

Out of the Ordinary®

 **Investec**

Specialist Bank



Investec plc

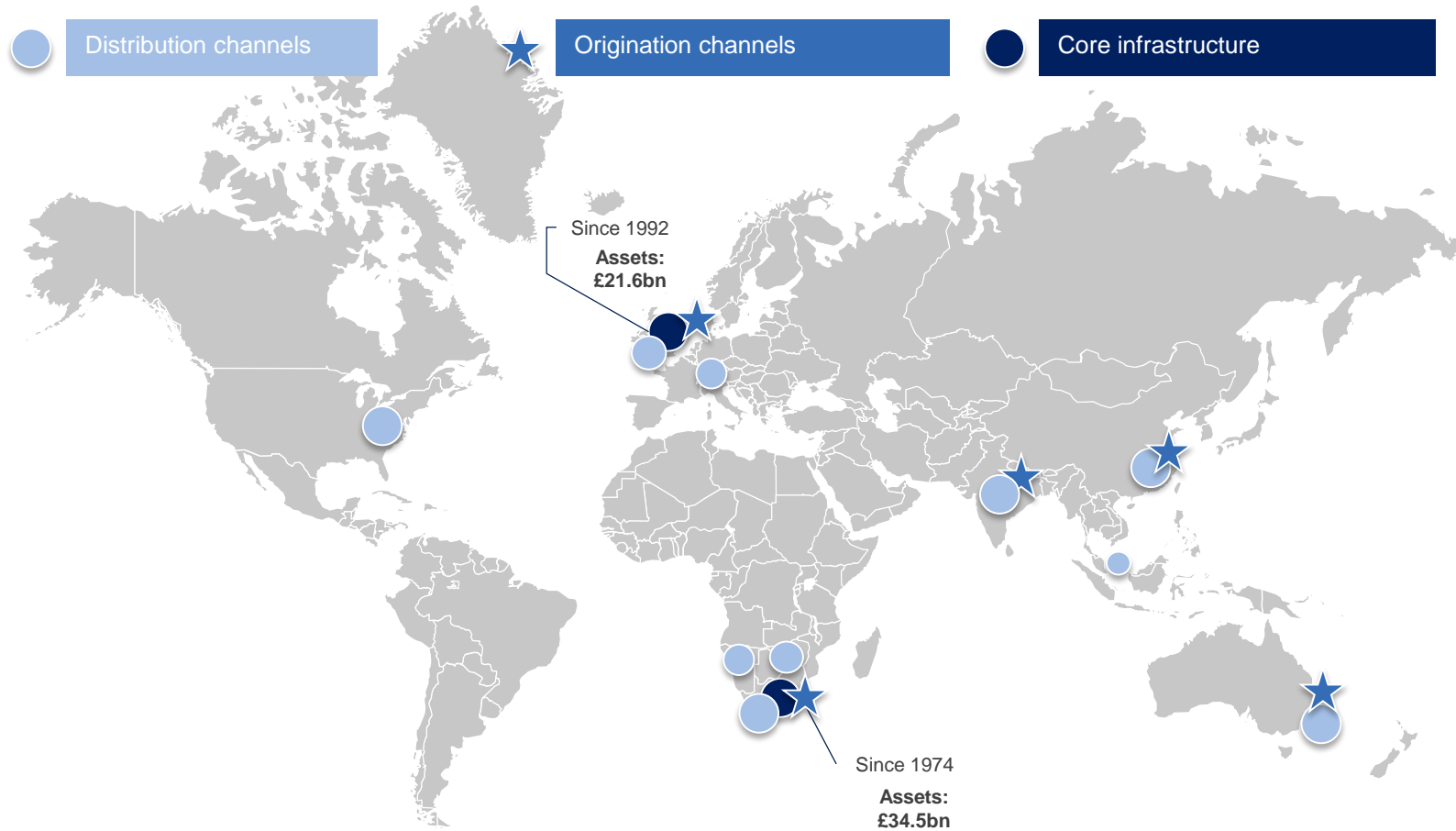
The information in this presentation relates to the six months ending 30 September 2018,
unless otherwise indicated.



An overview of the Investec Group

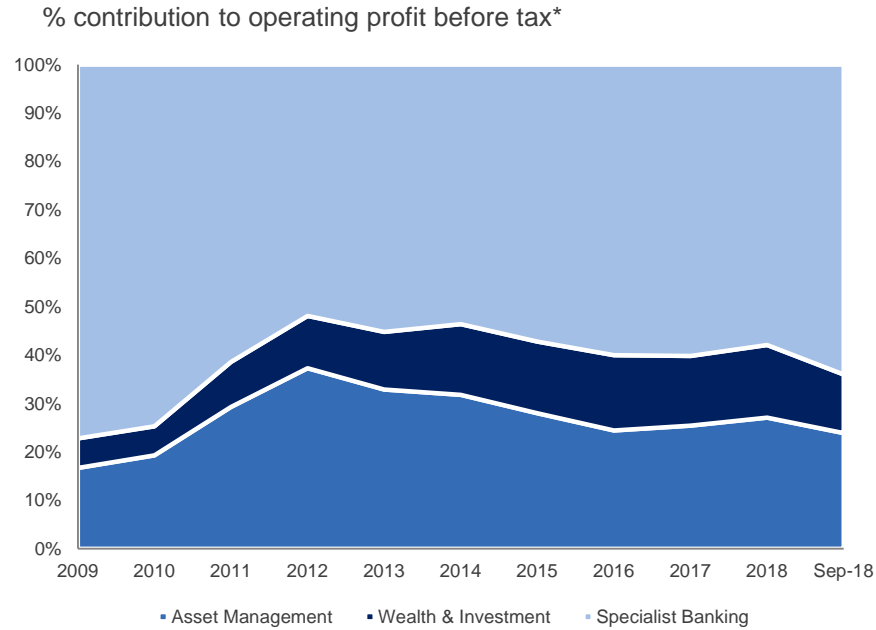
Investec: a distinctive specialist bank and asset manager

- Established in 1974
- Today, efficient integrated international business platform employing approximately **10 300** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of £56.1bn; total equity £5.1bn; total FUM £166.5bn



Solid recurring income base supported by a diversified portfolio

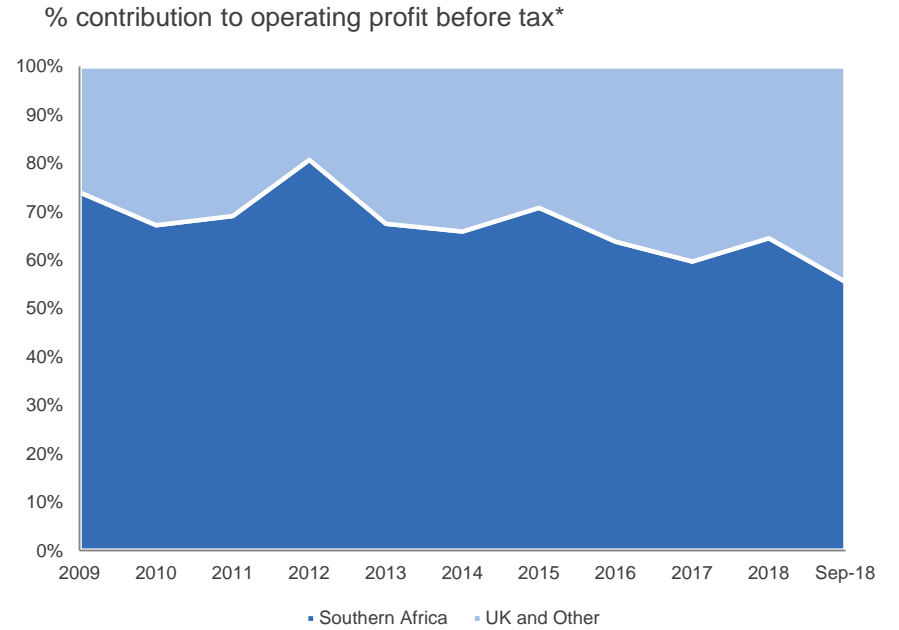
Across businesses



Overall contribution from Asset Management and Wealth & Investment

Sept 2018: 36% 2018: 42% 2017: 40% 2016: 40% 2015: 43% 2014: 46% 2013: 45% 2012: 48%

Across geographies



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

Strategic focus

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

The Investec distinction

Client focused approach

- Clients are the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High-tech, high-touch approach
- 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 capital light versus capital intensive activities 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

- Concentrate on our existing offering
- Scale through our global distribution model and capture the next waves of flows, including North America and Asia
- Continue to deepen and strengthen investment and client capabilities for long-term

Investec (Bank and Wealth)

- Target market acquisition and deepening client relationships
- Establishing a high-tech and high-touch domestically relevant UK private Bank
- Investing in our technology platforms
- Improving the jaws ratio
- Increasing capital light activities
- Managing our capital base

Balanced business model supporting our long-term strategy

Three distinct business activities focused on well defined target clients

Corporate / Institutional / Government

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

Asset Management

(operating completely independently)

Provides investment management services to external clients

Specialist Banking

Provides a broad range of services:

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

Wealth & Investment

Provides investment management services and independent financial planning advice

Maintaining an **appropriate balance** between revenue earned from capital light activities and revenue earned from capital intensive activities

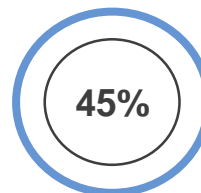
Capital light activities



Contributed to group income

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

Capital intensive activities



Contributed to group income

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

Fee and commission income



Types of income



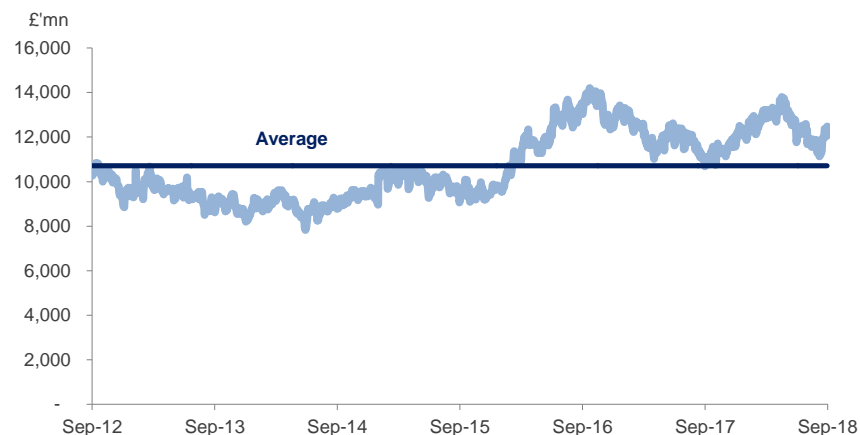
Net interest, investment, associate and trading income

We continue to have a sound balance sheet

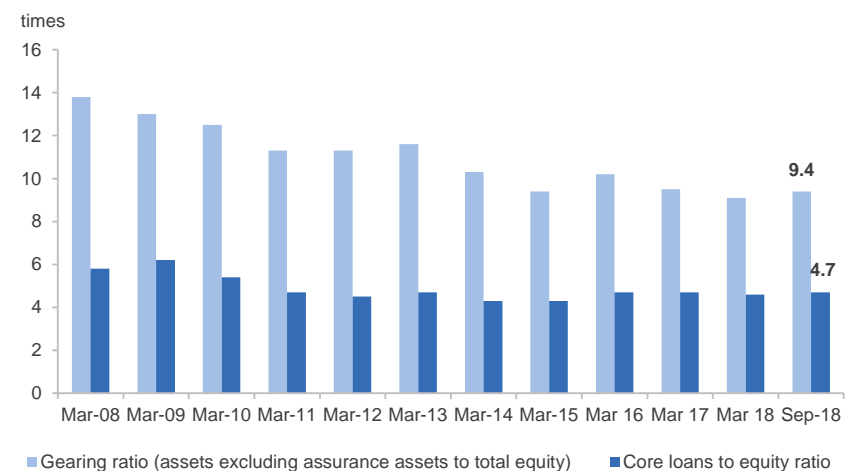
Key operating fundamentals

- Senior management “hands-on” culture
- A high level of readily available, **high quality liquid assets:** representing c. 25% - 35% of our liability base. Cash and near cash balances amounted to £12.5 billion at year end, representing 41.1% of customer deposits.
- No reliance on wholesale funding
- Healthy capital ratios: always held **capital in excess of regulatory requirements** and the group intends to perpetuate this philosophy. Target common equity tier 1 ratio of above 10% and total capital ratios between 14% and 17%
- **Low gearing ratio:** 9.4x with leverage ratios in excess of 7%
- Geographical and operational diversity with a **high level of recurring income** continues to support sustainability of operating profit

Cash and near cash



Low gearing ratios



We have invested in our Brand



...our Communities

...our People



... and the Planet





An overview of Investec plc

Investec plc is a growing **specialist bank**, leading **asset manager and private client wealth manager** with **primary business in the UK**

Total assets £21.7bn	Net core loans £10.1bn	Total equity £2.2bn	Customer deposits £12.4bn	Third Party FUM £114.7bn	Employees (approx.) 4,200
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Investec plc

- Holding company of the Investec Group's **UK & Other operations**
- Operating in the UK since 1992
- **UK FTSE 250 listed entity** since 2002
- PRA and FCA regulated and a member of the London Stock Exchange
- **Balanced and defensive business model** comprising Specialist Banking, Asset Management and Wealth & Investment
- **Creditors ring-fenced** from Investec Bank Limited (Southern African banking subsidiary)
- **Capital and liquidity are not fungible** between Investec plc and Investec Limited – each entity required to be self-funded and self-capitalised in adherence with the regulations in their respective jurisdictions

Diversified revenue streams with high annuity base

- Balanced business model comprising two distinct business activities: **Specialist Banking, Asset Management and Wealth & Investment**
- Continued focus on growing our **capital light businesses**, now 64% of Investec plc's revenue
- High level of **annuity revenue**[^] accounting for 80% of total operating income
- **Strong growth in third party FUM**
- Simplification of banking business resulting in a **reduction in legacy portfolio and impairments**

Sound balance sheet

- **Never required shareholder or government support**
- **Robust capital base: 10.1% CET1 ratio** and **strong leverage ratio** (7.1% on a fully loaded basis) as of 30 September 2018*
- Investec plc benefits from a substantial unlevered assets, being Investec Asset Management (AUM: £75.0bn) and Wealth & Investment (AUM: £39.4bn)
- **Low gearing: 9.8x**
- **Strong liquidity ratios** with high level of readily available, high quality liquid assets representing 52% of customer deposits (cash and near cash: £6.5bn)
- **Diversified funding base** with strong retail deposit franchise and low reliance on wholesale funding

Strong culture

- **Stable management** - senior management team average tenor of c.15 – 20 years
- Strong, entrepreneurial culture balanced with a strong risk awareness
- Employee ownership – long-standing philosophy

[^] Where annuity income is net interest income and annuity fees

*CET1 ratios shown on a consolidated basis as at 30 Sept 2018; after the deduction of foreseeable charges and dividends as required by the CRR and EBA technical standards

FUM= Third party funds under management

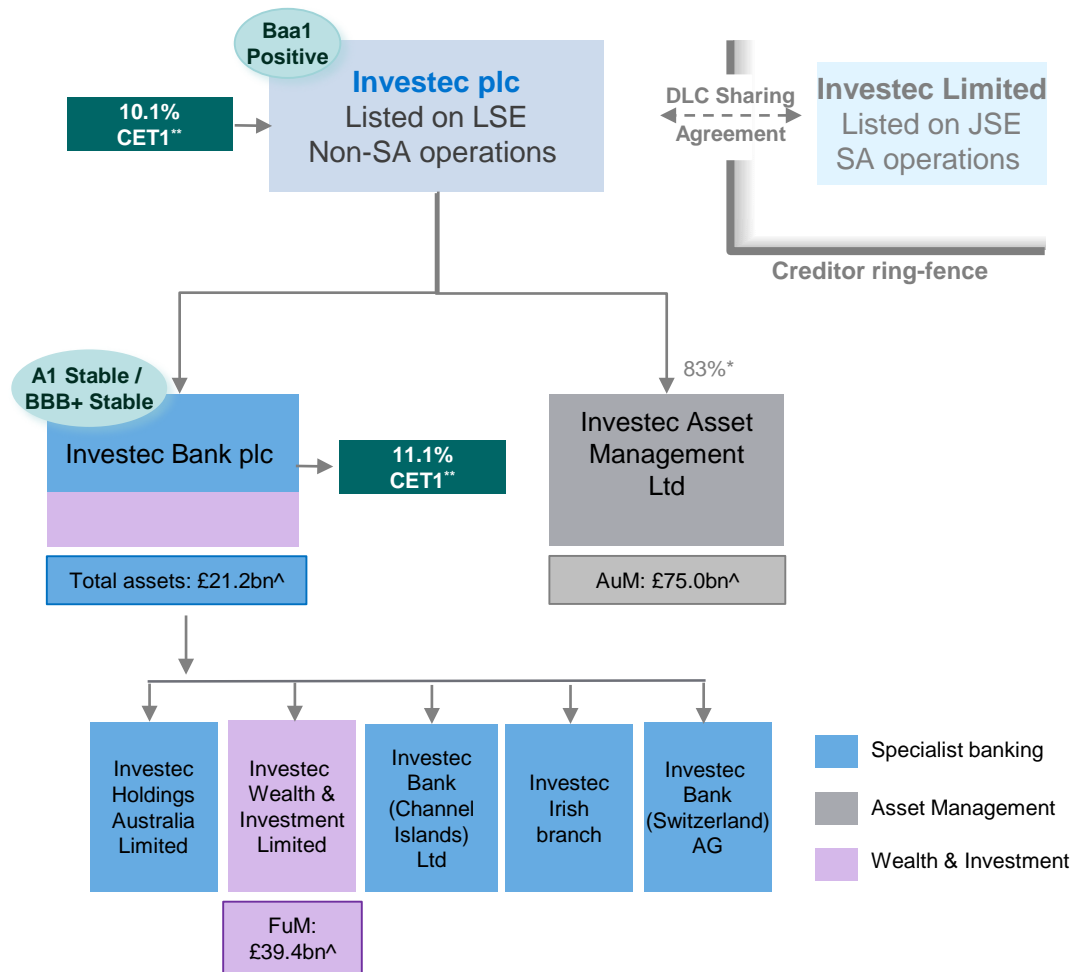
Investec plc: structure and main operating subsidiaries

Features of Investec's structure

- **Investec plc is the holding company** of the Investec group's **UK & Other operations**
- Two main operating subsidiaries:
 - **IBP** (which houses the **Specialist Banking** and **Wealth & Investment** activities)
 - **Investec Asset Management**

Features of the Investec Group's DLC structure

- Investec implemented a **Dual Listed Companies Structure** in July 2002
- **Creditors are ring-fenced** to either Investec Limited or Investec plc as there are no cross guarantees between the companies
- **Capital and liquidity are prohibited from flowing between the two entities** under the DLC structure conditions
- **Shareholders have common economic and voting interests** (equivalent dividends on a per share basis; joint electorate and class right voting) as a result of a Sharing Agreement
- **Investec operates as if it is a single unified economic enterprise** with the same Boards of Directors and management at the holding companies



Assets under Management	Sept-18	Mar-18
UK & Other		
Investec Wealth & Investment	£39.4bn	£36.9bn
Investec Asset Management	£75.0bn	£69.4bn
Other	£0.4bn	£0.3bn
Total third party assets under management	£114.7bn	£106.6bn

Investec plc: balanced business model supporting our long-term strategy

Three distinct business activities focused on well defined target clients and regions

Client	Corporate / Institutional / Government	Private client (high net worth / high income) / charities / trusts	
Business	Investec Asset Management <ul style="list-style-type: none"> Global specialist investment management services Operates independently of Investec Bank plc 	Specialist Banking <ul style="list-style-type: none"> Lending Transactional banking Deposit raising activities Treasury and trading Advisory Investment activities 	Wealth & Investment <ul style="list-style-type: none"> Investment management services Independent financial planning advice
Region	Investment and operational hubs in London, Cape Town, Luxembourg, Hong Kong, New York and Singapore	UK and Europe, Australia, Hong Kong, India, USA	UK, Channel Islands (Guernsey), Ireland, Hong Kong, Switzerland
Value Proposition	<ul style="list-style-type: none"> Organically built an independent global platform, founded by current leadership Five Client Group teams: UK, Africa, Europe, Americas and Asia Pacific Core investment capabilities in global equities and fixed income with a growing multi-asset capability Low risk, capital light and highly cash generative business Strong cash flows support dividends at Investec plc holding company £75.0bn[^] in assets under management 	<ul style="list-style-type: none"> High-quality specialist banking solutions with leading positions in selected areas High touch personalised service – supported by technology and execution capability Ability to leverage international, cross-border platforms Well positioned to capture opportunities between the developed and the emerging world – internationally mobile Balanced and diversified business model Strong ability to originate, manufacture and distribute 	<ul style="list-style-type: none"> Business built over a long period of time, organically and inorganically – current focus is on organic growth in key markets Well established platforms in the regions in which we operate Four distinct channels: direct, intermediaries, charities and international plus recently launched fifth online distribution channel “Click & Invest” Low risk, capital light, annuity income generation £39.4bn[^] in assets under management

Investec plc: focusing on capital light activities

- We have realigned our business model over the past few years and focused on **growing our capital light businesses**
- We have **significantly increased our third party assets under management** - a key capital light annuity income driver - in the Asset Management and Wealth & Investment businesses
- Our total capital light activities **account for 63% of Investec plc's revenue**

CAPITAL LIGHT ACTIVITIES

Third party asset management, advisory and transactional income

- Asset management
- Wealth management
- Advisory services
- Transactional banking services
- Funds

CAPITAL INTENSIVE ACTIVITIES

Net interest, customer flow trading, investment and associate income

- Lending portfolios
- Trading income largely from client flow as well as balance sheet management and other
- Investment portfolios

CAPITAL LIGHT BUSINESSES

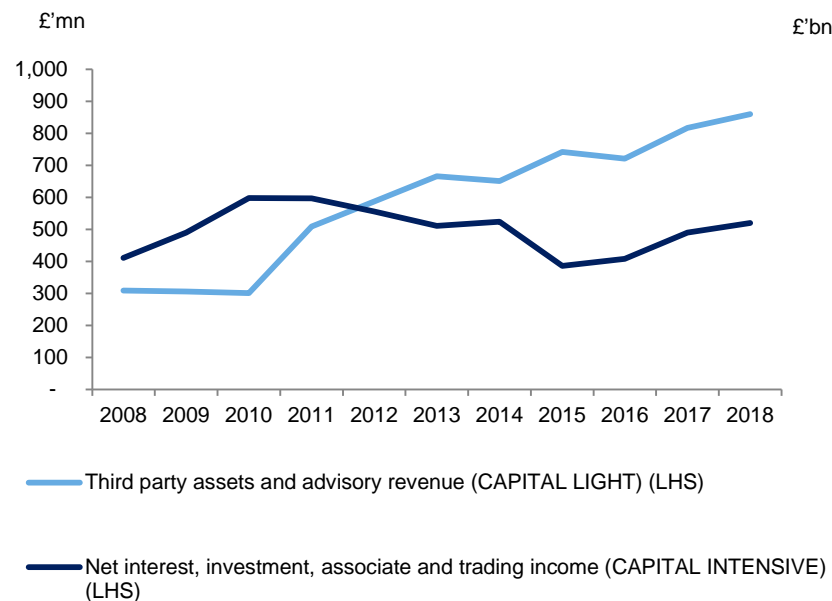
£860mn

63% of total revenue

Net fees and commissions of
£850mn
62% of total revenue

Other of
£10mn
1% of total revenue

Investec plc revenues and funds under management



CAPITAL INTENSIVE BUSINESSES

£520mn

37% of total revenue

Net interest income of
£338mn
24% of total revenue

Customer flow and other trading income of
£112mn
8% of total revenue

Investment and associate income of
£70mn
5% of total revenue

Fee and commission income



Types of income



Net interest, customer flow trading, investment and associate income

Investec plc: strategic objectives

Maintain healthy capital ratios

- Always held capital in excess of regulatory requirements
- Targets:
 - Common Equity Tier 1 ratio >10% (10.1% at 30 Sept 2018)
 - Tier 1 ratio >11% (11.9% at 30 Sept 2018)
 - Total capital adequacy: 14% – 17% (15.2% at 30 Sept 2018)
 - Leverage ratio >6% (7.5% at 30 Sept 2018)
- Capital strength maintained without recourse to shareholders, new investors or government assistance

Maintain robust liquidity management philosophy

- Appropriately manage our levels of surplus liquidity and cost of funding
- Maintain high level of readily available, high-quality liquid assets - minimum cash to customer deposit ratio of 25% (52.2% as at 30 Sept 2018)
- Maintain diversified sources of funding

Perpetuate the quality of the balance sheet

Focus on revenue drivers

- Continue to build and develop our client franchises and client base in the UK – primary focus on direct relationships with entrepreneurs, mid-sized corporates and high net worth clients
- Generate high-quality income through diversified revenue streams and businesses
- Continue to leverage our private client platform (across banking and wealth management)
- Continue to grow FUM
- Moderate loan growth, emphasis on diversified portfolios
- Increase transactional activity

Maintain operational efficiency

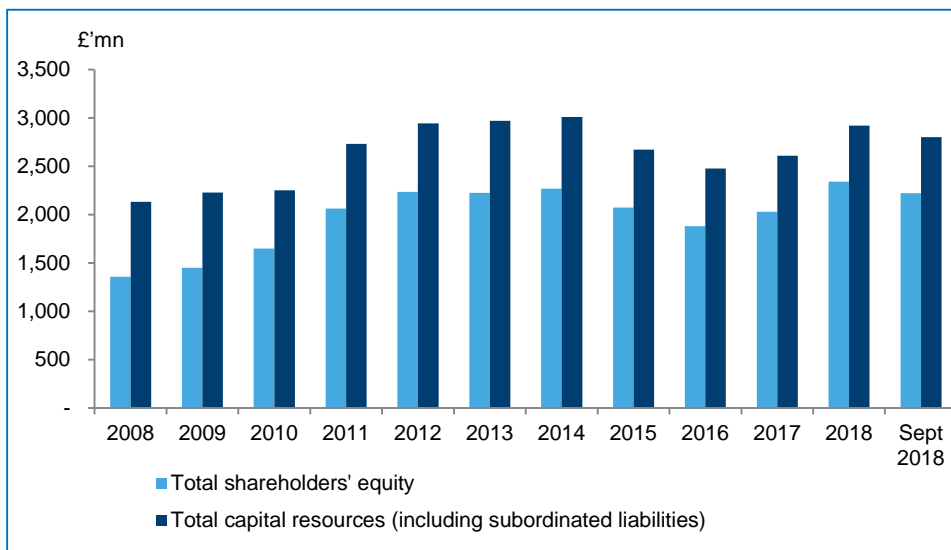
- Investec plc cost to income ratio 78.2% at 30 Sept 2018 (blend of banking and wealth management businesses)
- Targeting cost to income of below 70%
- We are focusing on managing costs, our cost to income ratio has been elevated as we have been investing in infrastructure and resources to grow the franchise, notably the build-out of the private client offerings
- Our solid corporate franchise should continue to support sound growth in revenue



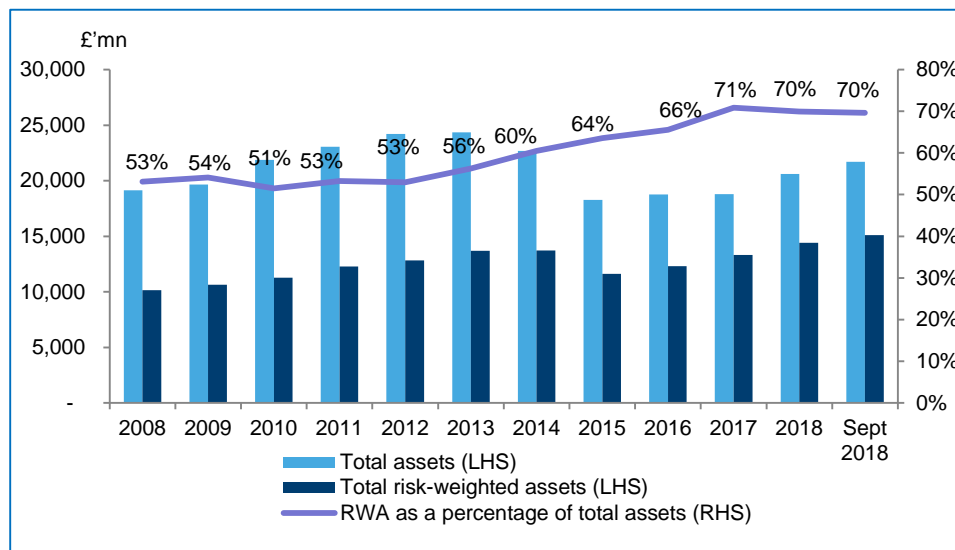
**Investec plc:
sound balance sheet and
operating fundamentals**

Investec plc: sound capital base and capital ratios

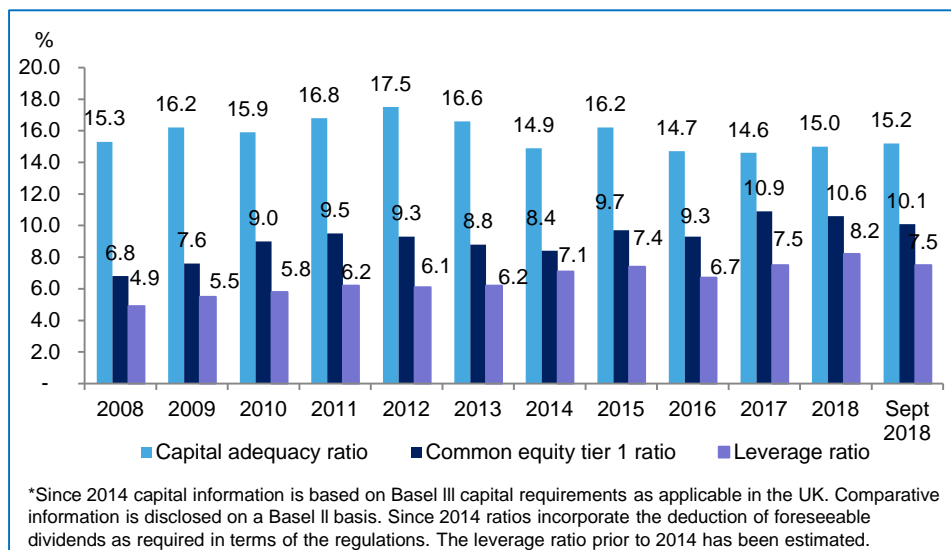
Total capital



Total risk-weighted assets



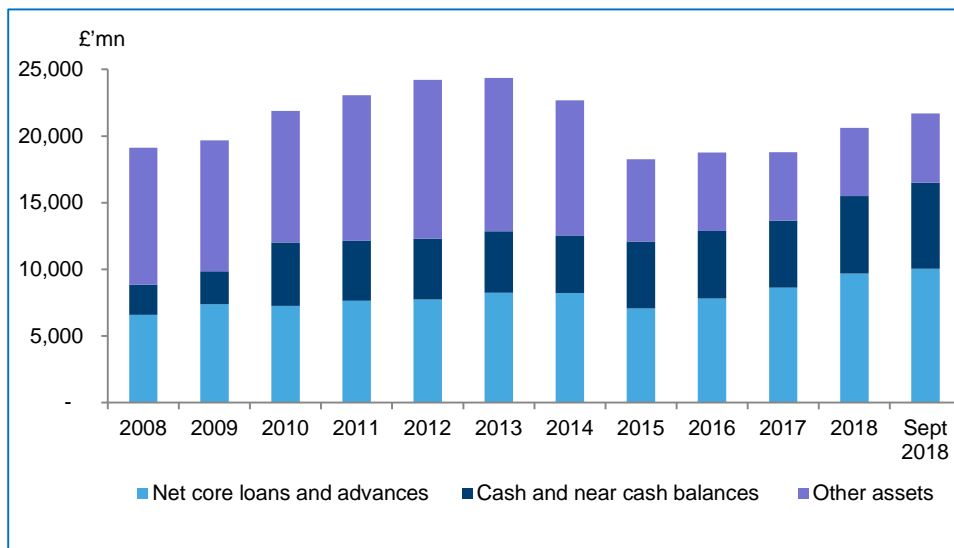
Basel capital ratios*



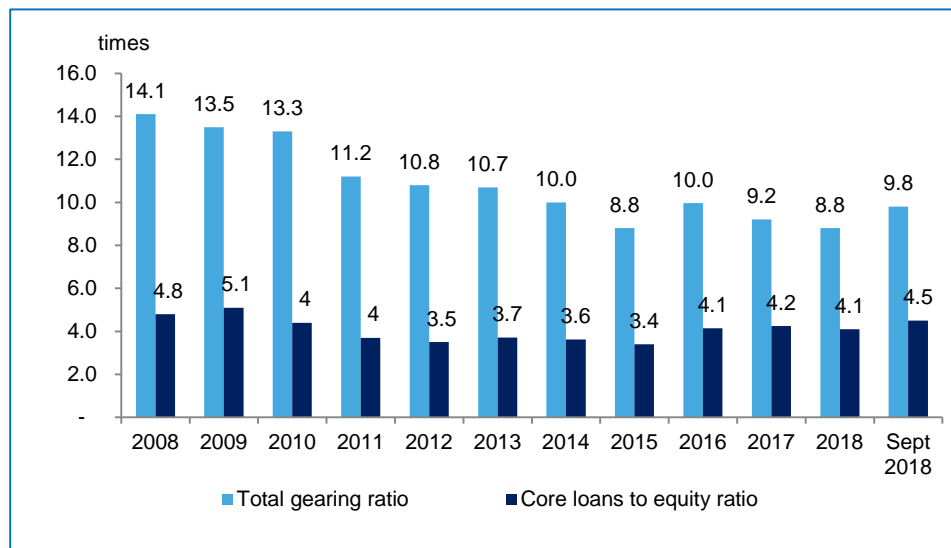
- Investec has always held capital in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised
- Capital adequacy targets:
 - Common equity tier 1 target: above 10% (30 Sept 2018: 10.1%)
 - Total CAR target: 14% – 17% (30 Sept 2018: 15.2%)
- As we are on the Standardised Approach in terms of Basel III our RWA represent a large portion of our total assets.** As a result we inherently hold more capital than our peers who are on the Advanced Approach
- We have continued to grow our capital base** throughout the crisis without recourse to government and shareholders. Our total shareholders' equity has grown by c64% since 2008 to £2.2bn at 30 September 2018
- 30 September 2018: total capital adequacy ratio of 15.2% and common equity tier 1 ratio of 10.1%** (these ratios now incorporate the deduction of foreseeable dividends as required in terms of the regulations. Excluding these adjustments the common equity tier 1 ratio would be 30bps higher)
- Our fully loaded Basel III common equity tier 1 ratio is estimated to be 9.7% and our fully loaded leverage ratio is 7.1%**

Investec plc: low gearing ratios

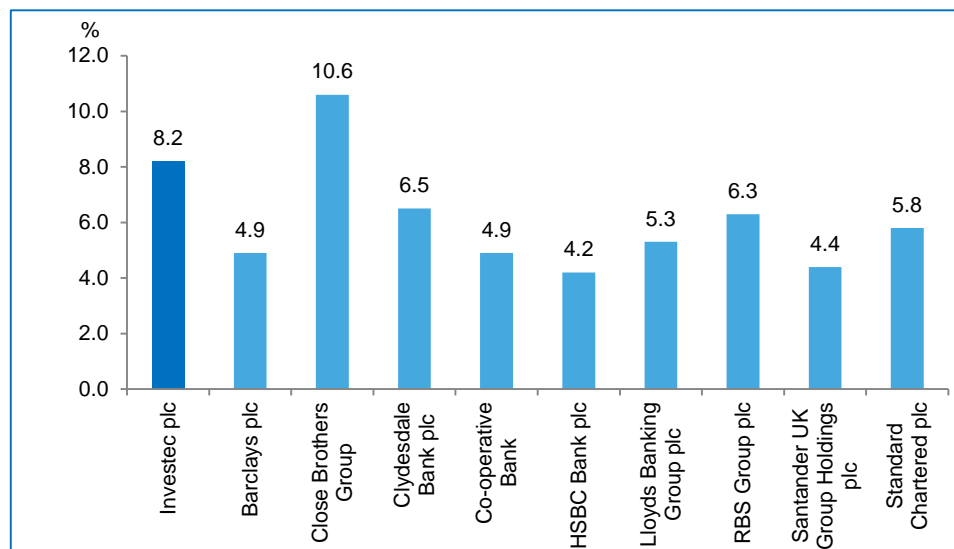
Total assets



Gearing



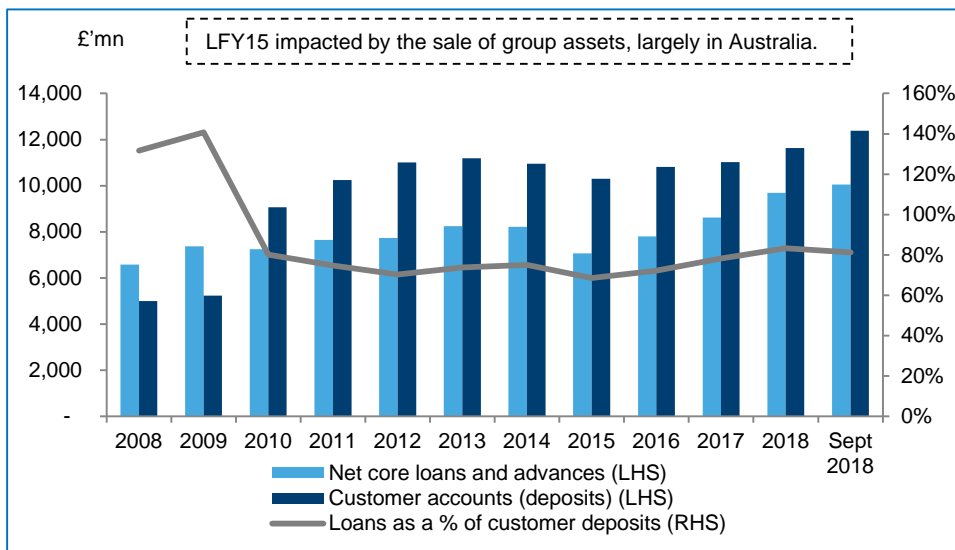
Regulatory leverage ratios - peer group comparisons



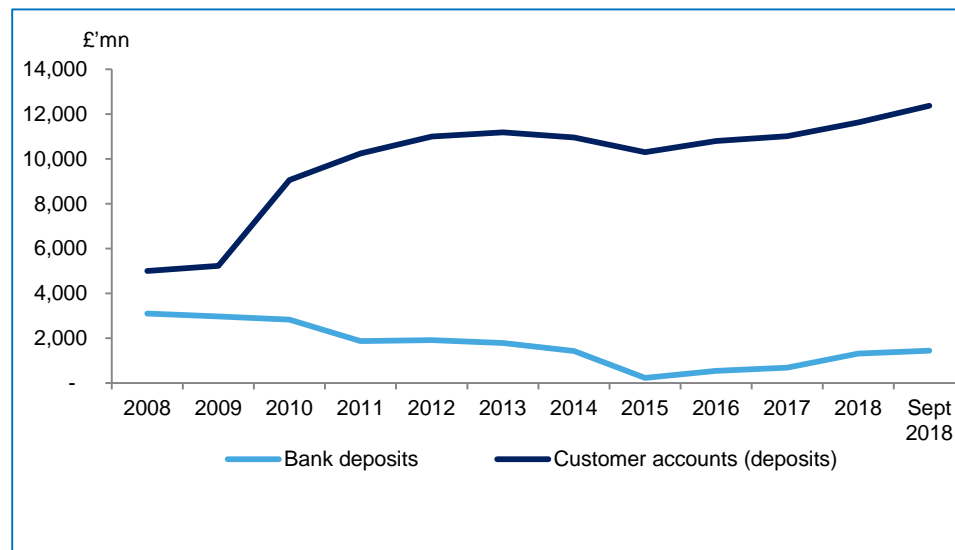
- Our core loans and advances have grown moderately over the past few years with the biggest increase in assets representing an increase in our cash and near cash balances which have grown by approximately 10% each year since 2008
- Total assets reduced during FY15 as a result of the group's strategic sales of certain businesses
- **We have maintained low gearing ratios with total gearing at 9.8x and an average of 10.8x since 2008**

Investec plc: surplus liquidity

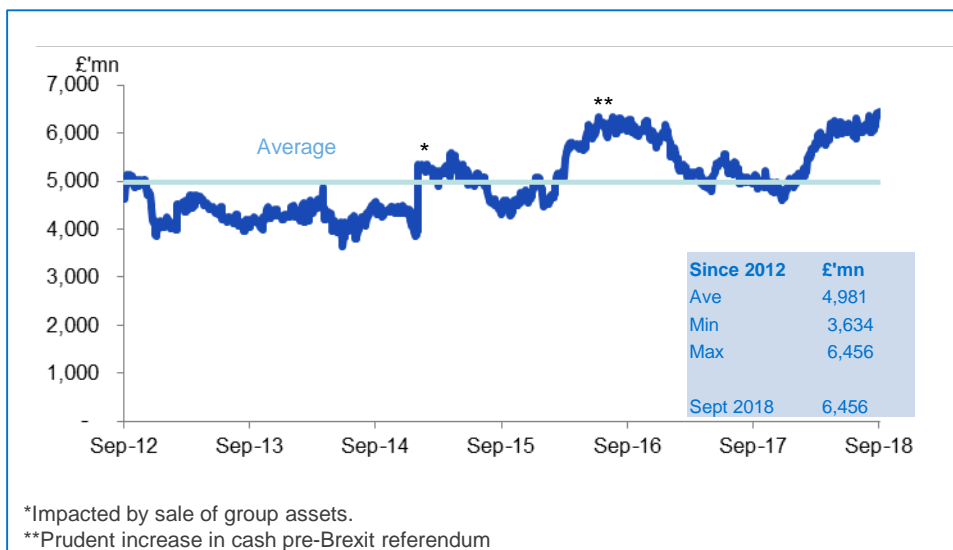
Total loans and deposits



Total deposits – increase in retail deposits



Cash and near cash balances

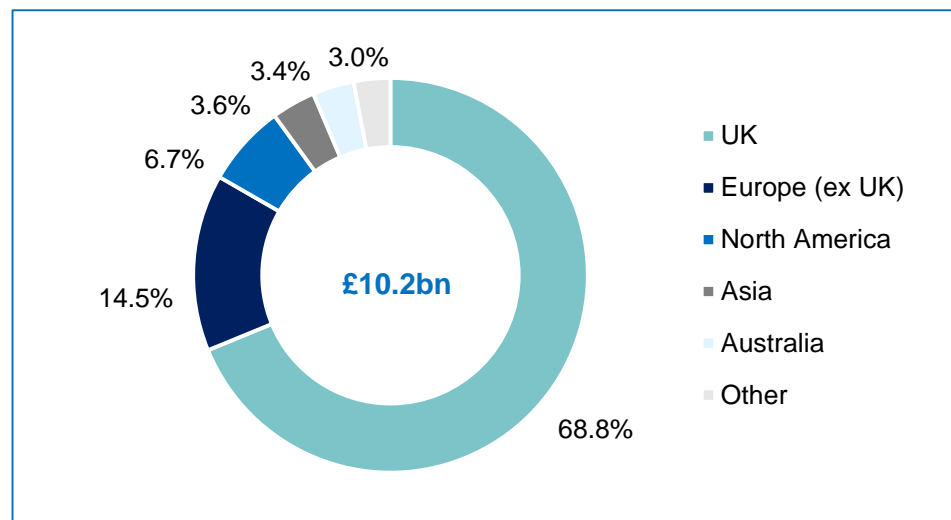


- We exceed Basel III liquidity requirements
- Customer deposits have grown by 148% (c.8% CAGR p.a.) since 2008 to £12.4bn at 30 Sept 2018
- We maintain a high level of readily available, high quality liquid assets – targeting a minimum cash to customer deposit ratio of 25%. These balances have increased significantly since 2008 to £6.5bn at 30 Sept 2018 (representing 52% of customer deposits)
- Advances as a percentage of customer deposits is at 81.3%
- Fixed and notice customer deposits have continued to grow with our customers display a strong 'stickiness' and willingness to reinvest in our suite of term and notice products.
- The LCR reported to the Prudential Regulatory Authority at 30 September 2018 was 332% for Investec plc.

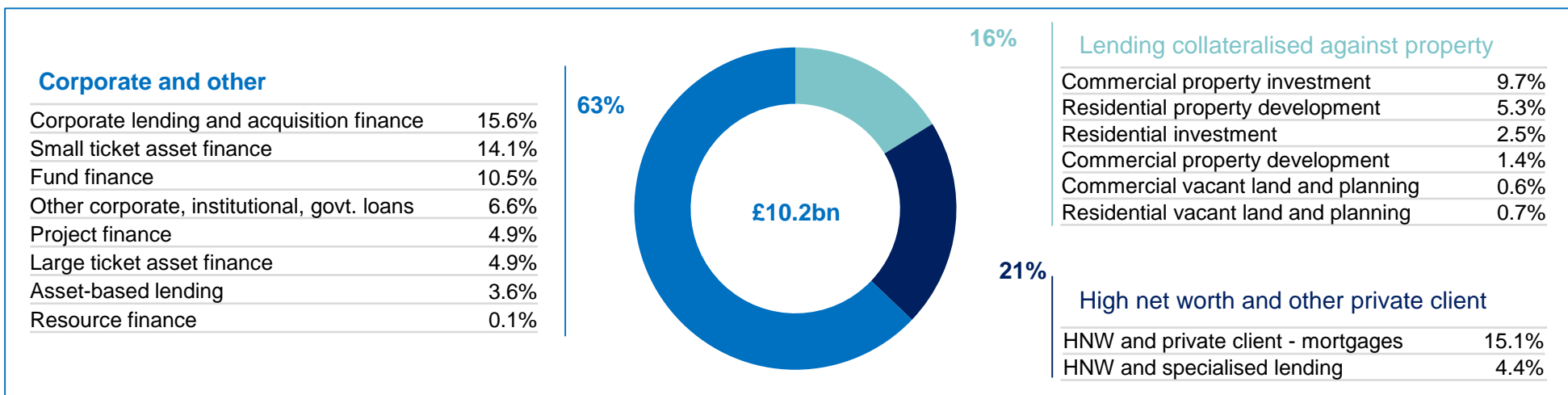
Investec plc: exposures in a select target market

- Credit and counterparty exposures are to a **select target market**:
 - High net worth and high income clients
 - Mid to large sized corporates
 - Public sector bodies and institutions
- The majority of exposures reside **within the UK**
- We typically originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship with our clients

Gross core loans by country of exposure at 30 Sept 2018

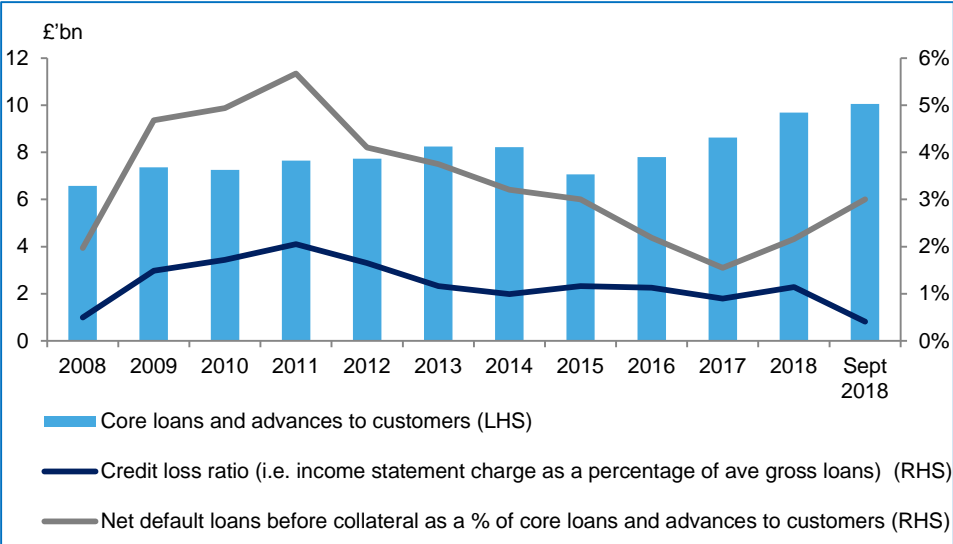


Gross core loans by risk category at 30 Sept 2018



Investec plc: core lending and asset quality

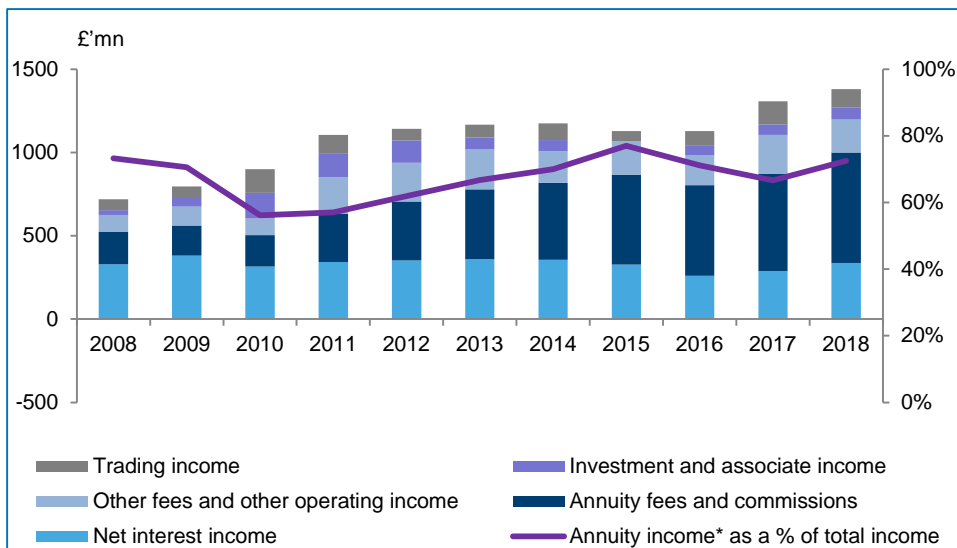
Core loans and asset quality



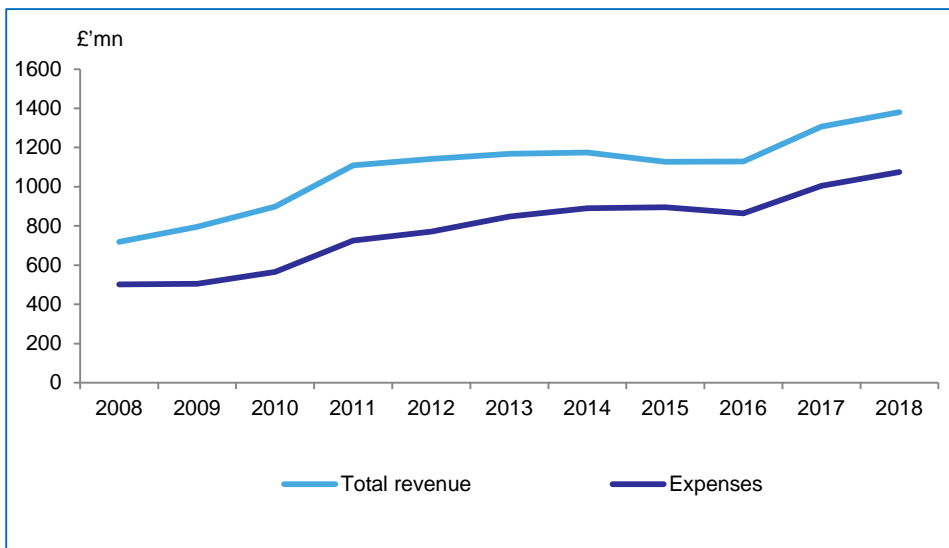
- **Credit quality on core loans and advances for the for the six months ended 30 Sept 2018:**
- The total ECL impairment charges amounted to £10.0mn, a substantial reduction from £37.6 million in the prior period, primarily reflecting a reduction in legacy impairments
- The annualised **credit loss charge** as a percentage of average gross core loans and advances subject to ECL amounted to 0.41% (31 March 2018: 1.14%)
- **Stage3 exposures net of ECL** amounted to £277 million (1 April 2018: £372 million) largely driven by a reduction in legacy exposures.
- Stage 3 net of ECL as a percentage of net core loans and advances to customers subject to ECL amounted to 3.0% (1 April 2018: 4.3%)

Investec plc: profitability supported by diversified revenue streams

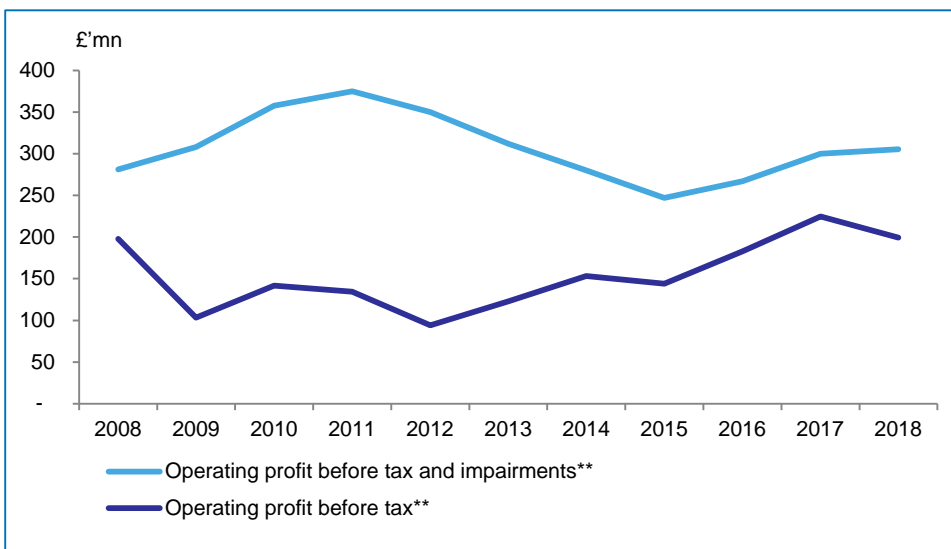
Recurring income



Revenue versus expenses



Operating profit before tax** and impairments



- Info for the year-ended 31 March 2018:
- **We have grown our operating profit**
Since 2008 our results have however, been impacted by an increase in impairments which are reducing as the legacy portfolio continues to be managed down. Notwithstanding this, we have remained profitable throughout the crisis
- We are **maintaining a disciplined approach to cost control**. More recently costs have increased largely as a result of restructuring some of our businesses and investment into our digitization platforms and franchise businesses
- We have a **solid recurring income base** comprising net interest income and recurring fees which has been enhanced by the growth in our asset and wealth management businesses
- **Total capital light activities account for 62% of Investec plc's income**

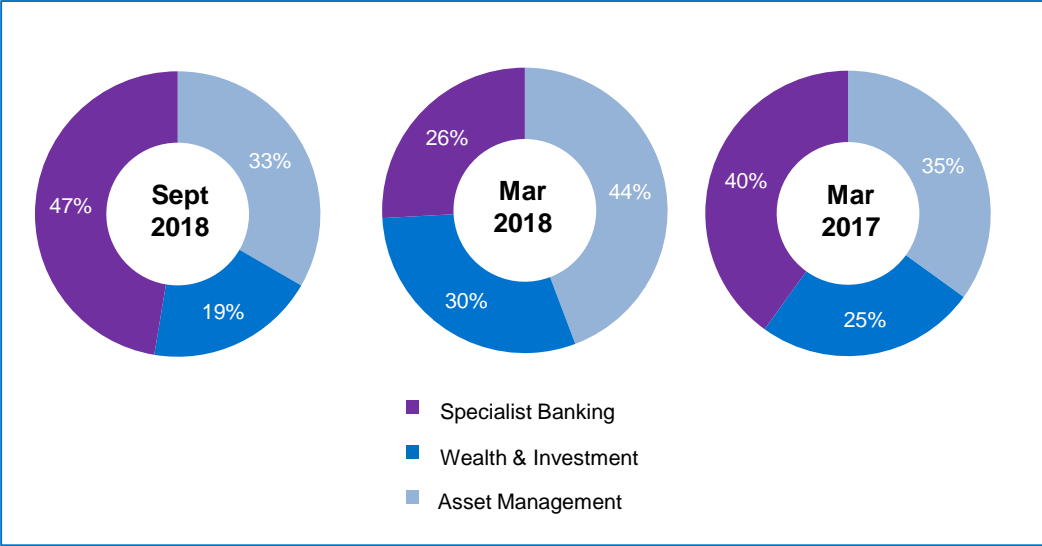
*Where annuity income is net interest income and annuity fees.

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

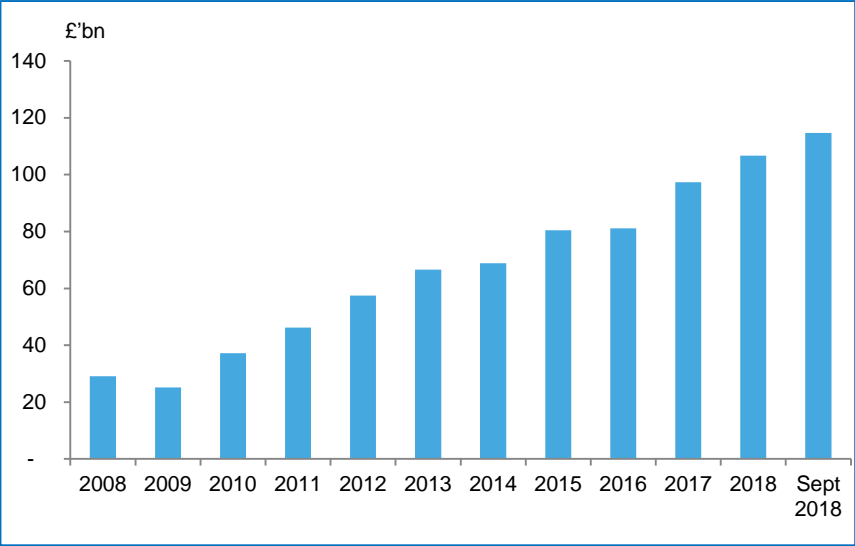
Investec plc: we have realigned the business model

by continued focus on building capital light revenues from the Asset Management and Wealth & Investment businesses

% contribution to operating profit*



Funds under management



Results are shown for the year-ended 31 March, unless otherwise indicated.

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

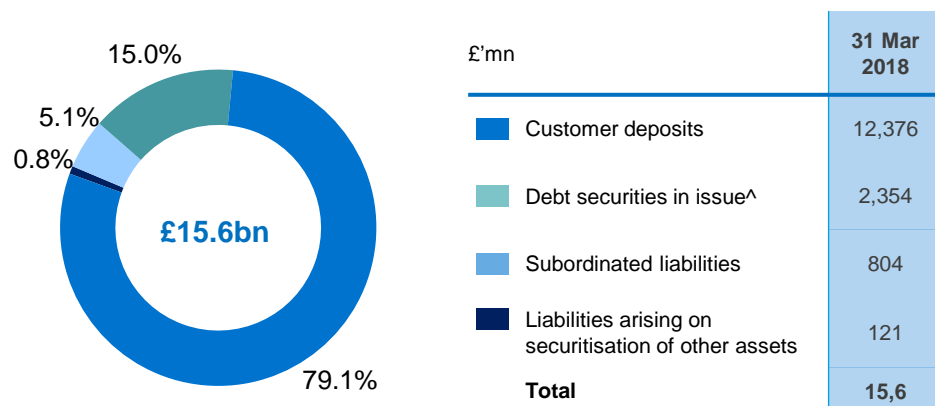
Investec plc: diversified funding strategy and credit ratings

- Investec's funding consists **primarily of customer deposits**
- Investec adopts a **conservative and prudent funding strategy**
- Positive rating trajectory:** over the past few years both Investec Bank plc (IBP) and Investec plc have received ratings upgrades

Conservative and prudent funding strategy

- ➔ **Maintaining a high base of high-quality liquid assets**
- ➔ **Diversifying funding sources**
- ➔ **Limiting concentration risk**
- ➔ **Low reliance on wholesale funding**
- ➔ **Maintaining a stable retail deposit franchise**

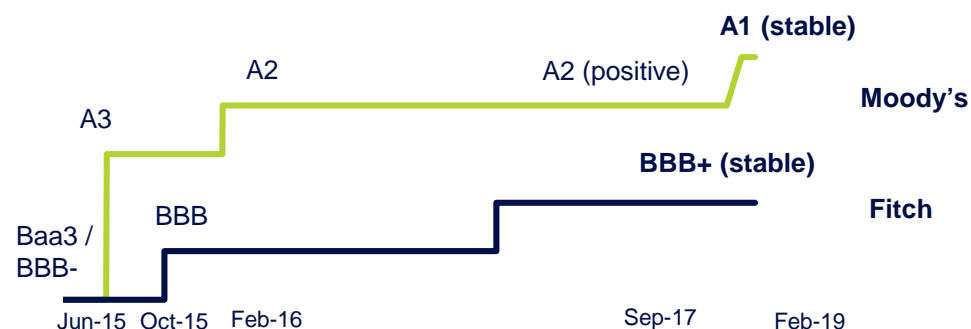
Selected funding sources



Credit ratings*

- In February 2019, **Moody's** upgraded IBP's long-term deposit rating to A1 (stable outlook) from A2 (positive outlook) and its baseline credit assessment (BCA) to baa1 from baa2.
- On 1 March 2019, **Fitch** placed the Long Term Issuer Default Ratings (IDR) of 19 UK Banking Groups (including IBP) on Rating Watch Negative (RWN). This follows Fitch placing the UK sovereign's AA IDR on RWN as a result of Brexit uncertainty. In September 2017, **Fitch** upgraded IBP's Long-Term Issuer Default Rating (IDR) to **BBB+** from BBB and its Viability Rating (VR) to bbb+ from bbb.
- Investec plc's long-term issuer rating was upgraded by Moody's to Baa2 in February 2016, and to Baa1 in April 2016

IBP's long-term ratings



*A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization

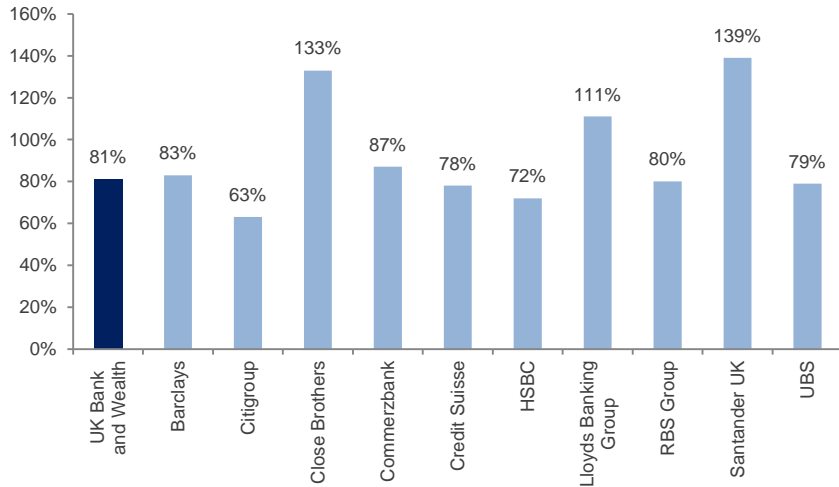
[^]of which 971mn relates to retail customers



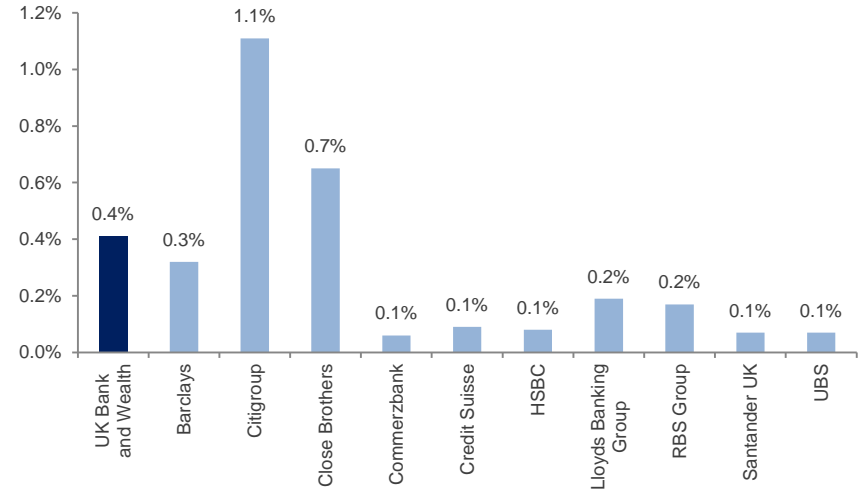
Investec plc: peer analysis

Investec Bank plc: peer group comparisons

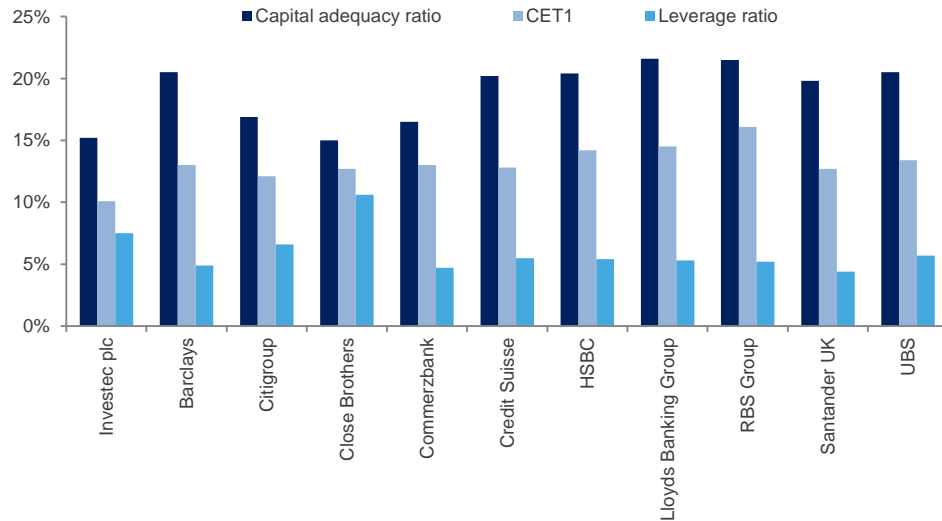
Funding: Advances to customers: customer deposits (smaller number is better)



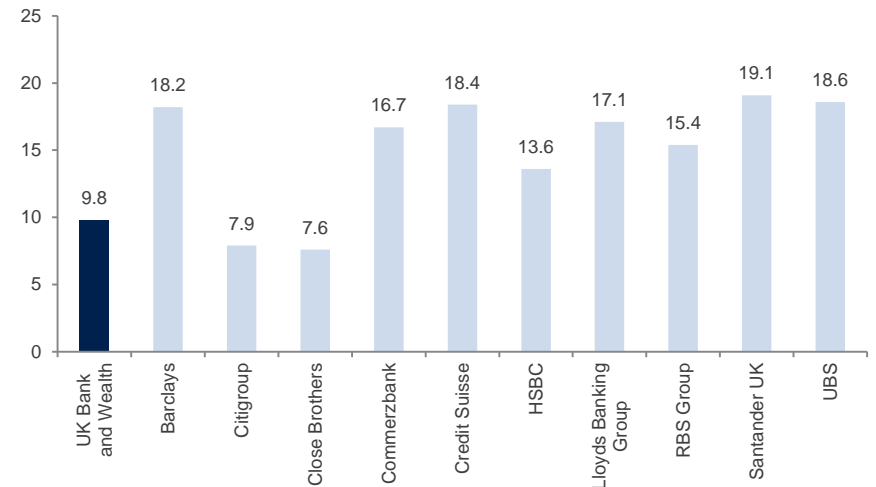
Credit loss ratio: P&L impairments as a % of average advances (smaller number is better)



Capital ratios: (larger number is better)



Gearing ratio: Assets: equity (smaller number is better)



Investec plc: peer group comparisons

Definitions and/or explanations of certain ratios:

- Customer deposits do not include deposits from banks.
- The customer advances to customer deposits ratio reflects how much of a bank's advances to customers are funded from the "retail and corporate" market as opposed to the "wholesale funding and banking market". A ratio higher than one indicates that advances to customers are not fully funded from the retail and corporate market, with the balance being funded from the wholesale market.
- A capital adequacy ratio is a measure of a bank's available capital expressed as a percentage of a bank's risk-weighted assets. It is based on regulatory qualifying capital (including common equity tier 1, additional tier 1 and tier 2 capital) as a percentage of risk-weighted assets. Assets are risk-weighted either according to the Standardised Approach in terms of Basel or the Advanced Approach.
- The leverage ratio is calculated as tier 1 capital (according to regulatory definitions) divided by total assets (exposure measure). This ratio effectively assumes that all assets are 100% risk-weighted and is a more conservative measure than the capital adequacy ratio. Regulators are expecting that this ratio should exceed 5%.
- The gearing ratio is calculated as total assets divided by total equity (according to accounting definitions).
- The credit loss ratio is calculated as the income statement impairment/charge on advances as a percentage of average gross advances to customers.
- Default loans largely comprise loans that are impaired and/or over 90 days in arrears.



Investec plc - appendices

Investec plc: salient financial features

Key financial statistics	30 Sept 2018	30 Sept 2017	% change	31 Mar 2018
Total operating income before expected credit losses/impairment losses (£'000)	729 334	656 025	11.2%	1 380 220
Operating costs (£'000)	569 133	512 165	11.1%	1 074 112
Operating profit before goodwill and acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	153 234	109 303	40.2%	199 357
Earnings attributable to ordinary shareholders (£'000)	118 188	78 216	51.1%	135 231
Cost to income ratio (%)	78.2%	78.2%		78.0%
Total capital resources (including subordinated liabilities) (£'000)	3 026 683	2 670 584	13.3%	2 920 374
Total equity (£'000)	2 222 795	2 063 244	7.7%	2 340 701
Total assets (£'000)	21 692 405	18 858 338	15.0%	20 611 752
Net core loans and advances (£'000)	10 056 099	8 899 704	13.0%	9 687 224
Customer accounts (deposits) (£'000)	12 376 364	10 849 643	14.1%	11 637 497
Loans and advances to customers as a % of customer deposits	81.3%	82.0%		83.2%
Cash and near cash balances (£'000)	6 456 407	5 013 067	28.8%	5 813 418
Funds under management (£'mn)	114 688	102 412	12.0%	106 647
Total gearing ratio (i.e. total assets to equity)	9.8x	9.1x		8.8x

Key asset quality and capital ratios	30 Sept 2018	1 April 2018
Capital adequacy ratio	15.2%	15.4%
Tier 1 ratio	11.9%	12.0%
CET 1 ratio	10.1%	10.1%
Leverage ratio – current	7.5%	8.0%
Leverage ratio – ‘fully loaded’ [^]	7.1%	7.7%
Stage 3 exposure as a % of gross core loans and advances to customers subject to ECL	4.2%	6.3%
Stage 3 exposure net of ECL as a % of net core loans and advances to customers subject to ECL	3.0%	4.3%
Credit loss ratio [#]	0.41%*	1.14%**

[^] Based on group's understanding of current regulations, 'fully loaded' is based on Capital Requirements Regulation requirements as fully phased in by 2022, including full adoption of IFRS 9 * Annualised ** As at 31 March 2018

[#] Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL

Investec plc: income statement

£'000	Six months to 30 Sept 2018	Six months to 30 Sept 2017	% change	Year to 31 Mar 2018
Interest income	350 003	285 884	22.4%	599,410
Interest expense	(161 145)	(128 358)	25.5%	(261,830)
Net interest income	188 858	157 526	19.9%	337,580
Fee and commission income	552 746	493 238	12.1%	1,005,635
Fee and commission expense	(89 012)	(73 545)	21.0%	(155,701)
Investment income	5 409	15 474	(65.0%)	68,516
Share of post taxation operating profit	94	1 368	(93.1%)	1,436
Trading income arising from				
- customer flow	48 420	55 400	(12.6%)	114,402
- balance sheet management and other trading activities	17 137	1 823	>100.0%	(2,069)
Other operating income	5 682	4 741	19.8%	10,421
Total operating income before expected credit losses/impairment losses	729 334	656 025	11.2%	1,380,220
Expected credit loss impairment charges*	(10 005)	-		-
Impairment losses on loans and advances*	-	(37 631)		(106,085)
Operating income	719 329	618 394	16.3%	1,274,135
Operating costs	(569 133)	(512 165)	11.1%	(1,074,112)
Depreciation on operating leased assets	(1 167)	(1 149)	1.6%	(2,350)
Operating profit before goodwill and acquired intangibles	149 029	105 080	41.8%	197,673
Amortisation of acquired intangibles	(6 408)	(6 636)	(3.4%)	(13,273)
Profit before taxation	142 621	98 444	44.9%	184,400
Taxation on operating profit before goodwill and acquired intangibles	(21 498)	(18 787)	14.4%	(38,509)
Taxation on goodwill and acquired intangibles	1 170	1 209	(3.2%)	2,418
Profit after taxation	122 293	80 866	51.2%	148,309
Profit attributable to Asset Management non-controlling interests	(8 310)	(6 873)	20.9%	(14,762)
Loss attributable to non-controlling interests	4 205	4 223	(0.4%)	1,684
Earnings attributable to shareholder	118 188	78 216	51.1%	135,231

Investec plc: balance sheet

£'000	30 Sept 2018	1 April 2018*	% change
Assets			
Cash and balances at central banks	3 882 704	3 487 717	11.3%
Loans and advances to banks	1 088 766	1 002 972	8.6%
Reverse repurchase agreements and cash collateral on securities borrowed	681 276	750 102	(9.2%)
Sovereign debt securities	1 287 930	1 155 472	11.5%
Bank debt securities	54 619	113 274	(51.8%)
Other debt securities	356 598	272 064	31.1%
Derivative financial instruments	585 998	591 912	1.0%
Securities arising from trading activities	783 308	701 728	11.6%
Investment portfolio	472 601	477 919	(1.1%)
Loans and advances to customers	10 057 631	9 563 700	5.2%
Other loans and advances	217 152	358 864	(39.5%)
Other securitised assets	126 595	132 172	(4.2%)
Interests in associated undertakings	51 327	77 059	(33.4%)
Deferred taxation assets	157 556	162 192	(2.9%)
Other assets	1 321 355	1 169 579	13.0%
Property and equipment	100 705	54 493	84.8%
Investment properties	14 500	14 500	-
Goodwill	356 445	356 265	0.1%
Intangible assets	95 339	100 585	(5.2%)
	21 692 405	20 542 569	5.6%

Investec plc: balance sheet (continued)

£'000	30 Sept 2018	1 April 2018*	% change
Liabilities			
Deposits by banks	1 436 671	1 308 202	9.8%
Derivative financial instruments	638 969	533 319	19.8%
Other trading liabilities	85 079	103 496	(17.8%)
Repurchase agreements and cash collateral on securities lent	155 159	168 640	(8.0%)
Customer accounts (deposits)	12 376 364	11 637 497	6.3%
Debt securities in issue	2 353 677	2 341 134	0.5%
Liabilities arising on securitisation of own originated loans and advances	121 161	127 853	(5.2%)
Current taxation liabilities	152 433	152 355	0.1%
Deferred taxation liabilities	20 274	21 892	(7.4%)
Other liabilities	1 325 935	1 302 847	1.8%
	18 665 722	17 697 235	5.5%
Subordinated liabilities	803 888	716 564	12.2%
	19 469 610	18 413 799	5.7%
Equity			
Ordinary share capital	200	195	2.6%
Perpetual preference share capital	29	29	-
Share premium	1 377 459	1 317 115	4.6%
Treasury shares	(134 807)	(102 876)	31.0%
Other reserves	(139 352)	(182 168)	(23.5%)
Retained income	856 283	830 725	3.1%
Shareholder's equity excluding non-controlling interests	1 959 812	1 863 020	5.2%
Additional Tier 1 securities in issue	250 000	250 000	-
Non-controlling interests in partially held subsidiaries	12 983	15 750	(17.9%)
Total equity	2 222 795	2 128 770	4.2%
Total liabilities and equity	21 692 405	20 542 569	4.4%

* The 1 April 2018 balance sheet has been presented on an IFRS 9 basis

Investec plc: segmental analysis of operating profit

For the six months to 30 September 2018 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	305	4 046	184 507	-	188 858
Fee and commission income	274 140	155 393	122 667	-	552 746
Fee and commission expense	(83 436)	(373)	(5 203)	-	(89 012)
Investment income	-	47	5 362	-	5 409
Share of post tax operating profit of associates	-	-	94	-	94
Trading income arising from					
- customer flow	-	393	48 027	-	48 420
- balance sheet management and other trading activities	4 471	3	12 663	-	17 137
Other operating income	2 700	-	2 982	-	5 682
Total operating income before impairment losses on loans and advances	198 180	160 055	371 099	-	729 334
Expected credit loss charges*	(2)	(27)	(9 976)	-	(10 005)
Operating income	198 178	160 028	361 123	-	719 329
Operating costs	(141 338)	(127 164)	(283 404)	(17 227)	(569 133)
Depreciation on operating leased assets	-	-	(1 167)	-	(1 167)
Operating profit before goodwill and acquired intangibles	56 840	32 864	76 552	(17 227)	149 029
Operating loss attributable to other non-controlling interests	-	-	4 205	-	4 205
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	56 840	32 864	80 757	(17 227)	153 234
Operating profit attributable to Asset Management non-controlling interests	(8 310)	-	-	-	(8 310)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	48 530	32 864	80 757	(17 227)	144 924
Cost to income ratio	71.3%	79.5%	76.6%	n/a	78.2%

*On adoption of IFRS 9, there is a move from incurred loss model to an expected credit loss methodology

Investec plc: segmental analysis of operating profit

For the six months to 30 September 2017 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	19	2,025	155,482	-	157,526
Fee and commission income	238,823	147,539	106,876	-	493,238
Fee and commission expense	(69,280)	(395)	(3,870)	-	(73,545)
Investment income	-	411	15,063	-	15,474
Share of post tax operating profit of associates	-	415	953	-	1,368
Trading income arising from					
- customer flow	-	380	55,020	-	55,400
- balance sheet management and other trading activities	(1,683)	2	3,504	-	1,823
Other operating income	1,972	-	2,769	-	4,741
Total operating income before impairment losses on loans and advances	169,851	150,377	335,797	-	656,025
Impairment losses on loans and advances	-	-	(37,631)	-	(37,631)
Operating income	169,851	150,377	298,166	-	618,394
Operating costs	(119,902)	(114,936)	(260,032)	(17,295)	(512,165)
Depreciation on operating leased assets	-	-	(1,149)	-	(1,149)
Operating profit before goodwill and acquired intangibles	49,949	35,441	36,985	(17,295)	105,080
Operating loss attributable to other non-controlling interests	-	-	4,223	-	4,223
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	49,949	35,441	41,208	(17,295)	109,303
Operating profit attributable to Asset Management non-controlling interests	(6,873)	-	-	-	(6,873)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	43,076	35,441	41,208	(17,295)	102,430
Cost to income ratio	70.6%	76.4%	77.7%	n/a	78.2%

Investec plc: asset quality under IFRS 9

£'million	30 Sept 2018	1 April 2018
Gross core loans and advances to customers subject to ECL	9 305	8 901
Stage 1	8 375	7 743
Stage 2	542	594
<i>of which past due greater than 30 days</i>	19	18
Stage 3	388	564
<i>Ongoing (excluding Legacy) stage 3*</i>	193	221
Gross core loans and advances to customers subject to ECL (%)		
Stage 1	90.0%	87.0%
Stage 2	5.8%	6.7%
Stage 3	4.2%	6.3%
<i>Ongoing (excluding Legacy) stage 3*</i>	2.1%	2.6%
Stage 3 net of ECL	277	372
<i>Of which (excluding Legacy)* stage 3 net of ECL</i>	154	176
Aggregate collateral and other credit enhancements on stage 3	297	414
Stage 3 net of ECL and collateral	-	-
Stage 3 as a % of gross core loans and advances to customers subject to ECL	4.2%	6.3%
<i>Of which (excluding Legacy)* stage 3 net of ECL</i>	2.1%	2.6%
Total ECL impairments as a % of stage 3 exposure	42.0%	44.0%
Stage 3 net of ECL as a % of net core loans and advances to customers subject to ECL	3.0%	4.3%
<i>Of which (excluding Legacy)* stage 3 net of ECL</i>	1.7%	2.0%

* Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking

Investec plc: capital adequacy

£'million	30 Sept 2018	1 April 2018
Tier 1 capital		
Shareholders' equity	1 875	1 765
Non-controlling interests	8	12
Regulatory adjustments to the accounting basis	98	142
Deductions	(456)	(460)
Common equity tier 1 capital	1 525	1 459
Additional tier 1 capital	274	274
Tier 1 capital	1 799	1 733
Tier 2 capital	491	368
Total regulatory capital	2 290	2 101
Risk-weighted assets^^	15 111	14 444
Capital ratios^^		
Common equity tier 1 ratio	10.1%	10.1%
Tier 1 ratio	11.9%	12.0%
Total capital ratio	15.2%	14.5%

*The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating common equity tier (CET) 1 capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include the deduction for foreseeable charges and dividends when calculating CET 1 capital. Investec plc's CET 1 ratio would be 30bps (31 March 2018: 45bps) higher on this basis.

^^ CET 1, Tier 1 (T1), total capital adequacy ratios and risk-weighted assets are calculated applying the IFRS 9 transitional arrangements