

## **Investec Bank plc financial information (a subsidiary of Investec plc)**

Unaudited consolidated financial information for the six months ended 30 September 2014

IFRS - Pounds Sterling





## Investec Bank plc (a subsidiary of Investec plc)

### Overview of results

#### Unaudited

	30 Sept 2014	30 Sept 2013	% change Sept 2014 vs Sept 2013	31 March 2014
Operating income (£'000)	427 375	410 556	4.1%	777 873
Operating costs (£'000) *	321 964	316 383	1.8%	662 404
Operating profit before amortisation of acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000) *	50 405	39 503	27.6%	109 425
Earnings attributable to ordinary shareholder (£'000)*	75 812	12 000	>100%	50 667
Cost to income ratio *	75.5%	78.0%		76.3%
Total capital resources (including subordinated liabilities) (£'000) *	2 570 011	2 574 977	(0.2%)	2 581 885
Total shareholder's equity (£'000) *	1 910 373	1 874 974	1.9%	1 912 109
Total assets (£'000)	19 510 280	20 379 934	(4.3%)	20 035 483
Net core loans and advances (£'000)	6 647 741	8 146 846	(18.4%)	8 200 545
Customer accounts (deposits) (£'000)	10 526 128	11 104 836	(5.2%)	11 095 782
Cash and near cash balances (£'000)	4 461 505	3 999 973	11.5%	4 252 549
Funds under management (£'million)	28 265	25 533	10.7%	27 206
Capital adequacy ratio (current)	16.7%	16.0%^		15.8%
Tier 1 ratio (current)	11.4%	11.1%^		10.7%
Common equity tier 1 ratio (current)	11.4%	11.1%^		10.7%
Leverage ratio (current)	7.3%	n/a		7.2%
Default loans (net of impairments) as a % of net core loans and advances to customers	3.58%	3.48%		3.22%
Net defaults as a % of net core loans and advances to customers	-	-		-
Annualised credit loss ratio (i.e. income statement impairment charge as a percentage of average gross core loans and advances to customers)	1.20%	1.12%		1.00%
Total gearing ratio (i.e. total assets to total equity)	10.2x	10.9x		10.5x
Loans and advances to customers : customer deposits	63.2%	68.8%		69.9%

\* Restated for adoption of IFRIC 21, refer to Restatements note.

^ The 30 September 2013 capital information for Investec Bank plc is based on the Basel II capital requirements as was applicable in the UK at that time.

### Overview - results in context

The following significant events took place during the period and the results of the bank should be viewed in context of these transactions.

#### Sale of Investec Bank (Australia) Limited

The sale of Investec Bank (Australia) Limited's Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This has resulted in the derecognition of approximately £2 billion of assets and approximately £2.2 billion of liabilities associated with the businesses sold. The businesses were sold at a premium to tangible net asset value with a net profit after tax of approximately £61 million recorded during the period.

The group continues to have a presence in Australia, focusing on its core activities of Specialised Finance, Corporate Advisory, Property Fund Management and Asset Management. The remaining business will operate as a non-banking subsidiary of the Investec group. As a result, the group has decided to no longer report the activities of its Australian businesses separately with these activities now reported under the "UK and Other" geographical segment and the "UK and Other" Specialist Banking segment.

#### Pending sales of Kensington Group plc and Start Mortgage Holdings Limited

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

On 15 September 2014 Investec plc announced the sale of its Irish intermediated mortgage business Start Mortgage Holdings Limited ("Start") together with certain other Irish mortgage assets to an affiliate of Lone Star Funds.

The Start transaction has been approved by the regulator, whilst the Kensington transaction is still subject to regulatory approval.

As the group views these transactions as highly probable, the group has accounted for these transactions in terms of IFRS 5 and has thus reflected all assets and liabilities associated with the sale as single asset and liability lines on the face of the consolidated balance sheet as described as "non-current assets/liabilities or disposal groups held for sale". During the reporting period Investec plc recorded a net loss after tax on these pending transactions, resulting from the remeasurement of the disposal group to fair value less cost of sale.



## Investec Bank plc (a subsidiary of Investec plc)

### Consolidated income statement

Unaudited

£'000	6 months to 30 Sept 2014	6 months to 30 Sept 2013 *	Year to 31 March 2014 *
Interest income	328 566	365 603	723 962
Interest expense	(171 649)	(224 093)	(422 516)
<b>Net interest income</b>	<b>156 917</b>	<b>141 510</b>	<b>301 446</b>
Fee and commission income	230 955	199 367	420 570
Fee and commission expense	(11 667)	(17 430)	(35 041)
Investment income	3 407	34 036	98 491
Trading income arising from:			
- customer flow	43 992	42 364	77 052
- balance sheet management and other trading activities	( 587)	2 669	639
Other operating income	4 358	8 040	12 207
<b>Total operating income before impairment losses on loans and advances</b>	<b>427 375</b>	<b>410 556</b>	<b>875 364</b>
Impairment losses on loans and advances	(49 890)	(52 874)	(97 491)
<b>Operating income</b>	<b>377 485</b>	<b>357 682</b>	<b>777 873</b>
Operating costs	(321 964)	(316 383)	(662 404)
Depreciation on operating leased assets	(1 089)	(3 856)	(6 044)
<b>Operating profit before goodwill and acquired intangibles</b>	<b>54 432</b>	<b>37 443</b>	<b>109 425</b>
Impairment of goodwill	(8 552)	( 337)	(11 233)
Amortisation of acquired intangibles	(7 394)	(6 702)	(13 393)
Operating costs arising from integration and restructuring of subsidiaries	-	(11 117)	(16 911)
<b>Operating profit</b>	<b>38 486</b>	<b>19 287</b>	<b>67 888</b>
Net gain on subsidiaries sold and held for sale	90 480		9 653
<b>Profit before taxation</b>	<b>128 966</b>	<b>19 287</b>	<b>77 541</b>
Taxation on operating profit before goodwill and acquired intangibles	(15 526)	(15 274)	(33 200)
Taxation on acquired intangibles and costs arising from integration and restructuring of subsidiaries	(33 601)	5 927	7 389
<b>Profit after taxation</b>	<b>79 839</b>	<b>9 940</b>	<b>51 730</b>
Operating (profit)/loss attributable to non-controlling interests	(4 027)	2 060	(1 063)
<b>Earnings attributable to shareholders</b>	<b>75 812</b>	<b>12 000</b>	<b>50 667</b>

### Consolidated statement of comprehensive income

Unaudited

£'000	6 months to 30 Sept 2014	6 months to 30 Sept 2013 *	Year to 31 March 2014 *
<b>Profit after taxation</b>	<b>79 839</b>	<b>9 940</b>	<b>51 730</b>
Other comprehensive income:			
<b>Items that are/may be reclassified to the income statement</b>			
Fair value movements on cash flow hedge movements taken directly to other comprehensive income	471	297	2 799
Gains on realisation of available-for-sale assets recycled through the income statement	(1 164)	(3 136)	(2 898)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	5 381	( 315)	1 250
Foreign currency adjustments on translating foreign operations	(54 298)	(34 697)	(43 387)
<b>Total comprehensive income/(loss)</b>	<b>30 229</b>	<b>(27,911)</b>	<b>9,494</b>
Total comprehensive income/(loss) attributable to non-controlling interests	4 060	(1 896)	1 597
Total comprehensive income/(loss) attributable to ordinary shareholder	26 169	(26 015)	7 897
<b>Total comprehensive income/(loss)</b>	<b>30 229</b>	<b>(27,911)</b>	<b>9 494</b>

\* Restated for adoption of IFRIC 21, refer to Restatements note.



## Investec Bank plc (a subsidiary of Investec plc)

### Consolidated balance sheet

#### Unaudited

£'000	30 Sept 2014	31 March 2014 *	30 Sept 2013 *
<b>Assets</b>			
Cash and balances at central banks	2 854 037	1 742 605	1 497 439
Loans and advances to banks	802 165	1 105 205	918 339
Reverse repurchase agreements and cash collateral on securities borrowed	725 292	1 215 500	1 181 230
Sovereign debt securities	859 800	1 232 415	1 511 731
Bank debt securities	227 017	371 182	397 583
Other debt securities	186 953	229 228	228 525
Derivative financial instruments	1 310 107	782 947	1 149 505
Securities arising from trading activities	550 106	586 706	652 504
Investment portfolio	407 822	341 360	319 216
Loans and advances to customers	6 647 741	7 752 907	7 642 254
Own originated loans and advances to customers securitised	-	447 638	504 592
Other loans and advances	1 149 002	1 509 714	1 601 721
Other securitised assets	444 716	1 011 257	1 065 432
Interests in associated undertakings	15 577	16 637	16 200
Deferred taxation assets	58 759	97 614	89 502
Other assets	1 083 703	1 014 416	1 045 447
Property and equipment	57 840	63 487	75 904
Investment property	59 905	61 715	-
Goodwill	262 454	296 247	317 433
Intangible assets	147 731	156 703	165 377
Non-current assets/disposal groups classified as held for sale	1 659 553	-	-
	<b>19 510 280</b>	<b>20 035 483</b>	<b>20 379 934</b>
<b>Liabilities</b>			
Deposits by banks	753 141	834 876	908 312
Derivative financial instruments	678 642	669 159	699 588
Other trading liabilities	374 919	391 650	400 222
Repurchase agreements and cash collateral on securities lent	599 965	614 733	642 611
Customer accounts (deposits)	10 526 128	11 095 782	11 104 836
Debt securities in issue	1 585 913	1 316 102	1 411 021
Liabilities arising on securitisation of own originated loans and advances	-	449 083	502 568
Liabilities arising on securitisation of other assets	314 288	962 253	826 550
Current taxation liabilities	110 143	103 432	86 206
Deferred taxation liabilities	36 759	38 471	39 271
Other liabilities	1 691 816	978 057	1 183 772
Liabilities directly associated with non-current assets/disposal groups held for sale	268 555	-	-
	<b>16 940 269</b>	<b>17 453 598</b>	<b>17 804 957</b>
Subordinated liabilities	659 638	669 776	700 003
	<b>17 599 907</b>	<b>18 123 374</b>	<b>18 504 960</b>
<b>Equity</b>			
Ordinary share capital	1 186 800	1 186 800	1 186 800
Share premium	143 288	143 288	143 287
Capital reserve	162 789	162 789	162 789
Other reserves	(17 546)	42 797	46 551
Retained income	434 173	379 660	341 995
Shareholder's equity excluding non-controlling interests	<b>1 909 504</b>	<b>1 915 334</b>	<b>1 881 422</b>
Non-controlling interests in partially held subsidiaries	869	(3 225)	(6 448)
<b>Total equity</b>	<b>1 910 373</b>	<b>1 912 109</b>	<b>1 874 974</b>
<b>Total liabilities and equity</b>	<b>19 510 280</b>	<b>20 035 483</b>	<b>20 379 934</b>

\* Restated for adoption of IFRIC 21, refer to Restatements note.



## Condensed consolidated statement of changes in equity

### Summarised consolidated cash flow statements

#### Unaudited

£'000	6 months to 30 Sept 2014	Year to 31 March 2014 *	6 months to 30 Sept 2013 *
Cash inflows from operations	112 945	200 172	80 552
(Increase)/decrease in operating assets	(429 924)	1 466 918	585 436
Increase/(decrease) in operating liabilities	1 160 545	(1344 805)	(667 316)
<b>Net cash outflow from operating activities</b>	<b>843 566</b>	<b>322 285</b>	<b>(1 328)</b>
Net cash inflow from investing activities	44 383	35 613	5 237
Net cash (outflow)/inflow from financing activities	(32 000)	20 020	20 020
Effects of exchange rate changes on cash and cash equivalents	20 345	(7 526)	19,256
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>876 294</b>	<b>370 392</b>	<b>43 185</b>
Cash and cash equivalents at the beginning of the period	2 539 407	2 169 015	2 169 015
<b>Cash and cash equivalents at the end of the period</b>	<b>3 415 701</b>	<b>2 539 407</b>	<b>2 212 200</b>

Cash and cash equivalents are defined as including cash and balances at central banks and on demand loans and advances to banks (all of which have a maturity profile of less than 3 months)

\* Restated for adoption of IFRIC 21, refer to Restatements note.

^ Includes the cash flow effect on the sale of subsidiaries and disposal groups held for sale. Refer to "overview" section.



## Condensed consolidated statement of changes in equity

### Condensed consolidated statement of changes in equity

#### Unaudited

£'000	6 months to 30 Sept 2014	Year to 31 March 2014 *	6 months to 30 Sept 2013 *
<b>Balance at the beginning of the period as previously reported</b>		<b>1 879 127</b>	<b>1 879 127</b>
Restatements on adoption of IFRIC 21		3 738	3 738
<b>Balance at the beginning of the period - as restated</b>	<b>1 912 109</b>	<b>1 882 865</b>	<b>1 882 865</b>
Profit after taxation	79 839	51 730	9 940
Cash flow hedge movements taken directly to other comprehensive income	471	2 799	297
Gains on realisation of available-for-sale assets recycled through the income statement	(1 164)	(2 898)	(3 136)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	5 381	1 250	(315)
Foreign currency adjustments on translating foreign operations	(54 298)	(43 387)	(34 697)
<b>Total comprehensive income</b>	<b>30 229</b>	<b>9 494</b>	<b>(27 911)</b>
Dividends paid to ordinary shareholder	(32 000)	-	-
Issue of ordinary shares	-	20 020	20 020
Acquisition of non-controlling interests	35	( 270)	-
<b>Balance at the end of the period</b>	<b>1 910 373</b>	<b>1 912 109</b>	<b>1 874 974</b>

\* Restated for adoption of IFRIC 21, refer to Restatements note.



## Investec Bank plc (a subsidiary of Investec plc)

### Segmental information - business analysis

#### Unaudited

For the six months to 30 September 2014

£'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	3 004	153 913	156 917
Fee and commission income	117 863	113 092	230 955
Fee and commission expense	( 626)	(11 041)	(11 667)
Investment income	1 795	1 612	3 407
Trading income arising from:			
– customer flow	101	43 891	43 992
– balance sheet management and other trading activities	86	( 673)	( 587)
Other operating income	673	3 685	4 358
<b>Total operating income before impairment losses on loans and advances</b>	<b>122 896</b>	<b>304 479</b>	<b>427 375</b>
Impairment losses on loans and advances	-	(49 890)	(49 890)
<b>Operating income</b>	<b>122 896</b>	<b>254 589</b>	<b>377 485</b>
Operating costs	(95 985)	(225 979)	(321 964)
Depreciation on operating leased assets	-	(1 089)	(1 089)
<b>Operating profit before goodwill and acquired intangibles</b>	<b>26 911</b>	<b>27 521</b>	<b>54 432</b>
Operating loss attributable to non-controlling interests	-	(4 027)	(4 027)
<b>Operating profit before goodwill, acquired intangibles and after non-controlling interests</b>	<b>26 911</b>	<b>23 494</b>	<b>50 405</b>
<b>Cost to income ratio</b>	<b>78.1%</b>	<b>74.5%</b>	<b>75.5%</b>
<b>Total assets (£'million)</b>	<b>914</b>	<b>18 596</b>	<b>19 510</b>
<b>Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests</b>			
UK and Other	26 911	28 482	55 393
Australia^	-	(4 988)	(4 988)
<b>Total UK and Other</b>	<b>26 911</b>	<b>23 494</b>	<b>50 405</b>

For the six months to 30 September 2013 \*

£'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	4 453	137 057	141 510
Fee and commission income	103 194	96 173	199 367
Fee and commission expense	(893)	(16 537)	(17 430)
Investment income	1 116	32 920	34 036
Trading income arising from:			
– customer flow	46	42 318	42 364
– balance sheet management and other trading activities	(35)	2 704	2 669
Other operating income	479	7 561	8 040
<b>Total operating income before impairment losses on loans and advances</b>	<b>108 360</b>	<b>302 196</b>	<b>410 556</b>
Impairment losses on loans and advances	-	(52 874)	(52 874)
<b>Operating income</b>	<b>108 360</b>	<b>249 322</b>	<b>357 682</b>
Operating costs	(87 669)	(228 714)	(316 383)
Depreciation on operating leased assets	-	(3 856)	(3 856)
<b>Operating profit before goodwill and acquired intangibles</b>	<b>20 691</b>	<b>16 752</b>	<b>37 443</b>
Operating loss attributable to non-controlling interests	-	2 060	2 060
<b>Operating profit before goodwill, acquired intangibles and after non-controlling interests</b>	<b>20 691</b>	<b>18 812</b>	<b>39 503</b>
<b>Cost to income ratio</b>	<b>80.9%</b>	<b>77.0%</b>	<b>78.0%</b>
<b>Total assets (£'million)</b>	<b>878</b>	<b>19 502</b>	<b>20 380</b>
<b>Segmental geographic and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests</b>			
UK and Other	20 691	32 737	53 428
Australia^	-	(13 925)	(13 925)
<b>Total UK and Other</b>	<b>20 691</b>	<b>18 812</b>	<b>39 503</b>

\* Restated for adoption of IFRIC 21, refer to Restatements note

^ Australia is no longer material to be a standalone geography.



# Investec Bank plc (a subsidiary of Investec plc)

## Additional income statement note disclosures

Unaudited

### Net interest income

For the six months to	30 September 2014		30 September 2013	
£'000	Balance sheet value	Interest received	Balance sheet value	Interest received
Cash, near cash and bank debt and sovereign debt securities	5 468 311	22 716	5 506 322	34 700
Core loans and advances	6 647 741	221 235	8 146 846	261 250
Private Client	3 417 233	108 600	4 742 264	132 849
Corporate, institutional and other clients	3 230 508	112 635	3 404 582	128 401
Other debt securities and other loans and advances	1 335 955	56 706	1 830 246	48 882
Other interest earning assets	444 716	27 909	1 065 432	20 771
<b>Total interest earning assets</b>	<b>13 896 723</b>	<b>328 566</b>	<b>16 548 846</b>	<b>365 603</b>

For the six months to	30 September 2014		30 September 2013	
£'000	Balance sheet value	Interest paid	Balance sheet value	Interest paid
Deposits by banks and other debt related securities	2 939 019	26 287	2 961 944	31 628
Customer accounts	10 526 128	79 048	11 104 836	124 776
Other interest bearing liabilities	314 288	35 846	1 329 118	35 246
Subordinated liabilities	659 638	30 468	700 003	32 443
<b>Total interest bearing liabilities</b>	<b>14 439 073</b>	<b>171 649</b>	<b>16 095 901</b>	<b>224 093</b>
<b>Net interest income</b>		<b>156 917</b>		<b>141 510</b>

### Net fees and commissions

For the six months to	30 September 2014	30 September 2013	Variance	% change
£'000				
Wealth & Investment	117 237	102 301	14 936	14.6%
Specialist Banking	102 051	79 636	22 415	28.1%
<b>Net fees and commissions</b>	<b>219 288</b>	<b>181 937</b>	<b>37 351</b>	<b>20.5%</b>

For the six months to	30 September 2014	30 September 2013
£'000		
<b>Asset management and wealth management businesses net fee and commission income</b>	<b>117 237</b>	<b>102 301</b>
Funds management fees/fees for assets under management	87 788	74 295
Private client transactional fees	30 075	28 899
Fee and commission expense	(626)	(893)
<b>Specialist Banking net fee and commission income</b>	<b>102 051</b>	<b>79 636</b>
Corporate and institutional transactional and advisory services	100 704	73 241
Private client transactional fees	12 388	22 932
Fee and commission expense	(11 041)	(16 537)
<b>Net fee and commission income</b>	<b>219 288</b>	<b>181 937</b>
Annuity (net of fees payable)	139 865	107 137
Deal	79 423	74 800



**Investec Bank plc (a subsidiary of Investec plc)**

**Additional income statement note disclosures**

**Unaudited**

**Investment income**

For the six months to £'000	30 September 2014	30 September 2013	Variance	% change
Wealth & Investment	1795	1 116	679	60.8%
Specialist Banking	1 612	32 920	(31 308)	(95.1%)
<b>Investment income</b>	<b>3 407</b>	<b>34 036</b>	<b>(30 629)</b>	<b>(90.0%)</b>

For the six months to £'000	30 September 2014	30 September 2013
Realised	69 666	43 069
Unrealised	(68 726)	(12 227)
Dividend income	2 257	1 964
Funding and net other related costs	210	1 230
<b>Investment income</b>	<b>3 407</b>	<b>34 036</b>

For the six months to September 2014 £'000	Investment portfolio (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Other asset categories	Total
Realised	59 979	11,571	(1,884)	69 666
Unrealised	(65,937)	(2,817)	28	(68 726)
Dividend income	2 257	-	-	2 257
Funding and net other related costs	-	-	210	210
<b>Investment income</b>	<b>(3 701)</b>	<b>8 754</b>	<b>(1 646)</b>	<b>3 407</b>

For the six months to September 2013 £'000	Investment portfolio (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Other asset categories	Total
Realised	38 853	886	3 330	43 069
Unrealised	5 910	(15 412)	(2 725)	(12 227)
Dividend income	1 964	-	-	1 964
Funding and net other related costs	-	(11)	1 241	1 230
<b>Investment income</b>	<b>46 727</b>	<b>(14 537)</b>	<b>1 846</b>	<b>34 036</b>



## Investec Bank plc (a subsidiary of Investec plc)

### Analysis of financial assets and liabilities by category of financial instrument

Unaudited

At 30 September 2014 £'000	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments	Total
<b>Assets</b>				
Cash and balances at central banks	6 491	2 847 546	-	2 854 037
Loans and advances to banks	-	802 165	-	802 165
Reverse repurchase agreements and cash collateral on securities borrowed	272 165	453 127	-	725 292
Sovereign debt securities	859 800	-	-	859 800
Bank debt securities	19 511	207 506	-	227 017
Other debt securities	126 642	60 311	-	186 953
Derivative financial instruments*	1 310 107	-	-	1 310 107
Securities arising from trading activities	550 106	-	-	550 106
Investment portfolio	407 822	-	-	407 822
Loans and advances to customers	42 486	6 605 255	-	6 647 741
Own originated loans and advances to customers securitised	-	-	-	-
Other loans and advances	-	1 149 002	-	1 149 002
Other securitised assets	406 911	37 805	-	444 716
Interests in associated undertakings	-	-	15 577	15 577
Deferred taxation assets	-	-	58 759	58 759
Other assets	2 350	951 787	129 566	1 083 703
Property and equipment	-	-	57 840	57 840
Investment properties	-	-	59 905	59 905
Goodwill	-	-	262 454	262 454
Intangible assets	-	-	147 731	147 731
Non-current assets/disposal groups classified as held for sale	1 659 553	-	-	1 659 553
	<b>5 663 944</b>	<b>13 114 504</b>	<b>731 832</b>	<b>19 510 280</b>
<b>Liabilities</b>				
Deposits by banks	-	753 141	-	753 141
Derivative financial instruments*	678 642	-	-	678 642
Other trading liabilities	374 919	-	-	374 919
Repurchase agreements and cash collateral on securities lent	324 339	275 626	-	599 965
Customer accounts (deposits)	-	10 526 128	-	10 526 128
Debt securities in issue	344 672	1 241 241	-	1 585 913
Liabilities arising on securitisation of own originated loans and advances	-	-	-	-
Liabilities arising on securitisation of other assets	314 288	-	-	314 288
Current taxation liabilities	-	-	110 143	110 143
Deferred taxation liabilities	-	-	36 759	36 759
Other liabilities	-	1 541 980	149 836	1 691 816
Liabilities directly associated with non-current assets/disposal groups held for sale	268 555	-	-	268 555
	<b>2 305 415</b>	<b>14 338 116</b>	<b>296 738</b>	<b>16 940 269</b>
Subordinated liabilities	-	659 638	-	659 638
	<b>2 305 415</b>	<b>14 997 754</b>	<b>296 738</b>	<b>17 599 907</b>



## Investec Bank plc (a subsidiary of Investec plc)

### Fair value hierarchy

#### Unaudited

#### 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)

At 30 September 2014 £'000	Total instruments at fair value	Valuation technique applied		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and balances at central banks	6 491	6 491	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	272 165	-	272 165	-
Sovereign debt securities	859 800	859 800	-	-
Bank debt securities	19 511	19 511	-	-
Other debt securities	126 642	105 792	-	20 850
Derivative financial instruments	1 310 107	956 287	308 516	45 304
Securities arising from trading activities	550 106	550 106	-	-
Investment portfolio	407 823	78 170	134 802	194 850
Loans and advances to customers	42 486	-	3 207	39 279
Other securitised assets	406 911	-	-	406 911
Other assets	2 350	2 350	-	-
Non-current assets/disposal groups classified as held for sale	1 659 553	-	1 659 553	-
	<b>5 663 944</b>	<b>2 578 508</b>	<b>2 378 243</b>	<b>707 194</b>
<b>Liabilities</b>				
Derivative financial instruments	678 642	405 401	267 251	5 990
Other trading liabilities	374 919	374 919	-	-
Repurchase agreements and cash collateral on securities lent	324 339	-	324 339	-
Debt securities in issue	344 672	-	344 672	-
Liabilities arising on securitisation of other assets	314 288	-	-	314 288
Liabilities directly associated with non-current assets/disposal groups held for sale	268 555	-	268 555	-
	<b>2 305 415</b>	<b>780 320</b>	<b>1 204 817</b>	<b>320 278</b>

#### Transfers between level 1 and level 2

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

#### Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

£'000	Total level 3 financial instruments	Fair value movements through income statement	Fair value movements through comprehensive income
<b>Balance as at 31 March 2014</b>	<b>500 137</b>	<b>475 544</b>	<b>24 593</b>
Total gains or losses	(7 197)	(7 417)	220
In the income statement	(7 508)	(7 417)	( 91)
In the statement of comprehensive income	311	-	311
Purchases	27 703	27 693	10
Sales	(149 508)	(148 918)	(590)
Issues	3 343	3 343	-
Settlements	(3 674)	(3 674)	-
Transfers into level 3	57 859	57 859	-
Transfers out of level 3	2 356	2 356	-
Transfer into non-current assets held for sale	(42 755)	(42 755)	-
Foreign exchange adjustments	(1 348)	(1 348)	-
<b>Balance as at 30 September 2014</b>	<b>386 916</b>	<b>362 683</b>	<b>24 233</b>

The following table quantifies the gains or losses included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the six months to £'000	30 September 2014
<b>Total gains or losses included in the income statement</b>	<b>(7 508)</b>
Net interest income/(expense)	( 77)
Net fee and commission income/(expense)	(14 143)
Investment income	1 695
Trading income arising from customer flow	5 219
Trading income arising from balance sheet management and other trading activities	( 202)
Other operating income	-
<b>Total gains or losses included in other comprehensive income</b>	<b>311</b>
Losses on realisation of available-for-sale assets recycled through the income statement	-
Fair value movements on available-for-sale assets taken directly to other comprehensive income	311



## Investec Bank plc (a subsidiary of Investec plc)

### Unaudited

The following table quantifies the gains or losses included in the income statement and other comprehensive income recognised on level 3 financial instruments held at the end of the period.

For the period ended 30 September 2014, instruments to the value of (£2.3 million) were transferred from level 3 into level 2 (31 March 2014: £19.2 million). The valuation methodologies were reviewed and observable inputs are used to determine the fair value.

In addition £42.8 million of instruments previously classified as level 3 were transferred to level 2 as a result of being held as assets and liabilities held for sale at 30 September 2014. This has resulted in a change in valuation technique from their original holding at fair value to fair value less costs to sell, in accordance with IFRS 5, measured by reference to the agreed sale documents. The assets and liabilities held for sale also include assets and liabilities previously measured at amortised cost which are also now held at fair value less costs to sell.

There were transfers from level 2 to the level 3 category to the value of £57.9m (31 March 2014: £35.8 m) because the underlying circumstances of the instrument changed and as a result, the significant valuation inputs became unobservable in the market.

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

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

At 30 September 2014	Balance sheet value (£'000)	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement (£'000)	
				Favourable changes	Unfavourable changes
<b>Assets</b>					
Other debt securities	20 850			394	(443)
		Discount rates	(5)%-5%	2	(2)
		Credit spreads	(2)%-3%	116	(116)
		Other	(6)%-5%	276	(325)
Derivative financial instruments	45 304			4 428	(1 839)
		Discount rates	(5)%-5%	301	(281)
		Volatilities	(2)%-2%	2 212	(810)
		Credit spreads	(6.5bps) - 6.5bps	73	(73)
		Other	(11)%-10%	1 842	(675)
Investment portfolio	176 678			12 906	(13 664)
		Volatilities	(10%) -10%	-	-
		EBITDA / Price Earnings multiple	(10%) -10% or 5x EBITDA	1 096	(4 344)
		Other	(10%) -10%	11 810	(9 320)
Loans and advances to customers	39 279			2 223	(5 197)
		Cash flows	(9)%-5%	1 102	(3,755)
		Other		1 121	(1 442)
Other securitised assets*	406 911			1 200	(1 807)
		Credit spreads, prices from illiquid markets	- 6 months/ + 12 month adjustment to CDR curve	1 200	(1 807)
<b>Liabilities</b>					
Derivative financial instruments	5 990	Basis risk and yield curve	(10 bps)-10bps	2 429	(609)
Liabilities arising on securitisation of other assets *	314 288	Credit spreads	(6.5bps) - 6.5bps	1 210	(751)

\*The sensitivity of the fair value of Liabilities arising on securitisation of other assets has been considered together with other securitised assets.

30 September 2014 £'000	Balance sheet value (£'000)	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in other comprehensive income (£'000)	
					Favourable changes	Unfavourable changes
<b>Assets</b>						
Investment portfolio	18 172				1 333	(884)
		Price earnings multiple	EBITDA	(10%) - 10% or 5x EBITDA	1 304	(855)
			Other	(10%) - 10%	29	(29)



## Investec Bank plc (a subsidiary of Investec plc)

### Level 2 financial assets and financial liabilities

#### Unaudited

The following table sets out the group's principal valuation techniques as at 30 September 2014 and 31 March 2014 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
<b>Assets</b>		
Loans and advances to banks	Discounted cash flow model, Hermite interpolation	Discount rates
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation	Discount rates
Bank debt securities	Discounted cash flow model	Discount rates
Other debt securities	External prices, broker quotes Discounted cash flow model, Hermite interpolation, Industry standard derivative pricing models including Black Scholes	Discount rates
Derivative financial instruments		Discount rate, Risk free rate, volatilities, Forex forward points and spot rates, interest rate swap curves, credit curves
Investment portfolio	Discounted cash flow model, net asset value model	Discount rate, fund unit price
Loans and advances to customers	Discounted cash flow model	Discount rates
Other assets	Discounted cash flow model	Discount rates
<b>Liabilities</b>		
Deposits by banks	Discounted cash flow model	Discount rates
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, Industry standard derivative pricing models including Black Scholes	Discount rate, Risk free rate, volatilities, Forex forward points and spot rates, interest rate swap curves, credit curves
Debt securities in issue	Discounted cash flow model	Risk free rate



## Investec Bank plc (a subsidiary of Investec plc)

### Fair value of financial instruments at amortised cost

Unaudited

At 30 September 2014  
£'000

	Carrying amount	Fair Value
<b>Assets</b>		
Cash and balances at central banks	2 847 546	2 847 546
Loans and advances to banks	802 165	794 295
Reverse repurchase agreements and cash collateral on securities borrowed	453 127	453 127
Sovereign debt securities	-	-
Bank debt securities	207 506	219 933
Other debt securities	60 311	58 687
Loans and advances to customers	6 605 255	6 636 151
Own originated loans and advances to customers securitised	-	-
Other loans and advances	1 149 002	1 177 980
Other securitised assets	37 805	37 805
Other assets	951 787	931 868
	<b>13 114 504</b>	<b>13 157 392</b>
<b>Liabilities</b>		
Deposits by banks	753 141	745 118
Repurchase agreements and cash collateral on securities lent	275 626	275 627
Customer accounts (deposits)	10 526 128	9 893 983
Debt securities in issue	1 241 241	1 274 131
Liabilities arising on securitisation of own originated loans and advances	-	-
Liabilities arising on securitisation of other assets	-	-
Other liabilities	1 541 980	1 520 726
Subordinated liabilities	659 638	659 638
	<b>14 997 754</b>	<b>14 369 223</b>

The paragraphs below describe the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

#### Financial instruments for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

#### Financial instruments for which fair value does not approximate carrying value

The following table sets out the group's principal valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Bank debt securities	Valued using a cashflow model of the bonds discounted by an observable market credit curve.
Other debt securities	Priced with reference to similar trades in an observable market.
Loans and advances to customers	Calculation of the present value of future cashflows, discounted as appropriate.
Own originated loans and advances to customers securitised	Calculation of the current cashflows of fixed rate loans at current expected interest rates.
Other loans and advances	Calculation of the present value of future cashflows, discounted as appropriate.
Other securitised assets	Calculated using a model based on future cashflows.
Deposits by banks	Calculation of fair value using appropriate funding rates.
Customer accounts (deposits)	Where the deposits are short term in nature carrying amounts are assumed to approximate fair value. Where deposits are of longer term maturities they are valued using a cash flow model discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised fair value is equal to the carrying value. Other debt securities are valued using a cash flow model discounted as appropriate to the securities for funding and interest rates.
Liabilities arising on securitisation of other assets	Valued using a cashflow model taking into account any hedging and discounted as appropriate.
Subordinated liabilities	Valued with reference to market prices.

#### Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the group. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted sub-debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Certain financial instruments, that would normally be carried at fair value, continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on balance sheet.



## **Investec Bank plc (a subsidiary of Investec plc)**

### **Restatement of comparatives – IFRIC 21 ‘Levies’**

The group has adopted IFRIC 21 ‘Levies’ from 1 April 2014. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy and an entity does not have a constructive obligation to pay a levy that will be triggered in a future period as a result of being economically compelled to continue to operate in that future period. The new interpretation has been applied retrospectively and its application has caused the recognition date for the FSCS levy to be changed from the 31 December prior to the beginning of the relevant levy year to the following 1 April. The group has accordingly restated the prior periods to reflect this change.

The impact of the restatement in the 6 months to 30 September 2013 is an increase in Operating Costs and Other liabilities of £1.1m and a decrease in Taxation on operating profit before goodwill and Deferred taxation liabilities of £0.2m. The impact in the year to 31 March 2013 is a decrease in Operating Costs and Other Liabilities of £4.7m and an increase in Taxation on operating profit before goodwill and Deferred taxation liabilities of £1.0m. The net impact on Retained income at 31 March 2014 is an increase of £2.8m.



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### Credit and counterparty risk management

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to us or otherwise to perform as agreed. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, where we have placed funds with other financial institutions.
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received; and
- 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 settlements to which they are entitled. In terms of our definition, settlement debtors receivable in the short term (i.e. less than three days) are excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

Credit and counterparty risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a foreign country, or dependent on that country's economy.

Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

The tables that follow provide an analysis of our credit and counterparty risk exposures.

#### An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 15.5% to £14.7 billion largely as a result of the sale of group assets (refer to "overview" section). Cash and near cash balances increased by 4.9% to £4.4 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 and sovereign debt securities.

£'000	30 Sept 2014	31 March 2014	% change	Average*
Cash and balances at central banks	2 847 239	1 735 333	64.1%	2 291 286
Loans and advances to banks	802 165	1 105 205	(27.4%)	953 685
Reverse repurchase agreements and cash collateral on securities borrowed	725 292	1 215 500	(40.3%)	970 396
Sovereign debt securities	859 800	1 232 415	(30.2%)	1 046 108
Bank debt securities	227 017	371 182	(38.8%)	299 100
Other debt securities	186 012	218 190	(14.7%)	202 101
Derivative financial instruments	320 162	525 218	(39.0%)	422 690
Securities arising from trading activities	416 719	419 408	(0.6%)	418 064
Loans and advances to customers (gross)	6 837 448	7 945 593	(13.9%)	7 391 521
Own originated loans and advances to customers securitised (gross)	-	448 255	(100.0%)	224 128
Other loans and advances (gross)	331 673	879 773	(62.3%)	605 723
Other securitised assets (gross)	53 467	159 030	(66.4%)	106 249
Other assets	232 845	137 665	69.1%	185 255
<b>Total on-balance sheet exposures</b>	<b>13 839 839</b>	<b>16 392 767</b>	<b>(15.6%)</b>	<b>15 116 303</b>
Guarantees^	151 719	187 686	(19.2%)	169 703
Contingent liabilities, committed facilities and other	748 671	859 984	(12.9%)	804 328
<b>Total off-balance sheet exposures</b>	<b>900 390</b>	<b>1 047 670</b>	<b>(14.1%)</b>	<b>974 030</b>
<b>Total gross credit and counterparty exposures pre-collateral or other credit enhancements</b>	<b>14 740 229</b>	<b>17 440 437</b>	<b>(15.5%)</b>	<b>16 090 333</b>

\*Where the average is based on a straight line average for the period 1 April 2014 to 30 September 2014

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



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

#### 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
<b>At 30 September 2014</b>				
Cash and balances at central banks	2 847 239	6 798		2 854 037
Loans and advances to banks	802 165	-		802 165
Reverse repurchase agreements and cash collateral on securities borrowed	725 292	-		725 292
Sovereign debt securities	859 800	-		859 800
Bank debt securities	227 017	-		227 017
Other debt securities	186 012	941		186 953
Derivative financial instruments	320 162	989 945		1 310 107
Securities arising from trading activities	416 719	133 387		550 106
Investment portfolio	-	407 822	1	407 822
Loans and advances to customers	6 837 448	(189 707)	2	6 647 741
Other loans and advances	331 673	817 329	3	1 149 002
Other securitised assets	53 467	391 249	4	444 716
Interest in associated undertakings	-	15 577		15 577
Deferred taxation assets	-	58 759		58 759
Other assets	232 845	850 858	5	1 083 703
Property and equipment	-	57 840		57 840
Investment properties	-	59 905		59 905
Goodwill	-	262 454		262 454
Intangible assets	-	147 731		147 731
Non-current assets classified as held for sale	-	1 659 553	6	1 659 553
<b>Total on-balance sheet exposures</b>	<b>13 839 839</b>	<b>5 670 441</b>		<b>19 510 280</b>
<b>At 31 March 2014</b>				
Cash and balances at central banks	1 735 333	7 272		1 742 605
Loans and advances to banks	1 105 205	-		1 105 205
Reverse repurchase agreements and cash collateral on securities borrowed	1 215 500	-		1 215 500
Sovereign debt securities	1 232 415	-		1 232 415
Bank debt securities	371 182	-		371 182
Other debt securities	218 190	11 038		229 228
Derivative financial instruments	525 218	257 729		782 947
Securities arising from trading activities	419 408	167 298		586 706
Investment portfolio	-	341 360	1	341 360
Loans and advances to customers	7 945 593	(192 686)	2	7 752 907
Own originated loans and advances to customers securitised	448 255	(617)	2	447 638
Other loans and advances	879 773	629 941	3	1 509 714
Other securitised assets	159 030	852 227	4	1 011 257
Interest in associated undertakings	-	16 637		16 637
Deferred taxation assets	-	97 614		97 614
Other assets	137 665	876 751	5	1 014 416
Property and equipment	-	63 487		63 487
Investment properties	-	61 715		61 715
Goodwill	-	296 247		296 247
Intangible assets	-	156 703		156 703
<b>Total on-balance sheet exposures</b>	<b>16 392 767</b>	<b>3 642 716</b>		<b>20 035 483</b>

1. Largely relates to exposures that are classified as equity risk in the banking book.

2. Largely relates to impairments and the impact of hedge accounting.

3. Largely relates to intergroup lending which is deemed to have no credit exposure.

4. Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective certain of these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.

5. Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

6. On 9 September 2014 the group announced the sale of its UK intermediated mortgage business Kensington Group plc ("Kensington") together with certain other Investec mortgage assets to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners. On 15 September 2014 the group announced the sale of its Irish intermediated mortgage business Start Mortgage Holdings Limited ("Start") together with certain other Irish mortgage assets to an affiliate of Lone Star Funds. The Kensington transaction is still subject to regulatory approval, whilst the group has received regulatory approval for the Start transaction. As the group views these transactions as highly probable, the group has accounted for these transactions in terms of IFRS 5 and has thus reflected all assets and liabilities associated with the sale as a single asset and liability line on the face of the consolidated balance sheet as described as "non-current assets/liabilities (or disposal groups) held for sale".



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### An analysis of gross credit and counterparty exposure by residual contractual maturity at 30 September 2014

	up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	>10 years	Total
<b>£'000</b>							
Cash and balances at central banks	2 847 239	-	-	-	-	-	2 847 239
Loans and advances to banks	799 277	2 888	-	-	-	-	802 165
Reverse repurchase agreements and cash collateral on securities borrowed	725 292	-	-	-	-	-	725 292
Sovereign debt securities	282 773	189 207	-	-	52 613	335 207	859 800
Bank debt securities	-	-	38 545	33 698	154 774	-	227 017
Other debt securities	-	5 429	3 768	40 171	46 775	89 869	186 012
Derivative financial instruments	91 272	31 890	50 642	103 060	25 684	17 614	320 162
Securities arising from trading activities	381 390	2 621	4 225	28 483	-	-	416 719
Loans and advances to customers (gross)	1 578 933	555 119	845 715	2 931 736	557 664	368 281	6 837 448
Other loans and advances (gross)	5 022	-	-	51 563	9 575	265 513	331 673
Other securitised assets (gross)	-	-	-	-	-	53 467	53 467
Other assets	227 172	5 673	-	-	-	-	232 845
<b>Total on-balance sheet exposures</b>	<b>6 938 370</b>	<b>792 827</b>	<b>942 895</b>	<b>3 188 711</b>	<b>847 085</b>	<b>1 129 951</b>	<b>13 839 839</b>
Guarantees^	30 838	-	1 912	118 969	-	-	151 719
Contingent liabilities, committed facilities and other	117 862	76 409	164 551	262 762	23 918	103 169	748 671
<b>Total off-balance sheet exposures</b>	<b>148 700</b>	<b>76 409</b>	<b>166 463</b>	<b>381 731</b>	<b>23 918</b>	<b>103 169</b>	<b>900 390</b>
<b>Total gross credit and counterparty exposures pre-collateral or other credit enhancements</b>	<b>7 087 070</b>	<b>869 236</b>	<b>1 109 358</b>	<b>3 570 442</b>	<b>871 003</b>	<b>1 233 120</b>	<b>14 740 229</b>

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



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### An analysis of gross credit and counterparty exposure by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
£'000	30 Sept 2014	31 March 2014	30 Sept 2014	31 March 2014	30 Sept 2014	31 March 2014
HNW and other professional individuals	1,192,506	2,775,968	116,973	351,076	1,309,479	3,127,044
Lending collateralised by property - largely to private clients	2,402,095	2,538,625	203,138	166,890	2,605,233	2,705,515
Agriculture	5,632	21,326	141	2,553	5,773	23,879
Electricity, gas and water (utility services)	415,655	349,371	110,478	76,972	526,133	426,343
Public and non-business services	214,043	186,485	4,072,235	3,341,192	4,286,278	3,527,677
Business service	235,095	252,460	53,550	67,949	288,645	320,409
Finance and insurance	570,722	486,882	2,685,137	3,598,602	3,255,859	4,085,484
Retailers and wholesalers	343,131	346,712	95,624	67,214	438,755	413,926
Manufacturing and commerce	438,542	378,194	60,610	64,641	499,152	442,835
Construction	44,941	78,865	23,376	37,101	68,317	115,966
Corporate commercial real estate	81,431	72,470	1,375	3,352	82,806	75,822
Other residential mortgages	-	16,074	374,701	1,140,253	374,701	1,156,327
Mining and resources	144,580	176,663	32,453	30,551	177,033	207,214
Leisure, entertainment and tourism	135,891	160,907	30,709	27,876	166,600	188,783
Transport	548,262	486,845	33,264	57,219	581,526	544,064
Communication	64,922	66,001	9,017	13,148	73,939	79,149
<b>Total</b>	<b>6,837,448</b>	<b>8,393,848</b>	<b>7,902,781</b>	<b>9,046,589</b>	<b>14,740,229</b>	<b>17,440,437</b>

Private client loans account for 17.4% of total core loans and advances, as represented by the industry classification 'HNW and other professional individuals'. A more detailed analysis of the private client loan portfolio is provided further on. The remainder of core loans and advances largely reside within our corporate client division and are evenly spread across industry sectors. A detailed analysis of the corporate client loan portfolio is provided further on.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and other professional individual private clients.

#### Detailed analysis of gross credit and counterparty exposures by industry

	HNW 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 service	Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
<b>£'000</b>																	
<b>At 30 September 2014</b>																	
Cash and balances at central banks	-	-	-	-	2 847 239	-	-	-	-	-	-	-	-	-	-	-	2 847 239
Loans and advances to banks	-	-	-	-	-	-	802 165	-	-	-	-	-	-	-	-	-	802 165
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	725 292	-	-	-	-	-	-	-	-	-	725 292
Sovereign debt securities	-	-	-	-	859 800	-	-	-	-	-	-	-	-	-	-	-	859 800
Bank debt securities	-	-	-	-	-	-	227 017	-	-	-	-	-	-	-	-	-	227 017
Other debt securities	-	-	-	-	1 823	-	184 189	-	-	-	-	-	-	-	-	-	184 189
Derivative financial instruments	1 698	-	141	11 581	-	16 860	197 263	41 163	21 848	4 576	1 167	-	1 788	14 491	3 087	4 499	320 162
Securities arising from trading activities	-	-	-	27 171	344 164	-	41 239	4 145	-	-	-	-	-	-	-	-	416 719
Loans and advances to customers (gross)	1 192 506	2 402 095	5 632	415 655	214 043	235 095	570 722	343 131	438 542	44 941	81 431	-	144 580	135 891	548 262	64 922	6 837 448
Other loans and advances (gross)	-	-	-	-	-	-	133 198	-	-	-	-	198 475	-	-	-	-	331 673
Other securitised assets (gross)	-	-	-	-	-	-	-	-	-	-	-	53 467	-	-	-	-	53 467
Other assets	-	-	-	-	-	-	229 743	9	126	-	-	-	-	-	-	2 967	232 845
<b>Total on-balance sheet exposures</b>	<b>1 194 204</b>	<b>2 402 095</b>	<b>5 773</b>	<b>454 407</b>	<b>4 267 069</b>	<b>251 955</b>	<b>3 110 828</b>	<b>388 448</b>	<b>460 516</b>	<b>49 517</b>	<b>82 598</b>	<b>251 942</b>	<b>146 368</b>	<b>150 382</b>	<b>551 349</b>	<b>72 388</b>	<b>13 839 839</b>
Guarantees	31 470	179	-	-	-	289	80	405	-	-	-	117 775	1 521	-	-	-	151 719
Contingent liabilities, committed facilities and other	83 805	202 959	-	71 726	19 209	36 401	144 951	49 902	38 636	18 800	208	4 984	29 144	16 218	30 177	1 551	748 671
<b>Total off-balance sheet exposures</b>	<b>115 275</b>	<b>203 138</b>	<b>-</b>	<b>71 726</b>	<b>19 209</b>	<b>36 690</b>	<b>145 031</b>	<b>50 307</b>	<b>38 636</b>	<b>18 800</b>	<b>208</b>	<b>122 759</b>	<b>30 665</b>	<b>16 218</b>	<b>30 177</b>	<b>1 551</b>	<b>900 390</b>
<b>Total gross credit and counterparty exposures pre-collateral or other credit enhancements</b>	<b>1 309 479</b>	<b>2 605 233</b>	<b>5 773</b>	<b>526 133</b>	<b>4 286 278</b>	<b>288 645</b>	<b>3 255 859</b>	<b>438 755</b>	<b>499 152</b>	<b>68 317</b>	<b>82 806</b>	<b>374 701</b>	<b>177 033</b>	<b>166 600</b>	<b>581 526</b>	<b>73 939</b>	<b>14 740 229</b>
<b>At 31 March 2014</b>																	
Cash and balances at central banks	-	-	-	-	1 735 333	-	-	-	-	-	-	-	-	-	-	-	1 735 333
Loans and advances to banks	-	-	-	-	-	-	1 105 205	-	-	-	-	-	-	-	-	-	1 105 205
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	1 215 500	-	-	-	-	-	-	-	-	-	1 215 500
Sovereign debt securities	-	-	-	-	1 232 415	-	-	-	-	-	-	-	-	-	-	-	1 232 415
Bank debt securities	-	-	-	-	-	-	371 182	-	-	-	-	-	-	-	-	-	371 182
Other debt securities	-	-	-	-	-	-	185 739	-	-	-	-	32 451	-	-	-	-	218 190
Derivative financial instruments	5 598	-	34	10 277	4 863	14 603	422 055	24 529	6 977	13 816	1 144	-	1 153	10 962	7 144	2 063	525 218
Securities arising from trading activities	-	-	-	-	361 830	-	57 463	-	-	-	-	-	-	-	115	-	419 408
Loans and advances to customers (gross)	2 327 713	2 538 625	21 326	349 371	186 485	252 460	486 882	346 712	378 194	78 865	72 470	16 074	176 663	160 907	486 845	66 001	7 945 593
Own originated loans and advances to customers securitised (gross)	448 255	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	448 255
Other loans and advances (gross)	-	-	-	-	-	-	77 652	-	-	-	-	802 121	-	-	-	-	879 773
Other securitised assets (gross)	-	-	-	-	-	-	-	-	-	-	-	159 030	-	-	-	-	159 030
Other assets	-	-	-	-	-	18 072	103 702	1 572	9 456	-	-	137	-	-	-	4 726	137 665
<b>Total on-balance sheet exposures</b>	<b>2 781 566</b>	<b>2 538 625</b>	<b>21 360</b>	<b>359 648</b>	<b>3 520 926</b>	<b>285 135</b>	<b>4 025 380</b>	<b>372 813</b>	<b>394 627</b>	<b>92 681</b>	<b>73 614</b>	<b>1 009 813</b>	<b>177 816</b>	<b>171 869</b>	<b>494 104</b>	<b>72 790</b>	<b>16 392 767</b>
Guarantees	14 397	368	-	-	-	631	2 396	3 585	1 571	56	-	141 221	23 375	86	-	-	187 686
Contingent liabilities, committed facilities and other	331 081	166 522	2 519	66 695	6 751	34 643	57 708	37 528	46 637	23 229	2 208	5 293	6 023	16 828	49 960	6 359	859 984
<b>Total off-balance sheet exposures</b>	<b>345 478</b>	<b>166 890</b>	<b>2 519</b>	<b>66 695</b>	<b>6 751</b>	<b>35 274</b>	<b>60 104</b>	<b>41 113</b>	<b>48 208</b>	<b>23 285</b>	<b>2 208</b>	<b>146 514</b>	<b>29 398</b>	<b>16 914</b>	<b>49 960</b>	<b>6 359</b>	<b>1 047 670</b>
<b>Total gross credit and counterparty exposures pre-collateral or other credit enhancements</b>	<b>3 127 044</b>	<b>2 705 515</b>	<b>23 879</b>	<b>426 343</b>	<b>3 527 677</b>	<b>320 409</b>	<b>4 085 484</b>	<b>413 926</b>	<b>442 835</b>	<b>115 966</b>	<b>75 822</b>	<b>1 156 327</b>	<b>207 214</b>	<b>188 783</b>	<b>544 064</b>	<b>79 149</b>	<b>17 440 437</b>



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

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

#### Calculation of core loans and advances to customers

£'000	30 Sept 2014	31 March 2014
Loans and advances to customers as per the balance sheet	6 647 741	7 752 907
Add: own-originated loans and advances securitised as per the balance sheet	-	447 638
<b>Net core loans and advances to customers</b>	<b>6 647 741</b>	<b>8 200 545</b>

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

£'000	30 Sept 2014	31 March 2014
<b>Gross core loans and advances to customers</b>	<b>6 837 448</b>	<b>8 393 848</b>
<b>Total impairments</b>	<b>(189 707)</b>	<b>(193 303)</b>
Portfolio impairments	(26 259)	(16 437)
Specific impairments	(163 448)	(176 866)
<b>Net core loans and advances to customers</b>	<b>6 647 741*</b>	<b>8 200 545</b>
<b>Average gross core loans and advances to customers</b>	<b>7 615 648</b>	<b>8 411 907</b>
Current loans and advances to customers	6 134 355	7 659 353^
Past due loans and advances to customers (1-60 days)	89 599	124 033
Special mention loans and advances to customers	186 108	153 485^
Default loans and advances to customers	427 386	456 977
<b>Gross core loans and advances to customers</b>	<b>6 837 448</b>	<b>8 393 848</b>
Current loans and advances to customers	6 134 355	7 659 353
Default loans that are current and not impaired	20 329	21 254^
Gross core loans and advances to customers that are past due but not impaired	311 640	308 014^
Gross core loans and advances to customers that are impaired	371 124	405 227
<b>Gross core loans and advances to customers</b>	<b>6 837 448</b>	<b>8 393 848</b>
<b>Total income statement charge for impairments on core loans and advances</b>	<b>(45 824)</b>	<b>(84 327)</b>
Gross default loans and advances to customers	427 386	456 977
Specific impairments	(163 448)	(176 866)
Portfolio impairments	(26 259)	(16 437)
<b>Defaults net of impairments</b>	<b>237 679</b>	<b>263 674</b>
Collateral and other credit enhancements	284 739	297 114
<b>Net default loans and advances to customers (limited to zero)</b>	<b>-</b>	<b>-</b>
<b>Ratios:</b>		
Total impairments as a % of gross core loans and advances to customers	2.77%	2.30%
Total impairments as a % of gross default loans	44.39%	42.30%
Gross defaults as a % of gross core loans and advances to customers	6.25%*	5.44%
Defaults (net of impairments) as a % of net core loans and advances to customers	3.58%*	3.22%
Defaults (net of impairments) as a % of net core loans and advances to customers (excluding Australia)	3.41%	3.77%
Net defaults as a % of net core loans and advances to customers	-	-
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	1.20%*	1.00%
Annualised credit loss ratio (excluding Australia)	1.06%	0.97%

^ Restated

\* The decrease in core loans and advances is as a result of the sale of the professional finance and asset finance portfolios in Investec Bank (Australia) Limited as well as certain UK residential mortgage portfolios which form part of the Kensington transaction. Some of the ratios reported are impacted as a result of these sales.



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

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

£'000	30 Sept 2014	31 March 2014
Default loans that are current	137 767	145 578
1 - 60 days	271 188	249 900
61 - 90 days	56 798	57 441
91 - 180 days	7 030	13 077
181 - 365 days	33 515	58 634
>365 days	196 795	209 865
<b>Past due and default core loans and advances to customers (actual capital exposure)</b>	<b>703 093</b>	<b>734 495</b>
1 - 60 days	8 740	5 415
61 - 90 days	697	2 361
91 - 180 days	3 533	4 645
181 - 365 days	4 624	14 162
>365 days	189 244	192 952
<b>Past due and default core loans and advances to customers (actual amount in arrears)</b>	<b>206 838</b>	<b>219 535</b>

#### A further age analysis of past due and default core loans and advances to customers

	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
<b>At 30 September 2014</b>							
<b>Watchlist loans neither past due nor impaired</b>							
Total capital exposure	20 329	-	-	-	-	-	20 329
<b>Gross core loans and advances to customers that are past due but not impaired</b>							
Total capital exposure	-	230 575	56 359	3 440	8 968	12 298	311 640
Amount in arrears	-	7 903	260	167	812	9 406	18 548
<b>Gross core loans and advances to customers that are impaired</b>							
Total capital exposure	117 438	40 613	439	3 590	24 547	184 497	371 124
Amount in arrears	-	837	437	3 366	3 812	179 838	188 290
<b>At 31 March 2014</b>							
<b>Watchlist loans neither past due nor impaired</b>							
Total capital exposure	21 254	-	-	-	-	-	21 254
<b>Gross core loans and advances to customers that are past due but not impaired</b>							
Total capital exposure	-	243 020	42 999	9 298	11 134	1 563	308 014
Amount in arrears	-	4 497	333	2 197	1 399	724	9 150
<b>Gross core loans and advances to customers that are impaired</b>							
Total capital exposure	124 324	6 880	14 442	3 779	47 500	208 302	405 227
Amount in arrears	-	918	2 028	2 448	12 763	192 228	210 385



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

An age analysis of past due and default core loans and advances to customers at 30 September 2014 (based on total capital exposure)

£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
<b>Past due (1-60 days)</b>	-	89 599	-	-	-	-	89 599
<b>Special mention</b>	-	129 749	56 359	-	-	-	186 108
Special mention (1 - 90 days)	-	129 749	50 251	-	-	-	180 000
Special mention (61 - 90 days and item well secured)	-	-	6 108	-	-	-	6 108
<b>Default</b>	137 767	51 840	439	7 030	33 515	196 795	427 386
Sub-standard	68 859	41 597	-	3 440	26 617	49 920	190 433
Doubtful	68 095	10 232	436	3 571	6 362	20 170	108 866
Loss	813	11	3	19	536	126 705	128 087
<b>Total</b>	137 767	271 188	56 798	7 030	33 515	196 795	703 093

An age analysis of past due and default core loans and advances to customers at 30 September 2014 (based on actual amount in arrears)

£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
<b>Past due (1-60 days)</b>	-	7 211	-	-	-	-	7 211
<b>Special mention</b>	-	448	259	-	-	-	707
Special mention (1 - 90 days)	-	448	103	-	-	-	551
Special mention (61 - 90 days and item well secured)	-	-	156	-	-	-	156
<b>Default</b>	-	1 081	438	3 533	4 624	189 244	198 920
Sub-standard	-	295	-	168	2 941	47 310	50 714
Doubtful	-	775	435	3 346	1 603	15 229	21 388
Loss	-	11	3	19	80	126 705	126 818
<b>Total</b>	-	8 740	697	3 533	4 624	189 244	206 838

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on total capital exposure)

£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
<b>Past due (1-60 days)</b>	-	124 033	-	-	-	-	124 033
<b>Special mention</b>	-	110 486	42 999	-	-	-	153 485
Special mention (1 - 90 days)	-	110 486	28 470	-	-	-	138 956
Special mention (61 - 90 days and item well secured)	-	-	14 529	-	-	-	14 529
<b>Default</b>	145 578	15 381	14 442	13 077	58 634	209 865	456 977
Sub-standard	92 563	11 938	13 135	9 785	26 320	45 321	199 062
Doubtful	52 052	3 376	1 305	2 128	31 681	24 971	115 513
Loss	963	67	2	1 164	633	139 573	142 402
<b>Total</b>	145 578	249 900	57 441	13 077	58 634	209 865	734 495

An age analysis of past due and default core loans and advances to customers at 31 March 2014 (based on actual amount in arrears)

£'000	Current watchlist loans	1 - 60 days	61-90 days	91-180 days	181-365 days	>365days	Total
<b>Past due (1-60 days)</b>	-	4 136	-	-	-	-	4 136
<b>Special mention</b>	-	339	333	-	-	-	672
Special mention (1 - 90 days)	-	339	129	-	-	-	468
Special mention (61 - 90 days and item well secured)	-	-	204	-	-	-	204
<b>Default</b>	-	940	2 028	4 645	14 162	192 952	214 727
Sub-standard	-	30	1 723	2 473	3 459	42 964	50 649
Doubtful	-	843	303	1 008	10 527	10 416	23 097
Loss	-	67	2	1 164	176	139 572	140 981
<b>Total</b>	-	5 415	2 361	4 645	14 162	192 952	219 535



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

#### An analysis of core loans and advances to customers

	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
<b>At 30 September 2014</b>								
<b>Current core loans and advances</b>	6 134 355	-	-	6 134 355	-	(26 259)	6 108 096	-
<b>Past due (1-60 days)</b>	-	89 599	-	89 599	-	-	89 599	7 211
<b>Special mention</b>	-	186 108	-	186 108	-	-	186 108	707
Special mention (1 - 90 days)	-	180 000	-	180 000	-	-	180 000	551
Special mention (61 - 90 days and item well secured)	-	6 108	-	6 108	-	-	6 108	156
<b>Default</b>	20 329	35 933	371 124	427 386	(163 448)	-	263 938	198 920
Sub-standard	20 329	35 933	134 171	190 433	(36 773)	-	153 660	50 714
Doubtful	-	-	108 866	108 866	(54 870)	-	53 996	21 388
Loss	-	-	128 087	128 087	(71 805)	-	56 282	126 818
<b>Total</b>	<b>6 154 684</b>	<b>311 640</b>	<b>371 124</b>	<b>6 837 448</b>	<b>(163 448)</b>	<b>(26 259)</b>	<b>6 647 741</b>	<b>206 838</b>
<b>At 31 March 2014</b>								
<b>Current core loans and advances</b>	7 659 353	-	-	7 659 353	-	(16 437)	7 642 916	-
<b>Past due (1-60 days)</b>	-	124 033	-	124 033	-	-	124 033	4 136
<b>Special mention</b>	-	153 485	-	153 485	-	-	153 485	672
Special mention (1 - 90 days)	-	138 956	-	138 956	-	-	138 956	468
Special mention (61 - 90 days and item well secured)	-	14 529	-	14 529	-	-	14 529	204
<b>Default</b>	21 254	30 496	405 227	456 977	(176 866)	-	280 111	214 727
Sub-standard	21 055	30 496	147 511	199 062	(36 846)	-	162 216	50 649
Doubtful	-	-	115 513	115 513	(58 591)	-	56 922	23 097
Loss	199	-	142 203	142 402	(81 429)	-	60 973	140 981
<b>Total</b>	<b>7 680 607</b>	<b>308 014</b>	<b>405 227</b>	<b>8 393 848</b>	<b>(176 866)</b>	<b>(16 437)</b>	<b>8 200 545</b>	<b>219 535</b>



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

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

	Private client, professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Total gross core loans and advances to customers
<b>At 30 September 2014</b>					
<b>Current core loans and advances</b>	2 992 984	2 357 618	570 508	213 245	6 134 355
<b>Past due (1 – 60 days)</b>	85 490	4 109			89 599
<b>Special mention</b>	119 361	66 747	-	-	186 108
Special mention (1 – 90 days)	113 382	66 618			180 000
Special mention (61 – 90 days and item well secured)	5 979	129			6 108
<b>Default</b>	396 766	29 608	214	798	427 386
Sub-standard	177 941	12 492			190 433
Doubtful	91 775	16 204	171	716	108 866
Loss	127 050	912	43	82	128 087
<b>Total gross core loans and advances to customers</b>	<b>3 594 601</b>	<b>2 458 082</b>	<b>570 722</b>	<b>214 043</b>	<b>6 837 448</b>
<b>Total impairments</b>	<b>(177 368)</b>	<b>(11 886)</b>	<b>(109)</b>	<b>(344)</b>	<b>(189 707)</b>
Specific impairments	(151 109)	(11 886)	(109)	(344)	(163 448)
Portfolio Impairments	(26 259)	-	-	-	(26 259)
<b>Net core loans and advances to customers</b>	<b>3 417 233</b>	<b>2 446 196</b>	<b>570 613</b>	<b>213 699</b>	<b>6 647 741</b>
				-	
<b>At 31 March 2014</b>					
<b>Current core loans and advances</b>	4 692 371	2 294 450	486 702	185 830	7 659 353
<b>Past due (1 – 60 days)</b>	114 989	9 044	-	-	124 033
<b>Special mention</b>	95 493	57 992	-	-	153 485
Special mention (1 – 90 days)	81 494	57 462	-	-	138 956
Special mention (61 – 90 days and item well secured)	13 999	530	-	-	14 529
<b>Default</b>	411 740	44 403	180	654	456 977
Sub-standard	180 246	18 816	-	-	199 062
Doubtful	90 776	23 963	149	625	115 513
Loss	140 718	1 624	31	29	142 402
<b>Total gross core loans and advances to customers</b>	<b>5 314 593</b>	<b>2 405 889</b>	<b>486 882</b>	<b>186 484</b>	<b>8 393 848</b>
<b>Total impairments</b>	<b>(168 010)</b>	<b>(24 937)</b>	<b>(94)</b>	<b>(262)</b>	<b>(193 303)</b>
Specific impairments	(151 573)	(24 937)	(94)	(262)	(176 866)
Portfolio Impairments	(16 437)	-	-	-	(16 437)
<b>Net core loans and advances to customers</b>	<b>5 146 583</b>	<b>2 380 952</b>	<b>486 788</b>	<b>186 222</b>	<b>8 200 545</b>

#### Summary analysis of gross core loans and advances to customers by counterparty type

£'000	30 Sept 2014	31 March 2014
Private Banking professional and HNW individuals ^	3 594 601	5 314 593
Corporate sector	2 458 082	2 405 889
Insurance, financial services (excluding sovereign)	570 722	486 882
Public and government sector (including central banks)	214 043	186 484
<b>Total gross core loans and advances to customers</b>	<b>6 837 448</b>	<b>8 393 848</b>

^ Impacted by the sale of group assets. Refer to "overview" section



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

### An analysis of core loans and advances by risk category

£' 000	Gross core loans	Gross defaults	Collateral	Balance sheet impairments	Income statement impairments ^
<b>30 September 2014</b>					
<b>Lending collateralised by property</b>	<b>2 402 095</b>	<b>369 350</b>	<b>243 725</b>	<b>(142 223)</b>	<b>(33 921)</b>
<b>Commercial real estate</b>	<b>1 577 679</b>	<b>127 719</b>	<b>81 625</b>	<b>(54 245)</b>	<b>(17 986)</b>
Commercial real estate - investment	1 327 158	65 817	54 480	(14 881)	(12 203)
Commercial real estate - development	108 937	20 791	8 429	(12 362)	(2 831)
Commercial vacant land and planning	141 584	41 111	18 716	(27 002)	(2 952)
<b>Residential real estate</b>	<b>824 416</b>	<b>241 631</b>	<b>162 100</b>	<b>(87 978)</b>	<b>(15 935)</b>
Residential real estate - investment	306 017	42 568	38 310	(7 121)	(1 316)
Residential development	412 114	135 902	83 757	(56 215)	(7 623)
Residential vacant land and planning	106 285	63 161	40 033	(24 642)	(6 996)
<b>High net worth and other private client lending</b>	<b>1 192 506</b>	<b>27 415</b>	<b>22 329</b>	<b>(8 885)</b>	<b>(7 267)</b>
Mortgages	838 867	7 197	8 516	(1475)	( 779)
High net worth and specialised lending	292 743	19 113	12 708	(6 707)	(5 508)
Professional finance	60 896	1 105	1 105	( 703)	( 980)
<b>Corporate and other lending</b>	<b>3 242 847</b>	<b>30 621</b>	<b>18 685</b>	<b>(12 340)</b>	<b>(4 636)</b>
Acquisition finance	633 405	12 571	7 309	(5 262)	1 214
Asset based lending	215 178	-	-	-	-
Fund finance	370 730	-	-	-	-
Other corporates and financial institutions and governments	513 462	4 594	2 867	(1 728)	( 499)
Asset finance	975 831	9 004	5 725	(3 682)	(2 754)
Small ticket asset finance	736 802	6 965	3 686	(3682)	(2 703)
Large ticket asset finance	239 029	2 039	2 039	-	( 51)
Project finance	452 842	4 452	2 784	(1 668)	( 539)
Resource finance	81 399	-	-	-	(2 058)
Portfolio impairments	-	-	-	(26 259)	-
<b>Total</b>	<b>6 837 448</b>	<b>427 386</b>	<b>284 739</b>	<b>(189 707)</b>	<b>(45 824)</b>
<b>31 March 2014</b>					
<b>Lending collateralised by property</b>	<b>2 538 625</b>	<b>381 257</b>	<b>240 435</b>	<b>(143 890)</b>	<b>(49 579)</b>
<b>Commercial real estate</b>	<b>1 662 718</b>	<b>133 222</b>	<b>79 842</b>	<b>(54 089)</b>	<b>(28 387)</b>
Commercial real estate - investment	1 429 725	67 919	50 757	(15 686)	(19 029)
Commercial real estate - development	96 072	21 016	11 243	(10 466)	(3 182)
Commercial vacant land and planning	136 921	44 287	17 842	(27 937)	(6 176)
<b>Residential real estate</b>	<b>875 907</b>	<b>248 035</b>	<b>160 593</b>	<b>(89 801)</b>	<b>(21 192)</b>
Residential real estate - investment	327 937	39 537	30 023	(6 880)	(3 470)
Residential development	429 011	134 763	80 105	(56 463)	(9 077)
Residential vacant land and planning	118 959	73 735	50 465	(26 458)	(8 645)
<b>High net worth and other private client lending</b>	<b>2 775 968</b>	<b>30 483</b>	<b>36 733</b>	<b>(7 683)</b>	<b>(13 929)</b>
Mortgages	1 160 007	4 786	6 115	( 900)	( 678)
High net worth and specialised lending	341 465	19 414	26 502	(4 617)	(9 982)
Professional finance	1 274 496	6 283	4 116	(2 166)	(3 269)
<b>Corporate and other lending</b>	<b>3 079 255</b>	<b>45 237</b>	<b>19 946</b>	<b>(25 293)</b>	<b>(20 819)</b>
Acquisition finance	744 428	17 627	7 933	(9 695)	(10 981)
Asset based lending	143 703	-	-	-	98
Fund finance	277 771	-	-	-	-
Other corporates and financial institutions and governments	420 762	4 241	2 821	(1 421)	(1 740)
Asset finance	982 806	10 677	6 192	(4 486)	(3 900)
Small ticket asset finance	750 347	8 694	4 209	(4 486)	(5 124)
Large ticket asset finance	232 459	1 983	1 983	-	1 223
Project finance	438 641	12 692	3 000	(9 691)	(4 296)
Resource finance	71 144	-	-	-	-
Portfolio impairments	-	-	-	(16 437)	-
<b>Total</b>	<b>8 393 848</b>	<b>456 977</b>	<b>297 114</b>	<b>(193 303)</b>	<b>(84 327)</b>

^ Where a positive number represents a recovery



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### Collateral

A summary of total collateral

£'000	Collateral held against		Total
	Core loans and advances	Other credit and counterparty exposures *	
<b>At 30 September 2014</b>			
<b>Eligible financial collateral</b>	<b>208 895</b>	<b>527 876</b>	<b>736 771</b>
Listed shares	115 475	75 754	191 229
Cash	93 420	179 990	273 410
Debt securities issued by sovereigns	-	272 132	272 132
<b>Mortgage bonds</b>	<b>3 985 930</b>	<b>222 925</b>	<b>4 208 855</b>
Residential mortgages	1 889 124	222 897	2 112 021
Residential development	607 785	-	607 785
Commercial property developments	233 307	-	233 307
Commercial property investments	1 255 714	28	1 255 742
<b>Other collateral</b>	<b>3 286 060</b>	<b>419</b>	<b>3 286 479</b>
Unlisted shares	148 939	-	148 939
Bonds other than mortgage bonds	8 858	-	8 858
Debtors, stock and other corporate assets	2 211 284	-	2 211 284
Guarantees	643 105	-	643 105
Other	273 874	419	274 293
<b>Total collateral</b>	<b>7 480 885</b>	<b>751 220</b>	<b>8 232 105</b>
<b>At 31 March 2014</b>			
<b>Eligible financial collateral</b>	<b>407 003</b>	<b>861 779</b>	<b>1 268 782</b>
Listed shares	296 068	95 668	391 736
Cash	110 935	379 300	490 235
Debt securities issued by sovereigns	-	386 811	386 811
<b>Mortgage bonds</b>	<b>4 779 482</b>	<b>494 360</b>	<b>5 273 842</b>
Residential mortgages	2 166 383	494 176	2 660 559
Residential development	636 555	184	636 739
Commercial property developments	182 186	-	182 186
Commercial property investments	1 794 358	-	1 794 358
<b>Other collateral</b>	<b>4 128 206</b>	<b>304 944</b>	<b>4 433 150</b>
Unlisted shares	194 838	-	194 838
Bonds other than mortgage bonds	9 295	304 512	313 807
Debtors, stock and other corporate assets	2 822 119	-	2 822 119
Guarantees	492 741	-	492 741
Other	609 213	432	609 645
<b>Total collateral</b>	<b>9 314 691</b>	<b>1 661 083</b>	<b>10 975 774</b>

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



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### Equity and investment risk in the banking book

Equity and investment risk in the banking book arises primarily from the following activities conducted within the bank:

- **Principal Investments (Private Equity and Direct Investments):** Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio of assets. These investment positions are carefully researched with the intent to stimulate corporate activity
- **Lending transactions (within the Private Client and Corporate Client divisions):** 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.

The table below provides an analysis of income and revaluations recorded with respect to these investments.

	Income (pre funding costs)				Fair value through equity
£'000	Unrealised	Realised	Dividends	Total	
For the six months to 30 September 2014					
Unlisted investments	(36 179)	51 787	1 627	17 235	9 766
Listed equities	(25 568)	7 063	631	(17 874)	(2 400)
Investment and trading properties	( 454)	510	-	56	-
Warrants, profit shares and other embedded derivatives	(4 189)	1 129	-	(3 060)	-
Total	(66 390)	60 489	2 258	(3 643)	7 366
For the year ended 31 March 2014					
Unlisted investments	2 130	30 235	9 084	41 449	10 996
Listed equities	(2 034)	7 791	1 571	7 328	( 888)
Investment and trading properties	(4 260)	10 500	-	6 240	-
Warrants, profit shares and other embedded derivatives	51 962	( 200)	-	51 762	-
Total	47 798	48 326	10 655	106 779	10 108

Unrealised revaluation gains through profit and loss are included in tier 1 capital. In line with the Capital Requirements Regulation, for the period ended 30 September 2014, Investec Bank plc will not be allowed to recognise equity revaluation gains that are posted directly to equity in regulatory capital.



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### Summary of investments held and stress testing analysis

The balance sheet value of investments is indicated in the table below.

	On-balance sheet value of investments	Valuation change stress test*	On-balance sheet value of investments	Valuation change stress test*
£'000	30 Sept 2014	30 Sept 2014	31 March 2014	31 March 2014
Unlisted investments	274 770	41 215	277 491	41 624
Listed equities	133 052	33 263	63 869	15 967
Investment and trading properties	96 474	13 304	102 058	8 069
Warrants, profit shares and other embedded derivatives	33 274	11 646	111 573	39 051
<b>Total</b>	<b>537 570</b>	<b>99 428</b>	<b>554 991</b>	<b>104 711</b>

\*In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:

#### Stress test values applied

Unlisted investments	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 2014, as reflected above we could have a £99.4 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). 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.



## Investec Bank plc (a subsidiary of Investec plc)

### Risk Management

#### Unaudited

#### Securitisation/structured credit activities exposures

The information below sets out current exposures in structured credit where we have reduced exposure by selling into a buoyant market.

#### UK and Europe

The Credit trading and Investments business focuses on securitisation of our assets, predominantly residential and commercial mortgages. We also undertake trading and investment in structured credit investments where we have invested in rated and unrated debt instruments largely within the UK and Europe and to a lesser extent in the US.

#### 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 notwithstanding accounting conventions.

Nature of exposure/activity	Exposure at 30 Sept 2014 £'mn	Exposure at 31 March 2014 £'mn	Balance sheet and credit risk classification
Structured credit (gross exposure)*	321	422	Other debt securities and other loans and advances.
Rated	279	354	
Unrated	42	68	
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised) (net exposure)	184	789	Other loans and advances

#### \*Analysis of structured credit at 30 September 2014

£'million	30 September 2014			31 March 2014		
	Rated**	Unrated	Total	Rated	Unrated	Total
US corporate loans	69	-	69	15	-	15
UK and European ABS	3	7	10	3	7	10
UK and European RMBS	155	31	186	253	57	310
UK and European CMBS	6	4	10	7	4	11
UK and European corporate loans	46	-	46	68	-	68
Australian RMBS	-	-	-	8	-	8
<b>Total</b>	<b>279</b>	<b>42</b>	<b>321</b>	<b>354</b>	<b>68</b>	<b>422</b>

#### \*\*Further analysis of rated structured credit at 30 September 2014

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	-	57	-	12	-	-	-	69
UK and European ABS	-	-	-	-	-	3	-	3
UK and European RMBS	33	61	15	22	2	-	22	155
UK and European CMBS	-	-	-	6	-	-	-	6
UK and European corporate loans	22	13	10	1	-	-	-	46
<b>Total at 30 September 2014</b>	<b>55</b>	<b>131</b>	<b>25</b>	<b>41</b>	<b>2</b>	<b>3</b>	<b>22</b>	<b>279</b>
<b>Total at 31 March 2014</b>	<b>125</b>	<b>76</b>	<b>48</b>	<b>61</b>	<b>22</b>	<b>1</b>	<b>21</b>	<b>354</b>



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### Traded market risk management

##### Traded market risk description

Traded market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting in changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel and policies determined by the board.

Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making, arbitrage, underwriting and investments in the commodity, foreign exchange, equity, capital and money markets. The focus of these businesses is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

##### Management and measurement of traded market risk

Market Risk Management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk.

These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. New instruments or products are independently validated before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

The Market Risk Management teams perform a profit attribution, where our daily traded income is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR, expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following; October 1987 (Black Monday) and 11 September 2001. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. 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 'back testing breach' is considered to have occurred.

In the UK, the market risk capital requirement is measured using an internal risk management model, approved by the PRA, for netting certain parts of the portfolio, whilst the capital requirements of the whole portfolio are calculated using standard rules.

#### VaR

	30 September 2014				Year end	31 March 2014		
	Period end	Average	High	Low		Average	High	Low
<b>UK and Other 95% (one-day)</b>								
Equities (£'000)	540	580	780	474	751	908	1 596	467
Foreign exchange (£'000)	19	13	156	1	9	15	73	2
Interest rates (£'000)	245	236	304	197	299	412	602	204
<b>Consolidated (£'000)*</b>	<b>609^</b>	<b>643</b>	<b>921</b>	<b>488</b>	<b>852^</b>	<b>1 055</b>	<b>1 496</b>	<b>522</b>

\*The consolidated VaR for each desk is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes (diversification).

^Where 30 September 2014 includes Australia and 31 March 2014 excludes Australia. Australia consolidated VAR at 31 March 2014 was A\$45 600.



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

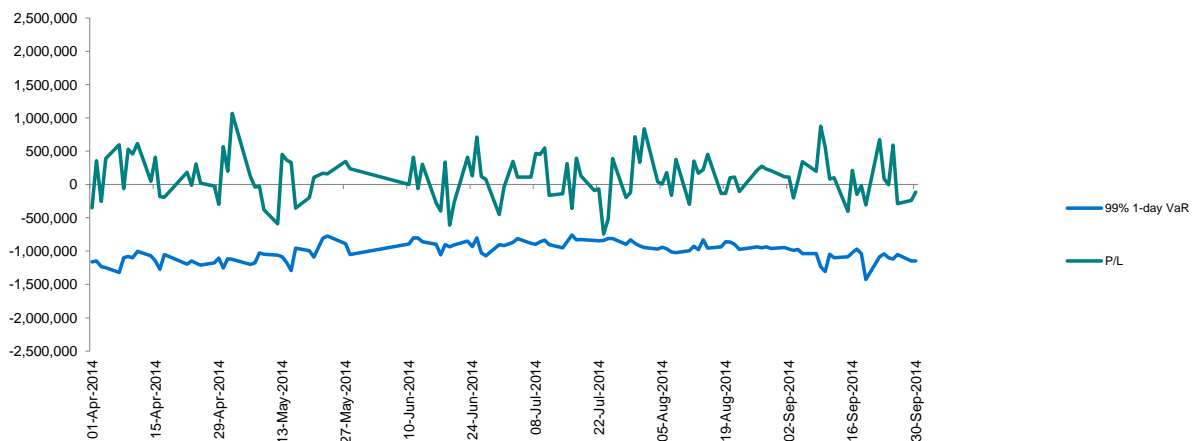
#### Traded market risk management

The graph below shows total daily VaR and profit and loss figures for our trading activities over the reporting period. The values are for the 99% one-day VaR, i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

#### UK and Other

The average VaR utilisation for the six months to 30 September 2014 was lower than for 31 March 2014, as a result of a decrease in the market risk run across all trading businesses. Using hypothetical (clean) profit and loss data for backtesting resulted in no exceptions at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is less than expected at the 99% level and is largely due to a reduction in market volatility over the past year.

#### 99% 1-day VaR backtesting (GBP)





## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### ETL 95% (one-day)

UK and Other £'000	30 September 2014	31 March 2014
Equities	879	1 108
Foreign exchange	17	13
Interest rates	394	481
<b>Consolidated*</b>	<b>945^</b>	<b>1 202^</b>

\*The consolidated ETL for each desk is lower than the sum of the individual ETL's. This arises from the correlation offset between various asset classes.

^Where 30 September 2014 includes Australia and 31 March 2014 excludes Australia. Australia consolidated ETL at 31 March 2014 was A\$ 72 600.

#### Stress testing

The table below indicates the potential losses that could arise if the portfolio is stressed under extreme market conditions. This method is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.

(£'000)	30 September 2014				31 March 2014
	Period end	Average	High	Low	Year end
<b>UK and Other (using 99% EVT)</b>					
Equities	3 004	1 865	3 543	1 070	3 844
Foreign exchange	42	39	391	14	24
Interest rates	1 429	1 276	1 536	1 019	1 457
<b>Consolidated*</b>	<b>2 630^</b>	<b>1 935</b>	<b>3 340</b>	<b>1 381</b>	<b>3 439^</b>

^Where 30 September 2014 includes Australia and 31 March 2014 excludes Australia. Australia consolidated stress test at 31 March 2014 was A\$137 700.

\* The consolidated stress testing for each desk is lower than the sum of the individual stress testings. This arises from the correlation offset between various asset classes.



## Investec Bank plc (a subsidiary of Investec plc)

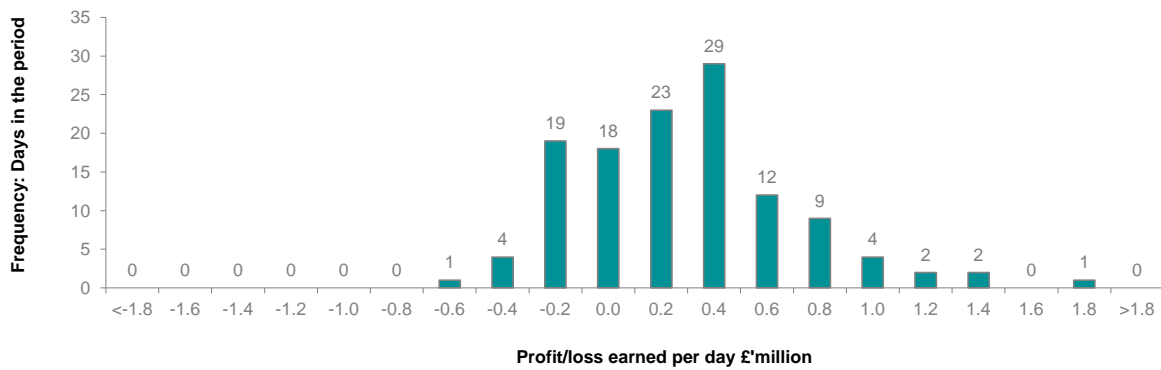
### Risk management

Unaudited

### Profit and loss histogram

#### UK and Other

The histogram below illustrates the distribution of revenue during the financial period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 82 days out of a total of 124 days in the trading business. The average daily trading revenue generated for the six months to 30 September 2014 was £200 196 (year ended March 2014: £132 949).





## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

#### Balance sheet risk management

Balance sheet risk management encompasses the independent monitoring and prudential management of the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration and non-trading interest rate risks on balance sheet.

#### Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of interest rate risk include:

**Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios.

**Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve

**Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics

**Embedded option risk:** we are not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk

**Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

These 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.



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

#### Interest rate sensitivity gap

The table below shows 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 2014

£'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	3 381	-	-	-	-	2	3 383
Investment/trading assets	1 334	263	108	255	651	390	3 001
Securitised assets	440	-	-	-	-	5	445
Advances	5 232	472	489	779	276	-	7 248
Non-rate assets	73	1 168	1	2	-	2 025	3 269
<b>Assets</b>	<b>10 460</b>	<b>1 903</b>	<b>598</b>	<b>1 036</b>	<b>927</b>	<b>2 422</b>	<b>17 346</b>
Deposits - banks	(265)	(365)	(115)	-	(8)	-	(753)
Deposits - retail	(6 797)	(1 755)	(1 125)	(820)	(28)	(1)	(10 526)
Negotiable paper	(1 292)	(40)	(39)	(227)	(56)	-	(1 654)
Securitised liabilities	(102)	(23)	(27)	(33)	(56)	(73)	(314)
Investment/trading liabilities	(674)	-	-	-	-	(2)	(676)
Subordinated liabilities	-	-	-	(55)	(605)	-	(660)
Non-rate liabilities	-	-	-	-	-	(1 402)	(1 402)
<b>Liabilities</b>	<b>(9 130)</b>	<b>(2 183)</b>	<b>(1 306)</b>	<b>(1 135)</b>	<b>(753)</b>	<b>(1 478)</b>	<b>(15 985)</b>
Intercompany loans	(174)	159	(34)	362	206	27	546
Shareholders' funds	(21)	-	-	-	-	(1 886)	(1 907)
<b>Balance sheet</b>	<b>1 135</b>	<b>(121)</b>	<b>(742)</b>	<b>263</b>	<b>380</b>	<b>(915)</b>	<b>-</b>
Off-balance sheet	264	59	817	(324)	(909)	93	-
<b>Repricing gap</b>	<b>1 399</b>	<b>(62)</b>	<b>75</b>	<b>(61)</b>	<b>(529)</b>	<b>(822)</b>	<b>-</b>
<b>Cumulative repricing gap</b>	<b>1 399</b>	<b>1 337</b>	<b>1 412</b>	<b>1 351</b>	<b>822</b>	<b>-</b>	<b>-</b>

#### Economic value sensitivity

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The table below reflects 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 significant direct impact to equity.

#### UK and Other^

£'million	Sensitivity to the following interest rates (expressed in original currencies)						All (GBP)
	GBP	USD	EUR	AUD	ZAR	Other (GBP)	
200bp Down	(53.0)	(9.0)	(16.0)	1.0	(1.0)	1.0	(70.0)
200bp Up	53.0	9.0	16.0	(1.0)	1.0	(1.0)	70.0

^ Includes Australia, which was previously reported separately



## Investec Bank plc (a subsidiary of Investec plc)

### Risk Management

Unaudited

#### Balance sheet risk management

##### Liquidity risk description

Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and marketwide events.

Liquidity risk is further broken down into:

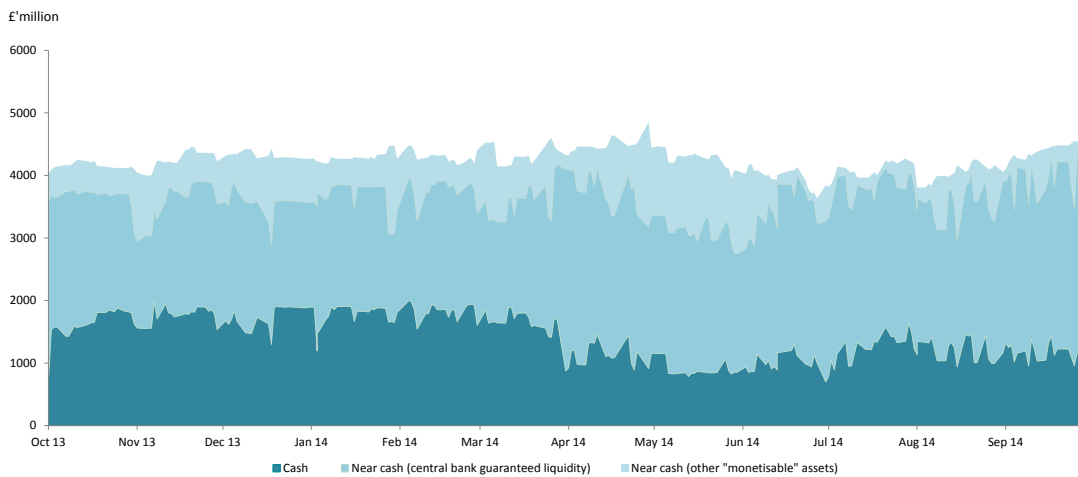
- **Funding liquidity:** which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation

- **Market liquidity:** which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

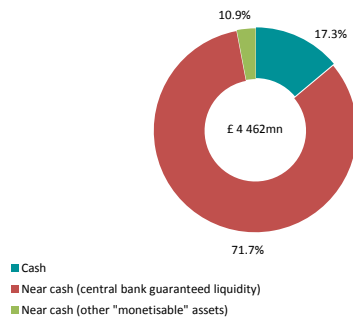
Sources of liquidity risk include:

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

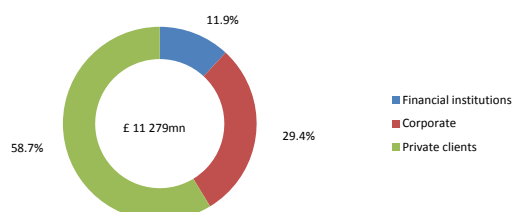
##### Cash and near cash trend



##### Analysis of cash and near cash at 30 September 2014 (£4 462 million)



##### Bank and non bank depositor concentration by type at 30 September 2014 (£11 717 million)





## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

#### Unaudited

### Balance sheet risk management

#### Liquidity mismatch

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

With respect to the contractual liquidity mismatch:

- No assumptions are made except those 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 as a buffer against both expected and unexpected cash flows.
- The actual contractual profile of this asset class is a little of consequence, as practically Investec would meet any unexpected net cash outflows by selling these securities, we have:
  - 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
  - set the time horizon to “on demand” to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank
  - 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 fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.



## Investec Bank plc (a subsidiary of Investec plc)

### Risk management

Unaudited

#### Contractual liquidity at 30 September 2014

UK and Other ^^

£'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	3 514	89	49	3	-	1	-	3 656
Cash and short term funds - non-banks	-	-	-	-	-	-	-	-
Investment/trading assets	1 039	1 393	216	261	102	460	796	4 267
Securitised assets	20	1	1	1	2	34	386	445
Advances	391	332	906	649	789	2 943	1 238	7 248
Other assets	300	687	89	1 627	4	90	549	3 346
<b>Assets</b>	<b>5 264</b>	<b>2 502</b>	<b>1 261</b>	<b>2 541</b>	<b>897</b>	<b>3 528</b>	<b>2 969</b>	<b>18 962</b>
Deposits - banks	(132)	(35)	(28)	(365)	(115)	-	(78)	( 753)
Deposits - retail	(3426)^	(1184)	(1 440)	(2 149)	(888)	(1 149)	(290)	(10 526)
Negotiable paper	(71)	(194)	(46)	(52)	(63)	(626)	(602)	(1 654)
Securitised liabilities	-	-	-	-	-	-	(314)	( 314)
Investment/trading liabilities	(206)	(770)	(56)	(37)	(257)	(203)	(57)	(1 586)
Subordinated liabilities	-	-	-	-	-	(54)	(606)	(660)
Other liabilities	(917)	(617)	(43)	(303)	(92)	(74)	(61)	(2 107)
<b>Liabilities</b>	<b>(4 752)</b>	<b>(2 800)</b>	<b>(1 613)</b>	<b>(2 906)</b>	<b>(1 415)</b>	<b>(2 106)</b>	<b>(2 008)</b>	<b>(17 600)</b>
<b>Intercompany loans</b>	<b>( 17)</b>	<b>( 5)</b>	<b>82</b>	<b>497</b>	<b>-</b>	<b>( 7)</b>	<b>( 2)</b>	<b>548</b>
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 910)</b>	<b>(1 910)</b>
<b>Contractual liquidity gap</b>	<b>495</b>	<b>( 303)</b>	<b>( 270)</b>	<b>132</b>	<b>(518)</b>	<b>1 415</b>	<b>( 951)</b>	<b>-</b>
Cumulative liquidity gap	495	192	(78)	54	( 464)	951	-	-

#### Behavioural liquidity

£'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	2 268	(526)	486	1 531	(518)	(1 763)	(1 478)	-
Cumulative	2 268	1 742	2 228	3 759	3 241	1 478	-	-

^The deposits shown in the demand column at 30 September 2014 reflect cash margin deposits held

^^ Includes Australia, which was previously reported separately



## Investec Bank plc (a subsidiary of Investec plc)

### Capital structure and capital adequacy

Unaudited

£'million*	30 Sept 2014	31 March 2014**
<b>Tier 1 capital</b>		
Shareholders' equity	1 734	1 854
Shareholders' equity per balance sheet	1 909	1 915
Foreseeable dividends	( 140)	( 32)
Deconsolidation of special purpose entities	( 35)	( 29)
Non-controlling interests	1	( 3)
Non-controlling interests per balance sheet	1	( 3)
Regulatory adjustments to the accounting basis	( 23)	( 11)
Unrealised gains on available-for-sale equities	( 6)	( 7)
Additional value adjustments	(17)	( 11)
Cash flow hedging reserve	-	7
Deductions	( 401)	( 480)
Goodwill and intangible assets net of deferred tax	(390)	( 431)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(7)	( 38)
Securitisation positions	(4)	( 3)
Connected funding of a capital nature	-	( 8)
<b>Common Equity Tier 1 Capital</b>	<b>1 311</b>	<b>1 360</b>
<b>Tier 1 capital</b>	<b>1 311</b>	<b>1 360</b>
<b>Tier 2 capital</b>	<b>599</b>	<b>637</b>
Tier 2 instruments	599	642
Phase out of non - qualifying tier 2 instruments	-	( 3)
Non-qualifying surplus capital attributable to non - controlling interests	-	( 2)
<b>Total regulatory capital</b>	<b>1 910</b>	<b>1 997</b>
<b>Risk-weighted assets</b>	<b>11 469</b>	<b>12 668</b>
<b>Capital ratios</b>		
Common equity tier 1 ratio	11.4%	10.7%
Tier 1 ratio	11.4%	10.7%
Total capital ratio	16.7%	15.8%
<b>Capital requirements</b>	<b>918</b>	<b>1 014</b>
Credit risk - prescribed standardised exposure classes	696	787
Corporates	282	294
Secured on real estate property	161	154
Retail	41	102
Institutions	32	38
Other exposure classes	174	189
Securitisation exposures	6	10
Equity risk - standardised approach	20	21
Listed equities	11	5
Unlisted equities	9	16
Counterparty credit risk	18	22
Credit valuation adjustment risk	6	16
Market risk	55	52
Interest rate	22	21
Foreign exchange	5	5
Securities underwriting	-	1
Commodities	-	-
Equities	23	22
Options	5	3
Operational risk - standardised approach	123	116
<b>Risk-weighted assets (banking and trading)</b>	<b>11 469</b>	<b>12 668</b>
Credit risk - prescribed standardised exposure classes	8 701	9 844
Corporates	3 522	3 683
Secured on real estate property	2 014	1 923
Retail	515	1 278
Institutions	406	473
Other exposure classes	2 167	2 364
Securitisation exposures	77	123
Equity risk - standardised approach	252	267
Listed equities	138	62
Unlisted equities	114	205
Counterparty credit risk	223	271
Credit valuation adjustment risk	70	194
Market risk	690	648
Interest rate	275	262
Foreign exchange	57	57
Securities underwriting	6	13
Commodities	2	-
Equities	291	276
Options	59	40
Operational risk - standardised approach	1 533	1 444

### A summary of capital adequacy and leverage ratios

	30 Sept 2014	31 March 2014
Common equity tier 1 (as reported)	11.4%	10.7%
Common equity tier 1 ('fully loaded')	11.5%	10.8%
Tier 1 (as reported)	11.4%	10.7%
Total capital adequacy ratio (as reported)	16.7%	15.8%
Leverage ratio – permanent capital	7.3%	7.2%
Leverage ratio – current	7.3%	7.2%
Leverage ratio – 'fully loaded'	7.3%	7.3%

\*The capital adequacy disclosures for IBP include the deduction of foreseeable dividends when calculating common equity tier 1 (CET1) capital as now 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 for the six months ended 30 September 2014, which follow Investec's normal basis of calculation and do not include the deduction of foreseeable dividends when calculating CET1 capital. IBP's CET1 ratio would be 130bps (31 March 2014: 30bps) higher on this basis.

\*\*The 31 March 2014 capital information has been restated to reflect the implementation of IFRIC 21.



## Investec Bank plc (a subsidiary of Investec plc)

### Movement in total regulatory capital

#### Unaudited

The table below analyses the movement in common equity tier 1, additional tier 1 and tier 2 capital in the first half of the 2015 financial year.

#### Total regulatory capital flow statement

£'million	30 Sept 2014
<b>Restated opening common equity tier 1 capital</b>	<b>1 360</b>
Dividends	( 32)
Profit after tax	80
Movement in other comprehensive income	(50)
Goodwill and intangible assets (deduction net of related tax liability)	41
Reduction in deferred tax that relies on future profitability (excluding those arising from temporary differences)	31
Foreseeable dividends	(108)
Other, including regulatory adjustments and transitional arrangements	(11)
<b>Closing common equity tier 1 capital</b>	<b>1 311</b>
<b>Closing tier 1 capital</b>	<b>1 311</b>
<b>Opening tier 2 capital</b>	637
Amortisation adjustments	(4)
Sale of subsidiary	(39)
Other, including regulatory adjustments and transitional arrangements	5
<b>Closing tier 2 capital</b>	<b>599</b>
<b>Closing total regulatory capital</b>	<b>1 910</b>