 598
Impairment of goodwill	–	270
Amortisation of acquired intangibles	8 142	8 469
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(1 631)	(2 122)
Preference dividends paid	(14 101)	(11 979)
Accrual adjustment on earnings attributable to other equity holders*	436	54
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**245 280**	**203 290**

* *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.*

Statutory dividends and earnings per share

(continued)

	30 Sept 2017	30 Sept 2016
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 2/2015 issued by the South African Institute of Chartered Accountants	24.6	24.8
	£'000	**£'000**
Earnings attributable to shareholders	252 434	208 598
Impairment of goodwill	–	270
Preference dividends paid	(14 101)	(11 979)
Gain on redemption of perpetual preference shares recognised directly in equity	–	40 427
Property revaluation**	(5 467)	(7 267)
Gains on available-for-sale instruments recycled through the income statement**	(4 760)	(8 132)
Profit on realisation of associate company	(836)	–
Headline earnings attributable to ordinary shareholders**	**227 270**	**221 917**

** *Taxation on headline earnings adjustments amounted to £2.8 million (2016: £4.2 million) with an impact of £4.0 million (2016: £0.4 million) on earnings attributable to non-controlling interests.*

04 Exchange rate impact on statutory results

As discussed on page 7 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 appreciated by 14.7% since September 2016 and the closing rate has depreciated by 7.9% since 31 March 2017. The following table provides an analysis of the impact of the Rand on our reported numbers.

	Results in Pounds Sterling				
	Actual as reported Six months to 30 Sept 2017	**Actual as reported Six months to 30 Sept 2016**	**Actual as reported % change**	**Neutral currency^ Six months to 30 Sept 2017**	**Neutral currency % change**
Operating profit before taxation* (million)	£315	£281	11.8%	£285	1.1%
Earnings attributable to shareholders (million)	£252	£209	21.0%	£227	8.8%
Adjusted earnings attributable to shareholders** (million)	£245	£203	20.7%	£222	9.1%
Adjusted earnings per share**	26.6p	22.7p	17.2%	24.0p	5.7%
Basic earnings per share	25.8p	26.5p	(2.6%)	23.3p	(12.1%)
Dividends per share	10.5p	10.0p	5.0%	n/a	n/a

* *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 exchange rate that was applied in the prior period, i.e. 19.99.*

	Results in Pounds Sterling				
	Actual as reported At 30 Sept 2017	**Actual as reported At 30 March 2017**	**Actual as reported % change**	**Neutral currency^^ At 30 Sept 2017**	**Neutral currency % change**
Net asset value per share	421.8p	431.0p	(2.1%)	438.6p	1.8%
Net tangible asset value per share	370.2p	377.0p	(1.8%)	386.6p	2.5%
Total equity (million)	£4 766	£4 809	(0.9%)	£4 987	3.7%
Total assets (million)	£51 818	£53 535	(3.2%)	£54 442	1.7%
Core loans and advances (million)	£22 797	£22 707	0.4%	£23 900	5.3%
Cash and near cash balances (million)	£10 683	£12 038	(11.3%)	£11 133	(7.5%)
Customer deposits (million)	£27 966	£29 109	(3.9%)	£29 325	0.7%
Third party assets under management (million)	£154 338	£150 735	2.4%	£158 475	5.1%

^^ *For balance sheet items we have assumed that the Rand:Pounds Sterling closing exchange rate has remained neutral since 31 March 2017.*

The following table provides 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 Rands		
	Six months to 30 Sept 2017	Six months to 30 Sept 2016	% change	Six months to 30 Sept 2017	Six months to 30 Sept 2016	% change
Operating profit before taxation* (million)	£315	£281	11.8%	R5 378	R5 592	(3.8%)
Earnings attributable to shareholders (million)	£252	£209	21.0%	R4 321	R4 132	4.6%
Adjusted earnings attributable to shareholders** (million)	£245	£203	20.7%	R4 199	R4 027	4.3%
Adjusted earnings per share**	26.6p	22.7p	17.2%	455c	450c	1.1%
Basic earnings per share	25.8p	26.5p	(2.6%)	443c	524c	(15.5%)
Headline earnings per share	24.6p	24.8p	(0.8%)	422c	490c	(13.9%)
Dividends per share	10.5p	10.0p	5.0%	200.0	178c	12.4%

	At 30 Sept 2017	At 31 March 2017	% change	At 30 Sept 2017	At 31 March 2017	% change
Net asset value per share	421.8p	431.0p	(2.1%)	7 635c	7 228c	5.6%
Net tangible asset value per share	370.2p	377.0p	(1.8%)	6 701c	6 322c	6.0%
Total equity (million)	£4 766	£4 809	(0.9%)	R86 271	R80 638	7.0%
Total assets (million)	£51 818	£53 535	(3.2%)	R937 939	R897 749	4.5%
Core loans and advances (million)	£22 797	£22 707	0.4%	R412 624	R380 786	8.4%
Cash and near cash balances (million)	£10 683	£12 038	(11.3%)	R193 360	R201 877	(4.2%)
Customer deposits (million)	£27 966	£29 109	(3.9%)	R506 201	R488 149	3.7%
Third party assets under management (million)	£154 338	£150 735	2.4%	R2 793 518	R2 527 826	10.5%

* *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.*

Statutory salient features

	30 Sept 2017	30 Sept 2016	% change Sept 2017 vs Sept 2016	31 March 2017
Income statement and selected returns				
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	245 280	203 290	20.7%	434 504
Headline earnings (£'000)	227 270	221 917	2.4%	434 425
Operating profit* (£'000)	314 604	281 418	11.8%	599 121
Operating profit: Southern Africa (% of total)*	65.3%	58.5%		62.5%
Operating profit: UK and Other (% of total)*	34.7%	41.5%		37.5%
Cost to income ratio	66.9%	67.1%		66.3%
Staff compensation to operating income ratio	48.5%	48.0%		47.2%
Annualised return on average adjusted shareholders' equity (post-tax)	12.5%	12.1%		12.5%
Annualised return on average adjusted tangible shareholders' equity (post-tax)	14.3%	14.2%		14.5%
Annualised return on average risk-weighted assets	1.50%	1.40%		1.45%
Operating profit per employee (£'000)	32.1	30.8	4.2%	64.1
Net interest income as a % of operating income	30.6%	29.8%		29.7%
Non-interest income as a % of operating income	69.4%	70.2%		70.3%
Recurring income as a % of total operating income	76.4%	72.4%		72.0%
Effective operational tax rate	14.5%	19.4%		18.5%
Balance sheet				
Total capital resources (including subordinated liabilities) (£'million)	6 155	5 839	5.4%	6 211
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 766	4 485	6.3%	4 809
Shareholders' equity (excluding non-controlling interests) (£'million)	4 133	3 886	6.4%	4 131
Total assets (£'million)	51 818	52 479	(1.3%)	53 535
Net core loans and advances to customers (including own originated securitised assets) (£'million)	22 797	20 898	9.1%	22 707
Core loans and advances to customers as a % of total assets	44.0%	39.8%		42.4%
Cash and near cash balances (£'million)	10 683	13 114	(18.5%)	12 038
Customer accounts (deposits) (£'million)	27 966	28 305	(1.2%)	29 109
Third party assets under management (£'million)	154 338	141 783	8.9%	150 735
Capital adequacy ratio: Investec plc^	14.5%	15.0%		15.1%
Capital adequacy tier 1 ratio: Investec plc^	11.4%	11.1%		11.5%
Common equity tier 1 ratio: Investec plc^	11.2%	10.9%		11.3%
Leverage ratio: Investec plc^	8.0%	7.1%		7.8%
Capital adequacy ratio: Investec Limited^	14.3%	14.4%		14.1%
Capital adequacy tier 1 ratio: Investec Limited^	10.8%	10.8%		10.7%
Common equity tier 1 ratio: Limited^	10.0%	9.8%		9.9%
Leverage ratio: Investec Limited^	7.6%	7.3%		7.3%
Annualised credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.52%	0.48%		0.54%
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	1.01%	1.48%		1.22%
Gearing ratio (assets excluding assurance assets to total equity)	9.3x	10.1x		9.5x
Core loans to equity ratio	4.8x	4.7x		4.7x
Loans and advances to customers: customer deposits	79.9%	72.0%		76.2%
Salient financial features and key statistics				
Adjusted earnings per share (pence)	26.6	22.7	17.2%	48.3
Headline earnings per share (pence)	24.6	24.8	(0.8%)	48.2
Basic earnings per share (pence)	25.8	26.5	(2.6%)	50.8
Diluted earnings per share (pence)	24.9	25.4	(2.0%)	48.8
Dividends per share (pence)	10.5	10.0	5.0%	23.0
Dividend cover (times)	2.5	2.3	8.7%	2.1
Net asset value per share (pence)	421.8	403.5	4.5%	431.0
Net tangible asset value per share (pence)	370.2	348.5	6.2%	377.0
Weighted number of ordinary shares in issue (million)	922.9	895.7	3.0%	900.4
Total number of shares in issue (million)	976.6	954.5	2.3%	958.3
Closing share price (pence)	545	471	15.7%	544
Market capitalisation (£'million)	5 322	4 496	18.4%	5 213
Number of employees in the group (including temps and contractors)	9 895	9 333	6.0%	9 716
Closing ZAR:£ exchange rate	18.10	17.88	1.2%	16.77
Average ZAR:£ exchange rate	17.06	19.99	14.7%	18.42

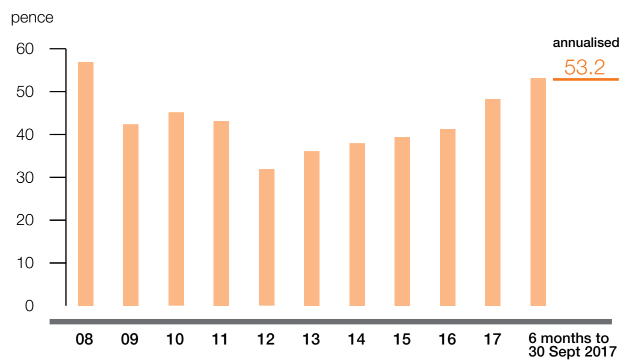
Refer to definitions and calculations on page 178.

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

^ *The group's expected Basel III 'fully loaded' numbers are provided on page 173.*

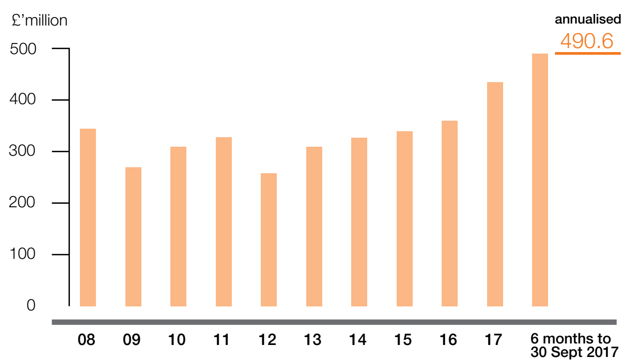
Up 17.2% to 26.6 pence

Adjusted earnings per share



Up 20.7% to £245.3 million

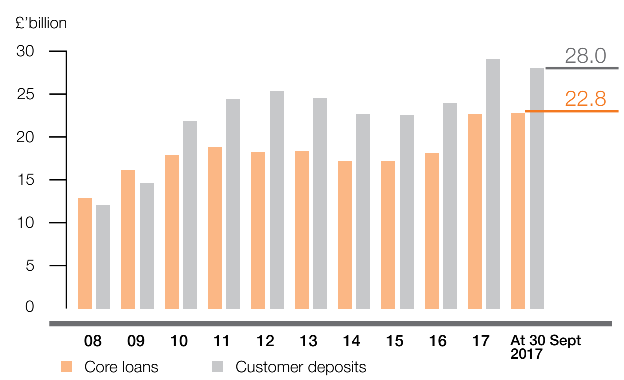
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items



Core loans: up 0.4% to £22.8 billion since 31 March 2017 – an increase of 5.3% on a currency neutral basis*

Deposits: down 3.9% to £28.0 billion since 31 March 2017 – an increase of 0.7% on a currency neutral basis*

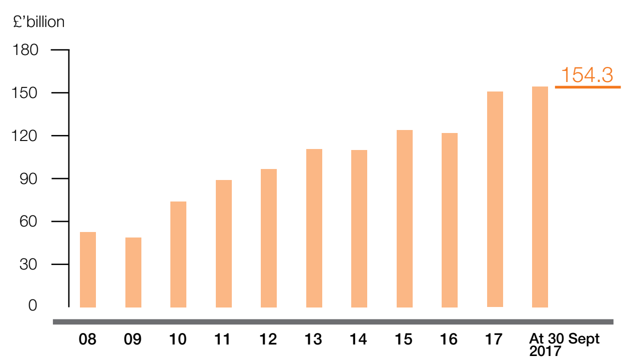
Core loans and customer deposits



Up 2.4% to £154.3 billion since 31 March 2017 – an increase of 5.1% on a currency neutral basis*

Net inflows of £3.6 billion

Third-party assets under management



* *Currency neutral basis: calculation assumes that the group's relevant closing exchange rates at 30 September 2017, as reflected on page 7, remain the same as those at 31 March 2017.*

Financial targets

Target

We have set the following target over the medium to long term:

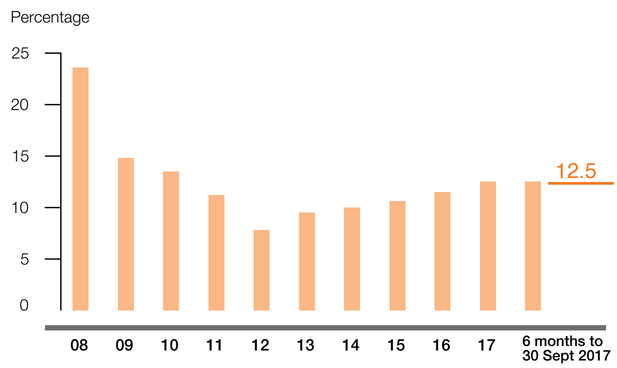
Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling

Target

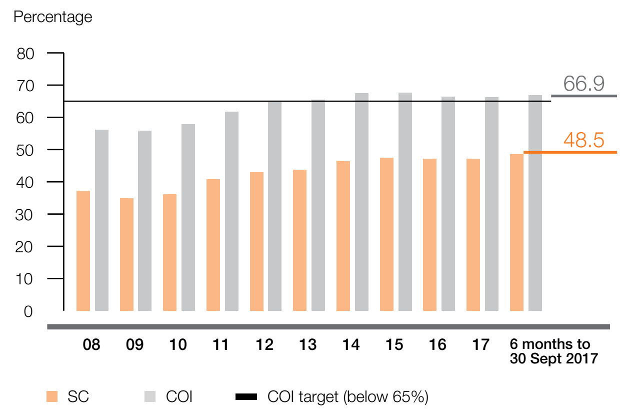
We have set the following target over the medium to long term:

Group COI ratio: less than 65% in Pounds Sterling

ROE*



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



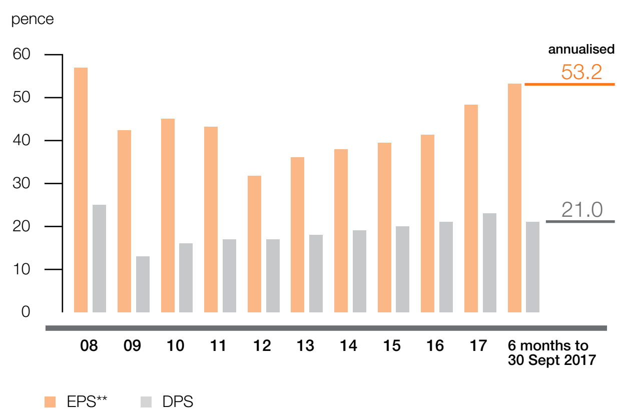
Target

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

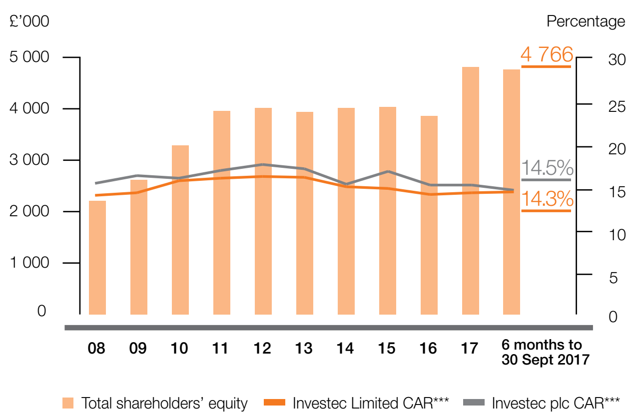
Target

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% and a common equity tier 1 ratio above 10.0%

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



Total shareholders' equity and capital adequacy ratios (CAR)



* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 96.*

** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 72.*

*** *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.*

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

05

Financial review and additional information – statutory basis

Key income drivers

We provide a wide range of financial products and services to a select 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

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.

Specialist Banking

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
– Lending activities.	– Size of loan portfolio – Clients' capital and infrastructural investments – Client activity – Credit spreads – Interest rate environment.	– Net interest income – Fees and commissions – 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 – Interest rate environment.	– 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 – Interest rate environment.	– 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 – Share of post taxation operating profit of associates.
– Advisory services.	– The demand for our specialised advisory services, which, in turn, is affected by applicable regulatory and other macro and micro economic fundamentals.	– Fees and commissions.
– Derivative sales, trading and hedging.	– Client activity, including lending activity – Market conditions/volatility – Asset and liability creation – Product innovation.	– 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.

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.

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.

The **financial services industry** in which we operate is intensely competitive.	**Market, business and general economic conditions** and fluctuations could adversely affect our businesses in a number of ways.	We may be exposed to **country risk** i.e. the risk inherent in sovereign exposure and events in other countries.
Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients.	Unintended **environmental, social and economic risks** could arise in our lending and investment activities.	We may be exposed to **investment risk** largely in our unlisted investment portfolio.
Market risk arising in our trading book could affect our operational performance.	**Liquidity risk** may impair our ability to fund our operations.	Our net interest earnings and net asset value may be adversely affected by **interest rate risk.**
Operational risk (including financial crime and process failure) may disrupt our business or result in regulatory action.	We may be **vulnerable to the failure of our systems** and breaches of our security systems (including cyber and information security).	**Employee misconduct** could cause harm that is difficult to detect.
Reputational, strategic and **business risk** could impact our operational performance.	**Compliance, legal and regulatory risks** may have an impact on our business.	**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 inappropriately in the market.
We may have insufficient capital in the future and may be unable to secure additional financing when it is required.	We may be unable to **recruit, retain and motivate key personnel.**	We may be exposed to **pension risk** in our UK 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 35 to 62.

Total operating income

Total operating income before impairment losses on loans and advances increased by 13.2% to £1 191.1 million (2016: £1 051.7 million).

£'000	30 Sept 2017	% of total income	30 Sept 2016	% of total income	% change
Net interest income	364 321	30.6%	313 465	29.8%	16.2%
Net fees and commissions income	666 010	55.9%	608 488	57.8%	9.5%
Investment income	62 074	5.2%	29 024	2.8%	>100%
Share of post taxation operating profit of associates	23 677	2.0%	9 639	0.9%	>100%
Trading income arising from customer flow	64 160	5.4%	73 438	7.0%	(12.6%)
Trading income arising from balance sheet management and other trading activities	5 146	0.4%	12 370	1.2%	(58.4%)
Other operating income	5 669	0.5%	5 298	0.5%	7.0%
Total operating income before impairments	**1 191 057**	**100.0%**	**1 051 722**	**100.0%**	**13.2%**

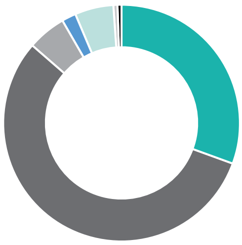
The following table sets out information on total operating income before impairment losses on loans and advances by geography for the period under review.

£'000	30 Sept 2017	% of total income	30 Sept 2016	% of total income	% change
UK and Other	656 025	55.1%	624 391	59.4%	5.1%
Southern Africa	535 032	44.9%	427 331	40.6%	25.2%
Total operating income before impairments	**1 191 057**	**100.0%**	**1 051 722**	**100.0%**	**13.2%**

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

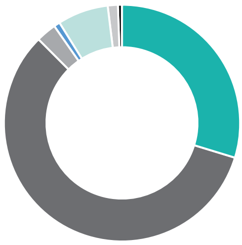
£'000	30 Sept 2017	% of total income	30 Sept 2016	% of total income	% change
Asset Management	261 871	22.0%	239 073	22.7%	9.5%
Wealth & Investment	194 138	16.3%	172 631	16.4%	12.5%
Specialist Banking	735 048	61.7%	640 018	60.9%	14.8%
Total operating income before impairments	**1 191 057**	**100.0%**	**1 051 722**	**100.0%**	**13.2%**

% of total operating income before impairments



30 Sept 2017
£1 191.1 million total operating income before impairments

Net interest income	30.6%
Net fee and commission income	55.9%
Investment income	5.2%
Share of post taxation operating profit of associates	2.0%
Trading income arising from customer flow	5.4%
Trading income arising from balance sheet management and other trading activities	0.4%
Other operating income	0.5%



30 Sept 2016
£1 051.7 million total operating income before impairments

Net interest income	29.8%
Net fee and commission income	57.8%
Investment income	2.8%
Share of post taxation operating profit of associates	0.9%
Trading income arising from customer flow	7.0%
Trading income arising from balance sheet management and other trading activities	1.2%
Other operating income	0.5%

Net interest income

Net interest income increased by 16.2% to £364.3 million (2016: £313.5 million) driven by sound levels of lending activity across the banking businesses and a reduction in the UK's cost of funding. The net interest margin in the South African Specialist Banking business was negatively impacted by additional subordinated debt issuance and an increase in the cost of foreign liabilities following the sovereign rating downgrade.

£'000	30 Sept 2017	30 Sept 2016	Variance	% change
Asset Management	2 437	2 602	(165)	(6.3%)
Wealth & Investment	4 564	5 227	(663)	(12.7%)
Specialist Banking	357 320	305 636	51 684	16.9%
Net interest income	**364 321**	**313 465**	**50 856**	**16.2%**

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

		UK and Other		Southern Africa		Total group	
For the six months to 30 September 2017 £'000	Notes	**Balance sheet value**	**Interest income**	**Balance sheet value**	**Interest income**	**Balance sheet value**	**Interest income**
Cash, near cash and bank debt and sovereign debt securities	1	5 307 182	11 354	6 835 079	216 724	12 142 261	228 078
Core loans and advances	2	8 899 704	249 946	13 897 196	685 711	22 796 900	935 657
Private client		3 544 194	85 744	9 307 328	458 806	12 851 522	544 550
Corporate, institutional and other clients		5 355 510	164 202	4 589 868	226 905	9 945 378	391 107
Other debt securities and other loans and advances		642 872	24 584	693 126	22 711	1 335 998	47 295
Other interest-earning assets	3	–	–	18 206	14 100	18 206	14 100
Total interest-earning assets		**14 849 758**	**285 884**	**21 443 607**	**939 246**	**36 293 365**	**1 225 130**

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. No securitised assets are held at amortised cost outside of Southern Africa.*

For the six months to 30 September 2017 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	3 090 595	(43 190)	2 434 954	(69 266)	5 525 549	(112 456)
Customer accounts		10 841 458	(57 420)	17 124 548	(610 650)	27 966 006	(668 070)
Other interest-bearing liabilities	5	–	–	133 307	(16 473)	133 307	(16 473)
Subordinated liabilities		607 340	(27 748)	781 751	(36 062)	1 389 091	(63 810)
Total interest-bearing liabilities		**14 539 393**	**(128 358)**	**20 474 560**	**(732 451)**	**35 013 953**	**(860 809)**
Net interest income			**157 526**		**206 795**		**364 321**
Net annualised interest margin (local currency)			**2.10%**		**1.82%#**		

For the six months to 30 September 2016 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	6 620 866	20 791	8 043 940	195 330	14 664 806	216 121
Core loans and advances	2	8 299 100	225 485	12 598 954	529 784	20 898 054	755 269
Private client		3 470 466	71 932	8 424 086	356 519	11 894 552	428 451
Corporate, institutional and other clients		4 828 634	153 553	4 174 868	173 265	9 003 502	326 818
Other debt securities and other loans and advances		788 931	31 503	661 436	16 559	1 450 367	48 062
Other interest-earning assets	3	–	–	9 722	18 304	9 722	18 304
Total interest-earning assets		**15 708 897**	**277 779**	**21 314 052**	**759 977**	**37 022 949**	**1 037 756**

For the six months to 30 September 2016 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	2 556 693	(48 164)	3 383 153	(54 216)	5 939 846	(102 380)
Customer accounts (deposits)		12 033 431	(68 523)	16 271 490	(492 579)	28 304 921	(561 102)
Other interest-bearing liabilities	5	–	–	91 611	(8 813)	91 611	(8 813)
Subordinated liabilities		625 175	(28 446)	728 783	(23 550)	1 353 958	(51 996)
Total interest-bearing liabilities		**15 215 299**	**(145 133)**	**20 475 037**	**(579 158)**	**35 690 336**	**(724 291)**
Net interest income			**132 646**		**180 819**		**313 465**
Net annualised interest margin (local currency)			**1.75%**		**1.89%#**		

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. No securitised assets are held at amortised cost outside of Southern Africa.*
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. No liabilities on securitisation are held at amortised cost outside of Southern Africa.*

\# *Impacted by debt funding issued by the Investec Property Fund in which the group has a 27.24% (2016: 27.86%) interest. Excluding this debt funding cost, the net interest margin amounted to 1.98% (2016: 2.03%).*

Net fee and commission income

Net fee and commission income increased by 9.5% to £666.0 million (2016: £608.5 million) as a result of higher average funds under management over the period and net inflows in the Asset Management and Wealth Management businesses. The Specialist Banking business in South Africa benefited from growth in the private banking franchise and a good performance from the corporate treasury and corporate advisory businesses, while the UK business saw less investment banking activity following a strong prior period.

£'000	30 Sept 2017	30 Sept 2016	Variance	% change
Asset Management	258 004	234 612	23 392	10.0%
Wealth & Investment	187 893	164 787	23 106	14.0%
Specialist Banking	220 113	209 089	11 024	5.3%
Net fee and commission income	**666 010**	**608 488**	**57 522**	**9.5%**

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

For the six months to 30 September 2017 £'000	UK and Other	Southern Africa	Total group
Asset management and Wealth management businesses net fee and commission income	**316 687**	**129 210**	**445 897**
Fund management fees/fees for assets under management	358 836	113 715	472 551
Private client transactional fees	27 526	19 053	46 579
Fee and commission expense	(69 675)	(3 558)	(73 233)
Specialist Banking net fee and commission income	**103 006**	**117 107**	**220 113**
Corporate and institutional transactional and advisory services	94 033	104 007	198 040
Private client transactional fees	12 843	23 822	36 665
Fee and commission expense	(3 870)	(10 722)	(14 592)
Net fee and commission income	**419 693**	**246 317**	**666 010**
Annuity fees (net of fees payable)	333 111	212 522	545 633
Deal fees	86 582	33 795	120 377

For the six months to 30 September 2016 £'000	UK and Other	Southern Africa	Total group
Asset management and Wealth management businesses net fee and commission income	**275 169**	**124 230**	**399 399**
Fund management fees/fees for assets under management	302 219	100 092	402 311
Private client transactional fees	27 203	19 024	46 227
Fee and commission expense	(54 253)	5 114	(49 139)
Specialist Banking net fee and commission income	**114 297**	**94 792**	**209 089**
Corporate and institutional transactional and advisory services	100 245	87 595	187 840
Private client transactional fees	18 166	16 272	34 438
Fee and commission expense	(4 114)	(9 075)	(13 189)
Net fee and commission income	**389 466**	**219 022**	**608 488**
Annuity fees (net of fees payable)	280 927	167 064	447 991
Deal fees	108 539	51 958	160 497

Investment income

Investment income increased significantly to £62.1 million (2016: £29.0 million) driven by a strong performance from the South African investment portfolio partially offset by less realisations in the UK investment portfolios.

£'000	30 Sept 2017	30 Sept 2016	Variance	% change
Asset Management	25	7	18	>100%
Wealth & Investment	631	1 405	(774)	(55.1%)
Specialist Banking	61 418	27 612	33 806	>100%
Investment income	**62 074**	**29 024**	**33 050**	**>100%**

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

For the six months to 30 September 2017 £'000	UK and Other	Southern Africa	Total group
Realised	13 176	29 227	42 403
Unrealised^	(7 215)	10 154	2 939
Dividend income	5 977	8 615	14 592
Funding and other net related income/(costs)	3 536	(1 396)	2 140
Investment income	**15 474**	**46 600**	**62 074**

For the six months to 30 September 2017 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**7 694**	**6 428**	**(86)**	**1 438**	**15 474**
Realised	8 133	4 340	(86)	789	13 176
Unrealised^	(6 416)	2 088	–	(2 887)	(7 215)
Dividend income	5 977	–	–	–	5 977
Funding and other net related income/(costs)	–	–	–	3 536	3 536
Southern Africa	**26 922**	**6 292**	**11 062**	**2 324**	**46 600**
Realised	12 625	6 292	8 777	1 533	29 227
Unrealised^	7 870	–	2 285	(1)	10 154
Dividend income	8 602	–	–	13	8 615
Funding and other net related income/(costs)	(2 175)	–	–	779	(1 396)
Total investment income	**34 616**	**12 720**	**10 976**	**3 762**	**62 074**

* *Including embedded derivatives (warrants and profit shares).*
^ *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*

For the six months to 30 September 2016 £'000	UK and Other	Southern Africa	Total group
Realised	25 862	16 624	42 486
Unrealised^	(18 928)	(13 660)	(32 588)
Dividend income	8 553	7 507	16 060
Funding and other net related income/(costs)	3 264	(198)	3 066
Investment income	**18 751**	**10 273**	**29 024**

For the six months to 30 September 2016 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**12 224**	**(10 115)**	**8 592**	**8 050**	**18 751**
Realised	10 470	(4 858)	18 600	1 650	25 862
Unrealised^	(6 799)	(5 257)	(10 008)	3 136	(18 928)
Dividend income	8 553	–	–	–	8 553
Funding and other net related income	–	–	–	3 264	3 264
Southern Africa	**3 514**	**4 393**	**2 084**	**282**	**10 273**
Realised	7 139	4 393	4 028	1 064	16 624
Unrealised^	(9 938)	–	(1 944)	(1 778)	(13 660)
Dividend income	7 415	–	–	92	7 507
Funding and other net related income	(1 102)	–	–	904	(198)
Total investment income/(loss)	**15 738**	**(5 722)**	**10 676**	**8 332**	**29 024**

* *Including embedded derivatives (warrants and profit shares).*
^ *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*

Share of post taxation operating profit of associates

Share of post taxation operating profit of associates of £23.7 million (2016: £9.6 million) primarily reflects earnings in relation to the group's investment in IEP.

Trading income

Trading income arising from customer flow decreased by 12.6% to £64.2 million (2016: £73.4 million) as a consequence of lower volatility relative to the elevated levels experienced in the prior period following the Brexit vote. Trading income from other trading activities reflected a profit of £5.1 million (2016: £12.4 million).

Arising from customer flow

£'000	30 Sept 2017	30 Sept 2016	Variance	% change
Wealth & Investment	565	368	197	53.5%
Specialist Banking	63 595	73 070	(9 475)	(13.0%)
Trading income arising from customer flow	**64 160**	**73 438**	**(9 278)**	**(12.6%)**

Arising from balance sheet management and other trading activities

£'000	30 Sept 2017	30 Sept 2016	Variance	% change
Asset Management	(1 420)	445	(1 865)	(>100%)
Wealth & Investment	70	142	(72)	(50.7%)
Specialist Banking	6 496	11 783	(5 287)	(44.9%)
Trading income arising from balance sheet management and other trading activities	**5 146**	**12 370**	**(7 224)**	**(58.4%)**

Impairment losses on loans and advances

Impairments on loans and advances increased from £46.6 million to £59.6 million; with the credit loss ratio on core loans and advances amounting to 0.52% (2016: 0.48%). Since 31 March 2017 gross defaults have reduced from £476.0 million to £432.1 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.01% (31 March 2017: 1.22%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.81 times (31 March 2017: 1.63 times). Further information is provided on page 133.

£'000	30 Sept 2017	30 Sept 2016	Variance	% change
UK and Other	(37 631)	(30 078)	(7 553)	25.1%
Southern Africa	(21 962)	(16 513)	(5 449)	33.0%
Total impairment losses on loans and advances	**(59 593)**	**(46 591)**	**(13 002)**	**27.9%**
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(373)	(323)	(50)	15.5%

Operating costs

The ratio of total operating costs to total operating income improved marginally amounting to 66.9% (2016: 67.1%). Total operating costs grew by 12.9% to £797.1 million (2016: £705.7 million) reflecting continued planned spend on IT infrastructure and higher headcount across divisions to support increased activity and growth initiatives; notably the build out of the UK private client offering. Costs are also impacted by additional premises expenses relating to the London office's future premises move.

£'000	30 Sept 2017	% of total operating costs	30 Sept 2016	% of total operating costs	% change
Staff costs	(577 446)	72.5%	(505 226)	71.6%	14.3%
– fixed	(380 584)	47.8%	(321 010)	45.5%	18.6%
– variable	(196 862)	24.7%	(184 216)	26.1%	6.9%
Business expenses	(89 257)	11.2%	(87 040)	12.3%	2.5%
Equipment expenses (excluding depreciation)	(43 116)	5.4%	(35 246)	5.0%	22.3%
Premises expenses (excluding depreciation)	(39 133)	4.9%	(34 519)	4.9%	13.4%
Marketing expenses	(34 383)	4.3%	(32 396)	4.6%	6.1%
Depreciation and impairment of property, plant, equipment and software	(12 548)	1.6%	(11 253)	1.6%	11.5%
Depreciation on operating leased assets	(1 177)	0.1%	–	–	100.0%
Total operating costs	**(797 060)**	**100.0%**	**(705 680)**	**100.0%**	**12.9%**

Financial review

(continued)

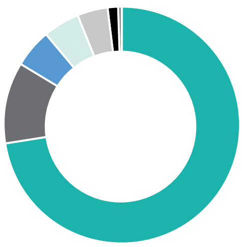
The following table sets out certain information on total operating costs by geography for the period under review.

£'000	30 Sept 2017	% of total expenses	30 Sept 2016	% of total expenses	% change
UK and Other	(513 314)	64.4%	(475 478)	67.4%	8.0%
Southern Africa	(283 746)	35.6%	(230 202)	32.6%	23.3%
Total operating costs	**(797 060)**	**100.0%**	**(705 680)**	**100.0%**	**12.9%**

The following table sets out certain information on total operating costs by division for the period under review.

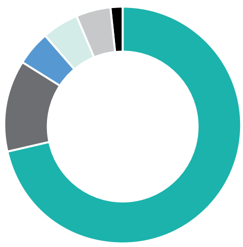
£'000	30 Sept 2017	% of total expenses	30 Sept 2016	% of total expenses	% change
Asset Management	(178 638)	22.4%	(156 819)	22.2%	13.9%
Wealth & Investment	(144 610)	18.1%	(129 434)	18.3%	11.7%
Specialist Banking	(449 156)	56.4%	(395 605)	56.1%	13.5%
Group costs	(24 656)	3.1%	(23 822)	3.4%	3.5%
Total operating costs	**(797 060)**	**100.0%**	**(705 680)**	**100.0%**	**12.9%**

% of total operating costs



30 Sept 2017
£797.1 million total operating costs

Staff costs	72.5%
Business expenses	11.2%
Equipment expenses	5.4%
Premises expenses	4.9%
Marketing expenses	4.3%
Depreciation and impairment of property, plant, equipment and software	1.6%
Depreciation on operating leased assets	0.1%



30 Sept 2016
£705.7 million total operating costs

Staff costs	71.6%
Business expenses	12.3%
Equipment expenses	5.0%
Premises expenses	4.9%
Marketing expenses	4.6%
Depreciation and impairment of property, plant, equipment and software	1.6%
Depreciation on operating leased assets	0.0%

Operating profit before goodwill, acquired intangibles, non-operating items 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 11.8% from £281.4 million to £314.6 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 period under review.

For the six months to 30 September 2017 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	49 949	33 284	83 233	1.2%	26.5%
Wealth & Investment	35 441	14 087	49 528	14.7%	15.7%
Specialist Banking	41 208	165 291	206 499	14.9%	65.6%
	126 598	**212 662**	**339 260**	**11.1%**	**107.8%**
Group costs	(17 295)	(7 361)	(24 656)	3.5%	(7.8%)
Total group	**109 303**	**205 301**	**314 604**	**11.8%**	**100.0%**
Other non-controlling interest – equity			19 800		
Operating profit			**334 404**		
% change	**(6.4%)**	**24.6%**	**11.8%**		
% of total	**34.7%**	**65.3%**	**100.0%**		

For the six months to 30 September 2016 £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	43 116	39 138	82 254	29.2%
Wealth & Investment	29 192	14 005	43 197	15.3%
Specialist Banking	62 166	117 623	179 789	63.9%
	134 474	**170 766**	**305 240**	**108.4%**
Group costs	(17 758)	(6 064)	(23 822)	(8.4%)
Total group	**116 716**	**164 702**	**281 418**	**100.0%**
Other non-controlling interest – equity			18 033	
Operating profit			**299 451**	
% of total	**41.5%**	**58.5%**	**100.0%**	

Key income drivers in our core businesses

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

Asset Management

Global business (in Pounds Sterling)	30 Sept 2017	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Operating margin	31.8%	33.1%	32.0%	34.2%	34.7%	34.5%
Net inflows in funds under management as a % of opening funds under management	4.4%*	(0.8%)	4.1%	4.6%	3.7%	6.7%
Average income yield earned on funds under management^	0.54%*	0.58%	0.55%	0.60%	0.60%	0.62%

Wealth & Investment

Global business (in Pounds Sterling)	30 Sept 2017	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Operating margin	25.5%	25.9%	26.4%	25.2%	22.9%	20.3%
Net organic growth in funds under management as a % of opening funds under management	5.4%*	2.7%	4.5%	6.6%	3.5%	2.0%
Average income yield earned on funds under management^	0.70%*	0.72%	0.71%	0.72%	0.71%	0.66%
UK and Other^^ (in Pounds Sterling)						
Operating margin^^	23.6%	23.5%	24.6%	22.7%	20.1%	17.3%
Net organic growth in funds under management as a % of opening funds under management	7.1%*	4.2%	4.5%	7.1%	5.1%	1.3%
Average income yield earned on funds under management^	0.83%*	0.85%	0.87%	0.89%	0.89%	0.86%
South Africa (in Rands)						
Operating margin	32.2%	33.8%	33.1%	35.1%	33.9%	31.3%
Net organic growth in discretionary funds under management as a % of opening discretionary funds under management	4.6%*	8.1%	10.4%	8.5%	13.6%	13.9%
Average income yield earned on funds under management^**	0.46%*	0.47 %	0.45%	0.41%	0.41%	0.37%

* *Annualised.*

** *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 the Wealth operations in Switzerland, the Republic of Ireland, the Channel Islands, and Hong Kong. Excluding 'Other', Investec Wealth & Investment UK has an operating margin of 26.9% (2016: 25.2%).*

Specialist Banking – statutory basis

Global business (in Pounds Sterling)	30 Sept 2017	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013
Cost to income ratio	61.0%*	60.6%*	60.1%*	63.1%*	63.2%*	63.1%
ROE post-tax^	10.1%	10.5%	10.1%	8.6%	7.9%	6.4%
ROE post-tax (ongoing business)^	11.7%	12.6%	13.0%	12.8%	11.9%	–
Growth in net core loans	0.4%	25.3%	5.4%	0.2%^^	(6.8%)	1.0%
Currency neutral growth in net core loans	5.3%	7.6%	–	–	–	–
Growth in risk-weighted assets	(1.3%)	22.2%	2.2	(4.9%)^^	(6.0%)	4.7%
Currency neutral growth in risk-weighted assets	3.2%	7.2%	–	–	–	–
Defaults (net of impairments as a % of core loans)	1.01%	1.22%	1.54%	2.07%	2.30%	2.73%
Credit loss ratio on core loans	0.52%	0.54%	0.62%	0.68%	0.68%	0.84%
UK and Other# (in Pounds Sterling)						
Cost to income ratio	77.7%*	74.8%*	73.4%*	78.9%*	72.5%*	69.0%
ROE post-tax^	4.9%	7.0%	5.5%	2.1%	3.6%	1.7%
ROE post-tax (ongoing business)**^	8.8%	11.5%	11.4%	9.6%	10.9%	–
Growth in net core loans	3.2%	10.5%ø	10.5%	(14.1%)^^	(0.3%)	6.6%
Growth in risk-weighted assets	3.6%	8.4%	6.7%	(15.5%)^^	0.4%	7.7%
Defaults (net of impairments as a % of core loans)	1.44%	1.55%	2.19%	3.00%	3.21%	3.75%
Credit loss ratio on core loans	0.84%	0.90%	1.13%	1.16%	0.99%	1.16%
Southern Africa (in Rands)						
Cost to income ratio	47.0%*	46.9%*	46.5%*	47.2%*	51.0%*	55.5%
ROE post-tax^	13.5%	12.7%	15.1%	15.2%	12.5%	10.0%
ROE post-tax (excluding investment activities)##	15.9%	15.3%	15.2%	14.8%	–	–
Growth in net core loans	6.5%	8.4%	19.7%	16.1%	10.6%	10.2%
Growth in risk-weighted assets	2.9%	6.2%	15.1%	8.3%	11.0%	16.5%
Defaults (net of impairments as a % of core loans)	0.74%	1.02%	1.05%	1.43%	1.46%	1.89%
Credit loss ratio on core loans	0.30%	0.29%	0.26%	0.28%	0.42%	0.61%

^ *Divisional ROEs are reported on a pre-tax basis elsewhere in this report. For the purpose of this calculation we have applied the group's effective tax rate in its respective geographies to derive post-tax numbers. For 30 September 2017 in South Africa we have applied a 'normalised' tax rate. Capital as at 30 September 2017 was c.£1.5 billion in the UK and c.R33 billion in South Africa.*

^^ *Impacted by sale of assets.*

* *Excludes group costs.*

** *Further information is provided on pages 23 and 53.*

\# *Includes UK, other non-Southern African jurisdictions and the legacy business.*

\## *Refer to page 57 for further information on the group's investment activities in South Africa.*

ø *Currency neutral growth of approximately 6.6%.*

Impairment of goodwill

There was no impairment of goodwill in the current period. The reduction in goodwill since 31 March 2017 is as a result of the weakening of the closing Rand exchange rate relative to Pounds Sterling.

Amortisation of acquired intangibles

Amortisation of acquired intangibles of £8.1 million largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Goodwill and intangible assets analysis by geography and line of business

£'000	30 Sept 2017	31 March 2017	30 Sept 2016
UK and Other	**355 482**	**355 155**	**358 141**
Asset Management	88 045	88 045	88 045
Wealth & Investment	243 387	243 169	243 243
Specialist Banking	24 050	23 941	26 853
Southern Africa	**11 487**	**12 424**	**12 828**
Asset Management	–	14	1 118
Wealth & Investment	1 903	2 061	1 927
Specialist Banking	9 584	10 349	9 783
Total goodwill	**366 969**	**367 579**	**370 969**
Intangible assets	**132 692**	**143 261**	**146 845**
Total goodwill and intangible assets	**499 661**	**510 840**	**517 814**

Taxation

The effective tax rate amounts to 14.5% (2016: 19.4%) mainly impacted by the lower rate in South Africa following the release of provisions no longer required.

	Effective tax rates				
	30 Sept 2017	30 Sept 2016	30 Sept 2017 £'000	30 Sept 2016 £'000	% change
UK and Other	18.1%	18.5%	(18 787)	(21 789)	(13.8%)
Southern Africa	12.7%	20.1%	(26 209)	(34 490)	(24.0%)
Tax	**14.5%**	**19.4%**	**(44 996)**	**(56 279)**	**(20.0%)**

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests mainly comprises:

- £10.7 million profit attributable to non-controlling interests in the Asset Management business.
- £19.9 million profit attributable to non-controlling interests in the Investec Property Fund Limited.

Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders increased from £208.6 million to £252.4 million.

Dividends and earnings per share

Information with respect to dividends and earnings per share is provided on pages 72 and 73 and pages 179 to 184.

Statutory balance sheet analysis

Since 31 March 2017:

- Total shareholders' equity (including non-controlling interests) remained in line at £4.8 billion – an increase of 3.7% on a currency neutral basis. The weakening of the closing Rand exchange rate relative to Pounds Sterling has resulted in a reduction in total equity of £221 million.
- Net asset value per share decreased 2.1% to 421.8 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased 1.8% to 370.2 pence largely as a result of the depreciation of the Rand as described above. On a currency neutral basis net asset value per share and net tangible asset value per share increased by 1.4% and 2.1%, respectively.
- The annualised return on adjusted average shareholders' equity remained at 12.5%.

Assets by geography

30 Sept 2017
£51 818 million total assets

UK and Other	36.2%
Southern Africa	63.8%

31 March 2017
£53 535 million total assets

UK and Other	34.8%
Southern Africa	65.2%

Statutory net tangible asset value per share

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

£'000	30 Sept 2017	31 March 2017	30 Sept 2016
Shareholders' equity	4 133 044	4 131 093	3 886 025
Less: perpetual preference shares issued by holding companies	(200 685)	(214 645)	(205 440)
Less: goodwill and intangible assets (excluding software)	(480 826)	(490 841)	(501 698)
Net tangible asset value	**3 451 533**	**3 425 607**	**3 178 887**
Number of shares in issue (million)	976.6	958.3	954.6
Treasury shares (million)	(44.3)	(49.7)	(42.4)
Number of shares in issue in this calculation (million)	**932.3**	**908.6**	**912.2**
Net tangible asset value per share (pence)	**370.2**	**377.0**	**348.5**
Net asset value per share (pence)	**421.8**	**431.0**	**403.5**

Statutory return on risk-weighted assets

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

	30 Sept 2017	31 March 2017	Average	30 Sept 2016	31 March 2016	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	**245 280**	**434 504**		**203 290**	**359 732**	
Investec plc risk-weighted assets (£'million)	13 824	13 312	13 568	13 408	12 297	12 853
Investec Limited risk-weighted assets^ (£'million)	18 754	19 667	19 210	17 770	14 626	16 198
Total risk-weighted assets (£'million)	**32 578**	**32 979**	**32 778**	**31 178**	**26 923**	**29 051**
Annualised return on average risk-weighted assets	**1.50%**	**1.45%**		**1.40%**	**1.34%**	
^Investec Limited risk-weighted assets (R'million)	337 752	329 808	333 780	317 734	309 052	313 393

Return on equity – statutory

£'000	30 Sept 2017	31 March 2017	Average	30 Sept 2016	31 March 2016	Average
Calculation of average shareholders' equity						
Ordinary shareholders' equity	3 932 359	3 916 448	3 924 404	3 680 585	3 060 029	3 370 307
Goodwill and intangible assets (excluding software)	(480 826)	(490 841)	(485 834)	(501 698)	(503 996)	(502 847)
Adjusted tangible shareholders' equity	**3 451 533**	**3 425 607**	**3 438 570**	**3 178 887**	**2 556 033**	**2 867 460**

£'000	30 Sept 2017	31 March 2017	30 Sept 2016
Operating profit*	334 404	659 360	299 451
Non-controlling interests	(30 463)	(80 530)	(27 957)
Accrued preference dividends, adjusted for currency hedge	(13 665)	(25 838)	(11 925)
Revised operating profit	**290 276**	**552 992**	**259 569**
Taxation on operating profit before goodwill and acquired intangibles	(44 996)	(118 488)	(56 279)
Adjusted attributable earnings to ordinary shareholders*	**245 280**	**434 504**	**203 290**
Pre-tax return on average adjusted shareholders' equity	14.8%	15.9%	15.4%
Post-tax return on average adjusted shareholders' equity	12.5%	12.5%	12.1%
Pre-tax return on average adjusted tangible shareholders' equity	16.9%	18.5%	18.1%
Post-tax return on average adjusted tangible shareholders' equity	14.3%	14.5%	14.2%

Return on equity on an ongoing basis is provided on page 30.

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

Return on equity by geography

£'000	UK and Other	Southern Africa	Total group	UK and Other ongoing**
Total operating profit*	105 080	229 324	334 404	138 004
Tax on profit on ordinary activities	(18 787)	(26 209)	(44 996)	(24 751)
Non-controlling interests	(2 650)	(27 813)	(30 463)	(2 650)
Preference dividends paid	(211)	(13 454)	(13 665)	(211)
Profit on ordinary activities after taxation – 30 September 2017	**83 432**	**161 848**	**245 280**	**110 392**
Profit on ordinary activities after taxation – 30 September 2016	**88 894**	**114 396**	**203 290**	**115 522**
Ordinary shareholders' equity – 30 September 2017	**2 026 930**	**1 905 429**	**3 932 359**	**1 972 623**
Goodwill and intangible assets (excluding software)	(452 999)	(27 827)	(480 826)	(452 999)
Tangible ordinary shareholders' equity – 30 September 2017	**1 573 931**	**1 877 602**	**3 451 533**	**1 519 624**
Ordinary shareholders' equity – 31 March 2017	**1 991 697**	**1 924 751**	**3 916 448**	**1 934 784**
Goodwill and intangible assets (excluding software)	(459 245)	(31 596)	(490 841)	(459 245)
Tangible ordinary shareholders' equity – 31 March 2017	**1 532 452**	**1 893 155**	**3 425 607**	**1 475 539**
Ordinary shareholders' equity - 30 September 2016	**1 990 705**	**1 689 880**	**3 680 585**	**1 925 852**
Goodwill and intangible assets (excluding software)	(469 453)	(32 245)	(501 698)	(469 453)
Tangible ordinary shareholders' equity – 30 September 2016	**1 521 252**	**1 657 635**	**3 178 887**	**1 456 399**
Average ordinary shareholders' equity – 30 September 2017	**2 009 314**	**1 915 090**	**3 924 404**	**1 953 703**
Average ordinary shareholders' equity – 30 September 2016	1 854 299	1 516 008	3 370 307	1 786 862
Average tangible shareholders' equity – 30 September 2017	**1 553 192**	**1 885 378**	**3 438 570**	**1 497 581**
Average tangible shareholders' equity – September 2016	1 381 922	1 485 538	2 867 460	1 314 486
Post-tax return on average ordinary shareholders' equity – 30 September 2017	**8.3%**	**16.9%**	**12.5%**	**11.3%**
Post-tax return on average ordinary shareholders' equity – 30 September 2016	9.6%	15.1%	12.1%	12.9%
Post-tax return on average tangible shareholders' equity – 30 September 2017	**10.7%**	**17.2%**	**14.3%**	**14.7%**
Post-tax return on average tangible shareholders' equity – 30 September 2016	12.9%	15.4%	14.2%	17.6%
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2017	**10.2%**	**19.6%**	**14.8%**	**13.8%**
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2016	11.9%	19.6%	15.4%	16.1%
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2017	**13.2%**	**19.9%**	**16.9%**	**18.0%**
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2016	16.0%	20.0%	18.1%	21.9%

* *Before goodwill, acquired intangibles and non-operating items.*
** *Excluding the remaining UK legacy business as shown on page 33.*

Return on equity by business*

£'000	Asset Management	Wealth & Investment^	Specialist Banking	Specialist Banking ongoing**
Total operating profit, after other non-controlling interests#	**83 233**	**49 528**	**206 499**	**239 424**
Notional return on regulatory capital	1 506	881	(2 387)	(2 387)
Notional cost of statutory capital	(3 341)	(2 369)	5 710	5 710
Cost of subordinated debt	(643)	(557)	1 200	1 200
Cost of preference shares	(287)	(175)	(13 204)	(13 204)
Adjusted earnings – 30 September 2017	**80 468**	**47 308**	**197 818**	**230 743**
Adjusted earnings – 30 September 2016	**78 483**	**38 738**	**176 093**	**209 138**
Ordinary shareholders' equity – 30 September 2017	**168 158**	**240 911**	**3 364 240**	**3 309 933**
Goodwill and intangible assets (excluding software)	(88 045)	(185 381)	(48 350)	(48 350)
Tangible ordinary shareholders' equity – 30 September 2017	**80 113**	**55 530**	**3 315 890**	**3 261 583**
Ordinary shareholders' equity – 31 March 2017	**186 423**	**251 523**	**3 319 452**	**3 262 539**
Goodwill and intangible assets (excluding software)	(88 059)	(191 707)	(52 025)	(52 025)
Tangible ordinary shareholders' equity – 31 March 2017	**98 364**	**59 816**	**3 267 427**	**3 210 514**
Ordinary shareholders' equity – 30 September 2016	**162 519**	**249 145**	**3 109 871**	**3 174 724**
Goodwill and intangible assets (excluding software)	(89 163)	(198 032)	(55 453)	(55 453)
Tangible ordinary shareholders' equity – 30 September 2016	**73 356**	**51 113**	**3 054 418**	**3 119 271**
Average ordinary shareholders' equity – 30 September 2017	**177 291**	**246 217**	**3 341 846**	**3 286 236**
Average ordinary shareholders' equity – 30 September 2016	167 074	247 724	2 796 459	2 793 876
Average tangible shareholders' equity – 30 September 2017	**89 239**	**57 673**	**3 291 658**	**3 236 048**
Average tangible shareholders' equity – 30 September 2016	77 896	46 941	2 742 623	2 740 040
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2017	**90.8%**	**38.4%**	**11.8%**	**14.0%**
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2016	93.9%	31.3%	12.6%	15.0%
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2017	**180.3%**	**164.1%**	**12.0%**	**14.3%**
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2016	201.5%	165.0%	12.8%	15.3%

* *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.*

^ *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 and intangible assets. These gains were excluded from group adjusted earnings.*

** *Excluding the remaining UK legacy business as shown on page 33.*

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

Number of employees

By division – permanent employees	30 Sept 2017	30 Sept 2016
Asset Management		
UK and Other	477	476
Southern Africa*	1 038	1 078
Total	**1 515**	**1 554**
Wealth & Investment		
UK and Other	1 312	1 232
Southern Africa	332	319
Total	**1 644**	**1 551**
Specialist Banking		
UK and Other	2 209	2 078
Southern Africa	3 839	3 500
Total	**6 048**	**5 578**
Total number of permanent employees	**9 207**	**8 683**

* *Includes employees at Silica, its third party administration business.*

By geography	30 Sept 2017	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
UK and Other	3 998	3 926	3 701	3 560	3 671	3 827	3 625
Southern Africa	5 209	5 103	4 720	4 199	3 986	3 748	3 661
Temporary employees and contractors	688	687	545	495	601	576	495
Total number of employees	**9 895**	**9 716**	**8 966**	**8 254**	**8 258**	**8 151**	**7 781**

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 – 30 September 2017	**1 604**	**1 763**	**6 528**	**9 895**
Number of employees – 31 March 2017	1 654	1 697	6 365	9 716
Number of employees – 30 September 2016	1 634	1 615	6 084	9 333
Number of employees – 31 March 2016	1 543	1 597	5 826	8 966
Average employees – six months to 30 September 2017	**1 629**	**1 730**	**6 447**	**9 806**
Average employees – six months to 30 September 2016	1 589	1 606	5 955	9 150
Operating profit* – six months to 30 September 2017 (£'000)	**83 233**	**49 528**	**206 491**	**339 260**
Operating profit* – six months to 30 September 2016	82 254	43 197	179 789	305 240
Operating profit per employee^ – 30 September 2017 (£'000)	**51.1^^**	**28.6**	**32.0**	**32.1**
Operating profit per employee^ – 30 September 2016 (£'000)	51.8^^	26.9	30.2	30.8

By geography	UK and Other	Southern Africa	Total group
Number of employees – 30 September 2017	**4 265**	**5 630**	**9 895**
Number of employees – 31 March 2017	4 165	5 551	9 716
Number of employees – 30 September 2016	3 978	5 355	9 333
Number of employees – 31 March 2016	3 869	5 097	8 966
Average employees – six months to 30 September 2017	**4 215**	**5 591**	**9 806**
Average employees – six months to 30 September 2016	3 924	5 226	9 150
Operating profit – six months to 30 September 2017 (£'000)	**109 303**	**205 301**	**314 604**
Operating profit – six months to 30 September 2016 (£'000)	116 716	164 702	281 418
Operating profit per employee^ – 30 September 2017 (£'000)	**25.9**	**36.7**	**32.1**
Operating profit per employee^ – 30 September 2016 (£'000)	29.7	31.5	30.8

* *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.*

Total third party assets under management

£'million	30 Sept 2017	31 March 2017	30 Sept 2016
Asset Management	**98 226**	**95 287**	**89 837**
UK and Other	64 912	61 379	59 030
Southern Africa	33 314	33 908	30 807
Wealth & Investment	**55 455**	**54 773**	**51 328**
UK and Other	37 111	35 555	33 359
Southern Africa	18 344	19 218	17 969
Specialist Banking	**657**	**675**	**618**
UK and Other	389	386	364
Southern Africa	268	289	254
Total third party assets under management	**154 338**	**150 735**	**141 783**

A further analysis of third party assets under management

At 30 September 2017 £'million	UK and Other	Southern Africa	Total
Asset Management	**64 912**	**33 314**	**98 226**
Mutual funds	26 290	14 093	40 383
Segregated mandates	38 622	19 221	57 843
Wealth & Investment	**37 111**	**18 344**	**55 455**
Discretionary	28 071	6 469	34 540
Non-discretionary	9 040	11 875	20 915
Specialist Banking	**389**	**268**	**657**
	102 412	**51 926**	**154 338**

At 31 March 2017 £'million	UK and Other	Southern Africa	Total
Asset Management	**61 379**	**33 908**	**95 287**
Mutual funds	23 399	15 848	39 247
Segregated mandates	37 980	18 060	56 040
Wealth & Investment	**35 555**	**19 218**	**54 773**
Discretionary	26 336	6 552	32 888
Non-discretionary	9 219	12 666	21 885
Specialist Banking	**386**	**289**	**675**
	97 320	**53 415**	**150 735**

Statutory segmental geographic analysis – income statement

For the six months to 30 September 2017 £'000	UK and Other	Southern Africa	Total group
Net interest income	157 526	206 795	364 321
Net fee and commission income	419 693	246 317	666 010
Investment income	15 474	46 600	62 074
Share of post taxation operating profit of associates	1 368	22 309	23 677
Trading income arising from			
– customer flow	55 400	8 760	64 160
– balance sheet management and other trading activities	1 823	3 323	5 146
Other operating income	4 741	928	5 669
Total operating income before impairment on loans and advances	**656 025**	**535 032**	**1 191 057**
Impairment losses on loans and advances	(37 631)	(21 962)	(59 593)
Operating income	**618 394**	**513 070**	**1 131 464**
Operating costs	(512 165)	(283 718)	(795 883)
Depreciation on operating leased assets	(1 149)	(28)	(1 177)
Operating profit before goodwill and acquired intangibles	**105 080**	**229 324**	**334 404**
(Profit)/loss attributable to other non-controlling interests	4 223	(24 023)	(19 800)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**109 303**	**205 301**	**314 604**
Profit attributable to Asset Management non-controlling interests	(6 873)	(3 790)	(10 663)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**102 430**	**201 511**	**303 941**
Amortisation of acquired intangibles	(6 636)	(1 506)	(8 142)
Earnings attributable to shareholders before taxation	**95 794**	**200 005**	**295 799**
Taxation on operating profit before goodwill and acquired intangibles	(18 787)	(26 209)	(44 996)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	1 209	422	1 631
Earnings attributable to shareholders	**78 216**	**174 218**	**252 434**
Selected returns and key statistics			
ROE (post-tax)	8.3%	16.9%	12.5%
Return on tangible equity (pre-tax)	10.7%	17.2%	14.3%
Cost to income ratio	78.2%	53.0%	66.9%
Staff compensation to operating income	57.5%	37.4%	48.5%
Operating profit per employee (£'000)	25.9	36.7	32.1
Effective operational tax rate	18.1%	12.7%	14.5%
Total assets (£'million)	18 760	33 058	51 818

Statutory segmental geographic analysis – income statement

(continued)

For the six months to 30 September 2016 £'000	UK and Other	Southern Africa	Total group
Net interest income	132 646	180 819	313 465
Net fee and commission income	389 466	219 022	608 488
Investment income	18 751	10 273	29 024
Share of post taxation operating profit of associates	1 016	8 623	9 639
Trading income arising from			
– customer flow	64 913	8 525	73 438
– balance sheet management and other trading activities	12 269	101	12 370
Other operating income/(loss)	5 330	(32)	5 298
Total operating income before impairment on loans and advances	**624 391**	**427 331**	**1 051 722**
Impairment losses on loans and advances	(30 078)	(16 513)	(46 591)
Operating income	**594 313**	**410 818**	**1 005 131**
Operating costs	(475 478)	(230 202)	(705 680)
Operating profit before goodwill and acquired intangibles	**118 835**	**180 616**	**299 451**
Profit attributable to other non-controlling interests	(2 119)	(15 914)	(18 033)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**116 716**	**164 702**	**281 418**
Profit attributable to Asset Management non-controlling interests	(5 756)	(4 168)	(9 924)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**110 960**	**160 534**	**271 494**
Impairment of goodwill	–	(270)	(270)
Amortisation of acquired intangibles	(7 187)	(1 282)	(8 469)
Earnings attributable to shareholders before taxation	**103 773**	**158 982**	**262 755**
Taxation on operating profit before goodwill and acquired intangibles	(21 789)	(34 490)	(56 279)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	1 785	337	2 122
Earnings attributable to shareholders	**83 769**	**124 829**	**208 598**
Selected returns and key statistics			
ROE (post-tax)	9.6%	15.1%	12.1%
Return on tangible equity (pre-tax)	12.9%	15.4%	14.2%
Cost to income ratio	76.2%	53.9%	67.1%
Staff compensation to operating income	55.5%	37.1%	48.0%
Operating profit per employee (£'000)	29.7	31.5	30.8
Effective operational tax rate	18.5%	20.1%	19.4%
Total assets (£'million)	20 136	32 343	52 479

05 Statutory segmental business and geographic analysis – income statement

Financial review and additional information – statutory basis

For the six months to 30 September 2017 £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
Net interest income	19	2 418	2 437	2 025	2 539	4 564
Net fee and commission income	169 543	88 461	258 004	147 144	40 749	187 893
Investment income	–	25	25	411	220	631
Share of post taxation operating profit of associates	–	–	–	415	–	415
Trading income arising from						
– customer flow	–	–	–	380	185	565
– balance sheet management and other trading activities	(1 683)	263	(1 420)	2	68	70
Other operating income	1 972	853	2 825	–	–	–
Total operating income before impairment losses on loans and advances	**169 851**	**92 020**	**261 871**	**150 377**	**43 761**	**194 138**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**169 851**	**92 020**	**261 871**	**150 377**	**43 761**	**194 138**
Operating costs	(119 902)	(58 736)	(178 638)	(114 936)	(29 674)	(144 610)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**49 949**	**33 284**	**83 233**	**35 441**	**14 087**	**49 528**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**49 949**	**33 284**	**83 233**	**35 441**	**14 087**	**49 528**
Profit attributable to Asset Management non-controlling interests	(6 873)	(3 790)	(10 663)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**43 076**	**29 494**	**72 570**	**35 441**	**14 087**	**49 528**
Cost to income ratio	70.6%	63.8%	68.2%	76.4%	67.8%	74.5%
Staff compensation to operating income	54.6%	38.2%	48.8%	56.3%	45.3%	53.8%

Statutory segmental business and geographic analysis – income statement

(continued)

	Specialist Banking			Group costs			
	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
	155 482	201 838	357 320	–	–	–	364 321
	103 006	117 107	220 113	–	–	–	666 010
	15 063	46 355	61 418	–	–	–	62 074
	953	22 309	23 262	–	–	–	23 677
						–	
	55 020	8 575	63 595	–	–	–	64 160
	3 504	2 992	6 496	–	–	–	5 146
	2 769	75	2 844	–	–	–	5 669
	335 797	**399 251**	**735 048**	**–**	**–**	**–**	**1 191 057**
	(37 631)	(21 962)	(59 593)	–	–	–	(59 593)
	298 166	**377 289**	**675 455**	**–**	**–**	**–**	**1 131 464**
	(260 032)	(187 947)	(447 979)	(17 295)	(7 361)	(24 656)	(795 883)
	(1 149)	(28)	(1 177)	–	–	–	(1 177)
	36 985	**189 314**	**226 299**	**(17 295)**	**(7 361)**	**(24 656)**	**334 404**
	4 223	(24 023)	(19 800)	–	–	–	(19 800)
	41 208	**165 291**	**206 499**	**(17 295)**	**(7 361)**	**(24 656)**	**314 604**
	–	–	–	–	–	–	(10 663)
	41 208	**165 291**	**206 499**	**(17 295)**	**(7 361)**	**(24 656)**	**303 941**
	77.7%	47.1%	61.0%	n/a	n/a	n/a	66.9%
	56.4%	36.4%	45.5%	n/a	n/a	n/a	48.5%

Statutory segmental business and geographic analysis – income statement

(continued)

For the six months to 30 September 2016 £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
Net interest income	90	2 512	2 602	2 124	3 103	5 227
Net fee and commission income	146 378	88 234	234 612	128 791	35 996	164 787
Investment income	–	7	7	1 366	39	1 405
Share of post taxation operating profit of associates	–	–	–	702	–	702
Trading income arising from						
– customer flow	–	–	–	247	121	368
– balance sheet management and other trading activities	1 337	(892)	445	185	(43)	142
Other operating income/(loss)	1 472	(65)	1 407	–	–	–
Total operating income before impairment losses on loans and advances	**149 277**	**89 796**	**239 073**	**133 415**	**39 216**	**172 631**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**149 277**	**89 796**	**239 073**	**133 415**	**39 216**	**172 631**
Operating costs	(106 161)	(50 658)	(156 819)	(104 223)	(25 211)	(129 434)
Operating profit/(loss) before goodwill and acquired intangibles	**43 116**	**39 138**	**82 254**	**29 192**	**14 005**	**43 197**
Profit attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**43 116**	**39 138**	**82 254**	**29 192**	**14 005**	**43 197**
Profit attributable to Asset Management non-controlling interests	(5 756)	(4 168)	(9 924)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**37 360**	**34 970**	**72 330**	**29 192**	**14 005**	**43 197**
Cost to income ratio	71.1%	56.4%	65.6%	78.1%	64.3%	75.0%
Staff compensation to operating income	54.2%	34.5%	46.8%	59.0%	45.3%	55.9%

Statutory segmental business and geographic analysis – income statement

(continued)

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
130 432	175 204	305 636	–	–	–	313 465
114 297	94 792	209 089	–	–	–	608 488
17 385	10 227	27 612	–	–	–	29 024
314	8 623	8 937			–	9 639
64 666	8 404	73 070	–	–	–	73 438
10 747	1 036	11 783	–	–	–	12 370
3 858	33	3 891	–	–	–	5 298
341 699	**298 319**	**640 018**	**–**	**–**	**–**	**1 051 722**
(30 078)	(16 513)	(46 591)	–	–	–	(46 591)
311 621	**281 806**	**593 427**	**–**	**–**	**–**	**1 005 131**
(247 336)	(148 269)	(395 605)	(17 758)	(6 064)	(23 822)	(705 680)
64 285	**133 537**	**197 822**	**(17 758)**	**(6 064)**	**(23 822)**	**299 451**
(2 119)	(15 914)	(18 033)	–	–	–	(18 033)
62 166	**117 623**	**179 789**	**(17 758)**	**(6 064)**	**(23 822)**	**281 418**
–	–	–	–	–	–	(9 924)
62 166	**117 623**	**179 789**	**(17 758)**	**(6 064)**	**(23 822)**	**271 494**
72.4%	49.7%	61.8%	n/a	n/a	n/a	67.1%
54.8%	36.8%	46.4%	n/a	n/a	n/a	48.0%

Statutory segmental business analysis – income statement

For the six months to 30 September 2017 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	2 437	4 564	357 320	–	364 321
Net fee and commission income	258 004	187 893	220 113	–	666 010
Investment income	25	631	61 418	–	62 074
Share of post taxation operating profit of associates	–	415	23 262	–	23 677
Trading income arising from					
– customer flow	–	565	63 595	–	64 160
– balance sheet management and other trading activities	(1 420)	70	6 496	–	5 146
Other operating income	2 825	–	2 844	–	5 669
Total operating income before impairment on loans and advances	**261 871**	**194 138**	**735 048**	**–**	**1 191 057**
Impairment losses on loans and advances	–	–	(59 593)	–	(59 593)
Operating income	**261 871**	**194 138**	**675 455**	**–**	**1 131 464**
Operating costs	(178 638)	(144 610)	(447 979)	(24 656)	(795 883)
Depreciation on operating leased assets	–	–	(1 177)	–	(1 177)
Operating profit/(loss) before goodwill and acquired intangibles	**83 233**	**49 528**	**226 299**	**(24 656)**	**334 404**
Profit attributable to other non-controlling interests	–	–	(19 800)	–	(19 800)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**83 233**	**49 528**	**206 499**	**(24 656)**	**314 604**
Profit attributable to Asset Management non-controlling interests	(10 663)	–	–	–	(10 663)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**72 570**	**49 528**	**206 499**	**(24 656)**	**303 941**
Selected returns and key statistics					
ROE (pre-tax)	90.8%	38.4%	11.8%	n/a	14.8%
Return on tangible equity (pre-tax)	180.3%	164.1%	12.0%	n/a	14.3%
Cost to income ratio	68.2%	74.5%	61.0%	n/a	66.9%
Staff compensation to operating income	48.8%	53.8%	45.5%	n/a	48.5%
Operating profit per employee	51.1	28.6	32.0	n/a	32.1
Total assets (£'million)	592	1 924	49 302	n/a	51 818

For the six months to 30 September 2016 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	2 602	5 227	305 636	–	313 465
Net fee and commission income	234 612	164 787	209 089	–	608 488
Investment income	7	1 405	27 612	–	29 024
Share of post taxation operating profit of associates	–	702	8 937	–	9 639
Trading income arising from					
– customer flow	–	368	73 070	–	73 438
– balance sheet management and other trading activities	445	142	11 783	–	12 370
Other operating income	1 407	–	3 891	–	5 298
Total operating income before impairment on loans and advances	**239 073**	**172 631**	**640 018**	**–**	**1 051 722**
Impairment losses on loans and advances	–	–	(46 591)	–	(46 591)
Operating income	**239 073**	**172 631**	**593 427**	**–**	**1 005 131**
Operating costs	(156 819)	(129 434)	(395 605)	(23 822)	(705 680)
Operating profit/(loss) before goodwill and acquired intangibles	**82 254**	**43 197**	**197 822**	**(23 822)**	**299 451**
Profit attributable to other non-controlling interests	–	–	(18 033)	–	(18 033)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**82 254**	**43 197**	**179 789**	**(23 822)**	**281 418**
Profit attributable to Asset Management non-controlling interests	(9 924)	–	–	–	(9 924)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**72 330**	**43 197**	**179 789**	**(23 822)**	**271 494**
Selected returns and key statistics					
ROE (pre-tax)	93.9%	31.3%	12.6%	n/a	15.4%
Return on tangible equity (pre-tax)	201.5%	165.0%	12.8%	n/a	18.1%
Cost to income ratio	65.6%	75.0%	61.8%	n/a	67.1%
Staff compensation to operating income	46.8%	55.9%	46.4%	n/a	48.0%
Operating profit per employee	51.8	26.9	30.2	n/a	30.8
Total assets (£'million)	688	1 881	49 910	n/a	52 479

Statutory combined consolidated segmental geographic analysis – balance sheet assets and liabilities

At 30 September 2017 £'000	UK and Other	Southern Africa	Total group
Assets			
Cash and balances at central banks	2 847 986	508 273	3 356 259
Loans and advances to banks	1 015 937	1 292 681	2 308 618
Non-sovereign and non-bank cash placements	–	574 521	574 521
Reverse repurchase agreements and cash collateral on securities borrowed	479 243	1 210 793	1 690 036
Sovereign debt securities	806 063	2 802 253	3 608 316
Bank debt securities	157 953	446 558	604 511
Other debt securities	291 532	677 065	968 597
Derivative financial instruments	582 057	619 545	1 201 602
Securities arising from trading activities	707 484	688 282	1 395 766
Investment portfolio	481 517	429 963	911 480
Loans and advances to customers	8 899 704	13 451 524	22 351 228
Own originated loans and advances to customers securitised	–	445 672	445 672
Other loans and advances	351 340	16 061	367 401
Other securitised assets	135 580	18 206	153 786
Interests in associated undertakings	45 439	325 855	371 294
Deferred taxation assets	87 607	35 828	123 435
Other assets	1 334 580	681 477	2 016 057
Property and equipment	58 353	42 557	100 910
Investment properties	14 500	1 049 271	1 063 771
Goodwill	355 482	11 487	366 969
Intangible assets	107 301	25 391	132 692
	18 759 658	**25 353 263**	**44 112 921**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	7 705 206	7 705 206
	18 759 658	**33 058 469**	**51 818 127**
Liabilities			
Deposits by banks	665 721	1 580 394	2 246 115
Derivative financial instruments	425 841	743 473	1 169 314
Other trading liabilities	108 813	860 104	968 917
Repurchase agreements and cash collateral on securities lent	182 920	547 250	730 170
Customer accounts (deposits)	10 841 458	17 124 548	27 966 006
Debt securities in issue	2 241 954	307 310	2 549 264
Liabilities arising on securitisation of own originated loans and advances	–	133 307	133 307
Liabilities arising on securitisation of other assets	131 740	–	131 740
Current taxation liabilities	140 197	57 047	197 244
Deferred taxation liabilities	23 833	14 471	38 304
Other liabilities	1 242 875	584 376	1 827 251
	16 005 352	**21 952 280**	**37 957 632**
Liabilities to customers under investment contracts	–	7 702 724	7 702 724
Insurance liabilities, including unit-linked liabilities	–	2 482	2 482
	16 005 352	**29 657 486**	**45 662 838**
Subordinated liabilities	607 340	781 751	1 389 091
	16 612 692	**30 439 237**	**47 051 929**

Statutory combined consolidated segmental geographic analysis – balance sheet assets and liabilities

(continued)

At 31 March 2017 £'000	UK and Other	Southern Africa	Total group
Assets			
Cash and balances at central banks	2 853 570	498 132	3 351 702
Loans and advances to banks	1 102 353	2 088 688	3 191 041
Non-sovereign and non-bank cash placements	–	536 259	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	536 173	1 822 797	2 358 970
Sovereign debt securities	952 902	2 851 725	3 804 627
Bank debt securities	176 559	462 630	639 189
Other debt securities	398 278	717 280	1 115 558
Derivative financial instruments	598 959	586 889	1 185 848
Securities arising from trading activities	522 759	853 909	1 376 668
Investment portfolio	459 745	376 154	835 899
Loans and advances to customers	8 620 742	13 569 233	22 189 975
Own originated loans and advances to customers securitised	–	517 162	517 162
Other loans and advances	336 781	18 467	355 248
Other securitised assets	138 628	10 336	148 964
Interests in associated undertakings	63 390	328 823	392 213
Deferred taxation assets	89 941	44 031	133 972
Other assets	1 258 317	642 163	1 900 480
Property and equipment	60 528	45 411	105 939
Investment properties	14 500	1 114 430	1 128 930
Goodwill	355 155	12 424	367 579
Intangible assets	112 943	30 318	143 261
Non-current assets held for sale	–	27 218	27 218
	18 652 223	**27 154 479**	**45 806 702**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	7 728 130	7 728 130
	18 652 223	**34 882 609**	**53 534 832**
Liabilities			
Deposits by banks	623 144	2 112 922	2 736 066
Derivative financial instruments	547 322	748 884	1 296 206
Other trading liabilities	136 041	842 870	978 911
Repurchase agreements and cash collateral on securities lent	223 998	466 617	690 615
Customer accounts (deposits)	11 012 809	18 096 619	29 109 428
Debt securities in issue	1 861 341	524 839	2 386 180
Liabilities arising on securitisation of own originated loans and advances	–	90 125	90 125
Liabilities arising on securitisation of other assets	128 838	–	128 838
Current taxation liabilities	143 585	84 243	227 828
Deferred taxation liabilities	26 236	14 172	40 408
Other liabilities	1 258 189	652 641	1 910 830
	15 961 503	**23 633 932**	**39 595 435**
Liabilities to customers under investment contracts	–	7 725 604	7 725 604
Insurance liabilities, including unit-linked liabilities	–	2 526	2 526
	15 961 503	**31 362 062**	**47 323 565**
Subordinated liabilities	579 356	823 282	1 402 638
	16 540 859	**32 185 344**	**48 726 203**

Statutory combined consolidated segmental geographic analysis – balance sheet assets and liabilities

(continued)

At 30 September 2016 £'000	UK and Other	Southern Africa	Total group
Assets			
Cash and balances at central banks	3 780 240	453 038	4 233 278
Loans and advances to banks	1 235 883	1 918 634	3 154 517
Non-sovereign and non-bank cash placements	–	571 405	571 405
Reverse repurchase agreements and cash collateral on securities borrowed	460 887	1 963 962	2 424 849
Sovereign debt securities	966 144	2 673 071	3 639 215
Bank debt securities	177 712	463 830	641 542
Other debt securities	436 613	642 643	1 079 256
Derivative financial instruments	976 466	660 153	1 636 619
Securities arising from trading activities	470 418	744 875	1 215 293
Investment portfolio	526 437	280 259	806 696
Loans and advances to customers	8 299 100	12 077 891	20 376 991
Own originated loans and advances to customers securitised	–	521 063	521 063
Other loans and advances	352 318	18 793	371 111
Other securitised assets	143 411	9 722	153 133
Interests in associated undertakings	30 310	300 984	331 294
Deferred taxation assets	71 795	26 846	98 641
Other assets	1 674 334	632 620	2 306 954
Property and equipment	58 026	40 606	98 632
Investment properties	–	1 013 204	1 013 204
Goodwill	358 141	12 828	370 969
Intangible assets	117 702	29 143	146 845
Non-current assets held for sale	–	27 818	27 818
	20 135 937	**25 083 388**	**45 219 325**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	7 259 638	7 259 638
	20 135 937	**32 343 026**	**52 478 963**
Liabilities			
Deposits by banks	539 002	1 997 283	2 536 285
Derivative financial instruments	1 091 765	665 316	1 757 081
Other trading liabilities	132 578	850 829	983 407
Repurchase agreements and cash collateral on securities lent	175 005	873 988	1 048 993
Customer accounts (deposits)	12 033 431	16 271 490	28 304 921
Debt securities in issue	1 842 686	511 882	2 354 568
Liabilities arising on securitisation of own originated loans and advances	–	91 611	91 611
Liabilities arising on securitisation of other assets	112 754	–	112 754
Current taxation liabilities	135 817	64 573	200 390
Deferred taxation liabilities	38 744	24 842	63 586
Other liabilities	1 411 848	515 095	1 926 943
	17 513 630	**21 866 909**	**39 380 539**
Liabilities to customers under investment contracts	–	7 257 222	7 257 222
Insurance liabilities, including unit-linked liabilities	–	2 416	2 416
	17 513 630	**29 126 547**	**46 640 177**
Subordinated liabilities	625 175	728 783	1 353 958
	18 138 805	**29 855 330**	**47 994 135**

Analysis of financial assets and liabilities by category of financial instrument

(continued)

At 30 September 2017 £'000	Total instruments at fair value	Total instruments at amortised cost	Insurance related linked instruments at fair value	Non-financial instruments	Total
Assets					
Cash and balances at central banks	1 325	3 354 934	–	–	3 356 259
Loans and advances to banks	121 318	2 187 300	–	–	2 308 618
Non-sovereign and non-bank cash placements	2 842	571 679	–	–	574 521
Reverse repurchase agreements and cash collateral on securities borrowed	698 118	991 918	–	–	1 690 036
Sovereign debt securities	3 419 214	189 102	–	–	3 608 316
Bank debt securities	334 722	269 789	–	–	604 511
Other debt securities	674 651	293 946	–	–	968 597
Derivative financial instruments	1 201 602	–	–	–	1 201 602
Securities arising from trading activities	1 395 766	–	–	–	1 395 766
Investment portfolio	911 480	–	–	–	911 480
Loans and advances to customers	1 057 465	21 293 763	–	–	22 351 228
Own originated loans and advances to customers securitised	–	445 672	–	–	445 672
Other loans and advances	–	367 401	–	–	367 401
Other securitised assets	135 580	18 206	–	–	153 786
Interests in associated undertakings	–	–	–	371 294	371 294
Deferred taxation assets	–	–	–	123 435	123 435
Other assets	266 935	1 256 123	–	492 999	2 016 057
Property and equipment	–	–	–	100 910	100 910
Investment properties	–	–	–	1 063 771	1 063 771
Goodwill	–	–	–	366 969	366 969
Intangible assets	–	–	–	132 692	132 692
	10 221 018	**31 239 833**	**–**	**2 652 070**	**44 112 921**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	7 705 206	–	7 705 206
	10 221 018	**31 239 833**	**7 705 206**	**2 652 070**	**51 818 127**
Liabilities					
Deposits by banks	–	2 246 115	–	–	2 246 115
Derivative financial instruments	1 169 314	–	–	–	1 169 314
Other trading liabilities	968 917	–	–	–	968 917
Repurchase agreements and cash collateral on securities lent	69 117	661 053	–	–	730 170
Customer accounts (deposits)	1 704 590	26 261 416	–	–	27 966 006
Debt securities in issue	494 137	2 055 127	–	–	2 549 264
Liabilities arising on securitisation of own originated loans and advances	–	133 307	–	–	133 307
Liabilities arising on securitisation of other assets	131 740	–	–	–	131 740
Current taxation liabilities	–	–	–	197 244	197 244
Deferred taxation liabilities	–	–	–	38 304	38 304
Other liabilities	22 309	1 185 869	–	619 073	1 827 251
	4 560 124	**32 542 887**	**–**	**854 621**	**37 957 632**
Liabilities to customers under investment contracts	–	–	7 702 724	–	7 702 724
Insurance liabilities, including unit-linked liabilities	–	–	2 482	–	2 482
	4 560 124	**32 542 887**	**7 705 206**	**854 621**	**45 662 838**
Subordinated liabilities	–	1 389 091	–	–	1 389 091
	4 560 124	**33 931 978**	**7 705 206**	**854 621**	**47 051 929**

Financial instruments carried at fair value

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

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

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

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

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders. These are all classified as level 1.

		Fair value category		
At 30 September 2017 £'000	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and balances at central banks	1 325	1 325	–	–
Loans and advances to banks	121 318	121 318	–	–
Non-sovereign and non-bank cash placements	2 842	–	2 842	–
Reverse repurchase agreements and cash collateral on securities borrowed	698 118	–	698 118	–
Sovereign debt securities	3 419 214	3 419 214	–	–
Bank debt securities	334 722	263 275	71 447	–
Other debt securities	674 651	370 063	295 093	9 495
Derivative financial instruments	1 201 602	–	1 146 705	54 897
Securities arising from trading activities	1 395 766	1 357 063	38 703	–
Investment portfolio	911 480	226 617	42 254	642 609
Loans and advances to customers	1 057 465	–	960 785	96 680
Other securitised assets	135 580	–	–	135 580
Other assets	266 935	266 935	–	–
	10 221 018	**6 025 810**	**3 255 947**	**939 261**
Liabilities				
Derivative financial instruments	1 169 314	–	1 168 031	1 283
Other trading liabilities	968 917	887 834	81 083	–
Repurchase agreements and cash collateral on securities lent	69 117	–	69 117	–
Customer accounts (deposits)	1 704 590	–	1 704 590	–
Debt securities in issue	494 137	–	479 361	14 776
Liabilities arising on securitisation of other assets	131 740	–	–	131 740
Other liabilities	22 309	–	22 309	–
	4 560 124	**887 834**	**3 524 491**	**147 799**
Net financial assets/(liabilities) at fair value	**5 660 894**	**5 137 976**	**(268 544)**	**791 462**

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 in the current period.

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

Financial instruments carried at fair value

(continued)

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 30 September 2017 used in determining the fair value of its financial as sets 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	Yield curves
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation Black-Scholes	Yield curves Volatilities
Bank debt securities	Discounted cash flow model	Yield curves NCD curves
Other debt securities	Discounted cash flow model	Yield curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, 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 Adjusted quoted price	Interest rate curves, implied bond spreads, equity volatilities Liquidity adjustments
Investment portfolio	Discounted cash flow model, relative valuation model Comparable quoted inputs	Discount rate and fund unit price, net assets
Loans and advances to customers	Discounted cash flow model	Yield curves
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Yield curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Yield curves
Customer accounts (deposits)	Discounted cash flow model	Yield curves
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves

Financial instruments carried at fair value

(continued)

For the six months to 30 September 2017 £'000	Net level 3 financial 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:	
Balance as at 1 April 2017	770 686
Total gains or losses	25 458
In the income statement	23 350
In the statement of comprehensive income	2 108
Purchases	82 881
Sales	(41 381)
Settlements	(14 865)
Transfers out of level 3	(6 189)
Foreign exchange adjustments	(25 127)
Balance as at 30 September 2017	**791 462**

For the period ended 30 September 2017, £6.2 million has been transferred out of level 3 into level 2 as a result of the inputs to the valuation method becoming observable in the market as a selling price became available.

For the six months to 30 September 2017 £'000	Total gains or losses	Realised	Unrealised
Total gains/(losses) included in the income statement for the period			
Net interest income	60	60	–
Fee and commission income	1 000	–	1 000
Investment income	24 188	4 574	19 614
Trading loss arising from customer flow	(1 898)	919	(2 817)
	23 350	**5 553**	**17 797**
Total gains/(losses) recognised in other comprehensive income for the period			
Gains on realisation of available-for-sale assets recycled through the income statement	2 418	2 418	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	2 108	–	2 108
	4 526	**2 418**	**2 018**

Financial instruments carried at fair value

(continued)

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

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

	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
30 September 2017					
Assets					
Other debt securities	9 495	Potential impact on income statement		1 316	(460)
		Price earnings multiple	(10%)/10%	925	(123)
		Cash flow adjustments	CPR 7.5% – 8.5%	391	(337)
Derivative financial instruments	54 897	Potential impact on income statement		4 844	(5 889)
		Volatilities	4% – 10.5%	1 180	(2 483)
		Property value	(10%)/10%	55	(55)
		Cash flow adjustments	CPR 7.5% – 8.5%	614	(1 347)
		Other	^	2 995	(2 004)
Investment portfolio	642 609	Potential impact on income statement		108 474	(120 628)
		EBITDA	3%	437	(437)
		EBITDA	^^	51 361	(48 770)
		Precious and industrial metal prices	(10%)/6%	7 050	(18 763)
		Price earnings multiple	4x – 10.3x	5 133	(5 254)
		Other	^	44 493	(47 404)
		Potential impact on other comprehensive income		5 003	(1 576)
		Price earnings multiple	4x	79	(167)
		Other	^	4 924	(1 409)
Loans and advances to customers	96 680	Potential impact on income statement			
		Other	^	10 292	(10 187)
Other securitised assets*	135 580	Potential impact on income statement			
		Cash flow adjustments	CPR 7.5%	493	(649)
Total level 3 assets	**939 261**			**130 422**	**(139 389)**
Liabilities					
Derivative financial instruments	1 283	Potential impact on income statement		(1 325)	591
		Cash flow adjustments	CPR 7.5% – 8.5%	(1 321)	587
		Volatilities	8.5%	(4)	4
Debt securities in issue	14 776	Potential impact on income statement			
		Volatilities	7%	(617)	229
Liabilities arising on securitisation of other assets*	131 740	Potential impact on income statement			
		Cash flow adjustments	CPR 6.25%	(350)	325
Total level 3 liabilities	**147 799**			**(2 292)**	**1 145**
Net level 3 assets	**791 462**				

* *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.*

^^ *The EBITDA has been stressed on an investment by investment basis to obtain a favourable and unfavourable valuation.*

Financial instruments carried at fair value

(continued)

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

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

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

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

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

EBITDA
The group'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. It is a key driver in the valuation of unlisted investments.

Precious and industrial metals & Property value
The price of precious and industrial metals and property value is a key driver of future cash flows on certain investments.

Fair value of financial assets and liabilities at amortised cost

At 30 September 2017 £'000	Carrying amount	Fair value
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	991 918	991 804
Sovereign debt securities	189 102	184 518
Bank debt securities	269 789	289 694
Other debt securities	293 946	293 586
Loans and advances to customers	21 293 763	21 290 251
Other loans and advances	367 401	361 021
Liabilities		
Deposits by banks	2 246 115	2 250 180
Repurchase agreements and cash collateral on securities lent	661 053	683 669
Customer accounts (deposits)	26 261 416	26 267 846
Debt securities in issue	2 055 127	2 102 130
Other liabilities	1 185 869	1 185 559
Subordinated liabilities	1 389 091	1 561 706

Shareholder analysis

Investec ordinary shares

As at 30 September 2017 Investec plc and Investec Limited had 668.4 million and 308.2 million ordinary shares in issue respectively.

Largest ordinary shareholders as at 30 September 2017

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.	Allan Gray (ZA)	59 557 341	8.91%
2.	Public Investment Corporation (ZA)	40 355 857	6.04%
3.	BlackRock Inc (US and UK)	38 415 559	5.75%
4.	Old Mutual (ZA)	30 118 274	4.51%
5.	Prudential Group (ZA)	25 031 879	3.74%
6.	Schroders (UK)	22 389 129	3.35%
7.	The Vanguard Group, Inc (US and UK)	19 162 608	2.87%
8.	Investec Asset Management* (ZA)	19 015 595	2.84%
9.	State Street Corporation (US and UK)	17 581 716	2.63%
10.	Legal & General Group (UK)	17 237 198	2.58%
		288 865 156	**43.21%**

The top 10 shareholders account for 43.21% 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.

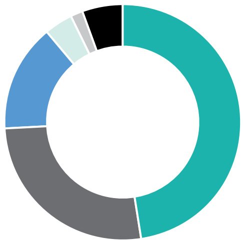
* *In custody held on behalf of clients.*

Investec Limited

Shareholder analysis by manager group		Number of shares	% holding
1.	Public Investment Corporation (ZA)	35 492 302	11.52%
2.	Allan Gray (ZA)	32 394 701	10.51%
3.	Investec Staff Share Scheme (ZA)	20 620 129	6.69%
4.	Old Mutual (ZA)	13 484 458	4.38%
5.	Sanlam Group (ZA)	12 589 575	4.09%
6.	BlackRock Inc (US and UK)	12 342 603	4.01%
7.	The Vanguard Group, Inc (US and UK)	10 354 958	3.36%
8.	Dimensional Fund Advisors (UK)	9 075 802	2.95%
9.	Coronation Fund Mgrs (ZA)	7 544 198	2.45%
10.	Entrepreneurial Development Trust (ZA)	6 873 732	2.23%
		160 772 458	**52.17%**

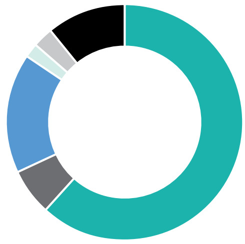
The top 10 shareholders account for 52.17% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Geographical holding by beneficial ordinary share owner as at 30 September 2017



Investec plc

South Africa	47.7%
UK	26.6%
USA and Canada	14.7%
Rest of Europe	4.0%
Asia	1.7%
Other countries and unknown	5.3%



Investec Limited

South Africa	61.9%
UK	6.3%
USA and Canada	16.5%
Rest of Europe	1.7%
Asia	2.8%
Other countries and unknown	10.8%

Share statistics

Investec plc

For the period ended	30 Sept 2017	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Closing market price per share (Pounds Sterling)							
– period ended	5.45	5.44	5.13	5.61	4.85	4.59	3.82
– highest	6.31	6.19	6.47	6.06	5.08	5.14	5.22
– lowest	5.24	4.19	4.03	4.91	3.66	3.10	3.18
Number of ordinary shares in issue (million)[1]	668.4	657.1	617.4	613.6	608.8	605.2	598.3
Market capitalisation (£'million)[1]	3 643	3 575	3 167	3 442	2 953	2 778	2 286
Daily average volume of share traded ('000)	1 623	1 618	1 474	2 170	1 985	1 305	1 683

Investec Limited

For the period ended	30 Sept 2017	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Closing market price per share (Rands)							
– period ended	98.00	91.46	109.91	100.51	84.84	64.26	47.16
– highest	106.39	112.11	121.90	107.35	85.04	69.89	57.36
– lowest	90.00	81.46	93.91	86.02	59.00	41.31	42.00
Number of ordinary shares in issue (million)[2]	308.2	301.2	291.4	285.7	282.9	279.6	276.0
Market capitalisation (R'million)[2]	95 707	87 646	99 886	90 388	75 652	56 857	41 232
Market capitalisation (£'million)[2]	5 322	5 213	4 662	5 045	4 325	4 061	3 340
Daily average volume of shares traded ('000)	950	1 149	963	739	810	980	1 033

1 *The LSE only include the shares in issue for Investec plc, i.e. currently 668.4 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*
2 *The JSE have 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 976.6 million shares in issue.*

As per Basel requirements, the following risk management and capital section will provide details on the quantitative risk disclosure required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2017.

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. As fundamental to our values, we have a strong and embedded risk and capital management culture.

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 and allow the group to operate within its risk appetite tolerance.

Credit and counterparty risk management

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 may 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, with one party effecting required settlements as they fall due but not receiving the performance to which they are entitled.
  - Replacement risk is the risk following defaults by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to fulfil the transaction.

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.

The following tables provide an analysis of the credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 5.2% to £43.1 billion since 31 March 2017. Cash and near cash balances amount to £10.7 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.

£'000	30 Sept 2017	31 March 2017	% change	Average*
Cash and balances at central banks	3 354 461	3 348 778	0.2%	3 351 619
Loans and advances to banks	2 308 618	3 191 041	(27.7%)	2 749 829
Non-sovereign and non-bank cash placements	574 521	536 259	7.1%	555 390
Reverse repurchase agreements and cash collateral on securities borrowed	1 690 036	2 358 970	(28.4%)	2 024 503
Sovereign debt securities	3 608 316	3 804 627	(5.2%)	3 706 471
Bank debt securities	604 511	639 189	(5.4%)	621 850
Other debt securities	968 597	1 115 558	(13.2%)	1 042 078
Derivative financial instruments	839 544	933 881	(10.1%)	886 713
Securities arising from trading activities	519 324	359 324	44.5%	439 324
Loans and advances to customers (gross)	22 552 401	22 388 641	0.7%	22 470 521
Own originated loans and advances to customers securitised (gross)	446 004	517 524	(13.8%)	481 764
Other loans and advances (gross)	374 951	363 087	3.3%	369 019
Other securitised assets (gross)	8 303	12 851	(35.4%)	10 577
Other assets	211 788	214 277	(1.2%)	213 033
Total on-balance sheet exposures	**38 061 375**	**39 784 007**	**(4.3%)**	**38 922 691**
Guarantees^	687 323	966 539	(28.9%)	826 931
Contingent liabilities, committed facilities and other	4 306 263	4 651 733	(7.4%)	4 478 998
Total off-balance sheet exposures	**4 993 586**	**5 618 272**	**(11.1%)**	**5 305 929**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**43 054 961**	**45 402 279**	**(5.2%)**	**44 228 620**

* *Where the average is based on a straight-line average for the period.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

An analysis of gross credit and counterparty exposures by geography

£'000	UK and Other 30 Sept 2017	UK and Other 31 March 2017	Southern Africa 30 Sept 2017	Southern Africa 31 March 2017	Total 30 Sept 2017	Total 31 March 2017
Cash and balances at central banks	2 846 201	2 850 664	508 260	498 114	3 354 461	3 348 778
Loans and advances to banks	1 015 937	1 102 353	1 292 681	2 088 688	2 308 618	3 191 041
Non-sovereign and non-bank cash placements	–	–	574 521	536 259	574 521	536 259
Reverse repurchase agreements and cash collateral on securities borrowed	479 243	536 173	1 210 793	1 822 797	1 690 036	2 358 970
Sovereign debt securities	806 063	952 902	2 802 253	2 851 725	3 608 316	3 804 627
Bank debt securities	157 953	176 559	446 558	462 630	604 511	639 189
Other debt securities	291 532	398 278	677 065	717 280	968 597	1 115 558
Derivative financial instruments	543 124	554 710	296 420	379 171	839 544	933 881
Securities arising from trading activities	453 866	331 705	65 458	27 619	519 324	359 324
Loans and advances to customers (gross)	9 033 858	8 747 618	13 518 543	13 641 023	22 552 401	22 388 641
Own originated loans and advances to customers securitised (gross)	–	–	446 004	517 524	446 004	517 524
Other loans and advances (gross)	357 490	343 090	17 461	19 997	374 951	363 087
Other securitised assets (gross)	8 303	12 851	–	–	8 303	12 851
Other assets	59 378	49 894	152 410	164 383	211 788	214 277
Total on-balance sheet exposures	**16 052 948**	**16 056 797**	**22 008 427**	**23 727 210**	**38 061 375**	**39 784 007**
Guarantees^	18 420	27 204	668 903	939 335	687 323	966 539
Contingent liabilities, committed facilities and other	1 302 675	1 524 436	3 003 588	3 127 297	4 306 263	4 651 733
Total off-balance sheet exposures	**1 321 095**	**1 551 640**	**3 672 491**	**4 066 632**	**4 993 586**	**5 618 272**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**17 374 043**	**17 608 437**	**25 680 918**	**27 793 842**	**43 054 961**	**45 402 279**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

An analysis of gross credit and counterparty exposures by geography

30 Sept 2017
£43 055 million

Southern Africa	59.6%
UK and Other	40.4%

31 March 2017
£45 402 million

Southern Africa	61.2%
UK and Other	38.8%

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 30 September 2017				
Cash and balances at central banks	3 354 461	1 798		3 356 259
Loans and advances to banks	2 308 618	–		2 308 618
Non-sovereign and non-bank cash placements	574 521	–		574 521
Reverse repurchase agreements and cash collateral on securities borrowed	1 690 036	–		1 690 036
Sovereign debt securities	3 608 316	–		3 608 316
Bank debt securities	604 511	–		604 511
Other debt securities	968 597	–		968 597
Derivative financial instruments	839 544	362 058		1 201 602
Securities arising from trading activities	519 324	876 442		1 395 766
Investment portfolio	–	911 480	1	911 480
Loans and advances to customers	22 552 401	(201 173)	2	22 351 228
Own originated loans and advances to customers securitised	446 004	(332)	2	445 672
Other loans and advances	374 951	(7 550)	2	367 401
Other securitised assets	8 303	145 483	3	153 786
Interest in associated undertakings	–	371 294	1	371 294
Deferred taxation assets	–	123 435		123 435
Other assets	211 788	1 804 269	4	2 016 057
Property and equipment	–	100 910		100 910
Investment properties	–	1 063 771		1 063 771
Goodwill	–	366 969		366 969
Intangible assets	–	132 692		132 692
Non-current assets (or disposal groups) classified as held for sale	–	–		–
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	–	7 705 206		7 705 206
Total on-balance sheet exposures	**38 061 375**	**13 756 752**		**51 181 127**

1. *Largely relates to exposures that are classified as investment risk in the banking book. Further information is provided on pages 146 to 148.*
2. *Largely relates to impairments.*
3. *While 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.*

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 reference	Total balance sheet
At 31 March 2017				
Cash and balances at central banks	3 348 778	2 924		3 351 702
Loans and advances to banks	3 191 041	–		3 191 041
Non-sovereign and non-bank cash placements	536 259	–		536 259
Reverse repurchase agreements and cash collateral on securities borrowed	2 358 970	–		2 358 970
Sovereign debt securities	3 804 627	–		3 804 627
Bank debt securities	639 189	–		639 189
Other debt securities	1 115 558	–		1 115 558
Derivative financial instruments	933 881	251 967		1 185 848
Securities arising from trading activities	359 324	1 017 344		1 376 668
Investment portfolio	–	835 899	1	835 899
Loans and advances to customers	22 388 641	(198 666)	2	22 189 975
Own originated loans and advances to customers securitised	517 524	(362)	2	517 162
Other loans and advances	363 087	(7 839)	2	355 248
Other securitised assets	12 851	136 113	3	148 964
Interest in associated undertakings	–	392 213	1	392 213
Deferred taxation assets	–	133 972		133 972
Other assets	214 277	1 686 203	4	1 900 480
Property and equipment	–	105 939		105 939
Investment properties	–	1 128 930		1 128 930
Goodwill	–	367 579		367 579
Intangible assets	–	143 261		143 261
Non-current assets (or disposal groups) classified as held for sale	–	27 218	1	27 218
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	–	7 728 130		7 728 130
Total on-balance sheet exposures	**39 784 007**	**13 750 825**		**53 534 832**

1. *Largely relates to exposures that are classified as investment risk in the banking book. Further information is provided on pages 146 to 148.*
2. *Largely relates to impairments.*
3. *While 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.*

Gross credit and counterparty exposures by residual contractual maturity at 30 September 2017

£'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	3 354 461	–	–	–	–	–	3 354 461
Loans and advances to banks	2 228 657	29 854	27 253	22 854	–	–	2 308 618
Non-sovereign and non-bank cash placements	574 521	–	–	–	–	–	574 521
Reverse repurchase agreements and cash collateral on securities borrowed	1 363 458	3 640	110 329	165 410	47 199	–	1 690 036
Sovereign debt securities	1 193 981	920 191	433 509	398 695	214 881	447 059	3 608 316
Bank debt securities	32	31 797	25 043	394 483	130 637	22 519	604 511
Other debt securities	25 805	11 582	19 423	371 650	282 475	257 662	968 597
Derivative financial instruments	174 322	54 353	104 248	313 587	44 409	148 625	839 544
Securities arising from trading activities	13 836	245	10 038	120 055	130 507	244 643	519 324
Loans and advances to customers (gross)	2 929 874	1 382 988	2 167 943	11 383 276	2 908 625	1 779 695	22 552 401
Own originated loans and advances to customers securitised (gross)	–	–	345	1 673	30 170	413 816	446 004
Other loans and advances (gross)	4 375	123	573	30 150	97 338	242 392	374 951
Other securitised assets (gross)	–	–	–	–	–	8 303	8 303
Other assets	211 788	–	–	–	–	–	211 788
Total on-balance sheet exposures	**12 075 110**	**2 434 773**	**2 898 704**	**13 201 833**	**3 886 241**	**3 564 714**	**38 061 375**
Guarantees^	263 734	54 414	49 907	284 021	18 162	17 085	687 323
Contingent liabilities, committed facilities and other	978 257	159 664	262 138	1 584 730	292 325	1 029 149	4 306 263
Total off-balance sheet exposures	**1 241 991**	**214 078**	**312 045**	**1 868 751**	**310 487**	**1 046 234**	**4 993 586**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**13 317 101**	**2 648 851**	**3 210 749**	**15 070 584**	**4 196 728**	**4 610 948**	**43 054 961**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the group.*

Detailed analysis of gross credit and counterparty exposures by industry at 30 September 2017

£'000	High net worth and other 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	–	–	–	–	3 354 461	–	–
Loans and advances to banks	–	–	–	–	–	–	2 308 618
Non-sovereign and non-bank cash placements	–	–	6 528	–	929	18 607	143 935
Reverse repurchase agreements and cash collateral on securities borrowed	36 447	–	–	–	–	7 836	1 595 133
Sovereign debt securities	–	–	–	–	3 608 316	–	–
Bank debt securities	–	–	–	–	–	–	604 511
Other debt securities	–	–	–	45 148	84 307	502	284 032
Derivative financial instruments	1 700	–	1 459	95 017	–	30 103	519 773
Securities arising from trading activities	–	–	–	12 694	293 958	–	193 020
Loans and advances to customers (gross)	8 230 631	4 327 432	144 669	736 736	491 300	1 221 728	2 482 638
Own originated loans and advances to customers securitised (gross)	446 004	–	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	120 926
Other securitised assets (gross)	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	5 297	63 865
Total on-balance sheet exposures	**8 714 782**	**4 327 432**	**152 656**	**889 595**	**7 833 271**	**1 284 073**	**8 316 451**
Guarantees^	212 142	63 984	2 919	53 912	7 488	26 012	93 249
Contingent liabilities, committed facilities and other	2 028 593	532 263	39 286	295 348	73 423	73 491	459 812
Total off-balance sheet exposures	**2 240 735**	**596 247**	**42 205**	**349 260**	**80 911**	**99 503**	**553 061**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**10 955 517**	**4 923 679**	**194 861**	**1 238 855**	**7 914 182**	**1 383 576**	**8 869 512**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the group.*

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
–	–	–	–	–	–	–	–	–	3 354 461
–	–	–	–	–	–	–	–	–	2 308 618
81 726	182 540	20 875	5 907	–	3 313	1 671	26 227	82 263	574 521
–	48 918	–	–	–	–	–	–	1 702	1 690 036
–	–	–	–	–	–	–	–	–	3 608 316
–	–	–	–	–	–	–	–	–	604 511
321	162 379	–	43 979	47 712	158 859	2 777	37 308	101 273	968 597
34 741	40 406	592	36 284	–	25 622	12 342	39 279	2 226	839 544
3 402	1 660	–	–	–	–	2 881	–	11 709	519 324
575 222	1 273 673	288 380	440 078	–	317 107	354 234	1 239 482	429 091	22 552 401
–	–	–	–	–	–	–	–	–	446 004
–	–	–	44	253 981	–	–	–	–	374 951
–	–	–	–	8 303	–	–	–	–	8 303
108 272	16 209	14 586	–	–	–	2 371	44	1 144	211 788
803 684	**1 725 785**	**324 433**	**526 292**	**309 996**	**504 901**	**376 276**	**1 342 340**	**629 408**	**38 061 375**
55 242	63 802	4 966	19 051	–	67 357	7 807	990	8 402	687 323
143 613	73 367	19 425	12 246	–	297 152	39 530	104 224	114 490	4 306 263
198 855	**137 169**	**24 391**	**31 297**	**–**	**364 509**	**47 337**	**105 214**	**122 892**	**4 993 586**
1 002 539	**1 862 954**	**348 824**	**557 589**	**309 996**	**869 410**	**423 613**	**1 447 554**	**752 300**	**43 054 961**

Detailed analysis of gross credit and counterparty exposures by industry at 31 March 2017

£'000	High net worth and other 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	–	–	–	–	3 348 778	–	–
Loans and advances to banks	–	–	–	–	–	–	3 191 041
Non-sovereign and non-bank cash placements	10	–	33	–	4 011	37 874	126 993
Reverse repurchase agreements and cash collateral on securities borrowed	34 965	–	–	–	–	9 790	2 264 943
Sovereign debt securities	–	–	–	–	3 804 627	–	–
Bank debt securities	–	–	–	–	–	–	639 189
Other debt securities (gross)	–	–	–	48 297	107 204	551	322 303
Derivative financial instruments	13 638	–	439	100 925	18	19 246	661 652
Securities arising from trading activities	–	–	–	26 364	151 477	–	154 677
Loans and advances to customers (gross)	8 111 205	4 381 588	178 181	806 932	501 071	939 860	2 373 580
Own originated loans and advances to customers securitised (gross)	517 524	–	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	118 507
Other securitised assets (gross)	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	3 676	87 820
Total on-balance sheet exposures	**8 677 342**	**4 381 588**	**178 653**	**982 518**	**7 917 186**	**1 010 997**	**9 940 705**
Guarantees^	225 219	65 961	10 674	38 656	103 973	41 060	224 730
Contingent liabilities, committed facilities and other	2 017 395	589 798	17 922	538 565	77 230	95 568	452 205
Total off-balance sheet exposures	**2 242 614**	**655 759**	**28 596**	**577 221**	**181 203**	**136 628**	**676 935**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**10 919 956**	**5 037 347**	**207 249**	**1 559 739**	**8 098 389**	**1 147 625**	**10 617 640**

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the group.*

	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
	–	–	–	–	–	–	–	–	–	3 348 778
	–	–	–	–	–	–	–	–	–	3 191 041
	93 070	149 321	14 730	11 991	–	45 205	–	32 962	20 059	536 259
	–	46 832	–	–	–	–	–	–	2 440	2 358 970
	–	–	–	–	–	–	–	–	–	3 804 627
	–	–	–	–	–	–	–	–	–	639 189
	195	137 851	–	42 247	74 338	184 769	2 775	43 434	151 594	1 115 558
	23 646	53 399	704	21 618	–	15 412	6 821	12 585	3 778	933 881
	2 313	1 771	–	–	2 892	–	1 958	3 037	14 835	359 324
	582 349	1 327 533	288 548	444 365	–	314 266	381 762	1 228 453	528 948	22 388 641
	–	–	–	–	–	–	–	–	–	517 524
	–	–	–	48	244 532	–	–	–	–	363 087
	–	–	–	–	12 851	–	–	–	–	12 851
	87 658	16 305	15 968	–	–	–	2 363	9	478	214 277
	789 231	**1 733 012**	**319 950**	**520 269**	**334 613**	**559 652**	**395 679**	**1 320 480**	**722 132**	**39 784 007**
	59 008	58 763	5 598	5 134	–	110 676	7 454	3 815	5 818	966 539
	195 699	116 151	32 105	24 343	–	309 786	24 046	118 571	42 349	4 651 733
	254 707	**174 914**	**37 703**	**29 477**	**–**	**420 462**	**31 500**	**122 386**	**48 167**	**5 618 272**
	1 043 938	**1 907 926**	**357 653**	**549 746**	**334 613**	**980 114**	**427 179**	**1 442 866**	**770 299**	**45 402 279**

Private client loans account for 56.5% of total gross core loans and advances, as represented by the industry classification 'high net worth and professional individuals and lending collateralised by property'

Summary analysis of gross credit and counterparty exposures by industry

The remainder of core loans and advances largely relate to corporate client lending and are well diversified across various industry classifications.

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, diversified across several industries.

	Gross core loans and advances		Other credit and counterparty exposures		Total	
£'000	**30 Sept 2017**	**31 March 2017**	**30 Sept 2017**	**31 March 2017**	**30 Sept 2017**	**31 March 2017**
High net worth and professional individuals	8 676 635	8 628 729	2 278 882	2 291 227	10 955 517	10 919 956
Lending collateralised by property – largely to private clients	4 327 432	4 381 588	596 247	655 759	4 923 679	5 037 347
Agriculture	144 669	178 181	50 192	29 068	194 861	207 249
Electricity, gas and water (utility services)	736 736	806 932	502 119	752 807	1 238 855	1 559 739
Public and non-business services	491 300	501 071	7 422 882	7 597 318	7 914 182	8 098 389
Business services	1 221 728	939 860	161 848	207 765	1 383 576	1 147 625
Finance and insurance	2 482 638	2 373 580	6 386 874	8 244 060	8 869 512	10 617 640
Retailers and wholesalers	575 222	582 349	427 317	461 589	1 002 539	1 043 938
Manufacturing and commerce	1 273 673	1 327 533	589 281	580 393	1 862 954	1 907 926
Construction	288 380	288 548	60 444	69 105	348 824	357 653
Corporate commercial real estate	440 078	444 365	117 511	105 381	557 589	549 746
Other residential mortgages	–	–	309 996	334 613	309 996	334 613
Mining and resources	317 107	314 266	552 303	665 848	869 410	980 114
Leisure, entertainment and tourism	354 234	381 762	69 379	45 417	423 613	427 179
Transport	1 239 482	1 228 453	208 072	214 413	1 447 554	1 442 866
Communication	429 091	528 948	323 209	241 351	752 300	770 299
Total	**22 998 405**	**22 906 165**	**20 056 556**	**22 496 114**	**43 054 961**	**45 402 279**

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

Core loans and advances comprise:

£'000	30 Sept 2017	31 March 2017
Loans and advances to customers as per the balance sheet	22 351 228	22 189 975
Add: own originated loans and advances securitised as per the balance sheet	445 672	517 162
Net core loans and advances to customers	**22 796 900**	**22 707 137**

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

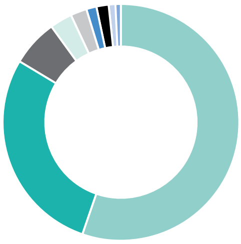
£'000	30 Sept 2017	31 March 2017
Gross core loans and advances to customers	**22 998 405**	**22 906 165**
Total impairments	**(201 505)**	**(199 028)**
Specific impairments	(122 383)	(136 177)
Portfolio impairments	(79 122)	(62 851)
Net core loans and advances to customers	**22 796 900**	**22 707 137**
Average gross core loans and advances to customers	**22 952 285**	**20 605 765**
Current loans and advances to customers	22 388 450	22 304 938
Past due loans and advances to customers (1 – 60 days)	120 078	88 167
Special mention loans and advances to customers	57 787	37 080
Default loans and advances to customers	432 090	475 980
Gross core loans and advances to customers	**22 998 405**	**22 906 165**
Current loans and advances to customers	22 388 450	22 304 938
Default loans that are current and not impaired	20 398	14 836
Gross core loans and advances to customers that are past due but not impaired	263 426	221 041
Gross core loans and advances to customers that are impaired	326 131	365 350
Gross core loans and advances to customers	**22 998 405**	**22 906 165**
Total income statement charge for impairments on core loans and advances	**(59 378)**	**(111 575)**
Gross default loans and advances to customers	432 090	475 980
Specific impairments	(122 383)	(136 177)
Portfolio impairments	(79 122)	(62 851)
Defaults net of impairments	**230 585**	**276 952**
Aggregate collateral and other credit enhancements on defaults	416 481	451 817
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios		
Total impairments as a % of gross core loans and advances to customers	0.88%	0.87%
Total impairments as a % of gross default loans	46.63%	41.81%
Gross defaults as a % of gross core loans and advances to customers	1.88%	2.08%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.01%	1.22%
Net defaults as a % of net core loans and advances to customers	–	–
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.52%	0.54%

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

£'000	UK and Other 30 Sept 2017	UK and Other 31 March 2017	Southern Africa 30 Sept 2017	Southern Africa 31 March 2017	Total group 30 Sept 2017	Total group 31 March 2017
Gross core loans and advances to customers	**9 033 858**	**8 747 618**	**13 964 547**	**14 158 547**	**22 998 405**	**22 906 165**
Total impairments	**(134 154)**	**(126 876)**	**(67 351)**	**(72 152)**	**(201 505)**	**(199 028)**
Specific impairments	(81 490)	(83 488)	(40 893)	(52 689)	(122 383)	(136 177)
Portfolio impairments	(52 664)	(43 388)	(26 458)	(19 463)	(79 122)	(62 851)
Net core loans and advances to customers	**8 899 704**	**8 620 742**	**13 897 196**	**14 086 395**	**22 796 900**	**22 707 137**
% of total of net core loans and advances to customers	39.0%	38.0%	61.0%	62.0%	100.0%	100.0%
% change of net core loans and advances to customers since March 2017	3.2%		(1.3%)*		0.4%	
Average gross core loans and advances to customers	**8 890 738**	**8 347 205**	**14 061 547**	**12 258 560**	**22 952 285**	**20 605 765**
Current loans and advances to customers	8 690 355	8 416 683	13 698 095	13 888 255	22 388 450	22 304 938
Past due loans and advances to customers (1 – 60 days)	45 752	48 003	74 326	40 164	120 078	88 167
Special mention loans and advances to customers	35 192	22 585	22 595	14 495	57 787	37 080
Default loans and advances to customers	262 559	260 347	169 531	215 633	432 090	475 980
Gross core loans and advances to customers	**9 033 858**	**8 747 618**	**13 964 547**	**14 158 547**	**22 988 405**	**22 906 165**
Current loans and advances to customers	8 690 355	8 416 683	13 698 095	13 888 255	22 388 450	22 304 938
Default loans that are current and not impaired	5 121	6 993	15 277	7 843	20 398	14 836
Gross core loans and advances to customers that are past due but not impaired	115 283	105 645	148 143	115 396	263 426	221 041
Gross core loans and advances to customers that are impaired	223 099	218 297	103 032	147 053	326 131	365 350
Gross core loans and advances to customers	**9 033 858**	**8 747 618**	**13 964 547**	**14 158 547**	**22 998 405**	**22 906 165**
Total income statement charge for impairments on core loans and advances	**(37 457)**	**(74 995)**	**(21 921)**	**(36 580)**	**(59 378)**	**(111 575)**
Gross default loans and advances to customers	262 559	260 347	169 531	215 633	432 090	475 980
Specific impairments	(81 490)	(83 488)	(40 893)	(52 689)	(122 383)	(136 177)
Portfolio impairments	(52 664)	(43 388)	(26 458)	(19 463)	(79 122)	(62 851)
Defaults net of impairments	**128 405**	**133 471**	**102 180**	**143 481**	**230 585**	**276 952**
Collateral and other credit enhancements	192 934	192 760	223 547	259 057	416 481	451 817
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**
Ratios						
Total impairments as a % of gross core loans and advances to customers	1.49%	1.45%	0.48%	0.51%	0.88%	0.87%
Total impairments as a % of gross default loans	51.09%	48.73%	39.73%	33.46%	46.63%	41.81%
Gross defaults as a % of gross core loans and advances to customers	2.91%	2.98%	1.21%	1.52%	1.88%	2.08%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.44%	1.55%	0.74%	1.02%	1.01%	1.22%
Net defaults as a % of net core loans and advances to customers	–	–	–	–	–	–
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.84%	0.90%	0.30%	0.29%	0.52%	0.54%

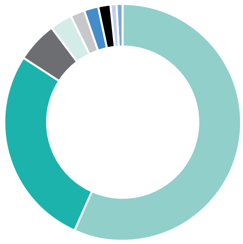
* *Impacted by the depreciation of the Rand since 31 March 2017. The South African loan portfolio grew by 6.5% in Rands.*

An analysis of gross core loans and advances to customers by country of exposure



30 Sept 2017
£22 998 million

South Africa	55.4%
United Kingdom	28.4%
Europe (excluding UK)	6.4%
North America	3.0%
Australia	2.1%
Africa (excluding RSA)	1.6%
Asia	1.6%
Other	0.9%
Europe (Non-EU)	0.6%



31 March 2017
£22 906 million

South Africa	56.9%
United Kingdom	27.5%
Europe (excluding UK)	5.5%
North America	3.1%
Australia	1.9%
Africa (excluding RSA)	1.8%
Asia	1.7%
Other	0.8%
Europe (Non-EU)	0.8%

An age analysis of past due and default core loans and advances to customers

£'000	30 Sept 2017	31 March 2017
Default loans that are current	118 849	142 810
1 – 60 days	205 463	194 221
61 – 90 days	15 528	15 097
91 – 180 days	41 322	92 027
181 – 365 days	108 163	58 985
> 365 days	120 630	98 087
Past due and default core loans and advances to customers (actual capital exposure)	**609 955**	**601 227**
1 – 60 days	19 882	17 036
61 – 90 days	4 547	1 520
91 – 180 days	20 025	7 318
181 – 365 days	11 987	35 934
> 365 days	92 673	68 437
Past due and default core loans and advances to customers (actual amount in arrears)	**149 114**	**130 245**

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 30 September 2017							
Watchlist loans neither past due nor impaired							
Total capital exposure	20 398	–	–	–	–	–	20 398
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	182 595	11 597	23 884	12 462	32 888	263 426
Amount in arrears	–	12 400	1 854	13 554	2 081	30 012	59 901
Gross core loans and advances to customers that are impaired							
Total capital exposure	98 451	22 868	3 931	17 438	95 701	87 742	326 131
Amount in arrears	–	7 482	2 693	6 471	9 906	62 661	89 213
At 31 March 2017							
Watchlist loans neither past due nor impaired							
Total capital exposure	14 836	–	–	–	–	–	14 836
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	156 577	13 207	8 623	28 781	13 853	221 041
Amount in arrears	–	13 969	1 204	2 034	26 529	11 594	55 330
Gross core loans and advances to customers that are impaired							
Total capital exposure	127 974	37 644	1 890	83 404	30 204	84 234	365 350
Amount in arrears	–	3 067	316	5 284	9 405	56 843	74 915

An age analysis of past due and default core loans and advances to customers at 30 September 2017 (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)	**–**	**120 078**	**–**	**–**	**–**	**–**	**120 078**
Special mention	**–**	**47 723**	**10 064**	**–**	**–**	**–**	**57 787**
Special mention (1 – 90 days)	–	47 723	1 580	–	–	–	49 303
Special mention (61 – 90 days and item well secured)	–	–	8 484	–	–	–	8 484
Default	**118 849**	**37 662**	**5 464**	**41 322**	**108 163**	**120 630**	**432 090**
Sub-standard	65 106	18 133	4 020	23 884	70 028	75 070	256 241
Doubtful	53 743	19 529	1 444	15 721	36 988	41 872	169 297
Loss	–	–	–	1 717	1 147	3 688	6 552
Total	**118 849**	**205 463**	**15 528**	**41 322**	**108 163**	**120 630**	**609 955**

An age analysis of past due and default core loans and advances to customers at 30 September 2017 (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)	**–**	**7 681**	**–**	**–**	**–**	**–**	**7 681**
Special mention	**–**	**3 925**	**1 628**	**–**	**–**	**–**	**5 553**
Special mention (1 – 90 days)	–	3 925	999	–	–	–	4 924
Special mention (61 – 90 days and item well secured)	–	–	629	–	–	–	629
Default	**–**	**8 276**	**2 919**	**20 025**	**11 987**	**92 673**	**135 880**
Sub-standard	–	795	2 714	13 555	3 566	67 555	88 185
Doubtful	–	7 481	205	4 758	7 286	21 430	41 160
Loss	–	–	–	1 712	1 135	3 688	6 535
Total	**–**	**19 882**	**4 547**	**20 025**	**11 987**	**92 673**	**149 114**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (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)	**–**	**88 167**	**–**	**–**	**–**	**–**	**88 167**
Special mention	**–**	**29 017**	**7 831**	**50**	**23**	**159**	**37 080**
Special mention (1 – 90 days)	–	29 017	51	50*	23*	159*	29 300
Special mention (61 – 90 days and item well secured)	–	–	7 780	–	–	–	7 780
Default	**142 810**	**77 037**	**7 266**	**91 977**	**58 962**	**97 928**	**475 980**
Sub-standard	47 404	45 097	5 377	56 142	39 276	55 888	249 184
Doubtful	94 868	31 927	1 886	34 291	18 788	34 198	215 958
Loss	538	13	3	1 544	898	7 842	10 838
Total	**142 810**	**194 221**	**15 097**	**92 027**	**58 985**	**98 087**	**601 227**

An age analysis of past due and default core loans and advances to customers at 31 March 2017 (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)	**–**	**9 417**	**–**	**–**	**–**	**–**	**9 417**
Special mention	**–**	**472**	**885**	**3**	**16**	**21**	**1 397**
Special mention (1 – 90 days)	–	472	2	3*	16*	21*	514
Special mention (61 – 90 days and item well secured)	–	–	883	–	–	–	883
Default	**–**	**7 147**	**635**	**7 315**	**35 918**	**68 416**	**119 431**
Sub-standard	–	4 088	319	2 663	30 053	48 484	85 607
Doubtful	–	3 048	313	3 118	4 967	12 102	23 548
Loss	–	11	3	1 534	898	7 830	10 276
Total	**–**	**17 036**	**1 520**	**7 318**	**35 934**	**68 437**	**130 245**

* *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.*

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 30 September 2017								
Current core loans and advances	**22 388 450**	**–**	**–**	**22 388 450**	**–**	**(78 517)**	**22 309 933**	**–**
Past due (1 – 60 days)	**–**	**120 078**	**–**	**120 078**	**–**	**(317)**	**119 761**	**7 681**
Special mention	**–**	**57 787**	**–**	**57 787**	**–**	**(91)**	**57 696**	**5 553**
Special mention (1 – 90 days)	–	49 303	–	49 303	–	(69)	49 234	4 924
Special mention (61 – 90 days and item well secured)	–	8 484	–	8 484	–	(22)	8 462	629
Default	**20 398**	**85 561**	**326 131**	**432 090**	**(122 383)**	**(197)**	**309 510**	**135 880**
Sub-standard	20 398	85 561	150 282	256 241	(41 866)	(197)	214 178	88 185
Doubtful	–	–	169 297	169 297	(75 085)	–	94 212	41 160
Loss	–	–	6 552	6 552	(5 432)	–	1 120	6 535
Total	**22 408 848**	**263 426**	**326 131**	**22 998 405**	**(122 383)**	**(79 122)**	**22 796 900**	**149 114**
At 31 March 2017								
Current core loans and advances	**22 304 938**	**–**	**–**	**22 304 938**	**–**	**(62 419)**	**22 242 519**	**–**
Past due (1 – 60 days)	**–**	**88 167**	**–**	**88 167**	**–**	**(132)**	**88 035**	**9 417**
Special mention	**–**	**37 080**	**–**	**37 080**	**–**	**(91)**	**36 989**	**1 397**
Special mention (1 – 90 days)	–	29 300	–	29 300	–	(68)	29 232	514
Special mention (61 – 90 days and item well secured)	–	7 780	–	7 780	–	(23)	7 757	883
Default	**14 836**	**95 794**	**365 350**	**475 980**	**(136 177)**	**(209)**	**339 594**	**119 431**
Sub-standard	14 836	95 794	138 554	249 184	(38 237)	(209)	210 738	85 607
Doubtful	–	–	215 958	215 958	(90 119)	–	125 839	23 548
Loss	–	–	10 838	10 838	(7 821)	–	3 017	10 276
Total	**22 319 774**	**221 041**	**365 350**	**22 906 165**	**(136 177)**	**(62 851)**	**22 707 137**	**130 245**

An analysis of core loans and advances to customers and impairments by counterparty type

£'000	Private client professional and high net worth 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 30 September 2017						
Current core loans and advances	**12 525 094**	**6 519 757**	**2 478 868**	**481 789**	**382 942**	**22 388 450**
Past due (1 – 60 days)	**60 717**	**54 458**	**870**	**1 120**	**2 913**	**120 078**
Special mention	**42 291**	**15 228**	**–**	**59**	**209**	**57 787**
Special mention (1 – 90 days)	34 195	14 899	–	–	209	49 303
Special mention (61 – 90 days and item well secured)	8 096	329	–	59	–	8 484
Default	**375 965**	**32 059**	**2 900**	**8 332**	**12 834**	**432 090**
Sub-standard	240 926	12 341	2 744	230	–	256 241
Doubtful	132 556	15 992	111	7 804	12 834	169 297
Loss	2 483	3 726	45	298	–	6 552
Total gross core loans and advances to customers	**13 004 067**	**6 621 502**	**2 482 638**	**491 300**	**398 898**	**22 998 405**
Total impairments	**(152 545)**	**(34 948)**	**(1 008)**	**(3 953)**	**(9 051)**	**(201 505)**
Specific impairments	(99 937)	(9 539)	(105)	(3 751)	(9 051)	(122 383)
Portfolio impairments	(52 608)	(25 409)	(903)	(202)	–	(79 122)
Net core loans and advances to customers	**12 851 522**	**6 586 554**	**2 481 630**	**487 347**	**389 847**	**22 796 900**
At 31 March 2017						
Current core loans and advances	**12 504 888**	**6 577 096**	**2 371 037**	**491 441**	**360 476**	**22 304 938**
Past due (1 – 60 days)	**77 919**	**5 625**	**211**	**636**	**3 776**	**88 167**
Special mention	**31 558**	**5 123**	**3**	**69**	**327**	**37 080**
Special mention (1 – 90 days)	24 579	4 721	–	–	–	29 300
Special mention (61 – 90 days and item well secured)	6 979	402	3	69	327	7 780
Default	**395 952**	**58 290**	**2 329**	**8 925**	**10 484**	**475 980**
Sub-standard	235 645	11 080	2 172	192	95	249 184
Doubtful	153 199	43 946	119	8 305	10 389	215 958
Loss	7 108	3 264	38	428	–	10 838
Total gross core loans and advances to customers	**13 010 317**	**6 646 134**	**2 373 580**	**501 071**	**375 063**	**22 906 165**
Total impairments	**(142 841)**	**(41 943)**	**(1 168)**	**(4 277)**	**(8 799)**	**(199 028)**
Specific impairments	(98 216)	(24 935)	(99)	(4 128)	(8 799)	(136 177)
Portfolio impairments	(44 625)	(17 008)	(1 069)	(149)	–	(62 851)
Net core loans and advances to customers	**12 867 476**	**6 604 191**	**2 372 412**	**496 794**	**366 264**	**22 707 137**

An analysis of core loans and advances by risk category at 30 September 2017

	UK and Other					Southern Africa				
£'000	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^
Lending collateralised by property	**1 996 948**	**226 975**	**162 518**	**(67 975)**	**(24 504)**	**2 330 484**	**56 202**	**60 884**	**(20 129)**	**(8 763)**
Commercial real estate	**1 168 660**	**73 303**	**47 761**	**(26 299)**	**(8 298)**	**2 096 489**	**39 410**	**48 877**	**(11 630)**	**(3 605)**
Commercial real estate – investment	1 020 394	42 381	28 029	(14 641)	(7 911)	1 872 107	35 547	45 795	(9 763)	(1 844)
Commercial real estate – development	86 866	–	–	–	–	175 427	450	593	–	(105)
Commercial vacant land and planning	61 400	30 922	19 732	(11 658)	(387)	48 955	3 413	2 489	(1 867)	(1 656)
Residential real estate	**828 288**	**153 672**	**114 757**	**(41 676)**	**(16 206)**	**233 995**	**16 792**	**12 007**	**(8 499)**	**(5 158)**
Residential real estate – investment	265 605	67 896	55 469	(13 513)	(11 867)	–	–	–	–	–
Residential real estate – development	492 826	66 689	46 475	(20 331)	(3 266)	196 424	15 297	11 290	(7 308)	(5 456)
Residential vacant land and planning	69 857	19 087	12 813	(7 832)	(1 073)	37 571	1 495	717	(1 191)	298
High net worth and other private client lending	**1 659 466**	**18 209**	**18 785**	**(5 732)**	**373**	**7 017 169**	**74 579**	**110 200**	**(6 101)**	**1 621**
Mortgages	1 304 424	8 680	11 785	(1 367)	(130)	3 565 767	42 598	59 066	(3 555)	(847)
High net worth and specialised lending	355 042	9 529	7 000	(4 365)	503	3 451 402	31 981	51 134	(2 546)	2 468
Corporate and other lending	**5 377 444**	**17 375**	**11 631**	**(7 783)**	**(3 319)**	**4 616 894**	**38 750**	**52 463**	**(14 663)**	**(5 728)**
Corporate and acquisition finance	1 342 433	–	–	–	15	798 328	13 692	15 093	(1 620)	(4 317)
Asset-based lending	360 715	–	–	–	–	372 812	12 834	17 001	(9 051)	(1 385)
Fund finance	967 981	–	–	–	–	289 178	–	–	–	(342)
Other corporates and financial institutions and governments	680 724	–	–	–	–	2 526 684	10 765	18 401	(3 992)	312
Asset finance	1 591 179	13 395	7 924	(7 510)	(3 245)	196 993	1 459	1 968	–	(7)
Small ticket asset finance	1 182 525	13 395	5 886	(7 510)	(3 245)	138 914	–	–	–	–
Large ticket asset finance	408 654	–	2 038	–	–	58 079	1 459	1 968	–	(7)
Project finance	424 791	3 980	3 707	(273)	(89)	383 275	–	–	–	(87)
Resource finance	9 621	–	–	–	–	49 624	–	–	–	98
Portfolio impairments	**–**	**–**	**–**	**(52 664)**	**(10 007)**	**–**	**–**	**–**	**(26 458)**	**(9 051)**
Total	**9 033 858**	**262 559**	**192 934**	**(134 154)**	**(37 457)**	**13 964 547**	**169 531**	**223 547**	**(67 351)**	**(21 921)**

^ *Where a positive number represents a recovery or provision released.*

	Total group				
	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impair-ments	Income statement impair-ments^
	4 327 432	**283 177**	**223 402**	**(88 104)**	**(33 267)**
	3 265 149	**112 713**	**96 638**	**(37 929)**	**(11 903)**
	2 892 501	77 928	73 824	(24 404)	(9 755)
	262 293	450	593	–	(105)
	110 355	34 335	22 221	(13 525)	(2 043)
	1 062 283	**170 464**	**126 764**	**(50 175)**	**(21 364)**
	265 605	67 896	55 469	(13 513)	(11 867)
	689 250	81 986	57 765	(27 639)	(8 722)
	107 428	20 582	13 530	(9 023)	(775)
	8 676 635	**92 788**	**128 985**	**(11 833)**	**1 994**
	4 870 191	51 278	70 851	(4 922)	(977)
	3 806 444	41 510	58 134	(6 911)	2 971
	9 994 338	**56 125**	**64 094**	**(22 446)**	**(9 047)**
	2 140 761	13 692	15 093	(1 620)	(4 302)
	733 527	12 834	17 001	(9 051)	(1 385)
	1 257 159	–	–	–	(342)
	3 207 408	10 765	18 401	(3 992)	312
	1 788 172	14 854	9 892	(7 510)	(3 252)
	1 321 439	13 395	5 886	(7 510)	(3 245)
	466 733	1 459	4 006	–	(7)
	808 066	3 980	3 707	(273)	(176)
	59 245	–	–	–	98
	–	**–**	**–**	**(79 122)**	**(19 058)**
	22 998 405	**432 090**	**416 481**	**(201 505)**	**(59 378)**

An analysis of default core loans and advances as at 31 March 2017

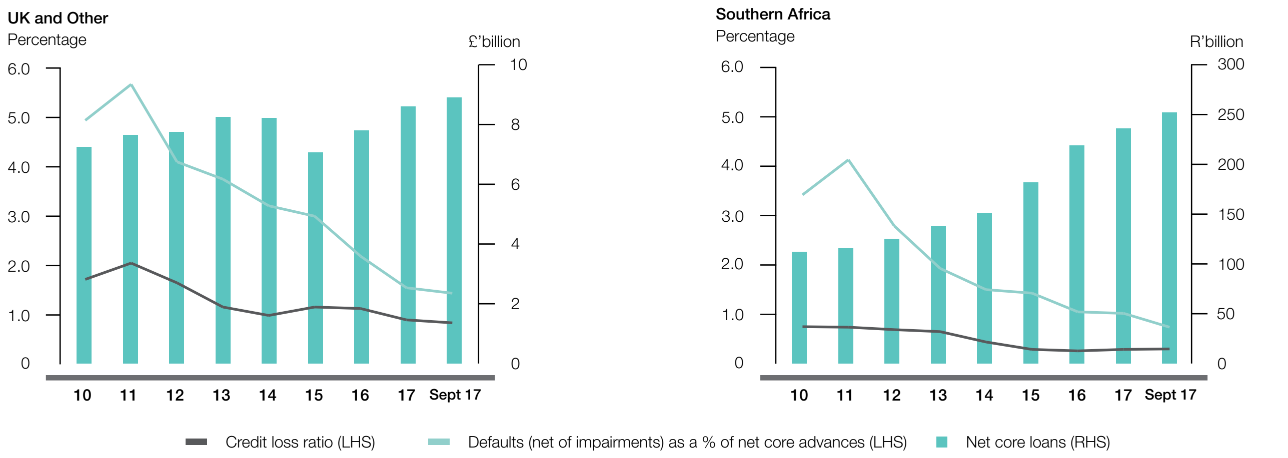
	UK and Other					Southern Africa				
£'000	**Gross core loans**	**Gross defaults**	**Aggregate collateral and other credit enhancements on defaults**	**Balance sheet impairments**	**Income statement impairments^**	**Gross core loans**	**Gross defaults**	**Aggregate collateral and other credit enhancements on defaults**	**Balance sheet impairments**	**Income statement impairments^**
Lending collateralised by property	**1 963 754**	**227 515**	**167 972**	**(70 633)**	**(45 114)**	**2 418 834**	**59 059**	**69 096**	**(12 727)**	**(5 215)**
Commercial real estate	**1 190 836**	**80 987**	**48 998**	**(31 989)**	**(21 748)**	**2 178 087**	**36 678**	**46 588**	**(8 999)**	**(2 947)**
Commercial real estate – investment	934 117	40 120	30 773	(9 347)	(12 373)	2 006 842	32 563	38 961	(7 943)	(4 173)
Commercial real estate – development	149 188	4 768	1 680	(3 088)	–	111 401	26	36	–	651
Commercial vacant land and planning	107 531	36 099	16 545	(19 554)	(9 375)	59 844	4 089	7 591	(1 056)	575
Residential real estate	**772 918**	**146 528**	**118 974**	**(38 644)**	**(23 366)**	**239 747**	**22 381**	**22 508**	**(3 728)**	**(2 268)**
Residential real estate – investment	262 844	46 841	43 018	(9 222)	(11 126)	–	–	–	–	–
Residential real estate – development	458 441	77 250	61 727	(19 754)	(10 615)	158 677	18 504	18 684	(2 501)	(2 375)
Residential vacant land and planning	51 633	22 437	14 229	(9 668)	(1 625)	81 070	3 877	3 824	(1 227)	107
High net worth and other private client lending	**1 598 801**	**18 458**	**17 139**	**(6 130)**	**(1 928)**	**7 029 928**	**90 920**	**133 041**	**(8 726)**	**(15 938)**
Mortgages	1 228 877	4 906	6 957	(1 237)	(637)	3 660 780	43 244	59 486	(3 575)	(1 330)
High net worth and specialised lending	369 924	13 552	10 182	(4 893)	(1 291)	3 369 148	47 676	73 555	(5 151)	(14 608)
Corporate and other lending	**5 185 063**	**14 374**	**7 649**	**(6 725)**	**(5 965)**	**4 710 785**	**65 654**	**56 920**	**(31 236)**	**(10 219)**
Corporate and acquisition finance	1 309 335	–	–	–	(1 951)	796 403	34 719	31 861	(7 866)	(3 084)
Asset-based lending	333 731	–	–	–	–	353 956	10 485	16 991	(8 799)	(2 294)
Fund finance	861 140	–	–	–	–	330 847	–	–	–	234
Other corporates and financial institutions and governments	718 760	–	–	–	–	2 622 977	8 266	8 068	(4 309)	(1 785)
Asset finance	1 488 142	10 483	3 942	(6 541)	(5 630)	160 799	1 536	–	–	(515)
Small ticket asset finance	1 062 069	10 483	3 942	(6 541)	(5 630)	127 724	–	–	–	(515)
Large ticket asset finance	426 073	–	–	–	–	33 075	1 536	–	–	–
Project finance	464 142	3 891	3 707	(184)	(176)	382 436	–	–	–	35
Resource finance	9 813	–	–	–	1 792	63 367	10 648	–	(10 262)	(2 810)
Portfolio impairments	**–**	**–**	**–**	**(43 388)**	**(21 988)**	**–**	**–**	**–**	**(19 463)**	**(5 208)**
Total	**8 747 618**	**260 347**	**192 760**	**(126 876)**	**(74 995)**	**14 158 547**	**215 633**	**259 057**	**(72 152)**	**(36 580)**

^ *Where a positive number represents a recovery or a provision released.*

Total group				
Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
4 381 588	**286 574**	**237 068**	**(83 360)**	**(50 329)**
3 368 923	**117 665**	**95 586**	**(40 988)**	**(24 695)**
2 940 959	72 683	69 734	(17 290)	(16 546)
260 589	4 794	1 716	(3 088)	651
167 375	40 188	24 136	(20 610)	(8 800)
1 012 665	**168 909**	**141 482**	**(42 372)**	**(25 634)**
262 844	46 841	43 018	(9 222)	(11 126)
617 118	95 754	80 411	(22 255)	(12 990)
132 703	26 314	18 053	(10 895)	(1 518)
8 628 729	**109 378**	**150 180**	**(14 856)**	**(17 866)**
4 889 657	48 150	66 443	(4 812)	(1 967)
3 739 072	61 228	83 737	(10 044)	(15 899)
9 895 848	**80 028**	**64 569**	**(37 961)**	**(16 184)**
2 105 738	34 719	31 861	(7 866)	(5 035)
687 687	10 485	16 991	(8 799)	(2 294)
1 191 987	–	–	–	234
3 341 737	8 266	8 068	(4 309)	(1 785)
1 648 941	12 019	3 942	(6 541)	(6 145)
1 189 793	10 483	3 942	(6 541)	(6 145)
459 148	1 536	–	–	–
846 578	3 891	3 707	(184)	(141)
73 180	10 648	–	(10 262)	(1 018)
–	**–**	**–**	**(62 851)**	**(27 196)**
22 906 165	**475 980**	**451 817**	**(199 028)**	**(111 575)**

Additional information

Asset quality trends



Trends in the above graphs are for the year ended 31 March, unless otherwise stated.

Collateral

A summary of total collateral is provided in the table below

£'000	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 30 September 2017			
Eligible financial collateral	**4 847 421**	**1 072 819**	**5 920 240**
Listed shares	4 628 359	416 098	5 044 457
Cash	219 062	145 542	364 604
Debt securities issued by sovereigns	–	511 179	511 179
Property charge	**23 484 151**	**208 301**	**23 692 452**
Residential property	11 767 911	204 148	11 972 059
Residential development	890 881	–	890 881
Commercial property developments	1 011 380	4 153	1 015 533
Commercial property investments	9 813 979	–	9 813 979
Other collateral	**8 628 744**	**372 645**	**9 001 389**
Unlisted shares	1 033 656	1 312	1 034 968
Charges other than property	819 680	324 326	1 144 006
Debtors, stock and other corporate assets	3 622 906	1 325	3 624 231
Guarantees	2 302 130	–	2 302 130
Other	850 372	45 682	896 054
Total collateral	**36 960 316**	**1 653 765**	**38 614 081**
At 31 March 2017			
Eligible financial collateral	**4 572 543**	**2 156 905**	**6 729 448**
Listed shares	4 260 613	1 019 427	5 280 040
Cash	311 930	195 295	507 225
Debt securities issued by sovereigns	–	942 183	942 183
Property charge	**24 747 171**	**237 020**	**24 984 191**
Residential property	12 818 367	228 102	13 046 469
Residential development	961 844	–	961 844
Commercial property developments	1 206 059	8 918	1 214 977
Commercial property investments	9 760 901	–	9 760 901
Other collateral	**8 875 334**	**250 705**	**9 126 039**
Unlisted shares	1 120 814	1 312	1 122 126
Charges other than property	879 959	199 809	1 079 768
Debtors, stock and other corporate assets	3 542 058	–	3 542 058
Guarantees	2 382 407	–	2 382 407
Other	950 096	49 584	999 680
Total collateral	**38 195 048**	**2 644 630**	**40 839 678**

* *A large percentage of these exposures (e.g. bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

Investment risk in the banking book represents a moderate percentage of our total assets and is managed within appropriate risk limits

Investment risk in the banking book

Investment risk description

Investment risk in the banking book arises primarily from the following activities conducted within the group:

- **Principal 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. Investments in listed shares may arise on the IPO of one of our investments. Additionally, listed investments may be considered where we believe that the market is mispricing the value of the underlying security or where there is the opportunity to stimulate corporate activity. Investec Bank Limited holds a 46% stake alongside other strategic investors who hold the remaining 54% in the IEP Group. The investment in the IEP Group is reflected as an investment in an associate. We 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.

The tables below provide an analysis of income and revaluations recorded with respect to these investments.

For the six months to 30 September 2017 £'000 Country/category	Income/(loss) (pre-funding costs) Unrealised°	Realised°	Dividends	Other	Total	Fair value through equity
Unlisted investments	**12 160**	**17 256**	**9 329**	**–**	**38 745**	**468**
UK and Other	8 918	10 129	5 975	–	25 022	556
Southern Africa	3 242	7 127	3 354	–	13 723	(88)
Listed equities	**(9 522)**	**1 448**	**5 250**	**–**	**(2 824)**	**1 564**
UK and Other	(13 373)	(1 996)	2	–	(15 367)	1 564
Southern Africa	3 851	3 444	5 248	–	12 543	–
Investment and trading properties	**(2 142)**	**11 999**	**–**	**–**	**9 857**	**–**
UK and Other	(2 663)	1 601	–	–	(1 062)	–
Southern Africa^	521	10 398	–	–	10 919	–
Warrants, profit shares and other embedded derivatives	**(1 184)**	**2 054**	**–**	**–**	**870**	**–**
UK and Other	(1 961)	–	–	–	(1 961)	–
Southern Africa	777	2 054	–	–	2 831	–
IEP Group^^	**–**	**–**	**–**	**21 924**	**21 924**	**–**
Southern Africa	–	–	–	21 924	21 924	–
Total	**(688)**	**32 757**	**14 579**	**21 924**	**68 572**	**–**

^ *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 27.2%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

° *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*

^^ *As explained above.*

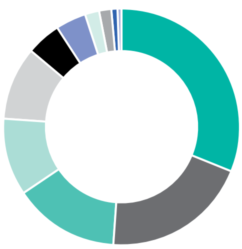
For the year to 31 March 2017 £'000 Country/category	Income (pre-funding costs) Unrealised°	Realised°	Dividends	Other	Total	Fair value through equity
Unlisted investments	**19 579**	**44 430**	**24 258**	**–**	**88 267**	**529**
UK and Other	24 391	38 512	11 066	–	73 969	624
Southern Africa	(4 812)	5 918	13 192	–	14 298	(95)
Listed equities	**(28 157)**	**(162)**	**6 183**	**–**	**(22 136)**	**(5 451)**
UK and Other	(20 442)	21	1 273	–	(19 148)	(2 831)
Southern Africa	(7 715)	(183)	4 910	–	(2 988)	(2 620)
Investment and trading properties	**(21 539)**	**37 450**	**–**	**–**	**15 911**	**–**
UK and Other	(14 892)	17 504	–	–	2 612	–
Southern Africa^	(6 647)	19 946	–	–	13 299	–
Warrants, profit shares and other embedded derivatives	**(8 012)**	**14 748**	**–**	**–**	**6 736**	**–**
UK and Other	(7 035)	–	–	–	(7 035)	–
Southern Africa	(977)	14 748	–	–	13 771	–
IEP Group^^	**–**	**–**	**–**	**16 453**	**16 453**	**–**
Southern Africa	–	–	–	16 453	16 453	–
Total	**(38 129)**	**96 466**	**30 441**	**16 453**	**105 231**	**(4 922)**

^ *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 27.9%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

° *In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.*

^^ *As explained on page 146.*

An analysis of the investment portfolio, warrants, profit shares and other embedded derivatives



30 Sept 2017
£939 million

Real estate	31.3%
Manufacturing and commerce	19.9%
Finance and insurance	14.5%
Communication	10.6%
Mining and resources	9.9%
Retailers and wholesalers	4.9%
Transport	3.9%
Other	2.1%
Electricity, gas and water (utility services)	1.7%
Agriculture	0.8%
Business services	0.4%

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 30 Sept 2017	Valuation change stress test 30 Sept 2017*	On-balance sheet value of investments 31 March 2017	Valuation change stress test 31 March 2017*
Unlisted investments**	**668 099**	**100 215**	**625 748**	**93 862**
UK and Other	420 976	63 146	383 267	57 490
Southern Africa	247 123	37 069	242 481	36 372
Listed equities**	**243 381**	**60 845**	**237 369**	**59 342**
UK and Other	60 541	15 135	76 478	19 120
Southern Africa	182 840	45 710	160 891	40 222
Total listed equities and unlisted investments	**911 480**	**161 060**	**863 117**	**153 204**
UK and Other	481 517	78 281	459 745	76 610
Southern Africa	429 963	82 779	403 372	76 594
Investment and trading properties	**655 320**	**90 086**	**685 519**	**96 556**
UK and Other	123 505	23 251	143 648	27 280
Southern Africa^	531 815	66 835	541 871	69 276
Warrants, profit shares and other embedded derivatives	**28 013**	**9 805**	**31 365**	**10 978**
UK and Other	15 085	5 280	18 194	6 368
Southern Africa	12 928	4 525	13 171	4 610
IEP Group^^	**319 727**	**47 959**	**322 804**	**48 421**
Southern Africa	319 727	47 959	322 804	48 421
Total	**1 914 540**	**308 910**	**1 902 805**	**309 159**

* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the stress testing parameters detailed below are applied.*

** *Includes the investment portfolio and non-current assets classified as held for sale lines as per the balance sheet.*

^ *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 27.2% (March 2017: 27.9%).*

^^ *As explained on page 146.*

Stress test values applied	
Unlisted investments and the IEP Group	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Stress testing summary

Based on the information at 30 September 2017, as reflected above, we could have a £309 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.

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.

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 in the last couple of years.

UK and Other

During the six months to September 2017 we did not undertake any new securitisation transactions. The primary focus for new securitisation transactions remains to provide a cost effective, alternative source of financing to the bank.

We hold rated structured credit instruments. These exposures are largely in the UK and US and amount to £305 million at 30 September 2017 (31 March 2017: £339 million).

South Africa

In South Africa we engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and a source of liquidity. We do not depend on special purpose vehicles for funding in its normal course of business. These entities form part of the consolidated group balance sheet as reported.

We have securitised assets originated by our Private Client business in South Africa. The primary motivations for the securitisation of these assets 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
- Create a potential committed liquidity facility (CLF) asset.

Total assets that have been originated and securitised by the Private Client division amount to R8.1 billion at 30 September 2017 (31 March 2017: R8.7 billion) and consist of residential mortgages (R8.1 billion).

Within these securitisation vehicles loans greater than 90 days in arrears amounted to R22.4 million.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R759 million notes of the original R1.5 billion are still in issue. No notes are held internally
- Fox Street 2: R847 million notes of the original R1.5 billion are still in issue. R247 million of the notes are held internally
- Fox Street 3: R1.3 billion notes of the original R2.0 billion are still in issue. All notes are held internally. R270 million of these notes are held internally
- Fox Street 4: R2.4 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R2.4 billion notes of the original R2.9 billion are still in issue. All notes are held internally.

There is a clean-up call option than can be exercised at 10% of original notes issued. The margin on the notes increases at pre-specified intervals and coincides with the originator call option dates.

We have also sought out select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated UK and European Residential mortgage backed securities (RMBS), totalling R0.4 billion at 30 September 2017 (31 March 2017: R0.9 billion) and unrated South African RMBS totalling R1.0 billion at 30 September 2017 (31 March 2017: 0.9 billion).

We determine regulatory capital requirements for securitised credit exposures based on specific regulatory rule sets which, at maximum, carry a risk weight of 1250%. This is capped to the capital requirement had we been exposed to the entire portfolio.

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.
Assets that have been securitised by our Private Client division in South Africa 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.

Nature of exposure/activity	Exposure 30 Sept 2017 £'million	Exposure 31 March 2017 £'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	396	457	Other debt securities and other loans and advances	
Rated	329	390		
Unrated	67	67		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	152	160	Other loans and advances	
Private Client division assets which have been securitised	446	517	Own originated loans and advances to customers	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 133

*Analysis of rated and unrated structured credit

	30 September 2017			31 March 2017		
£'million	**Rated****	**Unrated**	**Total**	**Rated**	**Unrated**	**Total**
US corporate loans	135	–	135	136	–	136
UK and European ABS	–	–	–	4	–	4
UK and European RMBS	168	10	178	209	10	219
UK and European corporate loans	23	–	23	36	–	36
Australian RMBS	3	–	3	5	–	5
South African RMBS	–	57	57	–	57	57
Total	**329**	**67**	**396**	**390**	**67**	**457**
Investec plc	305	10	315	339	10	349
Investec Limited	24	57	81	51	57	108

**Further analysis of rated structured credit at 30 September 2017

£'million	AAA	AA	A	BBB	BB	B	CCC and below	Total
US corporate loans	57	50	28	–	–	–	–	135
UK and European RMBS	25	83	50	–	10	–	–	168
UK and European corporate loans	8	9	6	–	–	–	–	23
Australian RMBS	–	3	–	–	–	–	–	3
Total at 30 September 2017	**90**	**145**	**84**	**–**	**10**	**–**	**–**	**329**
Total at 31 March 2017	**107**	**175**	**92**	**5**	**11**	**–**	**–**	**390**

Market risk in the trading book

Traded market risk description

Traded market risk is the risk that the value of a portfolio of instruments changes as a result of changes in underlying market risk factors such as interest rates, equity prices, commodity prices, exchange rates and volatilities. The market risk management team identifies, quantifies and manages this risk in accordance with Basel standards and policies determined by the board.

The focus of our trading activities 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. 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 market making, underwriting, investments and limited proprietary trading in the foreign exchange, capital and money markets. The focus of these businesses is primarily on supporting client activity.

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 Review ERRF in accordance with the risk appetite defined by the board. The appropriateness of limits is continually assessed with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

Management and measurement of traded market risk

Market risk management teams review the market risks in the trading books. Detailed risk reports are produced daily for each trading desk and for the aggregate risk of the trading books.

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 all positions in the trading book against prescribed limits. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Trading limits are generally tiered, taking into account liquidity and the inherent risks of traded instruments. 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.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR (sVaR), expected shortfall (ES) 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% and 99% confidence intervals, with limits set at the 95% confidence interval. ESs are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution. Scenario analysis considers the impact of a significant market event on our current trading portfolios. Scenario analysis is done at least once a week and is included in the data presented to Review ERRF.

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 exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested.

In South Africa, we have internal model approval from the SARB for general market risk and therefore trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day sVaR together with standardised specific risk capital for issuer risk. 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 calculated using the standardised approach. For certain options, the group has obtained permission from the PRA to use an internal model to calculate the delta for these positions.

The table on the following page contains the 95% one-day VaR figures for the trading businesses and the graphs that follow show the result of backtesting the total daily 99% one-day VaR against profit and loss figures for our trading activities over the reporting period. Based on these graphs, we can gauge the accuracy of the VaR figures, i.e. 99% of the time, the total trading activities are not expected to lose more than the 99% one-day VaR.

VaR

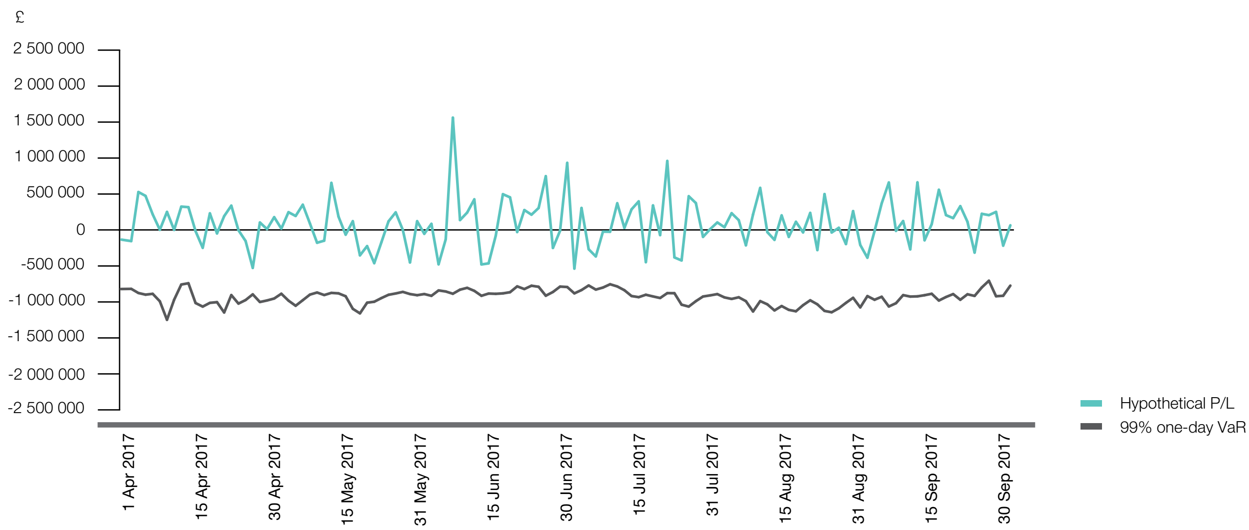
	30 September 2017				31 March 2017			
	Period end	Average	High	Low	Year end	Average	High	Low
UK and Other (using 95% one-day VaR)								
Equities (£'000)	541	580	746	448	503	547	1 317	340
Foreign exchange (£'000)	7	21	80	2	13	34	162	1
Interest rates (£'000)	81	83	108	71	88	191	287	83
Consolidated (£'000)*	**515**	**575**	**740**	**439**	**547**	**586**	**1 364**	**373**
Southern Africa (using 95% one-day VaR)								
Commodities (R'million)	0.1	0.1	0.2	–	0.1	0.1	0.5	–
Equities (R'million)	3.4	3.1	5.6	2.1	2.4	3.6	22.8	1.9
Foreign exchange (R'million)	2.2	2.5	7.3	0.9	3.7	1.7	5.3	0.9
Interest rates (R'million)	1.6	2.4	4.6	0.5	0.8	1.6	3.2	0.6
Consolidated (R'million)*	**3.8**	**4.5**	**10.4**	**2.4**	**4.5**	**4.2**	**21.8**	**2.1**

* *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).*

UK and Other

The average VaR utilisation for the six months to 30 September 2017 remains largely unchanged comparing to the year ended 31 March 2017. Using hypothetical (clean) profit and loss data for backtesting resulted in zero exceptions over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR.

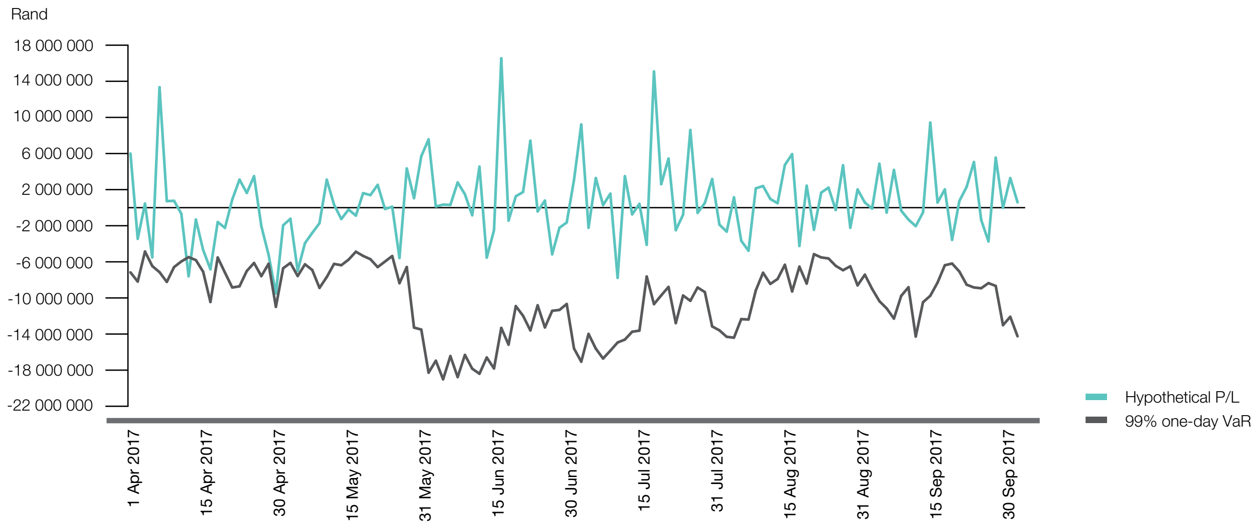
99% one-day VaR backtesting



Southern Africa

The average VaR for the six months to 30 September 2017 in the South African trading book was slightly higher comparing to the year ended 31 March 2017 due to higher VaR utilisation primarily in the foreign exchange and interest rate trading desks. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception (as show in the graph below).

99% one-day VaR backtesting



Expected shortfall

The table below contains the 95% one-day expected shortfall (ES) figures. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded.

	UK and Other 95% (one-day) £'000	Southern Africa 95% (one-day) R'million
30 September 2017		
Commodities	–	0.2
Equities	727	5.7
Foreign exchange	13	3.9
Interest rates	113	3.0
Consolidated*	**734**	**6.8**
31 March 2017		
Commodities	–	0.1
Equities	731	6.6
Foreign exchange	24	4.6
Interest rates	118	1.5
Consolidated*	**764**	**7.9**

* *The consolidated ES for each entity is lower than the sum of the individual ESs. This arises from the correlation offset between various asset classes (diversification).*

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 modelling the tail of the distribution using a parametric form suitable for extreme moves.

	30 September 2017				31 March 2017
	Period end	Average	High	Low	Year end
UK and Other (using 99% EVT)					
Equities (£'000)	2 479	2 157	5 735	1 370	1 638
Foreign exchange (£'000)	42	101	415	30	114
Interest rates (£'000)	228	239	329	195	264
Consolidated (£'000)#	**1 526**	**2 125**	**5 390**	**1 348**	**1 949**
Southern Africa (using 99% EVT)					
Commodities (R'million)	0.5	0.3	0.7	0.1	0.2
Equities (R'million)	25.2	21.7	66.4	5.4	26.6
Foreign exchange (R'million)	19.7	15.7	43.0	2.5	8.1
Interest rates (R'million)	11.8	20.8	40.8	4.0	7.7
Consolidated (R'million)#	**30.5**	**32.7**	**67.6**	**14.0**	**26.4**

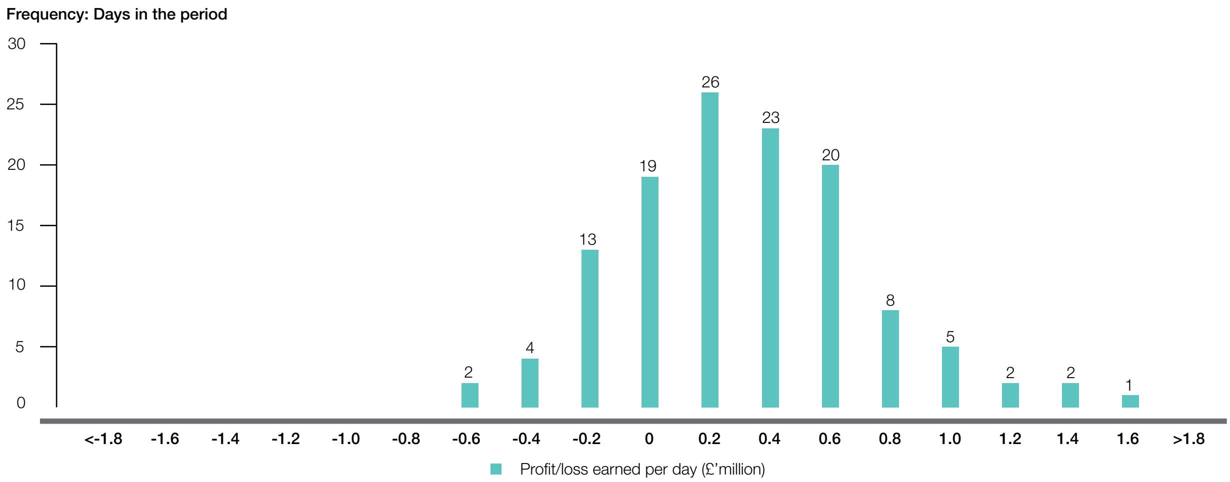
The consolidated stress testing numbers for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).

Profit and loss histograms

UK and Other

The histogram below illustrates the distribution of revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 87 days out of a total of 125 days in the trading business for the six months to 30 September 2017. The average daily trading revenue generated for the six months to 30 September 2017 was £211 997 (year to 31 March 2017: £184 716).

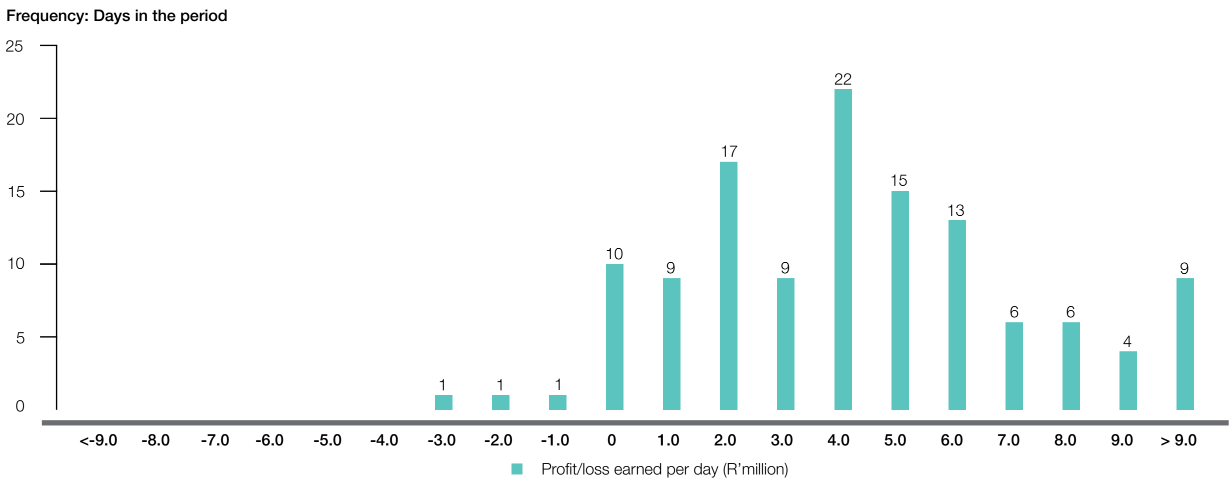
Profit and loss



Southern Africa

The histogram below illustrates the distribution of daily revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 110 days out of a total of 123 days in the trading business for the six months to 30 September 2017. The average daily trading revenue generated for the six months to 30 September 2017 was R4.0 million (year to 31 March 2017: R3.3 million).

Profit and loss



Balance sheet risk management

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, encumbrance and non-trading interest rate risk.

Liquidity risk

Liquidity risk refers to the possibility 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.

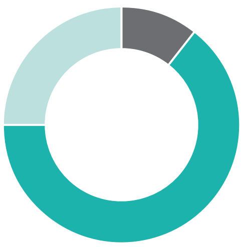
Liquidity risk is further broken down into:

- Funding liquidity: this 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: this 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:

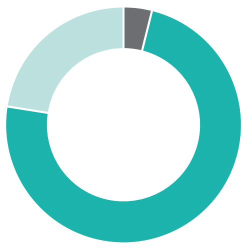
- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss
- Unpredicted customer non-payment of loan obligations
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

An analysis of cash and near cash at 30 September 2017



Total group
£10 683 million

Near cash (other 'monetisable' assets)	10.6%
Central Bank cash placements and guaranteed liquidity	64.4%
Cash	25.0%



Investec plc
£5 013 million

Near cash (other 'monetisable' assets)	4.1%
Central Bank cash placements and guaranteed liquidity	73.4%
Cash	22.5%

Investec Limited
R102 620 million

Near cash (other 'monetisable' assets)	16.3%
Central Bank cash placements and guaranteed liquidity	56.5%
Cash	27.2%

Bank and non-bank depositor concentration by type at 30 September 2017

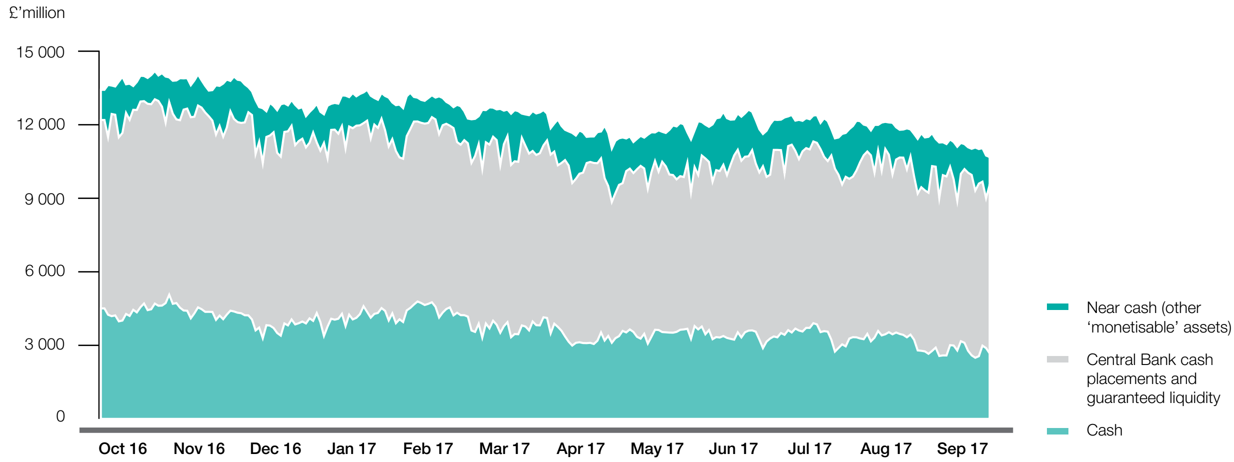
UK and Other
£11 581 million

Individuals	56.5%
Non-financial corporates	30.4%
Small business	6.8%
Banks	6.3%

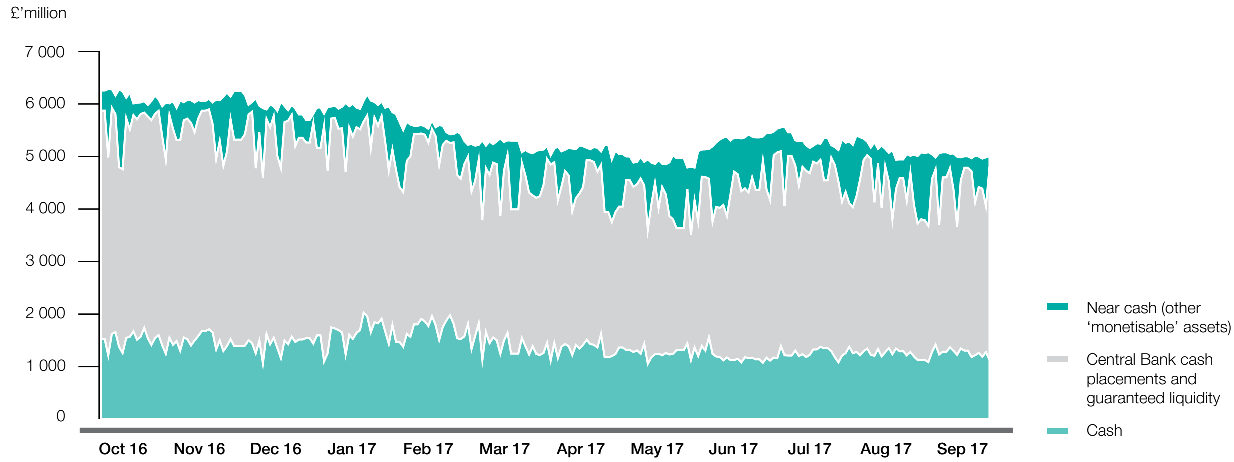
Southern Africa
R338 570 million

Other financials	46.4%
Individuals	17.9%
Non-financial corporates	17.7%
Banks	8.4%
Small business	6.4%
Public sector	3.2%

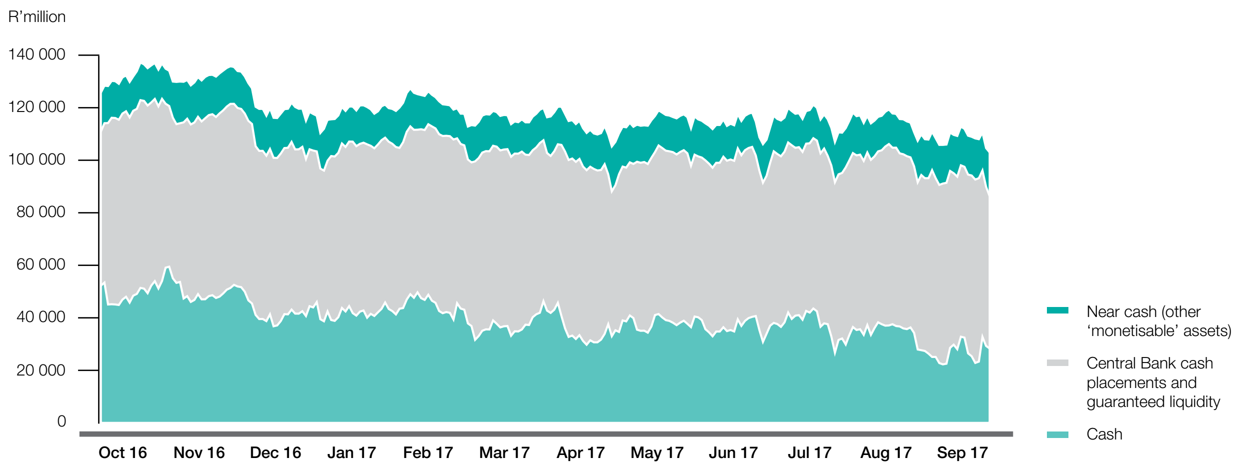
Total Investec group cash and near cash trend



Investec plc cash and near cash trend



Investec Limited cash and near cash trend



The liquidity position of the group remained sound with total cash and near cash balances amounting to £10.7 billion

Regulatory ratios

UK

On 1 October 2015 under European Commission Delegated Regulation 2015/61, the LCR became the PRA's primary regulatory reporting standard for liquidity. The LCR is a Pillar 1 metric to which the PRA apply Pillar 2 add-ons. The LCR is being introduced on a phased basis, and the PRA has opted to impose higher liquidity coverage requirements during the phased-in period than the minimum required by CRD IV. From 1 January 2017, UK banks were required to maintain a minimum of 90%, rising to 100% on 1 January 2018. The published LCR excludes Pillar 2 add-ons. For Investec plc and Investec Bank plc (solo basis), the LCR is calculated using our own interpretations of the EU Delegated Act. The reported LCR may change over time with regulatory developments and guidance. The LCR reported to the PRA at 30 September 2017 was 610% for Investec plc and 520% for Investec Bank plc (solo basis).

In November 2016, the European Commission released a number of proposals amending the CRR including a number of adjustments with respect to the NSFR. Banks will be expected to hold a NSFR of at least 100% on an ongoing basis and report their NSFR at least quarterly. The implementation date of this requirement will be two years after the date entry into force of the proposed regulation. The NSFR therefore remains subject to an observation period in advance of such implementation and we will continue to monitor these rules until final implementation. The reported NSFR may change over time within regulatory developments and guidance.

Based on our own interpretations and in line with the BCBS' final recommendations (BCBS 295), Investec plc and Investec Bank plc (solo basis) comfortably exceed the 100% minimum level for the NSFR.

Southern Africa

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant LCR disclosure requirements, as set out in Directive 6/2014 and Directive 11/2014. This disclosure is in accordance with Pillar III of the Basel III liquidity accord.

The minimum LCR requirement is 80% for 2017 and will increase by 10% each year to 100% on 1 January 2019. This applies to both Investec Bank Limited bank solo and Investec Bank Limited consolidated group. The Bank of Mauritius has issued their finalised Guidelines on Liquidity Risk Management, requiring banks to comply with a combined-currency LCR minimum of 60% from end November 2017.

Investec Bank Limited (solo basis) ended the period to 30 September 2017 with a three-month average of its LCR at 127.0%.

The BCBS published the final document on the NSFR in October 2014. The NSFR is expected to be introduced in 2018.

Investec exceeds minimum regulatory requirements of these ratios.

Liquidity mismatch

The tables that follow show our contractual liquidity mismatch across our core geographies.

These tables incorporate cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay and reflect that loans and advances to customers are 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 the assets in the liquidity buffer is of little consequence, as practically Investec would meet any unexpected net cash outflows by reporting 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 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 undefined 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.

UK and Other
Contractual liquidity at 30 September 2017

£'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	3 644	192	23	14	5	3	2	3 883
Investment/trading assets	222	427	481	211	201	928	1 094	3 564
Securitised assets	–	4	–	–	1	11	120	136
Advances	127	490	695	876	971	4 365	1 777	9 301
Other assets	358	775	57	82	17	161	524	1 974
Assets	**4 351**	**1 888**	**1 256**	**1 183**	**1 195**	**5 468**	**3 517**	**18 858**
Deposits – banks	(251)	(3)	(2)	–	–	(468)	(7)	(731)
Deposits – non-banks	(3 268)	(1 639)	(2 172)	(634)	(536)	(2 467)	(134)	(10 850)
Negotiable paper	(52)	(18)	(13)	(27)	(32)	(1 390)	(762)	(2 294)
Securitised liabilities	–	–	(3)	(3)	(6)	(44)	(76)	(132)
Investment/trading liabilities	(37)	(131)	(32)	(28)	(32)	(222)	(258)	(740)
Subordinated liabilities	–	–	–	–	(34)	(573)	–	(607)
Other liabilities	(160)	(764)	(109)	(153)	(45)	(172)	(38)	(1 441)
Liabilities	**(3 768)**	**(2 555)**	**(2 331)**	**(845)**	**(685)**	**(5 336)**	**(1 275)**	**(16 795)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(2 063)**	**(2 063)**
Contractual liquidity gap	**583**	**(667)**	**(1 075)**	**338**	**510**	**132**	**179**	**–**
Cumulative liquidity gap	583	(84)	(1 159)	(821)	(311)	(179)	–	

Behavioural liquidity

As discussed on page 158.

£'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	**2 880**	**(667)**	**1 098**	**339**	**510**	**(4 270)**	**110**	**–**
Cumulative	2 880	2 213	3 311	3 650	4 160	(110)	–	

Southern Africa

Contractual liquidity at 30 September 2017

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	27 162	3 474	1 417	–	202	344	–	32 599
Cash and short-term funds – non-banks	10 271	3	120	5	–	–	–	10 399
Investment/trading assets and statutory liquids	47 117	22 429	5 149	943	3 920	37 628	32 175	149 361
Securitised assets	61	9	47	91	167	1 720	6 302	8 397
Advances	5 067	6 967	10 101	13 545	24 138	123 665	60 290	243 773
Other assets	1 095	1 190	608	97	211	3 525	9 100	15 826
Assets	**90 773**	**34 072**	**17 442**	**14 681**	**28 638**	**166 882**	**107 867**	**460 355**
Deposits – banks	(926)	9 139	(2 872)	(466)	(3 309)	(29 472)	(700)	(28 606)
Deposits – non-banks	(142 310)^	(21 013)	(57 376)	(26 306)	(30 002)	(30 643)	(2 314)	(309 964)
Negotiable paper	–	(445)	(327)	(377)	(352)	(4 034)	(29)	(5 564)
Securitised liabilities	–	–	–	–	–	–	(2 413)	(2 413)
Investment/trading liabilities	(482)	(15 924)	(2 137)	(1 516)	(2 336)	(15 804)	(732)	(38 931)
Subordinated liabilities	–	–	–	–	–	(4 602)	(9 547)	(14 149)
Other liabilities	(2 512)	(1014)	(737)	(166)	(801)	(244)	(6 396)	(11 870)
Liabilities	**(146 230)**	**(29 257)**	**(63 449)**	**(28 831)**	**(36 800)**	**(84 799)**	**(22 131)**	**(411 497)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**(213)**	**(48 645)**	**(48 858)**
Contractual liquidity gap	**(55 457)**	**4 815**	**(46 007)**	**(14 150)**	**(8 162)**	**81 870**	**37 091**	**–**
Cumulative liquidity gap	(55 457)	(50 642)	(96 649)	(110 799)	(118 961)	(37 091)	–	

^ *Includes call deposits of R136 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 158.

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	**46 697**	**4 335**	**5 329**	**(867)**	**(695)**	**(152 248)**	**97 449**	**–**
Cumulative	46 697	51 032	56 361	55 494	54 799	(97 449)	–	

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact on net interest earnings and economic value of equity of adverse movements in interest rates.

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:** arises from optional elements embedded in items where the bank or its customers can alter the level and timing of their cash flows
- **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.

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 30 September 2017

£'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	3 847	–	–	–	–	–	3 847
Investment/trading assets and statutory liquids	1 546	180	95	213	124	496	2 654
Securitised assets	136	–	–	–	–	–	136
Advances	7 143	578	251	1 055	274	–	9 301
Other assets	–	–	–	–	–	1 471	1 471
Assets	**12 672**	**758**	**346**	**1 268**	**398**	**1 967**	**17 409**
Deposits – banks	(689)	–	–	–	–	–	(689)
Deposits – non-banks	(9 398)	(252)	(480)	(717)	(3)	–	(10 850)
Negotiable paper	(1 629)	–	(35)	(615)	(15)	–	(2 294)
Securitised liabilities	(132)	–	–	–	–	–	(132)
Investment/trading liabilities	(83)	(1)	–	–	–	–	(84)
Subordinated liabilities	–	–	–	(575)	–	(32)	(607)
Other liabilities	–	–	–	–	–	(690)	(690)
Liabilities	**(11 931)**	**(253)**	**(515)**	**(1 907)**	**(18)**	**(722)**	**(15 346)**
Shareholders' funds	–	–	–	–	–	(2 063)	(2 063)
Balance sheet	**741**	**505**	**(169)**	**(639)**	**380**	**(818)**	**–**
Off-balance sheet	39	–	(11)	286	(314)	–	–
Repricing gap	**780**	**505**	**(180)**	**(353)**	**66**	**(818)**	**–**
Cumulative repricing gap	780	1 285	1 105	752	818	–	

Southern Africa – interest rate sensitivity at 30 September 2017

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	23 907	181	–	–	–	8 511	32 599
Cash and short-term funds – non-banks	10 394	5	–	–	–	–	10 399
Investment/trading assets and statutory liquids	35 026	26 723	6 744	9 783	7 246	41 843	127 365
Securitised assets	8 397	–	–	–	–	–	8 397
Advances	215 856	4 583	1 693	16 532	3 056	2 053	243 773
Other assets	337	–	–	–	–	13 906	14 243
Assets	**293 917**	**31 492**	**8 437**	**26 315**	**10 302**	**66 313**	**436 776**
Deposits – banks	(27 825)	(309)	(472)	–	–	–	(28 606)
Deposits – non-banks	(259 073)	(16 650)	(21 536)	(9 379)	(2 092)	(1 234)	(309 964)
Negotiable paper	(4 218)	(578)	(382)	(386)	–	–	(5 564)
Securitised liabilities	(2 413)	–	–	–	–	–	(2 413)
Investment/trading liabilities	(3 527)	–	–	–	(342)	(14 194)	(18 063)
Subordinated liabilities	(10 605)	(1 911)	(200)	(422)	–	(737)	(13 875)
Other liabilities	(999)	–	–	(19)	(10)	(10 842)	(11 870)
Liabilities	**(308 660)**	**(19 448)**	**(22 590)**	**(10 206)**	**(2 444)**	**(27 007)**	**(390 355)**
Intercompany loans	9 011	(937)	(3 019)	(1 255)	42	846	4 688
Shareholders' funds	(3 129)	–	–	(213)	(2 199)	(43 317)	(48 858)
Balance sheet	**(8 861)**	**11 107**	**(17 172)**	**14 641**	**5 701**	**(3 165)**	**2 251**
Off-balance sheet	(2 534)	2 562	16 262	(10 664)	(7 877)	–	(2 251)
Repricing gap	**(11 395)**	**13 669**	**(910)**	**3 977**	**(2 176)**	**(3 165)**	**–**
Cumulative repricing gap	(11 395)	2 274	1 364	5 341	3 165	–	

Economic value sensitivity at 30 September 2017

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

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	**GBP**	**USD**	**EUR**	**AUD**	**ZAR**	**Other (GBP)**	**All (GBP)**
200bps down	(30.4)	6.0	(5.4)	0.3	12.5	0.7	(29.1)
200bps up	27.6	(5.4)	4.9	(0.2)	(11.4)	(0.6)	26.5

Southern Africa

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	**ZAR**	**GBP**	**USD**	**EUR**	**AUD**	**Other (ZAR)**	**All (ZAR)**
200bps down	404.0	4.1	5.7	1.1	0.6	1.6	582.5
200bps up	(225.2)	(4.2)	(5.1)	(0.9)	(0.4)	(1.6)	(392.3)

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 operating under different regulatory capital regimes. It is therefore difficult to directly compare the capital adequacy of the two entities.

Regulatory capital – Investec Limited

Current regulatory framework

Investec Limited is supervised for capital purposes by the SARB on a consolidated basis.

Investec Limited calculates 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 currently uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. Capital requirements for equity risk is calculated using the internal ratings-based (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. Investec plc calculates 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 transitional arrangements applicable to additional tier 1 and tier 2 capital continue to be phased out at 20% per annum, until 1 January 2018.

UK banks are required to meet minimum capital requirements as prescribed by CRD IV. The common equity tier 1 capital requirement is 4.5% of risk-weighted assets, the tier 1 capital requirement is 6.0% of risk-weighted assets and the total capital requirement is 8% of risk-weighted assets. In addition Investec plc continues to meet 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 August 2017 the PRA issued the Investec plc group with a revised Pillar IIA requirement of 1.51% of risk-weighted assets effective from 24 August 2017, of which 0.84% has to be met from common equity tier 1 capital.

The PRA buffer will also need to be met from common equity tier 1 capital, and will be transitioned in at 25% per annum, until fully phased in by January 2019.

In line with the CRD IV provision on capital buffers, in the UK firms are required to meet a combined buffer requirement in addition to their Pillar I and Pillar II capital requirements. The combined buffer includes the capital conservation buffer and countercyclical capital buffer and must be met with common equity tier 1 capital. The buffer for global systemically important institutions (G-SIIs) and the systemic risk buffer do not apply to Investec plc and will not be included in the combined buffer requirement. Investec is also not defined as an Other Systemically Important Institution (O-SII) by the PRA and hence does not have to hold an O-SII buffer; furthermore HM Treasury has also confirmed that the UK O-SII buffer will be set at 0%.

From 1 January 2016 Investec plc began phasing in the capital conservation buffer at 0.625% of risk-weighted assets. An additional 0.625% of risk-weighted assets will be phased-in each year until fully implemented by 1 January 2019. Investec plc is also subject to the countercyclical capital buffer requirement, which is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. In the UK, the Financial Policy Committee (FPC) confirmed in June 2017 the rate would increase from 0% to 0.5% effective June 2018. Absent a material change in outlook, the FPC stated at the time that it expected to increase the rate further to 1% in November 2017, effective November 2018. As at 30 September 2017, six jurisdictions have implemented countercyclical capital buffer rates: Norway (1.5%), Sweden (2%), Hong Kong (1.25%), Czech Republic (0.5%), Iceland (1%) and Slovakia (0.5%).

In order to optimise the capital structure in line with the CRD IV and PRA capital requirements, Investec plc issued an inaugural £250 million Perpetual 6.75% No-Call 2024 additional tier 1 capital instrument in October 2017. The instrument is structured with a permanent write-down mechanism. Investec Bank plc issued to Investec plc an inaugural internal £200 million Perpetual 6.75% Non-Call 2024 additional tier 1 capital instrument in October 2017. This instrument is also structured with a permanent write-down mechanism.

The group continues to hold capital in excess of all the new capital requirements and buffers.

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 the standardised approach. For certain options, the group has obtained permission from the PRA to use an internal model to calculate the delta for these positions.

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, with a vast number of new consultations, regulatory technical standards and implementing technical standards and other proposals being published or adopted, notably by the PRA, the Basel Committee on Banking Supervision (BCBS), EBA and the SARB.

International

Throughout 2016 the BCBS continued to develop their package of reforms to the existing Basel III framework. In January 2017, the BCBS announced that its finalisation of reforms to Basel III had been delayed. The BCBS is now expected to issue updated standards on the calculation of operational risk, the standardised framework for credit risk and restrictions on the use of internal models and the application of an RWA floor based on the standardised approaches later in 2017. As these measures will require EU and domestic legislation, the implementation date has yet to be determined.

IFRS 9

International Financial Reporting Standards 9 Financial Instruments (IFRS 9) will come into effect from 1 January 2018. As a result, the BCBS has proposed some transitional arrangements that individual jurisdictions may choose to implement.

UK

Minimum requirement for own funds and eligible liabilities (MREL).

The Bank of England (BoE) has finalised its policy on setting MREL. The purpose of MREL is to help ensure that when banks, building societies and investment firms fail, that failure can be managed in an orderly way while minimising risk to financial stability, disruption to critical economic functions, and risk to public funds. The BoE, as resolution authority, is required to determine an amount necessary for loss absorption in resolution and an amount necessary for recapitalisation, dependent on a firm's resolution strategy.

The BoE has set the preferred strategy for Investec Bank plc to be Modified Insolvency. As a result, Investec Bank plc's MREL requirement will equal its regulatory capital requirements (Pillar I + Pillar IIA).

As noted in the statement of policy on the BoE approach to setting MREL, the actual approach taken to resolve an institution will depend on the circumstances at the time of its failure. The preferred resolution strategy may not necessarily be followed if a different approach would better meet the resolution objectives at the time.

The three broad resolution strategies are:

Modified insolvency process: where the BoE has assessed that firms do not provide any critical economic functions, these institutions will be able to comply with MREL by meeting their existing capital requirements.

Partial transfer: some firms may have critical economic functions that would need to continue after a firm has been placed into resolution. MREL would need to be assessed at a level that could ensure that these functions could be transferred to another institution.

Bail in: the most complex firms will be required to maintain sufficient MREL so that they can be recapitalised and continue to meet the PRA's conditions for authorisation without requiring taxpayer support.

Europe

CRR 2/CRD V

In November 2016, the European Commission proposed a number of revisions to CRD IV which reflect some of the proposals already completed or under development by the BCBS. Together, these changes are known as the 'CRR2/CRDV' package. The CRR2/CRDV package includes the following:

- A new standardised approach for counterparty credit risk to replace the existing current exposure and standardised methods
- Changes to the rules for determining the trading book boundary and the methodologies for calculating market risk capital charges
- A binding leverage ratio for all banks. The UK leverage ratio framework is currently only applicable to PRA-regulated banks and building societies with retail deposits equal to or greater than £50 billion on an individual or a consolidated basis. Investec plc is not within the scope of this framework
- A new methodology for capital charges for equity investments in funds
- Restrictions to the capital base and changes to the exposure limits for the calculation of large exposures
- Proposed transitional arrangements for implementation of IFRS 9

The CRR2/CRD V package is expected to apply from two years after the date of its entry into the European Commission Official Journal except for provisions relating to IFRS 9 which will apply from the date it comes into force (1 January 2018).

Capital and leverage ratio targets

Capital

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%, a tier 1 capital ratio of above 11%, and a total capital adequacy ratio target in the range of 14% to 17%. These targets are continuously assessed for appropriateness.

Leverage
Investec is currently targeting a leverage ratio above 6%.

Management of capital and leverage

Capital
The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood and planned for. To allow the committee to carry out this function, the group's prudential advisory and reporting team closely monitors 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.

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 was subject to a monitoring period from 1 January 2014 to 30 June 2016, at which point the EBA reported to the European Commission suggesting a 3% leverage ratio was adequate. Also appropriate adjustment to the capital and total exposure measure were proposed. The latest proposals in the CRR2 implement a 3% leverage ratio which will come into effect two years from publication in the European Commissions Official Journal.

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. The leverage exposure measure is calculated on a monthly and quarterly basis and is presented to the DLC capital committee on a regular basis. The DLC capital committee is responsible for monitoring the risk of excessive leverage.

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 given 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 the 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;
- provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions; and
- inform the setting of minimum regulatory capital through the Supervisory Review and Evaluation Process (SREP).

The DLC capital committee seeks to optimise the balance sheet such that capital held is in excess of internal capital. Internal capital performs a critical role in:

- investment decision-making and pricing that is commensurate with the risk being taken;
- allocating capital according to the greatest expected marginal risk-based return, and tracking performance on this basis;
- determining transactional risk-based returns on capital;
- rewarding performance, taking into account the relative levels of risk adopted by forming a basis for the determination of economic value added at a transactional level, and hence the basis for discretionary variable remuneration; and
- comparing risk-based performance across business areas.

The framework has been approved by the board and is managed by the DLC capital committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.

In order to achieve these objectives, the internal capital framework describes the following approach to the integration of risk and capital management.

Capital disclosures

The composition of our regulatory capital under a Basel III/CRD IV basis is provided in the table below.

Capital structure and capital adequacy

At 30 September 2017	Investec plc*° £'million	IBP*° £'million	Investec Limited*^ R'million	IBL*^ R'million
Shareholders' equity	2 016	1 992	34 540	35 289
Shareholders' equity per balance sheet	2 052	2 000	37 723	36 823
Perpetual preference share capital and share premium	(25)	–	(3 183)	(1 534)
Deconsolidation of special purpose entities	(11)	(8)	–	–
Non-controlling interests	7	(6)	–	–
Non-controlling interests per balance sheet	11	(6)	9 051	–
Non-controlling interests excluded for regulatory purposes	–	–	(9 051)	–
Surplus non-controlling interest disallowed in common equity tier 1	(4)	–	–	–
Regulatory adjustments to the accounting basis	(6)	(4)	936	932
Defined benefit pension fund adjustment	(2)	–	–	–
Additional value adjustments	(4)	(4)	–	–
Cash flow hedging reserve	–	–	936	932
Deductions	(465)	(367)	(1 824)	(1 744)
Goodwill and intangible assets net of deferred tax	(451)	(353)	(671)	(630)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(10)	(10)	–	–
Securitisation positions	(4)	(4)	–	–
Investment in financial entity	–	–	(1 153)	(1 114)
Common equity tier 1 capital	**1 552**	**1 615**	**33 652**	**34 477**
Additional tier 1 capital	24	–	2 917	**767**
Additional tier 1 instruments	24	–	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	–	–	(2 359)	(767)
Non-qualifying surplus capital attributable to non-controlling interest	–	–	(56)	–
Non-controlling interest in non-banking entities	–	–	65	–
Tier 1 capital	**1 576**	**1 615**	**36 569**	**35 244**
Tier 2 capital	428	502	11 563	13 998
Collective impairment allowances	–	–	474	474
Tier 2 instruments	503	502	14 149	13 524
Non-qualifying surplus capital attributable to non-controlling interests	(75)	–	(3 060)	–
Total regulatory capital	**2 004**	**2 117**	**48 132**	**49 242**
Risk-weighted assets	**13 824**	**13 153**	**337 752**	**322 651**
Capital ratios				
Common equity tier 1 ratio	11.2%	12.3%	10.0%	10.7%
Tier 1 ratio/*Pro forma*^^	11.4% / *13.2%*	12.3% / *13.8%*	10.8%	10.9%
Total capital adequacy ratio/*Pro forma*^^	14.5% / *16.3%*	16.1% / *17.6%*	14.3%	15.3%

* *Where: IBP is Investec Bank plc consolidated. 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 European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividend totalling £43 million for Investec plc and £18 million for IBP would be 31bps and 14bps lower respectively.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 15bps and 10bps lower respectively.*

^^ *Pro forma 30 September 2017 capital ratios including the proceeds of the additional tier 1 capital issuances completed by Investec plc and IBP in October 2017.*

Capital structure and capital adequacy *(continued)*

At 31 March 2017	Investec plc*º £'million	IBP*º £'million	Investec Limited*^ R'million	IBL*^ R'million
Shareholders' equity	1 981	1 973	32 317	33 631
Shareholders' equity per balance sheet	2 017	1 982	35 500	35 165
Perpetual preference share capital and share premium	(25)	–	(3 183)	(1 534)
Deconsolidation of special purpose entities	(11)	(9)	–	–
Non-controlling interests	11	(2)	–	–
Non-controlling interests per balance sheet	15	(2)	8 987	–
Non-controlling interests excluded for regulatory purposes	–	–	(8 987)	–
Surplus non-controlling interest disallowed in common equity tier 1	(4)	–	–	–
Regulatory adjustments to the accounting basis	(6)	(4)	900	896
Defined benefit pension fund adjustment	(2)	–	–	–
Additional value adjustments	(4)	(4)	–	–
Cash flow hedging reserve	–	–	900	896
Deductions	(478)	(380)	(720)	(679)
Goodwill and intangible assets net of deferred tax	(464)	(366)	(720)	(679)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(10)	(10)	–	–
Securitisation positions	(3)	(3)	–	–
Debt valuation adjustment	(1)	(1)	–	–
Common equity tier 1 capital	**1 508**	**1 587**	**32 497**	**33 848**
Additional tier 1 capital	**24**	**–**	**2 900**	**767**
Additional tier 1 instruments	24	–	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	–	–	(2 359)	(767)
Non-qualifying surplus capital attributable to non-controlling interest	–	–	(69)	–
Non-controlling interest in non-banking entities	–	–	61	–
Tier 1 capital	**1 532**	**1 587**	**35 397**	**34 615**
Tier 2 capital	**475**	**560**	**11 153**	**13 501**
Collective impairment allowances	–	–	321	321
Tier 2 instruments	560	560	13 805	13 180
Non-qualifying surplus capital attributable to non-controlling interests	(85)	–	(2 973)	–
Total regulatory capital	**2 007**	**2 147**	**46 550**	**48 116**
Risk-weighted assets	**13 312**	**12 716**	**329 808**	**313 010**
Capital ratios				
Common equity tier 1 ratio	11.3%	12.5%	9.9%	10.8%
Tier 1 ratio	11.5%	12.5%	10.7%	11.1%
Total capital adequacy ratio	15.1%	16.9%	14.1%	15.4%

* *Where: IBP is Investec Bank plc consolidated. 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.*

º *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 European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividend totalling £60 million for Investec plc and £35 million for IBP would be 45bps and 28bps lower respectively.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 13bps lower respectively.*

Capital requirements

At 30 September 2017	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Capital requirements	**1 106**	**1 052**	**36 308**	**34 683**
Credit risk – prescribed standardised exposure classes	794	777	28 150	27 790
Corporates	453	449	17 740	17 780
Secured on real estate property	128	128	3 135	3 135
Short-term claims on institutions and corporates	–	–	4 908	4 801
Retail	48	48	602	602
Institutions	27	26	727	719
Other exposure classes	131	119	765	480
Securitisation exposures	7	7	273	273
Equity risk	5	6	3 537	3 351
Listed equities	3	3	670	635
Unlisted equities	2	3	2 867	2 716
Counterparty credit risk	44	44	584	586
Credit valuation adjustment risk	8	7	209	213
Market risk	88	86	422	356
Interest rate	31	31	124	124
Foreign exchange	10	8	70	70
Commodities	–	–	2	2
Equities	28	28	226	160
Options	19	19	–	–
Operational risk – standardised approach	167	132	3 406	2 387
At 31 March 2017				
Capital requirements	**1 064**	**1 017**	**35 454**	**33 649**
Credit risk – prescribed standardised exposure classes	790	776	26 008	25 529
Corporates	434	431	15 133	15 112
Secured on real estate property	156	156	3 102	3 102
Short-term claims on institutions and corporates	–	–	5 537	5 348
Retail	45	45	566	566
Institutions	30	28	691	691
Other exposure classes	117	108	751	482
Securitisation exposures	8	8	228	228
Equity risk	6	6	4 900	4 730
Listed equities	3	3	557	500
Unlisted equities	3	3	4 343	4 230
Counterparty credit risk	39	39	574	574
Credit valuation adjustment risk	6	6	195	199
Market risk	71	68	500	413
Interest rate	29	29	99	99
Foreign exchange	11	8	103	103
Commodities	–	–	3	3
Equities	20	20	295	208
Options	11	11	–	–
Operational risk – standardised approach	152	122	3 277	2 204

* *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-weighted assets

At 30 September 2017	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Risk-weighted assets	**13 824**	**13 153**	**337 752**	**322 651**
Credit risk – prescribed standardised exposure classes	9 925	9 714	261 856	258 517
Corporates	5 659	5 611	165 025	165 402
Secured on real estate property	1 600	1 600	29 160	29 160
Short-term claims on institutions and corporates	–	–	45 653	44 656
Retail	604	604	5 599	5 599
Institutions	337	319	6 763	6 691
Other exposure classes	1 636	1 491	7 116	4 469
Securitisation exposures	89	89	2 540	2 540
Equity risk	68	68	32 903	31 172
Listed equities	37	37	6 236	5 906
Unlisted equities	31	31	26 667	25 266
Counterparty credit risk	547	547	5 434	5 454
Credit valuation adjustment risk	95	95	1 947	1 986
Market risk	1 102	1 073	3 925	3 315
Interest rate	385	385	1 151	1 152
Foreign exchange	127	98	653	653
Commodities	–	–	21	21
Equities	344	344	2 100	1 489
Options	246	246	–	–
Operational risk – standardised approach	2 087	1 656	31 687	22 207
At 31 March 2017				
Risk-weighted assets	**13 312**	**12 716**	**329 808**	**313 010**
Credit risk – prescribed standardised exposure classes	9 873	9 687	241 926	237 474
Corporates	5 432	5 380	140 770	140 584
Secured on real estate property	1 948	1 948	28 856	28 856
Short-term claims on institutions and corporates	–	–	51 510	49 745
Retail	557	557	5 261	5 261
Institutions	370	353	6 426	6 426
Other exposure classes	1 466	1 349	6 984	4 483
Securitisation exposures	100	100	2 119	2 119
Equity risk	80	80	45 583	44 007
Listed equities	40	40	5 185	4 654
Unlisted equities	40	40	40 398	39 353
Counterparty credit risk	494	494	5 344	5 335
Credit valuation adjustment risk	78	78	1 817	1 848
Market risk	882	856	4 652	3 847
Interest rate	360	360	924	924
Foreign exchange	132	106	955	955
Commodities	–	–	29	29
Equities	248	248	2 744	1 939
Options	142	142	–	–
Operational risk – standardised approach	1 905	1 521	30 486	20 499

* *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 increased by 3.8% over the period, predominantly driven by an increase in market risk and operational 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 increased by £40 million.

Counterparty credit risk RWAs and credit valuation adjustment risk

Counterparty credit risk RWAs and credit valuation adjustment risk increased by £70 million mainly due to increased trading volumes in equity options.

Market risk RWAs

We apply the standardised approach for calculating market risk RWAs. Market risk RWAs increased by £220 million, primarily driven by an increase in equity option trades used for hedging purposes.

Operational risk RWAs used for hedging purposes

Operational risk RWAs are calculated using the standardised approach and increased by £182 million. The increase is attributable to a higher three year average operating income amount being used in the annual recalculation of the operational risk RWAs.

Investec Limited

Movement in risk-weighted assets

Total RWA grew by 2.4% over the period, with the reasons identified in the categories below.

Credit risk RWAs

Credit risk weights grew by R19.9 billion of which R9 billion is associated with book growth in the period. The downgrade of South Africa's credit rating to sub-investment and associated rating of South African exposures resulted in a further increase in RWA of R3 billion. Our regulatory treatment of certain investments were adjusted to that of an investment holding vehicle resulting in an increase in other asset risk weights (included in credit) of R8.8 billion.

Counterparty credit risk and credit valuation adjustment RWAs

Counterparty credit risk RWAs increased by R219.8 million, while CVA over the period increased marginally by R133.7 million. CVA was implemented as part of Basel III in South Africa and captures the risk of deterioration in the credit quality of banks OTC derivative counterparties. We currently apply the standardised approach to the calculation of the CVA capital requirement.

Equity risk RWAs

Equity risk decreased by R12.7 billion, mainly influenced by the change in regulatory treatment noted above in credit risk and a portion of exposure being treated as a capital deduction. The remaining movement follows change in net balance sheet equity exposures.

Market risk RWAs

Market risk RWAs are calculated using the Value at Risk (VaR) approach and has shown a marginal decrease, the decrease is attributable to lower levels of risk across all trading desks.

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.

Total regulatory capital flow statement

At 30 September 2017	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**1 508**	**1 587**	**32 497**	**33 848**
New capital issues	64	–	683	–
Dividends	(62)	(35)	(1 278)	(721)
Profit after taxation	78	59	2 989	2 309
Treasury shares	(50)	–	(664)	–
Share-based payment adjustments	14	1	350	–
Movement in other comprehensive income	(9)	(6)	143	70
Goodwill and intangible assets (deduction net of related taxation liability)	13	13	49	49
Investment in financial entity	–	–	(1 153)	(1 114)
Other, including regulatory adjustments and transitional arrangements	(4)	(4)	36	36
Closing common equity tier 1 capital	**1 552**	**1 615**	**33 652**	**34 477**
Opening additional tier 1 capital	**24**	**–**	**2 900**	**767**
Movement in minority interest in non-banking entity	–	–	5	–
Other, including regulatory adjustments and transitional arrangements	–	–	12	–
Closing additional tier 1 capital	**24**	**–**	**2 917**	**767**
Closing tier 1 capital	**1 576**	**1 615**	**36 569**	**35 244**
Opening tier 2 capital	**475**	**560**	**11 153**	**13 501**
New tier 2 capital issues	–	–	2 497	2 497
Redeemed capital	–	–	(2 205)	(2 205)
Collective impairment allowances	–	–	153	153
Amortisation adjustments	(58)	(58)	–	–
Other, including regulatory adjustments and transitional arrangements	11	–	(35)	52
Closing tier 2 capital	**428**	**502**	**11 563**	**13 998**
Closing total regulatory capital	**2 004**	**2 117**	**48 132**	**49 242**

* *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.*

Total regulatory capital flow statement *(continued)*

At 31 March 2017	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**1 187**	**1 434**	**29 524**	**31 475**
New capital issues	174	–	986	–
Gain on preference share redemption	41	–	–	–
Dividends	(108)	(35)	(2 426)	(1 031)
Profit after taxation	160	118	5 064	3 229
Treasury shares	(50)	–	(1 165)	–
Acquisition of non-controlling interests	7	–	–	–
Gain on transfer of non-controlling interests	–	–	73	–
Share-based payment adjustments	26	–	549	–
Movement in other comprehensive income	21	55	786	1 104
Goodwill and intangible assets (deduction net of related taxation liability)	2	8	42	16
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	(1)	(2)	–	–
Deconsolidation of special purpose entities	11	8	–	–
Other, including regulatory adjustments and transitional arrangements	38	1	(936)	(945)
Closing common equity tier 1 capital	**1 508**	**1 587**	**32 497**	**33 848**
Opening additional tier 1 capital	**130**	**–**	**3 418**	**920**
Redeemed capital	(106)	–	–	–
Other, including regulatory adjustments and transitional arrangements	–	–	(505)	(153)
Movement in minority interest in non-banking entities	–	–	(13)	–
Closing additional tier 1 capital	**24**	**–**	**2 900**	**767**
Closing tier 1 capital	**1 532**	**1 587**	**35 397**	**34 615**
Opening tier 2 capital	**535**	**590**	**10 253**	**10 726**
New tier 2 capital issues	–	–	4 870	4 870
Redeemed capital	(37)	(18)	(2 519)	(2 519)
Collective impairment allowances	–	–	92	92
Amortisation adjustments	(12)	(12)	–	–
Other, including regulatory adjustments and transitional arrangements	(11)	–	(1 543)	332
Closing tier 2 capital	**475**	**560**	**11 153**	**13 501**
Closing total regulatory capital	**2 007**	**2 147**	**46 550**	**48 116**

* *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.*

A summary of capital adequacy and leverage ratios

As at 30 September 2017	Investec plc°*	IBP°*	Investec Limited*^	IBL*^
Common equity tier 1 (as reported)	11.2%	12.3%	10.0%	10.7%
Common equity tier 1 ('fully loaded')^^	11.2%	12.3%	10.0%	10.7%
Tier 1 (as reported)/*Pro forma****	11.4% / *13.2%*	12.3% / *13.8%*	10.8%	10.9%
Total capital adequacy ratio (as reported)/*Pro forma****	14.5% / *16.3%*	16.1% / *17.6%*	14.3%	15.3%
Leverage ratio** – permanent capital/*Pro forma****	8.0% / *9.2%*	8.3% / *9.3%*	8.1%#	8.0%#
Leverage ratio** – current/*Pro forma****	8.0% / *9.2%*	8.3% / *9.3%*	7.6%#	7.8%#
Leverage ratio** – 'fully loaded'^^/*Pro forma****	7.8% / *9.1%*	8.3% / *9.3%*	7.2%#	7.6%#
Leverage ratio – current UK leverage ratio framework^^^/*Pro forma****	9.3% / *10.7%*	9.7% / *10.9%*	–	–

As at 31 March 2017	Investec plc°*	IBP°*	Investec Limited*^	IBL*^
Common equity tier 1 (as reported)	11.3%	12.5%	9.9%	10.8%
Common equity tier 1 ('fully loaded')^^	11.3%	12.5%	9.9%	10.8%
Tier 1 (as reported)	11.5%	12.5%	10.7%	11.1%
Total capital adequacy ratio (as reported)	15.1%	16.9%	14.1%	15.4%
Leverage ratio** – permanent capital	7.8%	8.2%	7.8%#	7.7%#
Leverage ratio** – current	7.8%	8.2%	7.3%#	7.6%#
Leverage ratio** – 'fully loaded'^^	7.7%	8.2%	6.8%#	7.4%#

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° *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 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 £43 million for Investec plc and £18 million for IBP would be 31bps and 14bps lower, respectively. At 31 March 2017 the impact of the final proposed ordinary and preference dividends totalling £60 million for Investec plc and £35 million for IBP was 45bps and 28bps lower, respectively.*

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

\# *Based on revised BIS rules.*

^ *Investec Limited's and IBL's capital information includes unappropriated profit. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 15bps and 10bps lower. At 31 March 2017, Investec Limited's and IBL's common equity tier 1 ratio would be 24bps and 13bps lower.*

^^ *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.*

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

*** *Pro forma 30 September 2017 capital and leverage ratios including the proceeds of the additional tier 1 capital issuances completed by Investec plc and IBP in October 2017.*

A summary of capital adequacy and leverage ratios (continued)

Reconciliation of leverage ratios At 30 September 2017	Investec plc £'million*	IBP £'million*	Investec Limited R'million*	IBL R'million*
Total assets per accounting balance sheet	**18 858**	**18 478**	**599 824**	**427 576**
Deconsolidation of non-financial/other entities	(45)	(47)	(139 469)	–
Consolidation of banking associates	–	–	–	–
Total assets per regulatory balance sheet	**18 813**	**18 431**	**460 355**	**427 576**
Reversal of accounting values:				
Derivatives	(588)	(598)	(11 214)	(11 244)
Security financing transactions	–	–	(21 916)	(17 933)
Regulatory adjustments:	**1 583**	**1 647**	**51 323**	**52 341**
Derivatives market value	389	389	5 926	6 863
Derivative add-on amounts per the mark-to-market method	877	875	3 292	3 292
Securities financing transaction add-on for counterparty credit risk	134	134	13 401	13 401
Off-balance sheet items	652	617	30 526	30 529
Add-on for written credit derivatives	3	3	–	–
Exclusion of items already deducted from the capital measure	(472)	(371)	(1 822)	(1 744)
Exposure measure	**19 808**	**19 480**	**478 548**	**450 740**
Tier 1 capital	1 576	1 615	36 569	35 244
Leverage ratio – current**	**8.0%**	**8.3%**	**7.6%#**	**7.8%#**
Tier 1 capital 'fully loaded'^^	1 552	1 615	34 267	34 477
Leverage ratio – 'fully loaded'^^**	**7.8%**	**8.3%**	**7.2%#**	**7.6%#**

Reconciliation of leverage ratios At 31 March 2017	Investec plc £'million*	IBP £'million*	Investec Limited R'million*	IBL R'million*
Total assets per accounting balance sheet	**18 789**	**18 381**	**586 432**	**425 687**
Deconsolidation of non-financial/other entities	(70)	(72)	(129 596)	–
Consolidation of banking associates	9	9	–	–
Total assets per regulatory balance sheet	**18 728**	**18 318**	**456 836**	**425 687**
Reversal of accounting values:				
Derivatives	(604)	(610)	(9 842)	(9 856)
Securities financing transaction	–	–	(30 567)	(26 627)
Regulatory adjustments:	**1 565**	**1 709**	**67 348**	**67 826**
Derivatives market value	567	567	6 301	6 735
Derivative add-on amounts per the mark-to-market method	793	789	3 471	3 471
Securities financing transaction add-on for counterparty credit risk	39	39	24 045	24 045
Off-balance sheet items	737	693	34 249	34 255
Add-on for written credit derivatives	3	3	–	–
Exclusion of items already deducted from the capital measure	(574)	(382)	(718)	(680)
Exposure measure	**19 689**	**19 417**	**483 775**	**457 030**
Tier 1 capital	1 532	1 587	35 397	34 615
Leverage ratio – current**	**7.8%**	**8.2%**	**7.3%#**	**7.6%#**
Tier 1 capital 'fully loaded'^^	1 508	1 587	33 108	33 848
Leverage ratio – 'fully loaded'^^**	**7.7%**	**8.2%**	**6.8%#**	**7.4%#**

* *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.*

^^ *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.*

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 as prescribed by the Capital Requirements Regulation for the purposes of the Standardised Approach for the mapping of external credit assessments to credit quality steps.

	30 September 2017		31 March 2017	
Credit quality step	Exposure £'million	Exposure after credit risk mitigation £'million	Exposure £'million	Exposure after credit risk mitigation £'million
Central banks and sovereigns				
1	3 657	3 656	3 730	3 730
2	–	–	–	–
3	53	53	5	5
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Institutions*				
1	405	403	335	333
2	366	364	437	434
3	191	191	137	137
4	9	4	70	30
5	–	–	2	2
6	–	–	–	–
Corporates				
1	4	2	5	4
2	10	1	36	13
3	60	11	48	12
4	15	6	6	6
5	32	29	56	45
6	1	1	5	5
Securitisation positions				
1	219	219	249	249
2	84	84	76	76
3	26	3	34	12
4	–	–	–	–
5	–	–	–	–
Resecuritisation positions				
1	–	–	–	–
2	–	–	–	–
3	–	–	–	–
4	–	–	–	–
5	–	–	–	–
Total rated counterparty exposure	**5 132**	**5 027**	**5 231**	**5 093**

* *The institutions exposure class includes exposures to institutions with an original effective maturity of more than and less than three months.*

Analysis of rated counterparties in each standardised credit exposure class *(continued)*

Investec Limited

The capital requirement disclosed as held against credit risk as at 30 September 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 and the relevant risk weightings.

	30 September 2017		31 March 2017	
Credit quality step	**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	50 291	50 291	46 081	46 032
2	–	–	–	–
3	–	–	3 619	3 619
4	1 520	1 520	–	–
5	–	–	–	–
6	–	–	–	–
Institutions original effective maturity of more than three months				
1	93	93	1 324	1 324
2	2 357	1 985	3 295	2 936
3	1 385	1 368	8 219	7 753
4	5 227	4 636	406	406
5	–	–	–	–
6	–	–	–	–
Short-term claims on institutions				
1	226	226	2 681	2 681
2	6 106	6 106	6 056	6 056
3	101	101	14 653	14 653
4	10 818	10 818	–	–
5	–	–	–	–
6	–	–	–	–
Corporates				
1	2 145	2 118	1 486	1 451
2	1 131	862	2 286	1 389
3	5 147	3 900	9 629	8 098
4	3 633	2 465	412	331
5	–	–	–	–
6	–	–	–	–
Securitisation positions				
1	278	278	584	584
2	127	127	561	561
3	697	697	506	506
4	–	–	147	147
5	–	–	–	–
Total rated counterparty exposure	**91 282**	**87 591**	**101 945**	**98 527**

06

Annexures

Annexure 1 – Definitions

(continued)

Adjusted shareholders' equity
Refer to calculation on page 96

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 133

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 72

Adjusted earnings per ordinary share before goodwill, acquired intangibles and non-operating items
Refer to page 72

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 95

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 100

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 96

Return on average adjusted tangible shareholders' equity
Refer to calculation on page 96

Return on risk-weighted assets
Adjusted earnings divided by average risk-weighted assets

Risk-weighted assets
Calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 96

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 72

Investec plc

Incorporated in England and Wales
Registration number 3633621
JSE share code: INPPR
ISIN: GB00B4B0Q974

Rand-denominated preference share dividend announcement

Rand-denominated non-redeemable non-cumulative non-participating perpetual preference shares ("preference shares")

Declaration of dividend number 13

Notice is hereby given that preference dividend number 13 has been declared from income reserves for the period 01 April 2017 to 30 September 2017 amounting to a gross preference dividend of 495.43151 cents per preference share payable to holders of the Rand-denominated non-redeemable non-cumulative non-participating perpetual preference shares as recorded in the books of the company at the close of business on Friday, 01 December 2017.

The relevant dates relating to the payment of dividend number 13 are as follows:

Last day to trade cum-dividend	Tuesday, 28 November 2017
Shares commence trading ex-dividend	Wednesday, 29 November 2017
Record date	Friday, 01 December 2017
Payment date	Monday, 11 December 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 November 2017 and Friday, 01 December 2017, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued rand denominated preference share capital of Investec plc is 131 447 preference shares
- The dividend paid by Investec plc to shareholders recorded on the South African register is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 396.34521 cents per preference share for preference shareholders liable to pay the Dividend Tax and 495.43151 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

D Miller
Company Secretary

15 November 2017

Investec Limited

Incorporated in the Republic of South Africa
Registration number 1925/002833/06
JSE share code: INPR
NSX ordinary share code: IVD
BSE ordinary share code: INVESTEC
ISIN: ZAE000063814

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")

Declaration of dividend number 26

Notice is hereby given that preference dividend number 26 has been declared from income reserves for the period 01 April 2017 to 30 September 2017 amounting to a gross preference dividend of 405.57588 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 08 December 2017.

The relevant dates for the payment of dividend number 26 are as follows:

Last day to trade cum-dividend	Tuesday, 05 December 2017
Shares commence trading ex-dividend	Wednesday, 06 December 2017
Record date	Friday, 08 December 2017
Payment date	Monday, 11 December 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 06 December 2017 and Friday, 08 December 2017, both dates inclusive.

Additional information to take note of:

- Investec Limited South African tax reference number: 9800/181/71/2
- The issued preference share capital of Investec Limited is 32 214 499 preference shares in this specific class
- The dividend paid by Investec Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 324.46070 cents per preference share for shareholders liable to pay the Dividend Tax and 405.57588 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

N van Wyk
Company Secretary
15 November 2017

Investec Bank Limited

Incorporated in the Republic of South Africa
Registration number: 1969/004763/06
Share code: INLP
ISIN: ZAE000048393

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")

Declaration of dividend number 29

Notice is hereby given that preference dividend number 29 has been declared by the Board from income reserves for the period 01 April 2017 to 30 September 2017 amounting to a gross preference dividend of 434.57166 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 08 December 2017.

The relevant dates for the payment of dividend number 29 are as follows:

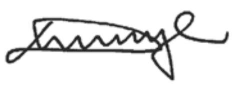
Last day to trade cum-dividend	Tuesday, 05 December 2017
Shares commence trading ex-dividend	Wednesday, 06 December 2017
Record date	Friday, 08 December 2017
Payment date	Monday, 11 December 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 06 December 2017 and Friday, 08 December 2017, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares in this specific class
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 347.65733 cents per preference share for shareholders liable to pay the Dividend Tax and 434.57166 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board



N van Wyk
Company Secretary
15 November 2017

Annexure 2 – Dividend announcements

(continued)

Investec plc

Incorporated in England and Wales
Registration number: 3633621
Share code: INPP
ISIN: GB00B19RX541

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")

Declaration of dividend number 23

Notice is hereby given that preference dividend number 23 has been declared from income reserves for the period 01 April 2017 to 30 September 2017 amounting to a gross preference dividend of 6.26712 pence per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 01 December 2017.

For shares trading on the Johannesburg Stock Exchange (JSE), the dividend of 6.26712 pence per preference share is equivalent to a gross dividend of 119.21629 cents per share, which has been determined using the Rand/Pound Sterling average buy/sell forward rate as at 11h00 (SA Time) on Wednesday, 15 November 2017.

The relevant dates relating to the payment of dividend number 23 are as follows:

Last day to trade cum-dividend	
On the Johannesburg Stock Exchange (JSE)	Tuesday, 28 November 2017
On The International Stock Exchange (TISE)	Wednesday, 29 November 2017
Shares commence trading ex-dividend	
On the Johannesburg Stock Exchange (JSE)	Wednesday, 29 November 2017
On The International Stock Exchange (TISE)	Thursday, 30 November 2017
Record date (on the JSE and TISE)	Friday, 01 December 2017
Payment date (on the JSE and TISE)	Monday, 11 December 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 November 2017 and Friday, 01 December 2017, both dates inclusive, nor may transfers between the United Kingdom share register and the South African branch register take place between Wednesday, 29 November 2017 and Friday, 01 December 2017, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued preference share capital of Investec plc is 2 754 587 preference shares
- The dividend paid by Investec plc to shareholders recorded on the South African branch register is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 95.37303 cents per preference share for preference shareholders liable to pay the Dividend Tax and 119.21629 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

D Miller
Company Secretary
15 November 2017

Investec Limited

Incorporated in the Republic of South Africa
Registration number: 1925/002833/06
JSE ordinary share code: INL
NSX ordinary share code: IVD
BSE ordinary share code: INVESTEC
ISIN: ZAE000081949

Ordinary share dividend announcement

Declaration of dividend number 124

Notice is hereby given that an interim dividend number 124, being a gross dividend of 200.00000 cents (2016: 178.00000 cents) per ordinary share has been declared by the Board from income reserves in respect of the six months ended 30 September 2017 payable to shareholders recorded in the shareholders' register of the company at the close of business on Friday, 08 December 2017.

The relevant dates for the payment of dividend number 124 are as follows:

Last day to trade cum-dividend	Tuesday, 05 December 2017
Shares commence trading ex-dividend	Wednesday, 06 December 2017
Record date	Friday, 08 December 2017
Payment date	Wednesday, 20 December 2017

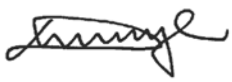
The interim gross dividend of 200.00000 cents per ordinary share has been determined by converting the Investec plc distribution of 10.5 pence per ordinary share into Rands using the Rand/Pounds Sterling average buy/sell forward rate at 11h00 (SA time) on Wednesday, 15 November 2017.

Share certificates may not be dematerialised or rematerialised between Wednesday, 06 December 2017 and Friday, 08 December 2017, both dates inclusive.

Additional information to take note of:

- Investec Limited South African tax reference number: 9800/181/71/2
- The issued ordinary share capital of Investec Limited is 308 172 606 ordinary shares
- The dividend paid by Investec Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- Shareholders who are exempt from paying the Dividend Tax will receive a net dividend of 200.00000 cents per ordinary share
- Shareholders who are not exempt from paying the Dividend Tax will receive a net dividend of 160.00000 cents per ordinary share (gross dividend of 200.00000 cents per ordinary share less Dividend Tax of 40.00000 cents per ordinary share).

By order of the board



N van Wyk
Company Secretary
15 November 2017

Investec plc

Incorporated in England and Wales
Registration number 3633621
LSE ordinary share code: INVP
JSE ordinary share code: INP
ISIN: GB00B17BBQ50

Ordinary share dividend announcement

In terms of the DLC structure, Investec plc shareholders registered on the United Kingdom share register may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAN share issued by Investec Limited.

Investec plc shareholders registered on the South African branch register may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAS share issued by Investec Limited.

Declaration of dividend number 31

Notice is hereby given that an interim dividend number 31, being a gross dividend of 10.5 pence (2016: 10 pence) per ordinary share has been declared by the Board from income reserves in respect of the six months ended 30 September 2017 payable to shareholders recorded in the shareholders' register of the company at the close of business on Friday, 08 December 2017.

- for Investec plc shareholders, registered on the United Kingdom share register, through a dividend payment by Investec plc from income reserves of 10.5 pence per ordinary share
- for Investec plc shareholders, registered on the South African branch register, through a dividend payment by Investec plc from income reserves of 2.5 pence per ordinary share and through a dividend paid by Investec Limited, on the SA DAS share, payable from income reserves, equivalent to 8.0 pence per ordinary share

The relevant dates for the payment of dividend number 31 are as follows:

Last day to trade cum-dividend	
On the Johannesburg Stock Exchange (JSE)	Tuesday, 05 December 2017
On the London Stock Exchange (LSE)	Wednesday, 06 December 2017
Shares commence trading ex-dividend	
On the Johannesburg Stock Exchange (JSE)	Wednesday, 06 December 2017
On the London Stock Exchange (LSE)	Thursday, 07 December 2017
Record date (on the JSE and LSE)	Friday, 08 December 2017
Payment date (on the JSE and LSE)	Wednesday, 20 December 2017

Share certificates on the South African branch register may not be dematerialised or rematerialised between Wednesday, 06 December 2017 and Friday, 08 December 2017, both dates inclusive, nor may transfers between the United Kingdom share register and the South African branch register take place between Wednesday, 06 December 2017 and Friday, 08 December 2017, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Shareholders registered on the South African branch register are advised that the distribution of 10.5 pence, equivalent to a gross dividend of 200.00000 cents per share, has been arrived at using the Rand/Pound Sterling average buy/sell forward rate, as determined at 11h00 (SA time) on Wednesday, 15 November 2017
- Investec plc United Kingdom tax reference number: 2683967322360
- The issued ordinary share capital of Investec plc is 668 441 206 ordinary shares
- The dividend paid by Investec plc to South African resident shareholders registered on the South African branch register and the dividend paid by Investec Limited to Investec plc shareholders on the SA DAS share are subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- Shareholders registered on the South African branch register who are exempt from paying the Dividend Tax will receive a net dividend of 200.00000 cents per share, comprising 152.38095 cents per share paid by Investec Limited on the SA DAS share and 47.61905 cents per ordinary share paid by Investec plc
- Shareholders registered on the South African branch register who are not exempt from paying the Dividend Tax will receive a net dividend of 160.00000 cents per share (gross dividend of 200.00000 cents per share less Dividend Tax of 40.00000 cents per share) comprising 121.90476 cents per share paid by Investec Limited on the SA DAS share and 38.09524 cents per ordinary share paid by Investec plc.

By order of the board

D Miller
Company Secretary

15 November 2017

Investec plc and Investec Limited

Secretary and registered office

Investec plc

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Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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Ernst & Young Inc.

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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 NED)
David Friedland
Philip A Hourquebie*
Charles R Jacobs
Ian R Kantor
Lord Malloch-Brown (KCMG)
Khumo L Shuenyane

* *Appointed on 14 August 2017*

Peter R S Thomas resigned effective 10 August 2017

For queries regarding information in this document

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Notes

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