2016

Out of the Ordinary®

Investec

INTERIM

results presentation
for the six months ended
30 September 2016

Specialist Banking | Asset Management | Wealth & Investment

Contents

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

WHO we are

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

Founded as a leasing company in Johannesburg in 1974.

We acquired a banking licence in 1980 and were listed on the JSE Limited South Africa in 1986.

In July 2002, we created a dual listed companies structure (DLC) listed in London and Johannesburg.

A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions.

Today, we have an efficient integrated international business platform, offering all our core activities in the UK and South Africa.

OUR PHILOSOPHIES

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

WE value

DISTINCTIVE PERFORMANCE

- Outstanding talent – empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

CLIENT FOCUS

- Distinctive offering
- Leverage resources
- Break china for the client

CAST-IRON INTEGRITY

- Moral strength
- Risk consciousness
- Highest ethical standards

DEDICATED PARTNERSHIP

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

WHAT we do

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

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

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

OUR STRATEGIC GOALS and objectives are based on our aspiration to be recognised as a distinctive specialist bank and asset manager

THE INVESTEC DISTINCTION

Client focused approach

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

Specialised strategy

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

Sustainable business

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

Strong culture

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

OUR STRATEGY

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

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

Our long-term internationalisation strategy

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

We have a very deliberate and focused client strategy:

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

Asset Management

- Maintain a balance between emerging markets and developed world income
- Continue to invest in the business and add capacity to improve competitiveness in the future.

Wealth & Investment

- Build and leverage the private office offering
- Strong integration with the private banking business
- Digitisation of the offering.

Specialist Banking

- Continue to build the private client and corporate and institutional client franchise businesses
- Leverage the integration with the Wealth & Investment business.

Our diversified and balanced business model supporting long-term strategy

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

ASSET MANAGEMENT	SPECIALIST BANKING	WEALTH & INVESTMENT
Operating completely independently		
Corporate/institutional/government		Private client (high net worth/high income)/ charities/trusts
– Investment management services to external clients	– Lending – Transactional banking – Treasury and trading – Advisory – Investment activities	– Investment management services – Independent financial planning advice

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

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

CAPITAL LIGHT ACTIVITIES

58.4%

Contributed to group income

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

CAPITAL INTENSIVE ACTIVITIES

41.6%

Contributed to group income

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

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

One

Overview of results

Introduction

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

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

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

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

Exchange rates

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

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

	30 Sept 2016		31 March 2016		30 Sept 2015	
Currency per £1.00	**Period end**	**Average**	**Period end**	**Average**	**Period end**	**Average**
South African Rand	17.88	19.99	21.13	20.72	20.95	19.33
Australian Dollar	1.70	1.83	1.87	2.04	2.15	2.05
Euro	1.16	1.23	1.26	1.37	1.35	1.39
US Dollar	1.30	1.38	1.44	1.50	1.51	1.54

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period.

An overview of the operating environment impacting our business

South Africa

OUR VIEWS

The half year reading (April to September 2016) saw notable improvements as commodity prices recovered, lifting South Africa's economic growth and ending the industrial sector recession.

The municipal elections evidenced a marked rise in democracy and markets deemed that the rule of law prevailed when the attempted prosecution of Finance Minister Gordhan lost steam toward the end of the period, then fell away. The pursuit of an absence of corruption, constraints on government powers, justice, order and security, open government, regulatory enforcement and fundamental rights (a World Justice Project definition of the rule of law) is being increasingly upheld as the year progresses on judicial independence, despite attempts at the arbitrary exercise of power.

The recovery in commodity prices saw the resource sector improve, and the industrial sector rose from its previous period low on improved prospects for global economic growth. However, Rand strength limited the gains on the JSE, while interest rate expectations flattened and bond yields moderated. Emerging financial markets in general reacted positively to improved expectations of global growth.

Cyclical issues notwithstanding, South Africa has gained in institutional strength as the latest World Economic Forum's Global Competitiveness Survey ranks it either first, or close to first, in the world in a number of areas. The strength of South Africa's auditing and reporting standards are rated foremost globally, along with financing through local equity markets and protection of minority shareholder's interests. The efficacy of its corporate boards and regulation of its securities exchange (JSE) are rated third globally, and its financial services sector second on its ability to meet business's needs. The soundness of South Africa's banking sector is also rated second globally, and with deep, liquid, sophisticated markets and consistent, sound budgetary policies, South Africa is a key participant in the global bond market. South Africa's sovereign credit ratings are still investment grade, with over ninety per cent of issuance in local currency, shielding the sovereign from exchange rate fluctuations. The International Budget Partnership's latest Open Budget Index ranks SA third among 88 countries. While mild credit rating downgrades have occurred on South Africa's weak economic growth, commodity exporters in general have been afflicted by this.

Domestically, structural constraints (infrastructure, still high rigidity in the labour market, rising state intervention and control of the economy, increasing threat to private sector property rights, deindustrialisation, fiscal constraints and weak investor confidence) hold South Africa back from achieving faster economic growth. This suppresses business confidence and so direct fixed investment; and hence the financial account of the balance of payments (BOP), as well as longer-term currency stability. The recent municipal elections yielded the potential for a sea change in the next national elections (2019), where the current ruling alliance could lose its majority. Historically, credit rating agencies criticised South Africa for the lack of a viable political opposition, so the oppositions' progress should be credit positive. Structural improvements would see the Southern African Development Community (SADC) giant reap faster growth, and so an improved ability to reduce unemployment and inequality, and eliminate poverty. South Africa's severe drought is showing signs of ending next year, which should moderate inflation, ending the upward interest rate cycle. Going forward we expect a mild acceleration in global growth, lifting commodity prices, and so economic growth and the currencies of commodity exporters, alleviating the pressure on their credit ratings.

United Kingdom

OUR VIEWS

Brexit related uncertainty poses a risk to economic growth. While the weaker Pound should provide a boost to exporters, household spending power is set for a squeeze. For now, however, the UK economy remains in relatively solid shape.

UK economic developments have been overshadowed by political developments over the past year with the UK voting to leave the European Union (EU) on 23 June 2016 and with a new Prime Minister, Theresa May, being installed. She replaced David Cameron who resigned after failing to secure a 'remain' vote in the referendum.

Prime Minister May has been working towards the UK triggering 'Article 50' by the end of March 2017, beginning the process of the UK's withdrawal from the EU. However, that timeline looks at risk of delay, with the High Court having ruled that an Act of Parliament is needed to commence the Brexit process using Article 50. Recent comments from Mrs. May and some of her colleagues indicate that achieving tighter controls on EU migration will be a priority in any Brexit deal, with the goal of maintaining access to the EU Single Market (or equivalent) secondary to this. Such concerns have weighed on the value of the Pound which, in trade-weighted terms, fell by more than 12% between 23 June 2016 (immediately prior to the vote) and the end of September 2016. So far the Brexit vote has left only a limited mark on the economic landscape.

Data on the performance of the UK economy in the period immediately after the Brexit vote showed that it held up relatively well; over Q3 this calendar year, gross domestic product (GDP) expanded by 0.5%, having grown by 0.7% in Q2 2016 and by 0.4% in Q1 2016.

The robustness of the UK economy so far has likely been supported by the Bank of England unveiling a broad package of monetary policy easing in August 2016, in an attempt to guard against a post-Brexit downturn. The August 2016 package included, amongst other things, a 25bp cut in the Bank rate to 0.25% and a £60 billion increase in the targeted level of government bond purchases (to £435 billion) as part of the Quantitative Easing (QE) programme. Prior to the August 2016 change, the Bank rate had been held at 0.50% since March 2009. Since the summer, the Bank rate has been held steady at 0.25% and is likely to remain at this level for some time, unless inflation moves sharply higher than the Bank of England expects or the economy turns downwards more markedly than anticipated.

Fiscal policy plans have been relatively steady over the past year, although some easing in the pace of fiscal consolidation, with some additional infrastructure spending, is likely to be announced on 23 November 2016 as the new Chancellor Phillip Hammond publishes his Autumn Statement.

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

The labour market continued to show signs of tightening. Non-farm payrolls increased at an average rate of 161k per month. Meanwhile although the headline rate of unemployment did not decline further, remaining in the region of 5.0%, there was some evidence of an increase in the growth of pay rates.

United States

OUR VIEWS

The US economy showed signs of firmer growth between April and September 2016 from a weak start to the calendar year, partly as industry completed an adjustment to holdings of excess inventories. In addition, net trade supported the pace of activity modestly following a period where it had acted as a drag. Overall GDP growth ran at an average 'annualised' pace of 2.4% over the six months.

At the same time there have been signs of an upturn in price pressures. By September 2016, the headline annual rate of consumer price inflation had strengthened to 1.5% from 0.9% in March 2016. However this upward trend largely reflects the behaviour of commodity prices – the 'core' measure, which excludes food and energy, remained steady over most of the period at around 2.2%.

The Federal Reserve maintained the stance of monetary policy over the period, with the Fed funds target range steady at 0.25%-0.50%. However, at its meeting on 21 September 2016 three committee members voted for a 0.25% increase. The bias of the Fed is clearly towards raising rates, especially given the pick-up in growth and the increase in inflation.

The Republican candidate, Donald Trump, emerged victorious from the 8 November 2016 vote. While markets have shown a sanguine response so far, the consequences of a Trump Presidency for the global economy remain unclear.

Eurozone

OUR VIEWS

During the first six months of the financial year, the Eurozone economy continued to be characterised by gradual (but unspectacular) growth, low inflation and ultra-loose monetary policy.

The economy saw 0.3% GDP growth in each of the first two quarters of this financial year (1.6% on a year-on-year basis). While expansion in some economies continued at a decent pace (Spain remained a top performer posting 3% plus annual growth rate), in other countries the pace of activity remained lacklustre. In France, economic output fell by 0.1% in the first three months of this financial year while Italy saw zero growth over the same three months. Low productivity growth and a lack of structural reform, continue to pose headwinds. But we do see some scope for optimism – not least because region-wide measures of consumer and business confidence remain at fairly elevated levels, and credit flows continue to edge upwards.

While the (unspectacular) recovery continued, price pressures remained weak. Granted, the headline rate of inflation rose gradually, following a series of negative outturns early this year. But the rise (to a still meagre CPI inflation rate of +0.4% year-on-year in September 2016) largely reflected the dropping out of last year's falls in the oil price. 'Core' (excluding energy, food, alcohol and tobacco) inflation remains stubbornly low, stuck between 0.8% and 1.0% for over a year.

Given the soggy inflation environment, ultra-loose monetary policy on the part of the European Central Bank (ECB) was maintained. The central bank deposit rate was held at -0.4%, with the main refinancing rate steady at zero. Meanwhile, the ECB €80billion/month QE programme continued and is set to run until at least March 2017. We expect the QE programme to be extended by at least six months beyond next March, with a gradual 'tapering' of the scheme thereafter.

Political uncertainties remained elevated. Greece struggled to implement reforms in order to continue to receive bailout funds from its international creditors. Portugal muddled through with a minority government, while Spain struggled to form a government at all, following elections in December 2015 and June 2016 (although a new centre-right minority government was appointed in October 2016). With a constitutional reform referendum to be held in Italy in December 2016, French presidential elections due next spring and German federal elections next autumn, any major political ructions might pose a risk to the still fragile recovery.

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

Global stock markets

OUR VIEWS

Global equity markets enjoyed a relatively positive first half to the 2016/17 financial year, following a highly turbulent start to the calendar year.

This was despite the shock UK EU referendum result on 23 June 2016, which caused global equity markets to slide by over 5% the following day. Over the period to 30 September 2016, the MSCI world index gained 4.7%. Emerging markets rose by 8%, supported by significant rallies in some of the larger markets, e.g. Brazil's Bovespa surged by 25%.

Meanwhile the JSE All Share underperformed the wider emerging market space with a 0.6% decline during the period under review, enduring a number of volatile phases. Political uncertainty, particularly over Finance Minister Pravin Gordhan, has been a factor in the JSE All Share's and indeed the Rand's performance. Global commodity prices, concerns over the domestic economic backdrop and the outlook for monetary policy were also significant drivers.

Of the major indices, the FTSE 100 outperformed its peers, rallying by 12%, despite a near-6% drop following the UK's vote to leave the EU; indeed by the end of September 2016, the FTSE 100 had climbed 15% from its post-referendum trough. Weakness in the Pound, which saw trade weighted Sterling fall by 12% between 23 June 2016 and the end of September 2016, was a big factor in the outperformance of the index. FTSE 100 companies derive over two thirds of corporate earnings from abroad and as such have enjoyed a boost from currency translation effects due to Sterling's weakness. At the same time wider UK indices avoided any lasting Brexit vote damage - the FTSE 250 came within 50 points of an all-time high on 8 September 2016.

The S&P 500 did record an all-time high this year at 2,190. Although it subsequently edged back from those levels, it ended the half-year 5.3% higher. Energy stocks were a major support thanks to a 65% rebound in oil prices from their January 2016 through and a wider recovery in non-oil commodity prices.

European and Chinese equities underperformed their counterparts. Both the Euro Stoxx 50 index and the Shanghai were effectively unchanged during the period under review.

A big weight on Eurozone indices was the banking sector - the Euro Stoxx bank index was down 8.7%. A number of factors pressured the sector including low and negative interest rates, issues over the health of the Italian banking system and specific concerns about a number of Eurozone financial institutions.

The net unchanged level of the Shanghai Composite followed a tempestuous start to calendar year 2016 and the subsequent stabilisation reflected a stemming of capital outflows and more confidence in economic conditions. Indeed the summer months provided further reassurance over the prospects for the economy, with growth in 2016 overall looking set to meet the government's target of 6.5-7.0% GDP growth. This has provided a supportive environment for China's equity markets.

Overall the period has been one of general equity market gains, supported by a background of accommodative central bank policy and record low sovereign bond yields in several major economies. Meanwhile global growth has continued on a moderate recovery path, whilst the downside risk of deflation that existed at the start of 2016 has ebbed over the period.

Operating environment

THE TABLE BELOW PROVIDES AN OVERVIEW OF SOME KEY STATISTICS THAT SHOULD BE CONSIDERED WHEN REVIEWING OUR OPERATIONAL PERFORMANCE

	Period ended 30 Sept 2016	Period ended 31 March 2016	Average for the six months: 1 April 2016 to 30 Sept 2016	Period ended 30 Sept 2015	Period ended 31 March 2015	Average for the six months: 1 April 2015 to 30 Sept 2015
Market indicators						
FTSE All share	3 755	3 395	3 543	3 336	3 664	3 629
JSE All share	51 950	52 250	52 608	50 089	52 182	51 924
S&P	2 168	2 060	2 119	1 920	2 068	2 064
Nikkei	16 450	16 759	16 448	17 388	19 207	19 729
Dow Jones	18 308	17 685	18 069	16 285	17 776	17 535
Rates						
UK overnight	0.16%	0.41%	0.38%	0.35%	0.42%	0.46%
UK 10 year	0.76%	1.42%	1.10%	1.77%	1.58%	1.91%
UK Clearing Banks Base Rate	0.25%	0.50%	0.42%	0.50%	0.50%	0.50%
LIBOR – three month	0.38%	0.59%	0.51%	0.58%	0.57%	0.58%
SA R186	8.67%	9.10%	8.91%	8.45%	7.80%	8.20%
Rand overnight	6.86%	6.92%	7.48%	6.75%	6.30%	6.22%
SA prime overdraft rate	10.50%	10.50%	10.50%	9.50%	9.25%	9.34%
JIBAR – three month	7.36%	7.23%	7.33%	6.31%	6.11%	6.19%
US 10 year	1.61%	1.79%	1.65%	2.06%	1.93%	2.19%
Commodities						
Gold	US$1 322/oz	US$1 233/oz	US$1 297/oz	US$1 114/oz	US$1 118/oz	US$1 159/oz
Gas Oil	US$447/mt	US$355/mt	US$412/mt	US$464/mt	US$526/mt	US$532/mt
Platinum	US$1 034/oz	US$976/oz	US$1 045/mt	US$908/oz	US$1 129/oz	US$1 056/oz

Sources: Datastream.

Basis of presentation

STATUTORY BASIS

Statutory information is set out on pages 60 to 74. In order to present a more meaningful view of the group's performance the results continue to be presented on an ongoing basis as explained further below.

ONGOING BASIS

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

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2016. A reconciliation between the statutory and ongoing income statement is provided.

Overview of results

Unless the context indicates otherwise, all comparatives included in the commentary relate to the six months ended 30 September 2015. Group results have been marginally impacted by the 3.4% depreciation of the average Rand: Pounds Sterling exchange rate over the period. Amounts represented on a currency neutral basis for income statement items assume that the relevant average exchange rates remain the same for the six month period to 30 September 2016 when compared to the prior period. Balance sheet items have been impacted by a 15.4% appreciation of the average Rand: Pounds Sterling exchange rate since 31 March 2016. Amounts represented on a currency neutral basis for balance sheet items assume that the relevant closing exchange rates remain the same at 30 September 2016 when compared to 31 March 2016.

Sound performance notwithstanding challenging operating environments

- The first half of the group's financial year continued to see high levels of macro uncertainty in its key operating geographies.
- Nevertheless, the group's businesses have been resilient, with continued target market penetration reflected in growth in key earnings drivers and client driven revenue lines.
- The Asset Management and Wealth & Investment businesses have benefited from higher funds under management supported by a recovery in equity markets and net inflows of £1.8 billion.
- Operating fundamentals in the Specialist Banking business were supported by sound levels of corporate and private client activity. Results were however behind the prior year as a result of a change in accounting treatment from fair value to equity accounting for the assets transferred to Investec Equity Partners. In addition the group reported a write down on an investment in the Hong Kong portfolio.
- Growth in costs reflects planned investment in growing the client franchise businesses.
- Geographical and operational diversity continues to support a sustainable recurring income base and earnings through varying market conditions.

Statutory operating profit salient features

- Statutory operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests (operating profit) increased 0.7% to £281.4 million (2015: £279.4 million) – an increase of 1.6% on a currency neutral basis.
- Statutory adjusted earnings per share (EPS) before goodwill, acquired intangibles and non-operating items increased 1.8% from 22.3 pence to 22.7 pence – an increase of 2.2% on a currency neutral basis.

Satisfactory performance from the ongoing business

- Ongoing operating profit decreased 0.2% to £314.5million (2015: £315.0 million) – an increase of 0.6% on a currency neutral basis.
- Ongoing adjusted EPS before goodwill, acquired intangibles and non-operating items increased 0.8% from 25.5 pence to 25.7 pence – an increase of 1.2% on a currency neutral basis.
- Recurring income as a percentage of total operating income amounted to 72.4% (2015: 71.6%).
- The annualised credit loss charge as a percentage of average gross core loans and advances amounted to 0.19% (2015: 0.22%), with impairments increasing marginally.
- Third party assets under management increased 16.5% to £141.8 billion (31 March 2016: £121.7billion) – an increase of 10.3% on a currency neutral basis.
- Customer accounts (deposits) increased 17.7% to £28.3 billion (31 March 2016: £24.0 billion) - an increase of 7.3% on a currency neutral basis.
- Core loans and advances increased 16.1% to £20.4 billion (31 March 2016: £17.5 billion) – an increase of 4.0% on a currency neutral basis.

The UK legacy portfolio continues to be actively managed down

- The legacy portfolio reduced from £583 million at 31 March 2016 to £534 million largely through asset sales, redemptions and write-offs.
- The legacy business reported a loss before taxation of £33.0 million (2015: £35.5 million).

Maintained a sound balance sheet

- Capital remained well in excess of current regulatory requirements. The group is comfortable with its common equity tier 1 ratio target at a 10% level, as its current leverage ratios for both Investec Limited and Investec plc are above 7%.
- Liquidity remained strong with cash and near cash balances amounting to £13.1 billion.

Dividend increase of 5.3%

- The board declared a dividend of 10.0 pence per ordinary share (2015: 9.5 pence) resulting in a dividend cover based on the group's adjusted EPS before goodwill and non-operating items of 2.3 times (2015: 2.3 times), consistent with the group's dividend policy.

Overall group performance – ongoing basis

Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests (operating profit) decreased 0.2% to £314.5 million (2015: £315.0 million) – an increase of 0.8% on a currency neutral basis.

The combined South African businesses reported operating profit 0.5% behind the prior period (in Rands), whilst the combined UK and Other businesses posted a 1.3% increase in operating profit in Pounds Sterling.

Business unit review – ongoing basis

ASSET MANAGEMENT

Asset Management operating profit increased by 16.6% to £82.3 million (2015: £70.6 million). The business benefited from higher average funds under management supported by a recovery in equity markets and net inflows of £1.1 billion; as well as higher performance fees in South Africa. Total funds under management amount to £89.8 billion (31 March 2016: £75.7 billion).

WEALTH & INVESTMENT

Wealth & Investment operating profit increased by 14.1% to £43.2 million (2015: £37.9 million) supported by higher average funds under management and net inflows of £0.7 billion. Total funds under management amount to £51.3 billion (31 March 2016: £45.5 billion).

SPECIALIST BANKING

Specialist Banking operating profit decreased by 7.1% to £212.8 million (2015: £229.2 million). The business continued to experience good levels of client activity supported by a deepening of the franchise; however results were impacted by a decline in investment income.

The South African business reported a decrease in operating profit in Rands of 9.2% as a consequence of the change in accounting treatment related to the assets transferred to Investec Equity Partners (refer to additional information). Excluding the impact of this transaction, operating profit was comfortably ahead of the prior period. The division reported solid growth in net interest income and net fee and commission income supported by continued growth in the Private Banking client base, reasonable corporate activity and an increase in the scale of the property fund business. Core loans and advances increased 3.4% to R225.3 billion (31 March 2016: R218.0 billion). The credit loss ratio on average core loans and advances amounted to 0.29% (2015: 0.26%), remaining at the lower end of its long term average, despite the business reporting a moderate increase in impairments.

The UK and Other businesses reported a 3.6% decrease in operating profit. Notwithstanding Brexit-driven volatility, the division recorded a strong performance in its customer flow trading business and robust levels of activity across its lending and advisory businesses. Results were negatively impacted by the write down of an investment in the Hong Kong portfolio. Costs increased as the group continued to deliberately invest in IT infrastructure and headcount to grow the franchise, notably the build out of the private client banking offering. Core loans amounted to £7.8 billion, an increase of 4.8% on a currency neutral basis, and impairments declined marginally over the period.

Further information on key developments within each of the business units is provided on pages 35 to 58.

GROUP COSTS

These largely relate to group brand and marketing costs and a portion of executive and support functions which are associated with group level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the group. These costs amounted to £23.8million (2015: £22.6 million).

Financial statement analysis – ongoing basis

TOTAL OPERATING INCOME

Total operating income before impairment losses on loans and advances increased by 6.1% to £1,052.3 million (2015: £992.1 million).

Net interest income increased by 10.6% to £314.2 million (2015: £284.1 million) driven by strong book growth in the 2016 financial year as well as sound levels of lending activity in the current period.

Net fee and commission income increased by 14.7% to £608.6 million (2015: £530.6 million) as a result of higher average funds under management over the period and net inflows in the Asset Management and Wealth Management businesses. In addition, the Specialist Banking business benefited from an increase in the scale of the property fund business in South Africa and from the corporate and advisory businesses, notably in the UK.

Investment income reduced materially to £28.8million (2015: £112.4 million) as a consequence of the change in accounting treatment related to the assets transferred to Investec Equity Partners (refer to additional information). In addition the group reported a write down on an investment in the Hong Kong portfolio.

Share of post taxation operating profit of associates of £9.6 million in the current period largely reflects earnings in relation to the group's investment in Investec Equity Partners.

Trading income arising from customer flow increased by 28.2% to £73.5 million (2015: £57.3 million) benefiting from franchise growth and good client activity levels. Trading income from other trading activities reflected a profit of £12.4 million (2015: £4.3 million) largely due to favourable balance sheet management.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Impairments on loans and advances increased marginally from £17.7 million to £18.0 million; however the annualised credit loss ratio on core loans and advances remains low at 0.19% (2015: 0.22%). Since 31 March 2016 gross defaults have increased from £201.9 million to £272.3 million largely due to an increase in defaults in the South African banking business. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 0.90% (31 March 2016: 0.78%).

OPERATING COSTS

The ratio of total operating costs to total operating income was 66.7% (2015: 65.4%). Total operating costs grew by 8.2% to £701.8 million (2015: £648.6 million) reflecting planned spend on IT infrastructure and higher headcount across divisions to support increased activity and growth initiatives; and an increase in variable remuneration given improved profitability in certain businesses.

TAXATION

The effective tax rate amounts to 19.4% (2015:21.2%).

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests mainly comprises:

- £9.9 million profit attributable to non-controlling interests in the Asset Management business.
- £17.7 million profit attributable to non-controlling interests in the Investec Property Fund Limited.

Balance sheet analysis

Since 31 March 2016:

- Total shareholders' equity (including non-controlling interests) increased by 16.2% to £4.5 billion due to foreign currency translation gains, an increase in retained earnings and the issuance of shares during the period.
- Net asset value per share increased 14.5% to 403.5 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased by 18.4% to 348.5 pence.
- The annualised return on adjusted average shareholders' equity increased from 11.5% to 12.1%.
- The annualised return on adjusted average shareholders' equity of the ongoing business remained at 13.9%.

LIQUIDITY AND FUNDING

As at 30 September 2016 the group held £13.1 billion in cash and near cash balances (£6.2 billion in Investec plc and R123.9 billion in Investec Limited) which amounted to 39.7% of its liability base. The group defensively increased cash balances in anticipation of the EU referendum in the UK and remains very liquid given global volatility and uncertainty in the markets. The group continues to manage its excess liquidity and funding profile accordingly. Loans and advances to customers as a percentage of customer deposits amounted to 72.0% (31 March 2016: 73.6%). The group comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) in the UK. The LCR reported to the Prudential Regulatory Authority at 30 September 2016 was 819% for Investec plc and 901% for Investec Bank plc (solo basis). Investec Bank Limited (solo basis) ended the period to 30 September 2016 with the three-month average of its LCR at 138.4%, which is well ahead of the minimum levels required. Further detail with respect to the bank's LCR ratio in the UK and South Africa is provided on the website.

CAPITAL ADEQUACY AND LEVERAGE RATIOS

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

Legacy business – overview of results

Since 31 March 2016 the group's legacy portfolio in the UK has continued to be actively managed down from £583 million to £534 million largely through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £33.0 million (2015: £35.5 million). The remaining legacy portfolio will continue to be managed down. Given the uncertainty in the UK following the EU referendum, the legacy book could take longer to wind down than management's original expectation of two to four years. Total net defaults in the legacy book amount to £126 million (31 March 2016: £143 million).

Outlook

Uncertainty persists in the macro environment as the UK prepares for Brexit, the US adopts a new presidential administration and South Africa deals with economic, political and social volatility. While Investec is mindful of the potentially challenging external circumstances, its operational and geographic diversity is supporting a recurring income base which has proved resilient notwithstanding fluctuating market conditions. The group remains committed to providing value for shareholders balanced by appropriate outcomes for stakeholders and an exceptional experience for clients.

Additional information

– INVESTEC EQUITY PARTNERS

In South Africa a new investment vehicle, Investec Equity Partners, was created on 11 January 2016 in which Investec holds a 45% stake alongside other strategic investors who hold the remaining 55%. Investec Principal Investments transferred certain portfolio investments to the value of R7.6 billion to Investec Equity Partners. In exchange Investec received R2.5 billion in cash and 45% of the shares in Investec Equity Partners (R5.1 billion), reflected as an associate on the balance sheet. Since the date of the transaction Investec has applied the equity accounting method to account for its investment in the new vehicle as opposed to the fair value accounting method previously applied to the underlying investments held.

Accounting policies and disclosures

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

The accounting policies applied in the preparation of the results for the period to 30 September 2016 are consistent with those adopted in the financial statements for the year ended 31 March 2016.

The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance Director. The financial statements for the six months to 30 September 2016 will be posted to stakeholders on 30 November 2016. These accounts will be available on the group's website on the same date.

PROVISO

- Please note that matters discussed in this announcement may contain forward looking statements which are subject to various risks and uncertainties and other factors, including, but not limited to:
  - the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS.
  - domestic and global economic and business conditions.
  - market related risks.
- A number of these factors are beyond the group's control.
- These factors may cause the group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed or implied.
- Any forward looking statements made are based on the knowledge of the group at 16 November 2016.
- The information in the announcement for the six months ended 30 September 2016, which was approved by the board of directors on 16 November 2016, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The 31 March 2016 financial statements were filed with the registrar and were unqualified with the audit report containing no statements in respect of sections 498(2) or 498(3) of the UK Companies Act.
- This announcement is available on the group's website: www.investec.com

FINANCIAL ASSISTANCE

- Shareholders are referred to the Special Resolution number 3 relating to the provision of direct or indirect financial assistance in terms of Section 45 of the South African Companies Act, No 71 of 2008 to related or inter-related companies, which was approved at the annual general meeting held on 4 August 2016. Shareholders are hereby notified that in terms of S45(5)(a) of the South African Companies Act, the board of directors of Investec Limited provided such financial assistance during the period 1 April 2016 to 30 September 2016.

On behalf of the boards of Investec plc and Investec Limited

Fani Titi
Chairman

Stephen Koseff
Chief executive officer

Bernard Kantor
Managing director

16 November 2016

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Unaudited ongoing financial statements

Introduction – understanding our results

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

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

In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. The additional information presented on an ongoing basis excludes items that, in management's view, could distort the comparison of performance between periods (for both current and historical information).

Based on this principle, the following items are excluded from underlying statutory profit (for both current and historical information, where applicable) to derive ongoing operating profit:

- The results of the businesses sold
- The remaining legacy business in the UK (as set out on page 33).

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2016.

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

Ongoing information

The tables that follow provide information on our ongoing results.

	Results in Pounds Sterling			Results in Rand		
	Six months to 30 Sept 2016	**Six months to 30 Sept 2015**	**% change**	**Six months to 30 Sept 2016**	**Six months to 30 Sept 2015**	**% change**
Operating profit before taxation* (million)	£314	£315	(0.2%)	R6 253	R6 129	2.0%
Adjusted earnings attributable to shareholders** (million)	£230	£223	3.3%	R4 559	R4 328	5.3%
Adjusted earnings per share**	25.7p	25.5p	0.8%	509c	496c	2.5%

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

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

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Consolidated summarised ongoing income statement

£'000	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Net interest income	314 151	284 142	571 929
Net fee and commission income	608 564	530 590	1 058 340
Investment income	28 800	112 373	169 915
Share of post taxation operating profit of associates	9 639	491*	1 811*
Trading income arising from			
– customer flow	73 479	57 318	110 879
– balance sheet management and other trading activities	12 370	4 304	11 617
Other operating income	5 298	2 854	10 279
Total operating income before impairment losses on loans and advances	**1 052 301**	**992 072**	**1 934 770**
Impairment losses on loans and advances	(18 004)	(17 741)	(41 368)
Operating income	**1 034 297**	**974 331**	**1 893 402**
Operating costs	(701 801)	(648 630)	(1 272 108)
Depreciation on operating leased assets	–	(220)	(2 165)
Operating profit before goodwill, acquired intangibles and non-operating items	**332 496**	**325 481**	**619 129**
Profit attributable to other non-controlling interests	(18 033)	(10 518)	(35 201)
Profit attributable to Asset Management non-controlling interests	(9 924)	(8 647)	(16 529)
Operating profit before taxation	**304 539**	**306 316**	**567 399**
Taxation on operating profit before goodwill and acquired intangibles	(62 696)	(69 018)	(118 151)
Preference dividends accrued	(11 925)	(14 708)	(26 130)
Adjusted attributable earnings to ordinary shareholders	**229 918**	**222 590**	**423 118**
Number of weighted average shares (million)	895.7	871.8	870.5
Adjusted earnings per share (pence)	25.7	25.5	48.6
Cost to income ratio	66.7%	65.4%	65.8%

* *Share of post taxation operating profit of associates shown separately from other operating income*

Reconciliation from statutory summarised income statement to ongoing summarised income statement

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

* *Applying the group's effective statutory taxation rate of 19.4%.*

^ *Refer to page 60.*

** *The remaining legacy business in the UK.*

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

(continued)

UNAUDITED ONGOING FINANCIAL STATEMENTS

For the six months to 30 September 2015 £'000	Statutory as disclosed^	Removal of:** UK legacy business	Ongoing business
Net interest income	285 500	1 358	284 142
Net fee and commission income	533 906	3 316	530 590
Investment income	112 387	14	112 373
Share of post taxation operating profit of associates	491	–	491
Trading income arising from			
– customer flow	56 895	(423)	57 318
– balance sheet management and other trading activities	4 004	(300)	4 304
Other operating income	2 854	–	2 854
Total operating income before impairment losses on loans and advances	**996 037**	**3 965**	**992 072**
Impairment losses on loans and advances	(46 140)	(28 399)	(17 741)
Operating income/(loss)	**949 897**	**(24 434)**	**974 331**
Operating costs	(659 719)	(11 089)	(648 630)
Depreciation on operating leased assets	(220)	–	(220)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**289 958**	**(35 523)**	**325 481**
Profit attributable to other non-controlling interests	(10 518)	–	(10 518)
Profit attributable to Asset Management non-controlling interests	(8 647)	–	(8 647)
Operating profit/(loss) before taxation	**270 793**	**(35 523)**	**306 316**
Taxation on operating profit before goodwill and acquired intangibles	(61 485)	7 533*	(69 018)
Preference dividends accrued	(14 708)	–	(14 708)
Adjusted attributable earnings to ordinary shareholders	**194 600**	**(27 990)**	**222 590**
Number of weighted average shares (million)	871.8		871.8
Adjusted earnings per share (pence)	**22.3**		**25.5**
Cost to income ratio	66.2%		65.4%

* *Applying the group's effective statutory taxation rate of 21.2%.*
^ *Refer to page 60.*
** *The remaining legacy business in the UK.*

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

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

For the six months to 30 September 2015 £'000	UK and Other Specialist Banking statutory as disclosed^	Removal of:** UK legacy business	UK and Other Specialist Banking ongoing business
Net interest income	128 072	1 358	126 714
Net fee and commission income	92 548	3 316	89 232
Investment income	44 469	14	44 455
Share of post taxation operating profit of associates	249	–	249
Trading income arising from			
– customer flow	44 945	(423)	45 368
– balance sheet management and other trading activities	(2 113)	(300)	(1 813)
Other operating income	2 600	–	2 600
Total operating income before impairment losses on loans and advances	**310 770**	**3 965**	**306 805**
Impairment losses on loans and advances	(31 314)	(28 399)	(2 915)
Operating income/(loss)	**279 456**	**(24 434)**	**303 890**
Operating costs	(217 184)	(11 089)	(206 095)
Depreciation on operating leased assets	(216)	–	(216)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	**62 056**	**(35 523)**	**97 579**
Loss attributable to other non-controlling interests	1 207	–	1 207
Operating profit/(loss) before taxation	**63 263**	**(35 523)**	**98 786**

^ *Refer to page 60.*
** *The remaining legacy business in the UK.*

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

For the six months to 30 September 2016 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	43 116	39 138	82 254	16.6%	26.2%
Wealth & Investment	29 192	14 005	43 197	14.1%	13.7%
Specialist Banking	95 211	117 623	212 834	(7.1%)	67.7%
	167 519	**170 766**	**338 285**	**0.2%**	**107.6%**
Group costs	(17 758)	(6 064)	(23 822)	5.3%	(7.6%)
Total group	**149 761**	**164 702**	**314 463**	**(0.2%)**	**100.0%**
Other non-controlling interest – equity			18 033		
Operating profit			**332 496**		
% change	**1.3%**	**(1.5%)**	**(0.2%)**		
% of total	**47.6%**	**52.4%**	**100.0%**		

For the six months to 30 September 2015 £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	40 127	30 427	70 554	22.4%
Wealth & Investment	25 896	11 954	37 850	12.0%
Specialist Banking	98 786	130 389	229 175	72.8%
	164 809	**172 770**	**337 579**	**107.2%**
Group costs	(17 036)	(5 580)	(22 616)	(7.2%)
Total group	**147 773**	**167 190**	**314 963**	**100.0%**
Other non-controlling interest – equity			10 518	
Operating profit			**325 481**	
% of total	**46.9%**	**53.1%**	**100.0%**	

A RECONCILIATION OF THE UK AND OTHER SPECIALIST BANKING'S OPERATING PROFIT: ONGOING VS STATUTORY BASIS

£'000	30 Sept 2016	30 Sept 2015	% change
Total ongoing UK and Other Specialist Banking per above	**95 211**	**98 786**	**(3.6%)**
UK legacy business	(33 045)	(35 523)	7.0%
Total UK and Other Specialist Banking per statutory accounts	**62 166**	**63 263**	**(1.7%)**

For the six months to 30 September £'000	2016 UK and Other	2016 Southern Africa	2016 Total	2015 UK and Other	2015 Southern Africa	2015 Total
Net interest income	133 332	180 819	314 151	128 859	155 283	284 142
Net fee and commission income	389 542	219 022	608 564	351 142	179 448	530 590
Investment income	18 527	10 273	28 800	44 225	68 148	112 373
Share of post-taxation operating profits/(losses) of associates	1 016	8 623	9 639	944	(453)	491
Trading income arising from						
– customer flow	64 954	8 525	73 479	45 900	11 418	57 318
– balance sheet management and other trading activities	12 269	101	12 370	(2 895)	7 199	4 304
Other operating income/(loss)	5 330	(32)	5 298	2 765	89	2 854
Total operating income before impairment losses on loans and advances	**624 970**	**427 331**	**1 052 301**	**570 940**	**421 132**	**992 072**
Impairment losses on loans and advances	(1 491)	(16 513)	(18 004)	(2 915)	(14 826)	(17 741)
Operating income	**623 479**	**410 818**	**1 034 297**	**568 025**	**406 306**	**974 331**
Operating costs	(471 599)	(230 202)	(701 801)	(421 243)	(227 387)	(648 630)
Depreciation on operating leased assets	–	–	–	(216)	(4)	(220)
Operating profit before goodwill, acquired intangibles and non-operating items	**151 880**	**180 616**	**332 496**	**146 566**	**178 915**	**325 481**
Profit attributable to other non-controlling interests	(2 119)	(15 914)	(18 033)	1 207	(11 725)	(10 518)
Operating profit before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**149 761**	**164 702**	**314 463**	**147 773**	**167 190**	**314 963**
Profit attributable to Asset Management non-controlling interests	(5 756)	(4 168)	(9 924)	(5 357)	(3 290)	(8 647)
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**144 005**	**160 534**	**304 539**	**142 416**	**163 900**	**306 316**
Cost to income ratio	75.5%	53.9%	66.7%	73.8%	54.0%	65.4%

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Ongoing segmental business and geographic analysis – summarised income statement

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

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

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Ongoing segmental business and geographic analysis – summarised income statement

(continued)

For the six months to 30 September 2015 £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
Net interest income	123	1 856	1 979	2 022	1 606	3 628
Net fee and commission income	139 841	72 611	212 452	122 069	30 937	153 006
Investment income	–	38	38	(230)	(21)	(251)
Share of post-taxation operating profit/(loss) of associates	–	–	–	695	–	695
Trading income arising from						
– customer flow	–	–	–	532	28	560
– balance sheet management and other trading activities	(1 164)	215	(949)	82	80	162
Other operating income/(loss)	165	45	210	–	2	2
Total operating income before impairment losses on loans and advances	**138 965**	**74 765**	**213 730**	**125 170**	**32 632**	**157 802**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**138 965**	**74 765**	**213 730**	**125 170**	**32 632**	**157 802**
Operating costs	(98 838)	(44 338)	(143 176)	(99 274)	(20 678)	(119 952)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and non-operating items	**40 127**	**30 427**	**70 554**	**25 896**	**11 954**	**37 850**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**40 127**	**30 427**	**70 554**	**25 896**	**11 954**	**37 850**
Profit attributable to Asset Management non-controlling interests	(5 357)	(3 290)	(8 647)	–	–	–
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**34 770**	**27 137**	**61 907**	**25 896**	**11 954**	**37 850**
Cost to income ratio	71.1%	59.3%	67.0%	79.3%	63.4%	76.0%

Specialist Banking			Group costs			
UK and Other	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**	**Total group**
126 714	151 821	278 535	–	–	–	284 142
89 232	75 900	165 132	–	–	–	530 590
44 455	68 131	112 586	–	–	–	112 373
249	(453)	(204)	–	–	–	491
45 368	11 390	56 758	–	–	–	57 318
(1 813)	6 904	5 091	–	–	–	4 304
2 600	42	3 642	–	–	–	2 854
306 805	**313 735**	**620 540**	–	–	–	**992 072**
(2 915)	(14 826)	(17 741)	–	–	–	(17 741)
303 890	**298 909**	**602 799**	–	–	–	**974 331**
(206 095)	(156 791)	(362 886)	(17 036)	(5 580)	(22 616)	(648 630)
(216)	(4)	(220)	–	–	–	(220)
97 579	**142 114**	**239 693**	**(17 036)**	**(5 580)**	**(22 616)**	**325 481**
1 207	(11 725)	(10 518)	–	–	–	(10 518)
98 786	**130 389**	**229 175**	**(17 036)**	**(5 580)**	**(22 616)**	**314 963**
–	–	–	–	–	–	(8 647)
98 786	**130 389**	**229 175**	**(17 036)**	**(5 580)**	**(22 616)**	**306 316**
67.2%	50.0%	58.5%	n/a	n/a	n/a	65.4%

TWO

Return on equity – ongoing basis

£'000	30 Sept 2016	31 March 2016	Average	30 Sept 2015	31 March 2015	Average
Calculation of average shareholders' equity						
Ordinary shareholders' equity	3 615 732	2 990 009	3 302 871	2 947 847	3 085 374	3 016 611
Goodwill and intangible assets (excluding software)	(501 698)	(503 996)	(502 847)	(512 744)	(494 111)	(503 428)
Adjusted tangible shareholders' equity	**3 114 034**	**2 486 013**	**2 800 024**	**2 435 103**	**2 591 263**	**2 513 183**

£'000	30 Sept 2016	31 March 2016	30 Sept 2015
Operating profit*	332 496	619 129	325 481
Non-controlling interests	(27 957)	(51 730)	(19 165)
Accrued preference dividends, adjusted for currency hedge	(11 925)	(26 130)	(14 708)
Revised operating profit	**292 614**	**541 269**	**291 608**
Taxation on operating profit before goodwill and acquired intangibles	(62 696)	(118 151)	(69 018)
Adjusted attributable earnings to ordinary shareholders*	**229 918**	**423 118**	**222 590**
Pre-taxation return on average adjusted shareholders' equity	17.7%	17.8%	19.3%
Post-taxation return on average adjusted shareholders' equity	13.9%	13.9%	14.8%
Pre-taxation return on average adjusted tangible shareholders' equity	20.9%	21.3%	23.2%
Post-taxation return on average adjusted tangible shareholders' equity	16.4%	16.7%	17.7%

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

AN ANALYSIS OF CORE LOANS AND ADVANCES TO CUSTOMERS AND ASSET QUALITY BY GEOGRAPHY – ONGOING BUSINESS

	UK and Other		Southern Africa		Total group	
£'000	**30 Sept 2016**	**31 March 2016**	**30 Sept 2016**	**31 March 2016**	**30 Sept 2016**	**31 March 2016**
Gross core loans and advances to customers	**7 787 871**	**7 242 345**	**12 664 072**	**10 358 572**	**20 451 943**	**17 600 917**
Total impairments	**(23 461)**	**(21 838)**	**(65 118)**	**(43 359)**	**(88 579)**	**(65 197)**
Specific impairments	(22 461)	(20 838)	(49 291)	(32 240)	(71 752)	(53 078)
Portfolio impairments	(1 000)	(1 000)	(15 827)	(11 119)	(16 827)	(12 119)
Net core loans and advances to customers	**7 764 410**	**7 220 507**	**12 598 954**	**10 315 213**	**20 363 364**	**17 535 720**
Average gross core loans and advances to customers	7 515 108	6 810 208	11 511 322	10 274 998	19 026 430	17 085 206
Total income statement charge for impairments on core loans and advances	**(1 553)**	**(17 806)**	**(16 768)**	**(25 538)**	**(18 321)**	**(43 344)**
Gross default loans and advances to customers	**51 817**	**49 795**	**220 495**	**152 135**	**272 312**	**201 930**
Specific impairments	(22 461)	(20 838)	(49 291)	(32 240)	(71 752)	(53 078)
Portfolio impairments	(1 000)	(1 000)	(15 827)	(11 119)	(16 827)	(12 119)
Defaults net of impairments before collateral held	**28 356**	**27 957**	**155 377**	**108 776**	**183 733**	**136 733**
Collateral and other credit enhancements	43 299	34 777	257 161	175 051	300 460	209 828
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**
Ratios						
Total impairments as a % of gross core loans and advances to customers	0.30%	0.30%	0.51%	0.42%	0.43%	0.37%
Total impairments as a % of gross default loans	45.28%	43.86%	29.53%	28.50%	32.53%	32.29%
Gross defaults as a % of gross core loans and advances to customers	0.67%	0.69%	1.74%	1.47%	1.33%	1.15%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.37%	0.39%	1.23%	1.05%	0.90%	0.78%
Net defaults as a % of net core loans and advances to customers	–	–	–	–	–	–
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.04%	0.26%	0.29%	0.26%	0.19%	0.26%

A RECONCILIATION OF CORE LOANS AND ADVANCES: STATUTORY BASIS AND ONGOING BASIS

		Removal of:**	
	Statutory as disclosed^	**UK Legacy business**	**Ongoing business**
30 September 2016 (£'000)			
Gross core loans and advances to customers	**21 120 737**	**668 794**	**20 451 943**
Total impairments	(222 683)	(134 104)	(88 579)
Specific impairments	(174 945)	(103 193)	(71 752)
Portfolio impairments	(47 738)	(30 911)	(16 827)
Net core loans and advances to customers	**20 898 054**	**534 690**	**20 363 364**
31 March 2016 (£'000)			
Gross core loans and advances to customers	**18 305 365**	**704 448**	**17 600 917**
Total impairments	(186 550)	(121 353)	(65 197)
Specific impairments	(154 031)	(100 953)	(53 078)
Portfolio impairments	(32 519)	(20 400)	(12 119)
Net core loans and advances to customers	**18 118 815**	**583 095**	**17 535 720**

^ *Refer to page 129.*

** *The remaining legacy business in the UK.*

THE LEGACY BUSINESS IN THE UK SPECIALIST BANK COMPRISES:

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

LEGACY BUSINESS – OVERVIEW OF RESULTS

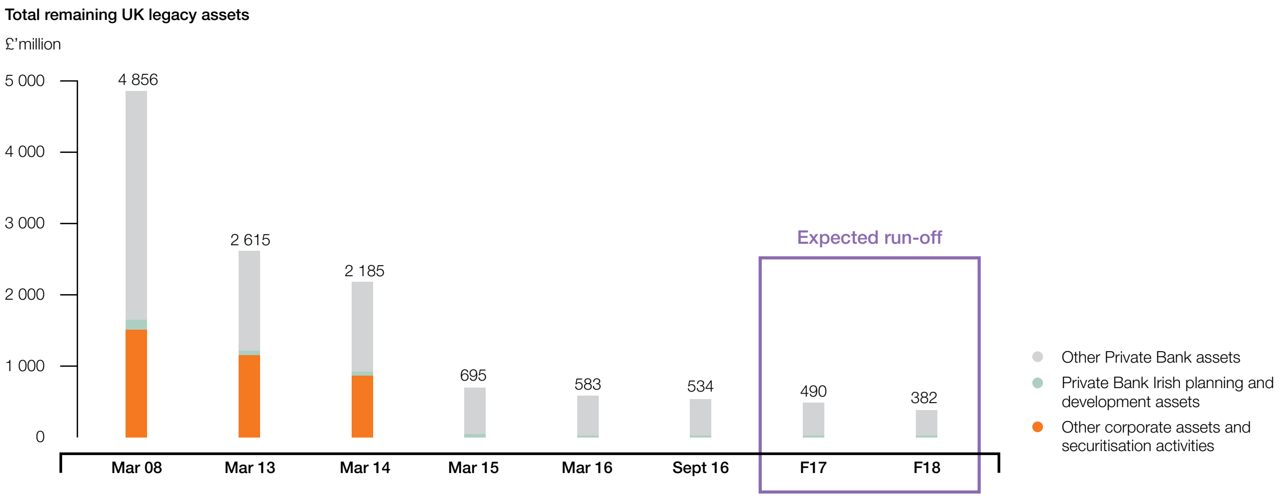
Since 31 March 2016 the group's legacy portfolio in the UK has continued to be actively managed down from £583 million to £534 million largely through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £33.0 million (2015: £35.5 million). The remaining legacy portfolio will continue to be managed down. Given the uncertainty in the UK following the EU referendum, the legacy book could take longer to wind down than management's original expectation of two to four years. Total net defaults in the legacy book amount to £126 million (31 March 2016: £143 million).

AN ANALYSIS OF ASSETS WITHIN THE LEGACY BUSINESS

£'million	30 Sept 2016 Total net assets (after impairments)	30 Sept 2016 Total balance sheet impairment	31 March 2016 Total net assets (after impairments)	31 March 2016 Total balance sheet impairment
Private Bank Irish planning and development assets	24	14	23	14
Other Private Bank assets	510	120	560	107
Total other legacy assets	**534**	**134**	**583**	**121**
Performing	408	–	440	–
Non-performing	126	134*	143	121*

* *Included in balance sheet impairments is a group portfolio impairment of £30.9 million (31 March 2016: £20.4 million).*

EXPECTED RUN-OFF OF LEGACY ASSETS



Three

Divisional and
segmental review

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

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

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

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

ASSET MANAGEMENT

What we do

Equities
Fixed Income
Multi Asset
Alternative

Where we operate

Africa
Americas
Asia Pacific
Europe
UK

WEALTH & INVESTMENT

What we do

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

Where we operate

Southern Africa
Hong Kong
UK and Europe

SPECIALIST BANKING

What we do

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

Where we operate

Australia
Hong Kong
India
Southern Africa
UK and Europe
USA

Integrated global management structure

GLOBAL ROLES

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

GEOGRAPHICAL BUSINESS LEADERS

South Africa
Glynn Burger
Richard Wainwright

United Kingdom
David van der Walt
Steve Elliott

Specialist Banking
Ciaran Whelan
David van der Walt

Asset Management
Hendrik du Toit

Wealth & Investment
Steve Elliott

SUPPORT STRUCTURES

Banking and institutions
David Lawrence

Human resources and organisational development
Marc Kahn

Corporate governance and compliance
Bradley Tapnack

Finance and risk management
Glynn Burger

Share schemes and secretarial
Les Penfold

At Investec **ASSET MANAGEMENT**, we believe in investing for a better tomorrow. We want to assist people around the globe to retire with dignity and to meet their financial objectives. Our business is to manage clients' investments to the highest standard possible by exceeding their investment and client service expectations

Global executive committee

Chief executive officer
Hendrik du Toit

Chief operating officer
Kim McFarland

Global head of client group
John Green

Co-chief investment officer
Domenico (Mimi) Ferrini

Co-chief investment officer
John McNab

It all began in South Africa in 1991. After more than twenty-five years, we have grown to become a successful global asset management firm. We are still managed by our founding members whose tenure and continuity has balanced stability and growth.

Our investment team of over 190 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our global client base. These teams are supported by our global operations platform.

HIGHLIGHTS

Net new flows of £1.1 billion for the six-month period (2015: £2.9 billion)	Assets under management £89.8 billion (2015: £70.1 billion)
Operating profit before non-controlling interests of £82.3 million (2015: £70.6 million), contributing 29.2% to group profit	Operating margin 34.4% (2015: 33.0%)

OUR value proposition

- Organically built an independent global platform from an emerging market base
- Independently managed entity within the Investec group
- Competitive investment performance in chosen specialities
- Global approach to:
  - Investing
  - Client base
  - Operations platform
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership
- Committed to investing for a sustainable future.

WHAT we do

Organisational structure

Investments

EQUITIES
- Global
- Regional
- Emerging

FIXED INCOME
- Developed
- Emerging
- Multi-strategy
- Absolute return

MULTI-ASSET
- Global/Regional solutions
- Emerging market solutions
- Income solutions

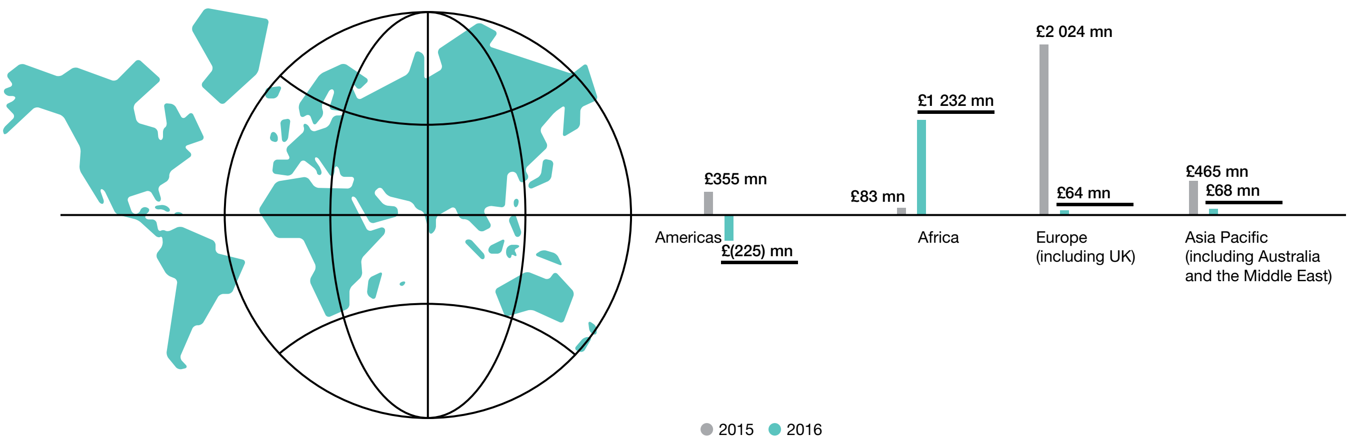
ALTERNATIVES
- Commodities
- Private equity
- Private debt
- Real estate
- Infrastructure debt

Client groups

United Kingdom	Africa	Americas	Asia Pacific	Europe

Global operations platform

WHERE we operate

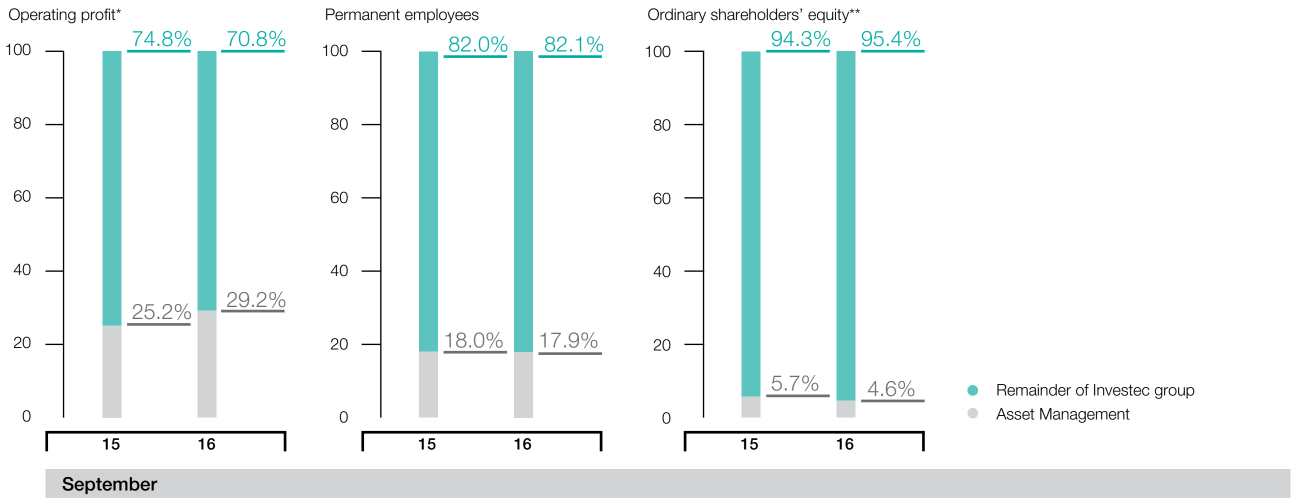


NET FLOWS BY GEOGRAPHY

For the six months to 30 September 2015 and 30 September 2016.

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

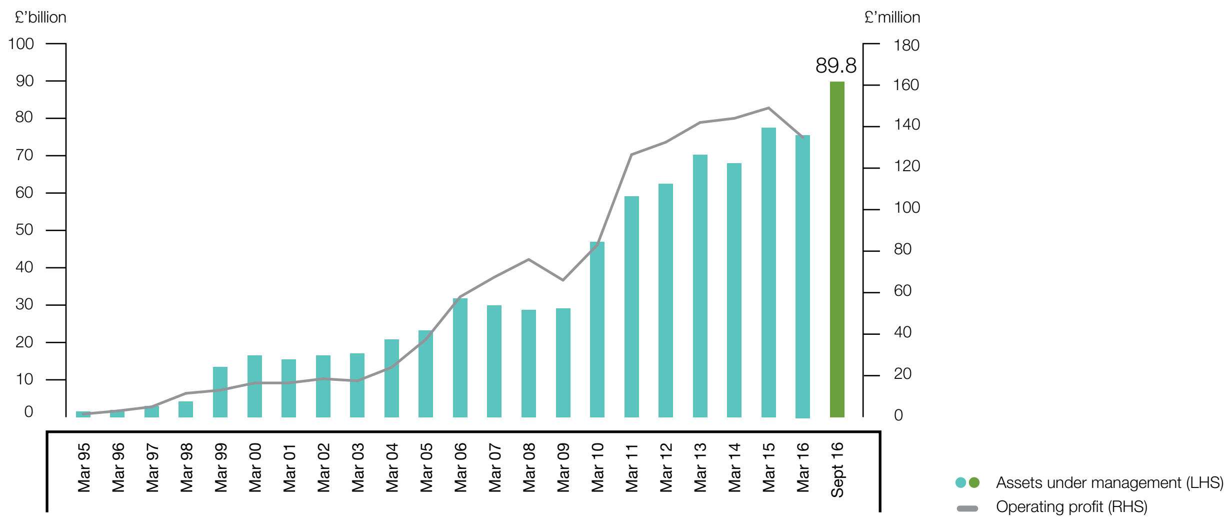
FINANCIAL ANALYSIS



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

** *As calculated on page 94, based on regulatory capital requirements.*

HISTORICAL FINANCIAL PERFORMANCE



Income statement analysis

For the six months to £'000	30 Sept 2016	30 Sept 2015	Variance	% change
Net interest income	2 602	1 979	623	31.5%
Net fee and commission income	234 612	212 452	22 160	10.4%
Investment income	7	38	(31)	(81.6%)
Trading income arising from balance sheet management and other trading activities	445	(949)	1 394	>100.0%
Other operating income	1 407	210	1 197	>100.0%
Total operating income	**239 073**	**213 730**	**25 343**	**11.9%**
Operating costs	(156 819)	(143 176)	(13 643)	9.5%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests	**82 254**	**70 554**	**11 700**	**16.6%**
Profit attributable to Asset Management non-controlling interests*	(9 924)	(8 647)	(1 277)	14.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**72 330**	**61 907**	**10 423**	**16.8%**
UK and Other	37 360	34 770	2 590	7.4%
Southern Africa	34 970	27 137	7 833	28.9%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**72 330**	**61 907**	**10 423**	**16.8%**
Selected returns and key statistics				
Ordinary shareholders' equity**	162 519	163 149	(630)	(0.4%)
ROE (pre-tax)**	93.9%	83.8%		
Return on tangible equity (pre-tax)**	201.5%	190.7%		
Operating margin	34.4%	33.0%		
Operating profit per employee (£'000)**^	86.4	77.0		

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

** *As calculated on pages 94 and 96, based on regulatory capital requirements.*

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

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

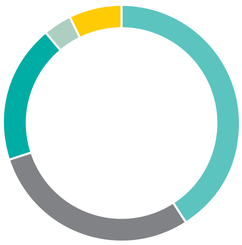
- Improved markets and Sterling weakness increased our net fee and commission income in the period to £234.6 million
- Performance fees increased over the period (to £20.5 million) as compared with the prior period (£11.3 million)
- Against this backdrop, our operating profit before non-controlling interests increased by 16.6%
- In spite of the market and currency volatility and the geopolitical uncertainties, we continue to invest for the long-term and do not focus on short-term earnings.

Assets under management and net flows

£'million	AUM 30 Sept 2016	Net flows	Markets/ foreign exchange movements	AUM 31 March 2016
Equities	36 816	(460)	5 283	31 993
Fixed Income	26 043	689	3 869	21 485
Multi-Asset	17 549	687	2 242	14 620
Alternatives	3 182	67	590	2 525
Third party funds on advisory platform	6 247	156	1 035	5 056
Total	**89 837**	**1 139**	**13 019**	**75 679**

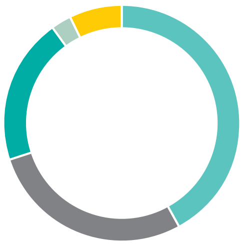
Note: The assets under management (AUM) and net flows exclude a historic low value cash plus account which is subject to volatile net flows.

ASSETS UNDER MANAGEMENT BY ASSET CLASS



30 Sept 2016

41%	Equities
29%	Fixed Income
19%	Multi-Asset
4%	Alternatives
7%	Third party funds on advisory platform



31 March 2016

42%	Equities
28%	Fixed Income
20%	Multi-Asset
3%	Alternatives
7%	Third party funds on advisory platform

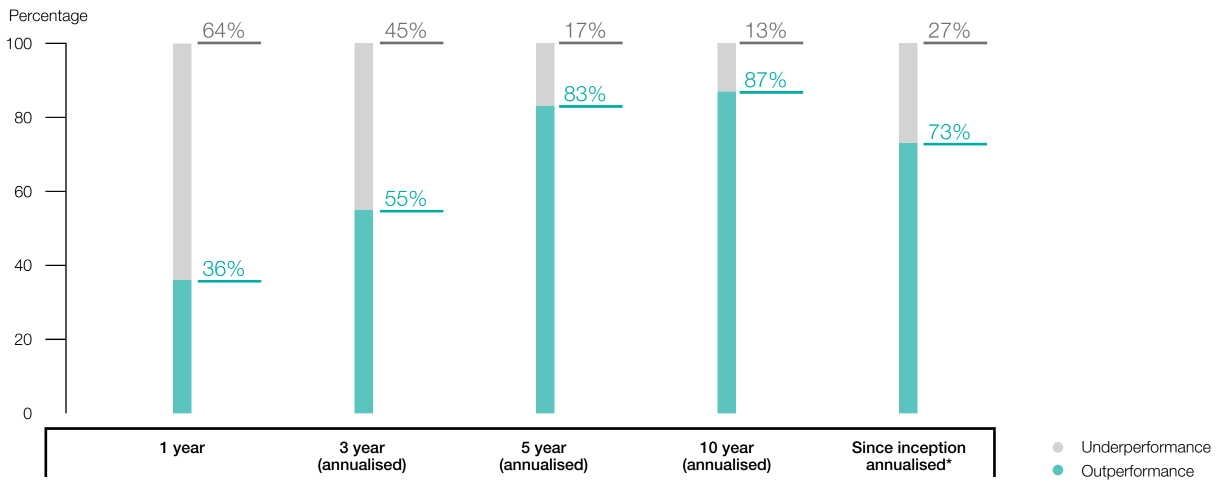
INDEPENDENT recognition

- Winner of the EMEA Finance African Banking Award for Best Asset Manager in the Pan-Africa category
- Winner of the Institutional Investor – European Investment Management Award for Emerging Markets Local Debt

Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients' expectations around agreed, well defined return and risk parameters. Short-term headwinds have affected our investment performance, but our long-term track record remains competitive.

OVERALL FIRM PERFORMANCE



Source: Calculated by Investec Asset Management from StatPro. Performance to 30 September 2016.

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

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

MUTUAL FUNDS INVESTMENT PERFORMANCE

One year		
27%	First quartile	
21%	Second quartile	
28%	Third quartile	
24%	Fourth quartile	

Three year	
28%	First quartile
20%	Second quartile
33%	Third quartile
19%	Fourth quartile

Five year	
25%	First quartile
37%	Second quartile
18%	Third quartile
20%	Fourth quartile

Ten year	
42%	First quartile
46%	Second quartile
8%	Third quartile
4%	Fourth quartile

Source: Calculated from Morningstar data by value; excludes cash and cash plus funds. Performance to 30 September 2016.

Note: All Investec Asset Management fund ranges relative to other funds in the same sector.

DIVISIONAL AND SEGMENTAL REVIEW

QUESTIONS and answers

Hendrik du Toit

CHIEF EXECUTIVE OFFICER

How has the operating environment in which you have operated impacted your business over the past six months?

In spite of increasing political risk in some of our core markets, the financial market environment has been benign. This is reflected in our robust financial results.

However, the competitive environment has been challenging.

What have been the key developments in your business in the first half of the financial year?

Over this period we have had net flows of £1.1 billion. This has been largely driven by the turnaround in our South African business. Furthermore, we have made progress in growing our Alternatives business with the addition of a significant infrastructure credit mandate.

Our short-term investment performance in some of our larger capabilities has been challenged over the period; however, our long-term performance remains competitive. Our investment teams and processes remain relevant and well-tested and we are confident that we will continue to deliver value for our clients in the long term.

As a business, we continue to nurture the culture that binds us together. Our people are motivated and positive. Our leadership is stable and we continue to attract and retain excellent people to the business.

What are your strategic objectives for the next six months?

Our long-term strategic mission remains to manage the money of our clients to the highest possible standard and in line with the relevant client expectations. At Investec Asset Management, clients will always come first.

We continue to focus on investment performance, client service and our organisational culture. We always aim to recruit, retain and develop the best people available.

Our number one priority is investment performance. In the second half of the year we also intend on working hard at growing our presence in the Advisor channel, improving our business momentum in the UK and continuing to attract net flows into our multi-asset and global equity offerings. Additionally, we will continue our efforts to internalise and own the sustainability agenda.

What is your outlook for the next six months?

Although we face many challenges in the industry, including increased regulation, the threat of digital disruption and market illiquidity and volatility, we are confident that we have created a solid platform for sustainable long-term growth.

We have a long-term horizon and do not manage our business for the short term. We believe that the opportunity for growth over the next five years is significant. After more than 25 successful years, our momentum is positive and we are confident about the long-term future of our business.

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

Global head: Steve Elliott

UK head: Jonathan Wragg
South Africa head: Henry Blumenthal
Switzerland head: Peter Gyger
Ireland head: Eddie Clarke

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

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

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

HIGHLIGHTS

Operating profit up 14.1% to £43.2 million, contributing 15.3% to group profit	Assets under management up 12.9% since March 2016 to £51.3 billion
Operating margin 25.0% (2015: 24.0%)	Net new flows of £0.7 billion (2015: £1.1 billion)

OUR value proposition

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

WHAT we do

UK and Europe

Investments and savings

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

Pensions and retirement

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

Financial planning

- Succession planning
- ISAs
- Retirement planning.

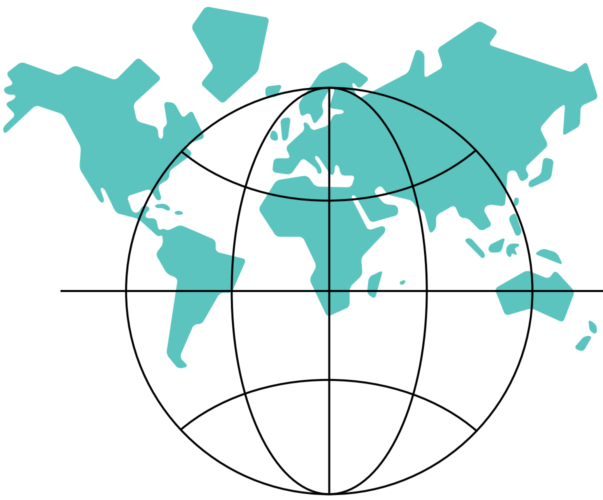
The European operations are conducted through Investec Wealth & Investment Limited in the UK, Investec Bank Switzerland, Investec Wealth & Investment Ireland and in Guernsey through Investec Wealth & Investment Channel Islands.

Over 1 250 staff operate from offices located throughout the UK and Europe, with combined funds under management of £33.4 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

Southern Africa

Investec Wealth & Investment South Africa provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts, operating from eight offices across South Africa with R105.7 billion of discretionary and annuity managed assets and a further R215.6 billion of funds under various other forms of administration.

WHERE we operate



UK and Europe

Brand well recognised

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

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers.

Asia

Developing Wealth & Investment capability in Hong Kong.

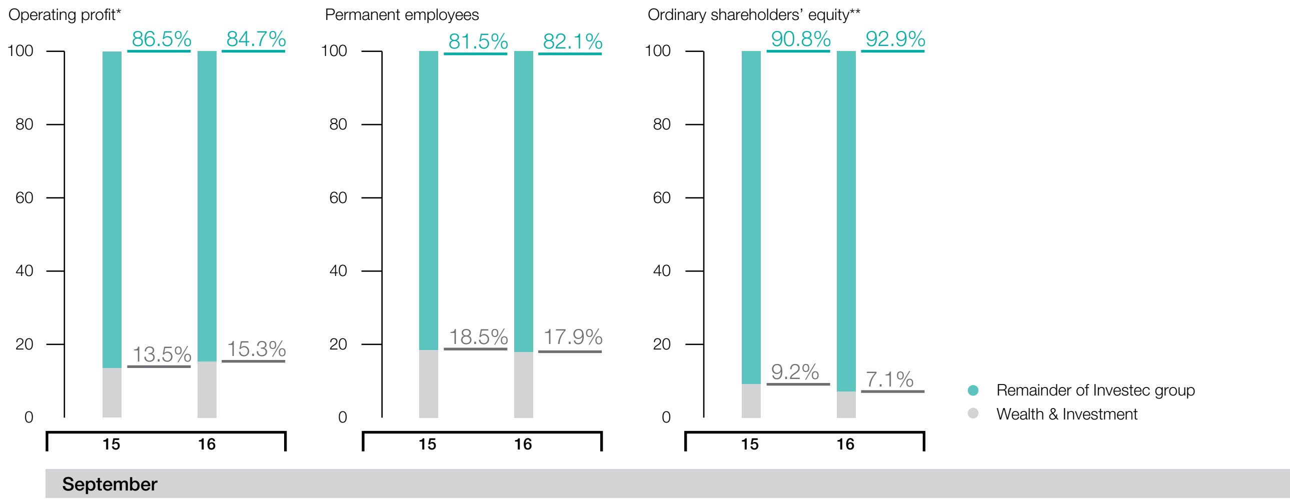
South Africa and Mauritius

Strong brand and positioning

Largest player in the South African market

Developing Wealth & Investment capability in Mauritius.

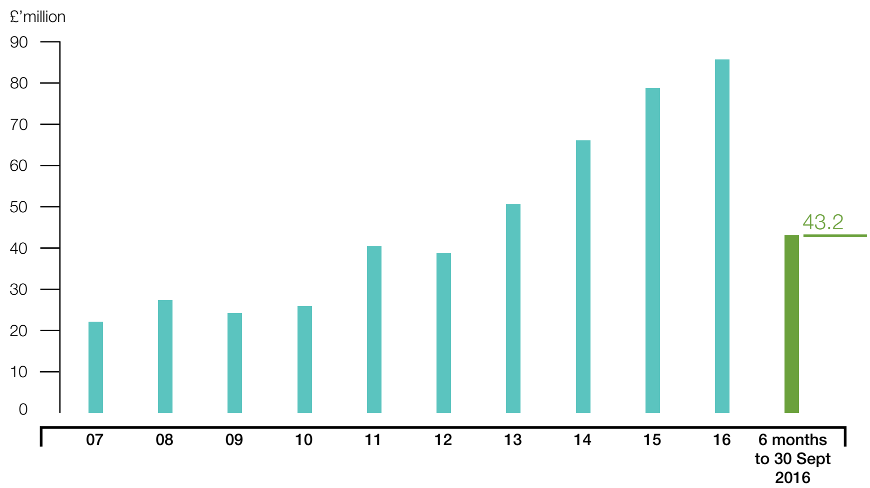
FINANCIAL ANALYSIS



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

** As calculated on page 94, based on regulatory capital requirements.

OPERATING PROFIT^ — TRACK RECORD



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

Income statement analysis

For the six months to £'000	30 Sept 2016	30 Sept 2015	Variance	% change
Net interest income	5 227	3 628	1 599	44.1%
Net fee and commission income	164 787	153 006	11 781	7.7%
Investment income	1 405	(251)	1 656	>100.0%
Share of post taxation operating profit of associates	702	695	7	1.0%
Trading income arising from				
– customer flow	368	560	(192)	(34.3%)
– balance sheet management and other trading activities	142	162	(20)	(12.3%)
Other operating income	–	2	(2)	(100.0%)
Total operating income	**172 631**	**157 802**	**14 829**	**9.4%**
Operating costs	(129 434)	(119 952)	(9 482)	7.9%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**43 197**	**37 850**	**5 347**	**14.1%**
UK and Europe	29 192	25 896	3 296	12.7%
Southern Africa	14 005	11 954	2 051	17.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation after other non-controlling interests	**43 197**	**37 850**	**5 347**	**14.1%**
Selected returns and key statistics				
Ordinary shareholders' equity*	249 145	264 155	(15 010)	(5.7%)
ROE (pre-tax)*	31.3%	25.5%		
Return on tangible equity (pre-tax)*	165.0%	141.1%		
Operating margin	25.0%	24.0%		
Operating profit per employee (£'000)*	26.9	24.5	2.4	9.8%

* *As calculated on pages 94 and 96, based on regulatory capital requirements.*

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

- The UK and Europe business continued to generate good net inflows of funds under management, despite volatile equity markets. Operating income benefited from growth in average funds under management and a higher level of market indices at the key quarterly billing dates.
- The South African business posted an operating profit of R279 million, an increase of 20.8% (in Rand terms) over the prior period, benefiting from higher average funds under management, increased client trading and discretionary and annuity asset net inflows.
- The business globally continued to invest in its digital platforms, IT infrastructure, compliance and settlements areas. Headcount increased by 4.2% from 30 September 2015 to 30 September 2016.

Analysis of key earnings drivers (funds under management)

£'million	30 Sept 2016	31 March 2016	% change	30 Sept 2015	31 March 2015	% change
UK and Europe	**33 359**	**29 769**	**12.1%**	**28 451**	**29 562**	**(3.8%)**
Discretionary	24 311	21 747	11.8%	20 864	21 602	(3.4%)
Non-discretionary and other	9 048	8 022	12.8%	7 587	7 960	(4.7%)
South Africa	**17 969**	**15 690**	**14.5%**	**14 899**	**16 514**	**(9.8%)**
Discretionary and annuity assets	5 913	4 945	19.6%	4 529	4 974	(8.9%)
Non-discretionary and other	12 056	10 745	12.2%	10 370	11 540	(10.1%)
Total	**51 328**	**45 459**	**12.9%**	**43 350**	**46 076**	**(5.9%)**

UK AND EUROPE: ANALYSIS OF KEY DRIVERS (FUNDS UNDER MANAGEMENT AND FLOWS)

Funds under management

£'million	30 Sept 2016	31 March 2016	% change	30 Sept 2015	31 March 2015	% change
Investec Wealth & Investment Limited (UK)	**30 013**	**27 105**	**10.7%**	**26 104**	**27 319**	**(4.4%)**
Discretionary	23 472	21 120	11.1%	20 342	21 128	(3.7%)
Non-discretionary	6 541	5 985	9.3%	5 574	5 971	(6.6%)
Other#	–	–	–	188	220	(14.5%)
Rest of Europe	**3 346**	**2 664**	**25.6%**	**2 347**	**2 243**	**4.6%**
Discretionary	839	627	33.8%	522	474	10.1%
Non-discretionary	2 507	2 037	23.1%	1 825	1 769	3.2%
Total	**33 359**	**29 769**	**12.1%**	**28 451**	**29 562**	**(3.8%)**

Other comprised collectives funds which were disposed of during January 2016.

Further analysis of the Investec Wealth & Investment Limited UK business

Funds under management and flows

£'billion	30 Sept 2016	31 March 2016	% change	30 Sept 2015	31 March 2015	% change
At the beginning of the period	**27.11**	**27.32**	**(0.8%)**	**27.32**	**24.18**	
Inflows	1.80	3.38	(0.5%)	1.40	2.90	
Outflows	(1.11)	(2.04)	(45.6%)	(0.64)	(1.02)	
Market adjustment^	2.26	(1.26)	>100.0%	(1.98)	1.34	
Transfers^^	(0.05)	(0.03)	66.67%	–	(0.08)	
Disposals*	–	(0.26)	100.0%	–	–	
At the end of the period	**30.01**	**27.11**	**10.7%**	**26.10**	**27.32**	**(4.4%)**
WMA Private Investors Balanced Index (at period end)	3 915	3 556	10.1%	3 421	3 684	(7.1%)
Annualised underlying rate of net organic growth in total funds under management**	5.1%	4.9%		5.6%	7.8%	
% of total funds managed on a discretionary basis	78.2%	77.9%		78.6%	78.1%	

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

SOUTH AFRICA: ANALYSIS OF KEY EARNINGS DRIVERS (FUNDS UNDER MANAGEMENT AND FLOWS)

Funds under management

R'million	30 Sept 2016	31 March 2016	% change	30 Sept 2015	31 March 2015	% change
Discretionary and annuity assets	105 735	104 480	1.2%	94 883	89 382	6.2%
Non-discretionary	215 593	227 033	(5.0%)	217 243	207 379	4.8%
Total	**321 328**	**331 513**	**(3.1%)**	**312 126**	**296 761**	**5.2%**

Net (outflows)/inflows at cost over the period

R'million	30 Sept 2016	31 March 2016	30 Sept 2015	31 March 2015
Discretionary and annuity assets	3 669	9 300	3 818	6 261
Non-discretionary	(4 463)#	5 615	2 375	8 065
Total	**(794)**	**14 915**	**6 193**	**14 326**

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

QUESTIONS and answers

Steve Elliott

GLOBAL HEAD

How has the operating environment in which you have operated impacted your business over the past six months?

The initial adverse reaction of the equity markets to the result of the UK referendum on its membership of the EU was short-lived, and indices have risen steadily to reach record highs as the positive effects of the fall in Sterling on overseas corporate earnings was factored into equity prices. This has had a beneficial impact on first-half business performance, as the income of the UK business has benefited from both higher portfolio values and a short-term increase in transaction-based revenues, driven by the investment opportunities resulting from the volatility in the markets.

In South Africa, our clients have continued to trade and invest both locally and offshore, however, they are taking a far more cautious approach to investment, given the volatility in the market. We continued to see good discretionary net inflows, supported by our strong brand and positioning in the local market and an increase in our client base. Whilst the JSE All Share remained relatively flat over the period, our total funds under management declined. Our investment approach tends to be more defensive, favoring some of the larger companies listed on the JSE, these companies experiencing a fall in values over the period.

What have been the key developments in your business in the first half of the financial year?

In the UK, the past six months has been a particularly challenging period for investors, who have faced volatile equity and currency markets. Helping our clients to understand the implications of these challenges and navigate through them has therefore been a strong point of focus for us during the period. This will remain the case as the backdrop of lower yields on traditionally lower risk asset classes looks set to continue for the foreseeable future, in addition to significant economic and political uncertainties being on the horizon.

Our focus on achieving net organic growth of the core business and the development of our digital channel, Investec Click & Invest, have remained principal themes.

Our new digital investment management service will be delivered entirely online and based on the concept of simplified advice. The substantial task of developing this new service has continued during the period and significant milestones in its development have been achieved as we progress towards the launch phase of the new service. We have also continued with our review of non-core areas of our business and on building our capability in areas which present opportunities going forward.

In South Africa our One Place strategy continues to gain traction, as clients see the value of our international banking and investment offering even through times of economic and political uncertainty, locally and globally. Our clients understand and enjoy the benefits of the cooperation between our South African operations and those in the UK, Ireland, Switzerland, Hong Kong and Guernsey, as they internationalise their investments. This offering is unique within the South African financial services sector, with its seamless and globally integrated service which delivers an “Out of the Ordinary” experience for our clients.

Within our One Place strategy for private clients, Online Portfolio Manager – a self-directed investment platform – remains a key strategic digital initiative. We continue to introduce new enhancements, with plans including new investment products and easy to use investment tools.

Our One Place strategy has been recognised for the fourth year in a row by Euromoney and the *Financial Times* of London awards as the best Private Bank and Wealth Manager in South Africa.

We constantly look for new opportunities to satisfy the needs of our clients as global citizens. These include offerings within the alternatives asset class, such as private equity and structured investment products.

We also identified an opportunity to partner with high net worth clients seeking strategic input for reaching their philanthropic goals. Investec Philanthropy Services offers a comprehensive 360 degree range of philanthropy services available to individuals, families, businesses and non-profit organisations.

What are your strategic objectives for the next six months?

Working towards the completion of the development of Click & Invest in order that the business can move into the launch phase of the new service will remain a key priority for the UK business over the coming six months.

A significant benefit from the development of Click & Invest is the opportunity to utilise certain aspects of our new digital capability to enhance our core investment management offering. With certain key elements of the Click & Invest infrastructure now completed, we are moving forward with initiatives that seek to enhance the digital aspects of our core offering and improve the efficiency of our internal processes.

The development and expansion of the UK business's financial planning capability remains an important part of our strategy and an aspect of our service which we continue to build as the complexity of the personal financial world continues to increase. We are also continuing to see growth in the use of our international service centres by those international clients who seek UK-based investment expertise.

We continue with our strategy of integration of our platforms, infrastructure and investment process for Switzerland.

The primary focus for Ireland remains portfolio management, asset gathering and building recurring fee income. We will consider acquisitions with the appropriate strategic and cultural fit.

During 2017 our South African business will see continued enhancements and development to our digital investment capability for existing clients.

The focus on our global investment process remains paramount. This ensures robust investment strategies and development of exclusive investment opportunities for our high net worth private clients, as we navigate volatile global markets.

We will continue to build on our leading market position as the best Private Bank and Wealth Manager in South Africa by focusing on our clients' local and international investment needs.

Our strategy of working together with the Private Banking business to offer our private clients an integrated banking and investment solution, both locally and internationally, has proved successful and we will continue to enhance and improve this offering.

What is your outlook for the next six months?

The outlook remains one of heightened uncertainty, with a significant number of economic and political issues which have the potential to unsettle the markets. Whilst further volatility may lie ahead, we remain well resourced, not least from the investment we have made historically in our research capability and investment process, to serve our clients through the turbulence that investors may face. We have remained focused on maintaining the resilience of our business model whilst investing for the future via our digital channel. The business is therefore well positioned for both the short and longer term.

SPECIALIST BANKING expertise delivered with dedication and energy

Global heads:

David van der Walt
Ciaran Whelan

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

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

OUR value proposition

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

HIGHLIGHTS

Operating profit (ongoing) down 7.1% to £212.8 million	Operating profit (statutory) down 7.2% to £179.8 million
12.6% ROE (pre-tax) (statutory) (2015: 14.8%)	Loans and advances (statutory) £20.9 billion
15.0% ROE (pre-tax) (ongoing) (2015: 18.2%)	Customer deposits (statutory) £28.3 billion

WHAT we do

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

Natural linkages between the private client and corporate businesses

WHERE we operate

North America

Distribution platform

Growing advisory and PFI capabilities.

UK and Europe

Brand well established

Sustainable business on the back of client activity.

Hong Kong

Investment activities

Distribution platform.

India

Established a presence in 2010

Facilitates the link between India, UK and South Africa.

South Africa

Strong brand and positioning

Leading in corporate institutional and private client banking activities.

Mauritius

Established in 1997

Leading in corporate institutional and private client banking activities.

Australia

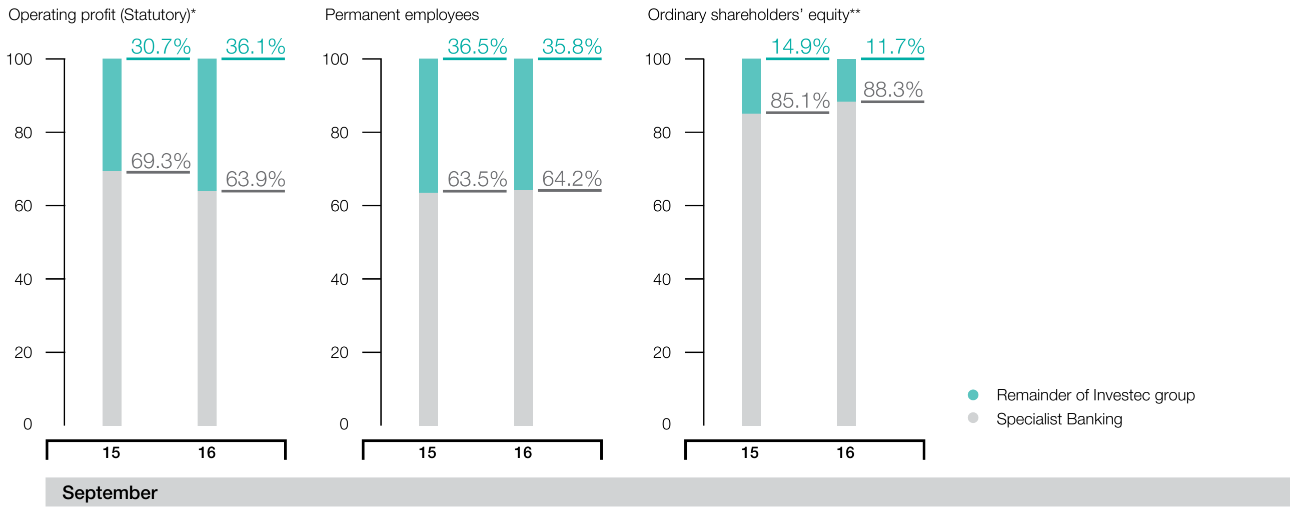
Experienced local teams in place with industry expertise

Focus is on entrenching position as a boutique operation.

Specialist Banking

(continued)

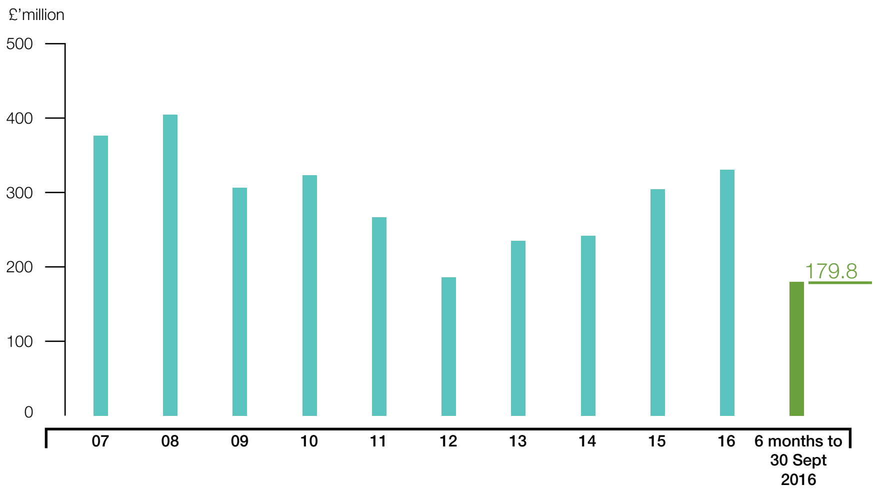
FINANCIAL ANALYSIS



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

** As calculated on page 94, based on regulatory capital requirements.

OPERATING PROFIT^ — TRACK RECORD (STATUTORY)



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

Income statement analysis

For the six months to £'000	30 Sept 2016	30 Sept 2015	Variance	% change
Net interest income	305 636	279 893	25 743	9.2%
Net fee and commission income	209 089	168 448	40 641	24.1%
Investment income	27 612	112 600	(84 988)	(75.5%)
Share of post-taxation operating profit/(loss) of associates	8 937	(204)	9 141	>100.0%
Trading income arising from				
– customer flow	73 070	56 335	16 735	29.7%
– balance sheet management and other trading activities	11 783	4 791	6 992	>100.0%
Other operating income	3 891	2 642	1 249	47.3%
Total operating income before impairment on loans and advances	**640 018**	**624 505**	**15 513**	**2.5%**
Impairment losses on loans and advances	(46 591)	(46 140)	(451)	1.0%
Operating income	**593 427**	**578 365**	**15 062**	**2.6%**
Operating costs	(395 605)	(373 975)	(21 630)	5.8%
Depreciation on operating leased assets	–	(220)	220	100.0%
Operating profit before goodwill, acquired intangibles and non-operating items and taxation	**197 822**	**204 170**	**(6 348)**	**(3.1%)**
Operating losses attributable to non-controlling interests	(18 033)	(10 518)	(7 515)	71.4%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**179 789**	**193 652**	**(13 863)**	**(7.2%)**
UK and Other	62 166	63 263	(1 097)	(1.7%)
Ongoing^	95 211	98 786	(3 575)	(3.6%)
Legacy remaining^	(33 045)	(35 523)	2 478	7.0%
Southern Africa	117 623	130 389	(12 766)	(9.8%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**179 789**	**193 652**	**(13 863)**	**(7.2%)**
Selected returns and key statistics				
Ordinary shareholders' equity**	3 109 871	2 434 225	675 646	27.8%
Southern Africa	1 643 823	1 247 084	396 739	31.8%
Ongoing UK and Other	1 401 195	1 114 411	286 784	25.7%
Remaining Legacy	64 853	72 730	(7 877)	(10.8%)
Statutory ROE (pre-tax)**	12.6%	14.8%		
Ongoing ROE (pre-tax) **	15.0%	18.2%		
Southern Africa	15.1%	18.8%		
Ongoing UK and Other	15.8%	17.6%		
Cost to income ratio	61.8%	59.9%		
Operating profit per employee (£'000)**	30.2	36.4	(6.2)	(17.0%)

^ *Detailed income statement reconciliation provided on page 23.*
** *As calculated on pages 94 and 96, based on regulatory capital requirements.*

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

- Net interest income increased by 3.5% as a result of strong book growth in the 2016 financial year as well as sound levels of lending activity in the current period
- Net fee and commission income increased by 28.2% largely due to a solid performance from the corporate advisory and aviation finance businesses
- Investment income decreased by 61.4% largely due to the write down of an investment in the Hong Kong portfolio and less sales within the debt securities portfolio
- Trading income from customer flow improved reflecting increased client activity
- Total operating income increased by 11.6%
- Impairments decreased over the period. Further information is provided on page 129
- Operating expenses increased by 18.1% largely due to planned investment in IT infrastructure and headcount to grow the franchise, notably the build out of the private client banking offering.

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

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

- The Specialist Banking division reported operating profit before taxation of R2 333 million (2015: R2 568 million)
- The decrease in operating profit in Rands of 9.2% is as a result of a change in accounting treatment from fair value to equity accounting for the assets transferred to Investec Equity Partners (as explained on page 16). Excluding the impact of this transaction, operating profit was comfortably ahead of the prior period
- Net interest income increased by 24.3% as a result of strong book growth in the 2016 financial year as well as sound levels of lending activity in the current period
- Net fees and commission income improved by 26.4% as a result of a strong performance from the property fund management business. A sound performance from the corporate lending and treasury teams as well as the acquisition of Blue Strata in the prior period (rebranded Investec Import Solutions) supported robust growth in corporate fees. The Private Banking division continued to grow its client base
- Investment income decreased by 85.7%; impacted by the Investec Equity Partners transaction, as explained above
- Total trading income decreased largely due to foreign currency translation impacts, with customer flow trading income within the corporate business remaining in line with the prior period
- Total operating income decreased by 3.4%
- Impairments increased and the credit loss ratio on average core loans and advances amounted to 0.29% (2015: 0.26%), remaining at the lower end of its long-term average. Further information is provided on page 129
- Operating expenses were impacted by costs incurred with respect to the Investec Equity Partners transaction, not repeated in the current period. Excluding, these items, costs increased reflecting higher headcount and IT infrastructure costs across the business to support increased activity and growth initiatives.

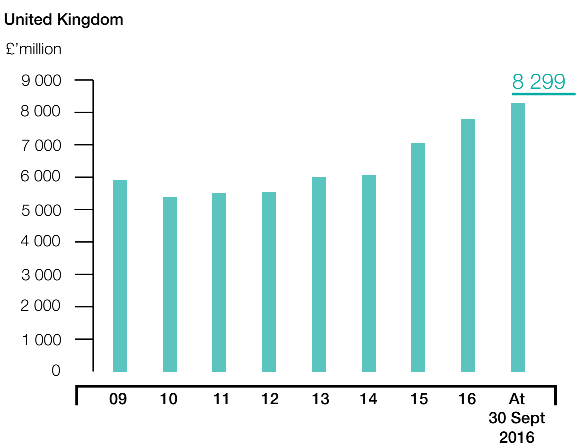
Analysis of key earnings drivers

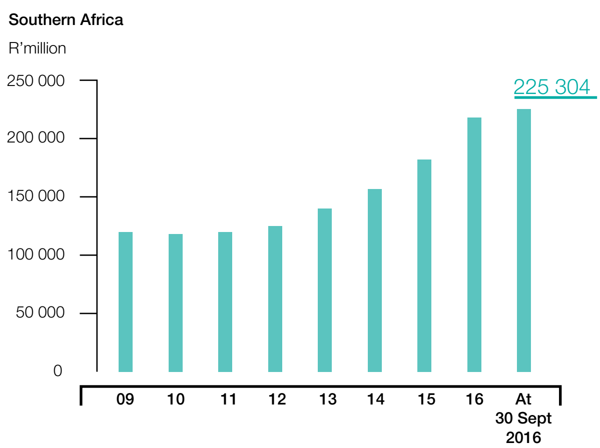
NET CORE LOANS AND ADVANCES

	£'million			Home currency (million)		
	30 Sept 2016	31 March 2016	% change	30 Sept 2016	31 March 2016	% change
UK	8 299	7 804	6.3%	£8 299	£7 804	6.3%*
Southern Africa	12 599	10 315	22.1%	R225 304	R217 958	3.4%
Total	**20 898**	**18 119**	**15.3%**			

* *The Pound weakened over the period. On a currency neutral basis, growth in the book was approximately 3.6%.*

NET CORE LOANS AND ADVANCES



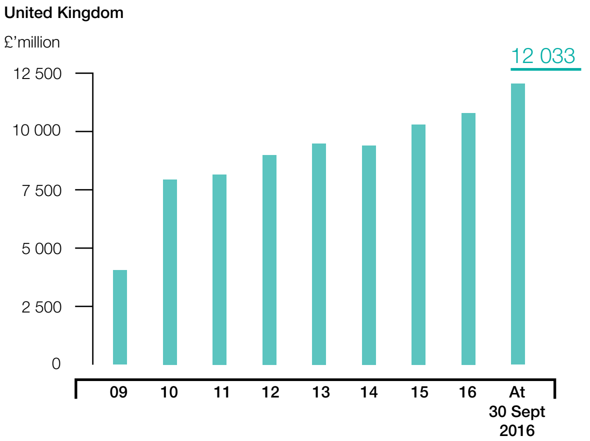


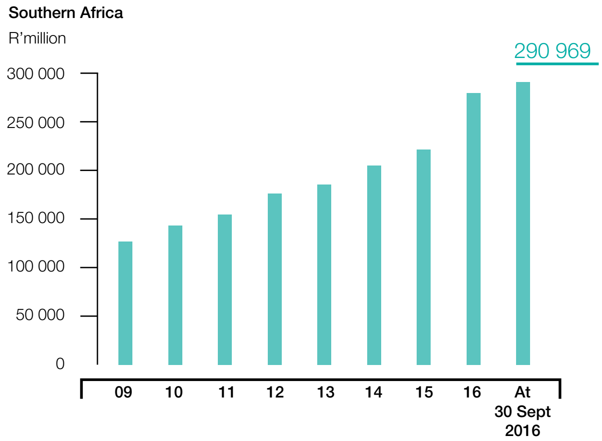
Trend reflects numbers as at the year ended 31 March, unless otherwise stated.

TOTAL DEPOSITS

	£'million			Home currency (million)		
	30 Sept 2016	31 March 2016	% change	30 Sept 2016	31 March 2016	% change
UK	12 033	10 801	11.4%	£12 033	£10 801	11.4%
Southern Africa	16 272	13 243	22.9%	R290 969	R279 820	4.0%
Total	**28 305**	**24 044**	**17.7%**			

TOTAL DEPOSITS





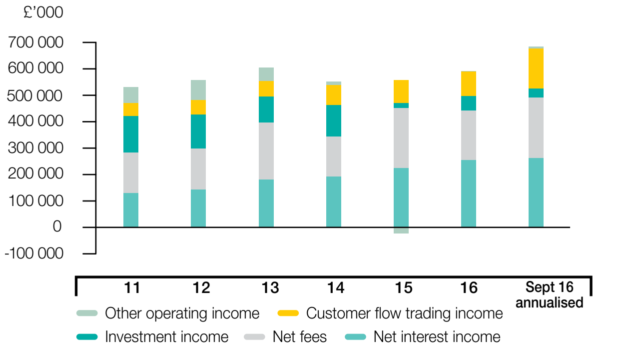
Trend reflects numbers as at the year ended 31 March, unless otherwise stated.

Specialist Banking

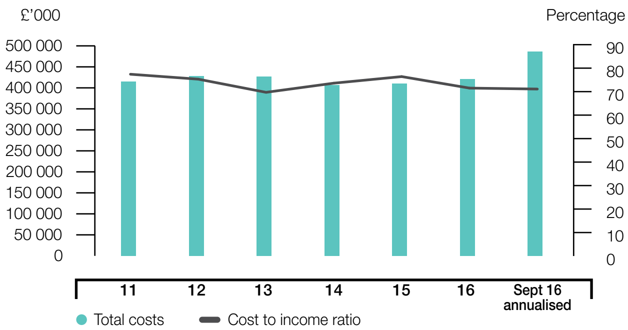
(continued)

UK Specialist Bank ongoing

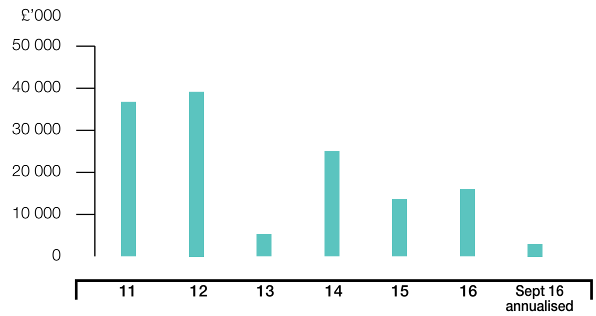
TOTAL OPERATING INCOME



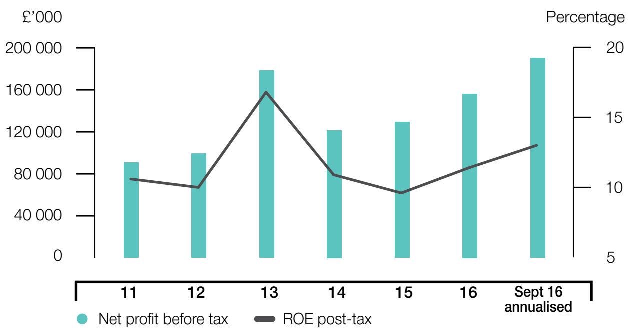
TOTAL COSTS



IMPAIRMENTS

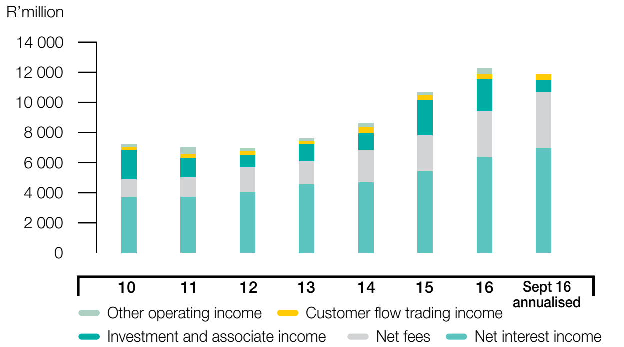


NET PROFIT BEFORE TAX AND ROE

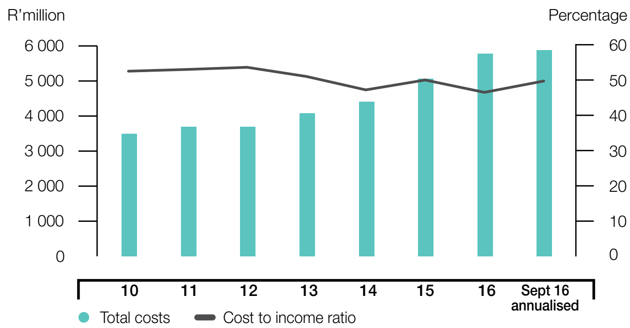


Southern Africa Specialist Bank ongoing

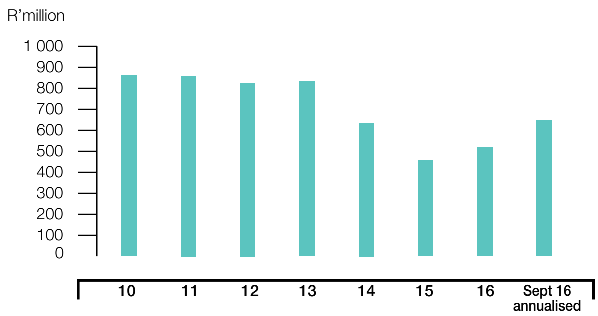
TOTAL OPERATING INCOME



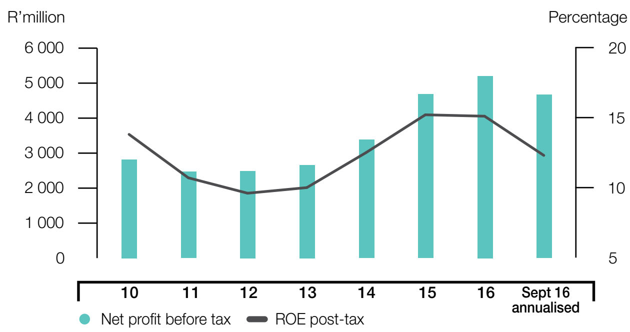
TOTAL COSTS



IMPAIRMENTS



NET PROFIT BEFORE TAX AND ROE



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

QUESTIONS and answers

David van der Walt
Ciaran Whelan

GEOGRAPHICAL BUSINESS LEADERS United Kingdom

How has the operating environment in which you have operated impacted your business over the past six months?

The period was dominated by market volatility caused by the UK's surprise decision to exit the EU.

We saw a reduction in both corporate and private client activity in the lead-up to the referendum. Despite the outcome, the slowdown proved short lived with corporate activity levels robust throughout the summer. Private client transaction volumes have been slower to recover and we are only now seeing a slight uptick in activity.

What have been the key developments in your business in the first half of the financial year?

Notwithstanding the Brexit vote and volatile markets, the Specialist Bank recorded robust levels of activity and a solid performance in the corporate and private banking businesses. The only disappointment was the investment portfolio where we wrote down an asset in the Hong Kong portfolio.

We saw a strong performance from our flow trading businesses, coupled with good activity across our lending and advisory businesses. Deal flow has been very good. The real impact of Brexit has not been felt, and will likely only become apparent in the next few months.

The Private Banking division, as we stated in March this year, has progressed in building its UK franchise and developing its client base. We have changed our target market to focus on high net worth and high-income earners rather than more generally on professionals.

The past six months have seen a continuation of this strategy, especially with increased investment in the products, people and infrastructure required for long-term success. The structured property finance business continued to successfully support selected high net worth, seasoned property investors and developers.

We have established a Private Capital business which can simply be described as "investment banking for individuals." We believe that this is a complementary addition to the services we offer our selected client base.

What are your strategic objectives for the next six months?

We will continue to apply our strategy of building and developing our client franchises, with the primary focus on entrepreneurs, corporates and high net worth clients. We want to grow the client base, expand our funds business, and ensure ongoing high levels of service to existing clients across our offering. We are strengthening the infrastructure required to make sure our technology and digital offering matches the high standards of service we are targeting. We are also investing in various marketing strategies to reach our prospective clients.

In particular, continued building of the Private Bank infrastructure is critical to create the ability to provide the required services to much larger client bases.

What is your outlook for the next six months?

While we have experienced good levels of activity in the Specialist Bank and continue to develop our Private Banking propositions, the broader environment is unlikely to create supportive conditions in the second half. In the UK, the real impact of Brexit is yet to come, as negotiations over decoupling get underway.

The prevailing period of general uncertainty and economic fragility may impact deal flow in the second half.

QUESTIONS and answers

Richard Wainright

GEOGRAPHICAL BUSINESS LEADER Southern Africa

How has the operating environment in which you have operated impacted your business over the past six months?

Notwithstanding the slowdown in the economy, our clients have remained reasonably active and our international offering in our client segments is a strategic advantage.

What have been the key developments in your business in the first half of the financial year?

Excluding the negative impact of the Investec Equity Partners transaction, the Specialist Bank in South Africa reported results well ahead of the prior period. This is reflective of our increasing client focus and co-ordination across all divisions with enhanced strategies to penetrate our existing client base and grow our market share.

Investment in our digital and technology platforms continues as we remain competitive in our client facing digital platform, while simultaneously focusing on efficiencies in our core infrastructure.

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

What are your strategic objectives for the next six months?

Building and developing our client franchises remains integral to the growth and development of our organisation and we are committed to optimising the client experience, ensuring our target clients do more with us as an organisation. Our strategic focus in South Africa remains the following:

- Grow market share in our niche businesses
- Identify new sources of revenue across our existing client base
- Management of our liquidity ratios with an emphasis on retail funding initiatives
- Management of our capital to optimise returns
- Investment in our technology platforms.

What is your outlook for the next six months?

Despite the current social, political and economic challenges in the South African environment, we are well positioned to take advantage of any opportunities that arise. We have a strong financial sector and an active private sector, which will continue to support momentum in the specialist banking businesses.

Four

Unaudited statutory
financial results

FOUR

Statutory combined consolidated income statement

£'000	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Interest income	1 037 756	849 817	1 705 640
Interest expense	(724 291)	(564 317)	(1 131 871)
Net interest income	**313 465**	**285 500**	**573 769**
Fee and commission income	670 816	591 037	1 188 012
Fee and commission expense	(62 328)	(57 131)	(126 387)
Investment income	29 024	112 387	170 408
Share of post taxation operating profit of associates	9 639	491*	1 811*
Trading income arising from			
– customer flow	73 438	56 895	110 227
– balance sheet management and other trading activities	12 370	4 004	11 377
Other operating income	5 298	2 854	10 279
Total operating income before impairment losses on loans and advances	**1 051 722**	**996 037**	**1 939 496**
Impairment losses on loans and advances	(46 591)	(46 140)	(109 516)
Operating income	**1 005 131**	**949 897**	**1 829 980**
Operating costs	(705 680)	(659 719)	(1 287 021)
Depreciation on operating leased assets	–	(220)	(2 165)
Operating profit before goodwill and acquired intangibles	**299 451**	**289 958**	**540 794**
Impairment of goodwill	(270)	(717)	(1 577)
Amortisation of acquired intangibles	(8 469)	(7 848)	(16 248)
Operating profit	**290 712**	**281 393**	**522 969**
Net loss on disposal of subsidiaries	–	(4 746)	(4 778)
Profit before taxation	**290 712**	**276 647**	**518 191**
Taxation on operating profit before goodwill and acquired intangibles	(56 279)	(61 485)	(103 202)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	2 122	1 610	5 197
Profit after taxation	**236 555**	**216 772**	**420 186**
Profit attributable to other non-controlling interests	(18 033)	(10 518)	(35 201)
Profit attributable to Asset Management non-controlling interests	(9 924)	(8 647)	(16 529)
Earnings attributable to shareholders	**208 598**	**197 607**	**368 456**
Earnings per share (pence)			
– Basic	26.5	20.1	38.5
– Diluted	25.4	19.1	36.7
Adjusted earnings per share (pence)			
– Basic	22.7	22.3	41.3
– Diluted	21.8	21.2	39.4
Dividends per share (pence)			
– Interim	10.0	9.5	9.5
– Final	n/a	n/a	11.5
Headline earnings per share (pence)			
– Basic	24.8	21.0	38.5
– Diluted	23.8	20.0	36.7
Number of weighted average shares (million)	895.7	871.8	870.5

* *Share of post taxation operating profit of associates shown separately from other operating income*

Statutory combined consolidated statement of comprehensive income

£'000	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Profit after taxation	236 555	216 772	420 186
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income*	19 912	(16 734)	(31 934)
Gains on realisation of available-for-sale assets recycled through the income statement*	(8 132)	(1 145)	(1 961)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	52 980	(13 757)	(37 153)
Foreign currency adjustments on translating foreign operations	375 148	(266 255)	(240 875)
Items that will never be reclassified to the income statement			
Re-measurement of net defined pension liability	–	–	4 738
Total comprehensive income/(loss)	**676 463**	**(81 119)**	**113 001**
Total comprehensive income/(loss) attributable to ordinary shareholders	551 216	(67 075)	84 932
Total comprehensive income/(loss) attributable to non-controlling interests	113 268	(36 478)	(5 123)
Total comprehensive income attributable to perpetual preferred securities	11 979	22 434	33 192
Total comprehensive income/(loss)	**676 463**	**(81 119)**	**113 001**

* *Net of taxation of (£19.5 million) [Six months to 30 September 2015: £14.6 million. Year to 31 March 2016: £27.1 million].*

FOUR

Statutory combined consolidated balance sheet

At £'000	30 Sept 2016	31 March 2016	30 Sept 2015
Assets			
Cash and balances at central banks	4 233 278	3 007 269	2 003 037
Loans and advances to banks	3 154 517	2 498 585	2 261 008
Non-sovereign and non-bank cash placements	571 405	466 573	545 878
Reverse repurchase agreements and cash collateral on securities borrowed	2 424 849	2 497 125	2 504 339
Sovereign debt securities	3 639 215	3 208 862	2 739 669
Bank debt securities	641 542	896 855	988 133
Other debt securities	1 079 256	949 950	832 494
Derivative financial instruments	1 636 619	1 580 949	1 331 618
Securities arising from trading activities	1 215 293	1 119 074	1 354 599
Investment portfolio	806 696	660 795	929 115
Loans and advances to customers	20 376 991	17 681 572	16 267 283
Own originated loans and advances to customers securitised	521 063	437 243	463 436
Other loans and advances	371 111	321 617	305 480
Other securitised assets	153 133	160 295	279 262
Interests in associated undertakings	331 294	267 099	23 809
Deferred taxation assets	98 641	112 135	94 023
Other assets	2 306 954	2 092 661	2 071 704
Property and equipment	98 632	90 888	94 231
Investment properties	1 013 204	938 879	531 835
Goodwill	370 969	368 039	368 319
Intangible assets	146 845	148 280	155 619
Non-current assets classified as held for sale	27 818	–	28 692
	45 219 325	**39 504 745**	**36 173 583**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	7 259 638	5 847 036	5 526 475
	52 478 963	**45 351 781**	**41 700 058**
Liabilities			
Deposits by banks	2 536 285	2 397 403	1 810 306
Derivative financial instruments	1 757 081	1 582 847	1 396 041
Other trading liabilities	983 407	957 418	1 312 201
Repurchase agreements and cash collateral on securities lent	1 048 993	971 646	877 301
Customer accounts (deposits)	28 304 921	24 044 281	21 658 505
Debt securities in issue	2 354 568	2 299 751	2 033 245
Liabilities arising on securitisation of own originated loans and advances	91 611	85 650	82 670
Liabilities arising on securitisation of other assets	112 754	120 851	197 900
Current taxation liabilities	200 390	192 255	193 243
Deferred taxation liabilities	63 586	55 486	87 040
Other liabilities	1 926 943	1 802 967	1 737 744
	39 380 539	**34 510 555**	**31 386 196**
Liabilities to customers under investment contracts	7 257 222	5 845 503	5 524 800
Insurance liabilities, including unit-linked liabilities	2 416	1 533	1 675
	46 640 177	**40 357 591**	**36 912 671**
Subordinated liabilities	1 353 958	1 134 883	1 121 679
	47 994 135	**41 492 474**	**38 034 350**
Equity			
Ordinary share capital	237	228	228
Perpetual preference share capital	38	153	153
Share premium	2 327 189	2 239 364	2 259 909
Treasury shares	(138 609)	(125 717)	(104 395)
Other reserves	(465 030)	(784 051)	(777 277)
Retained income	2 162 199	2 030 310	1 943 523
Shareholders' equity excluding non-controlling interests	**3 886 024**	**3 360 287**	**3 322 141**
Other additional Tier 1 securities in issue	30 757	26 031	26 257
Non-controlling interests	568 047	472 989	317 310
– Perpetual preferred securities issued by subsidiaries	85 798	72 615	73 245
– Non-controlling interests in partially held subsidiaries	482 249	400 374	244 065
Total equity	**4 484 828**	**3 859 307**	**3 665 708**
Total liabilities and equity	**52 478 963**	**45 351 781**	**41 700 058**

Statutory summarised combined consolidated cash flow statement

£'000	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Cash inflows from operations	370 866	350 477	598 786
Increase in operating assets	(652 118)	(1 859 634)	(4 580 570)
Increase in operating liabilities	1 829 100	1 220 550	4 602 620
Net cash inflow/(outflow) from operating activities	**1 547 848**	**(288 607)**	**620 836**
Net cash outflow from investing activities	(30 229)	(19 081)	(13 925)
Net cash outflow from financing activities	(32 265)	(348 234)	(347 741)
Effects of exchange rate changes on cash and cash equivalents	234 127	(181 554)	(171 718)
Net increase/(decrease) in cash and cash equivalents	**1 719 481**	**(837 476)**	**87 452**
Cash and cash equivalents at the beginning of the period	4 650 300	4 562 848	4 562 848
Cash and cash equivalents at the end of the period	**6 369 781**	**3 725 372**	**4 650 300**

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

Statutory consolidated statement of changes in equity

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2015	**226**	**153**	**2 258 148**	**(68 065)**
Movement in reserves 1 April 2015 – 30 September 2015				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(25 132)	–
Total comprehensive loss for the period	**–**	**–**	**(25 132)**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	54 703	–
Repurchase of non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(28 265)	(70 663)
Transfer from share premium	–	–	455	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	34 333
At 30 September 2015	**228**	**153**	**2 259 909**	**(104 395)**
Movement in reserves 1 October 2015 – 31 March 2016				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(1 306)	–
Remeasurement of net defined pension asset	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**(1 306)**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	–	–	15	–
Issue of equity by subsidiaries	–	–	–	–
Redemption of non-controlling interests	–	–	–	–
Non-controlling interest relating to partial disposal of subsidiaries	–	–	–	–
Partial sale of subsidiary	–	–	–	–
Movement of treasury shares	–	–	(19 254)	(45 095)
Transfer from share premium				
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	23 773
At 31 March 2016	**228**	**153**	**2 239 364**	**(125 717)**

(continued)

Other reserves									
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Share-holders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
10 973	**4 235**	**29 423**	**(76 541)**	**(532 075)**	**1 874 360**	**3 500 837**	**30 599**	**509 059**	**4 040 495**
–	–	–	–	–	197 607	197 607	–	19 165	216 772
–	–	–	(16 734)	–	–	(16 734)	–	–	(16 734)
–	(1 145)	–	–	–	–	(1 145)	–	–	(1 145)
–	(13 757)	–	–	–	–	(13 757)	–	–	(13 757)
–	–	331	–	(186 790)	5 321	(206 270)	(4 342)	(55 643)	(266 255)
–	**(14 902)**	**331**	**(16 734)**	**(186 790)**	**202 928**	**(40 299)**	**(4 342)**	**(36 478)**	**(81 119)**
–	–	–	–	–	26 156	26 156	–	–	26 156
–	–	–	–	–	(97 896)	(97 896)	–	–	(97 896)
–	–	–	–	–	(22 434)	(22 434)	1 468	13 200	(7 766)
–	–	–	–	–	–	–	(1 468)	(13 200)	(14 668)
–	–	–	–	–	–	–	–	(13 165)	(13 165)
–	–	–	–	–	–	54 705	–	–	54 705
–	–	–	–	–	–	–	–	(142 106)	(142 106)
–	–	–	–	–	–	(98 928)	–	–	(98 928)
–	–	–	–	–	(455)	–	–	–	–
–	–	4 803	–	–	(4 803)	–	–	–	–
–	–	–	–	–	(34 333)	–	–	–	–
10 973	**(10 667)**	**34 557**	**(93 275)**	**(718 865)**	**1 943 523**	**3 322 141**	**26 257**	**317 310**	**3 665 708**
–	–	–	–	–	170 849	170 849	–	32 565	203 414
–	–	–	(15 200)	–	–	(15 200)	–	–	(15 200)
–	(816)	–	–	–	–	(789)	–	–	(816)
–	(23 396)	–	–	–	–	(23 423)	–	–	(23 396)
–	–	2	–	28 117	3	26 816	(226)	(1 210)	25 380
–	–	–	–	–	4 738	4 738	–	–	4 738
–	**(24 212)**	**2**	**(15 200)**	**28 117**	**175 590**	**162 991**	**(226)**	**31 355**	**194 120**
–	–	–	–	–	30 060	30 060	–	–	30 060
–	–	–	–	–	(82 113)	(82 113)	–	–	(82 113)
–	–	–	–	–	(10 758)	(10 758)	1 333	2 672	(6 753)
–	–	–	–	–	–	–	(1 333)	(2 672)	(4 005)
–	–	–	–	–	–	–	–	(26 670)	(26 670)
–	–	–	–	–	–	15	–	–	15
–	–	–	–	–	–	–	–	153 299	153 299
–	–	–	–	–	–	–	–	(5)	(5)
–	–	–	–	–	778	778	–	(778)	–
–	–	–	–	–	1 522	1 522	–	(1 522)	–
–	–	–	–	–	–	(64 349)	–	–	(64 349)
–	–	4 519	–	–	(4 519)	–	–	–	–
–	–	–	–	–	(23 773)	–	–	–	–
10 973	**(34 879)**	**39 078**	**(108 475)**	**(690 748)**	**2 030 310**	**3 360 287**	**26 031**	**472 989**	**3 859 307**

Statutory consolidated statement of changes in equity

(continued)

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
Movement in reserves 1 April 2015 – 31 March 2016				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges	–	–	–	–
Gains on available-for-sale assets recycled to the income statement	–	–	–	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	27 350	–
Total comprehensive income for the period	**–**	**–**	**27 350**	**–**
Share-based payments adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	9	–	211 054	–
Redemption of perpetual preference shares	–	(115)	(122 048)	–
Issue of equity by subsidiaries	–	–	–	–
Reduction of non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(28 531)	(23 207)
Transfer from regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	10 315
At 30 September 2016	**237**	**38**	**2 327 189**	**(138 609)**

Other reserves									
Capital reserve account	Available-for-sale reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Retained income	Share-holders' equity excluding non-controlling interests	Other Additional Tier 1 securities in issue	Non-controlling interests	Total equity
–	–	–	–	–	208 597	208 598	–	27 957	236 555
–	–	–	19 912	–	–	19 912	–	–	19 912
–	(8 132)	–	–	–	–	(8 132)	–	–	(8 132)
–	52 980	–	–	–	–	52 980	–	–	52 980
–	–	(93)	273	257 581	–	285 111	4 726	85 311	375 148
–	**44 848**	**(93)**	**20 185**	**257 581**	**208 597**	**558 469**	**4 726**	**113 268**	**676 463**
–	–	–	–	–	24 954	24 954	–	–	24 954
–	–	–	–	–	(123 344)	(123 344)	–	–	(123 344)
–	–	–	–	–	(11 979)	(11 979)	1 575	2 979	(7 425)
–	–	–	–	–	–	–	(1 575)	(2 979)	(4 554)
–	–	–	–	–	–	–	–	(18 189)	(18 189)
–	–	–	–	–	–	211 063	–	–	211 063
–	–	–	–	–	40 427	(81 736)	–	–	(81 736)
–	–	–	–	–	–	–	–	(21)	(21)
–	–	–	–	–	48	48	–	–	48
–	–	–	–	–	–	(51 738)	–	–	(51 738)
–	–	(3 500)	–	–	3 500	–	–	–	–
–	–	–	–	–	(10 315)	–	–	–	–
10 973	**9 969**	**35 485**	**(88 290)**	**(433 167)**	**2 162 199**	**3 886 024**	**30 757**	**568 047**	**4 484 828**

Statutory dividends and earnings per share

	30 Sept 2016	30 Sept 2015
Ordinary dividends – pence per share		
Interim	**10.0**	**9.5**
Earnings	**£'000**	**£'000**
Earnings attributable to shareholders	208 598	197 607
Preference dividends paid	(11 979)	(22 434)
Gain on redemption of perpetual preference shares recognised directly in equity	40 427	–
Earnings and diluted earnings attributable to ordinary shareholders	**237 046**	**175 173**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the period	937 497 405	904 198 282
Weighted average number of treasury shares	(41 776 595)	(32 407 072)
Weighted average number of shares in issue during the period	895 720 810	871 791 210
Weighted average number of shares resulting from future dilutive potential shares	36 190 193	46 406 155
Adjusted weighted number of shares potentially in issue	**931 911 003**	**918 197 365**
Earnings per share – pence		
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year	**26.5**	**20.1**
Diluted earnings per share – pence		
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year	**25.4**	**19.1**
Statutory adjusted earnings per share – pence		
Adjusted earnings per share is calculated by dividing the earnings before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders, after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year	**22.7**	**22.3**
	£'000	**£'000**
Earnings attributable to shareholders	208 598	197 607
Impairment of goodwill	270	717
Amortisation of acquired intangibles, net of taxation	8 469	7 848
Net loss on disposal of subsidiaries	–	4 746
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	(2 122)	(1 610)
Preference dividends paid	(11 979)	(22 434)
Accrual adjustment on earnings attributable to other equity holders*	54	7 726
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items	**203 290**	**194 600**

* *In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the board of directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.*

(continued)

	30 Sept 2016	30 Sept 2015
Headline earnings per share – pence		
Headline earnings per share has been calculated and is disclosed in accordance with the JSE Listings Requirements, and in terms of circular 2/2015 issued by the South African Institute of Chartered Accountants	**24.8**	**21.0**
	£'000	**£'000**
Earnings attributable to shareholders	208 598	197 607
Impairment of goodwill	270	717
Net loss on disposal of subsidiaries	–	4 746
Preference dividends paid	(11 979)	(22 434)
Gain on redemption of perpetual preference shares recognised directly in equity	40 427	–
Property revaluation**	(7 267)	(564)
Gains on available-for-sale instruments recycled through the income statement**	(8 132)	(1 145)
Loss on write down of non-current assets classified as held for sale**	–	4 508
Headline earnings attributable to ordinary shareholders**	**221 917**	**183 435**

** *Taxation on headline earnings adjustments amounted to £4.2 million (2015: £0.7 million) with an impact of £0.4 million (2015: nil) on earnings attributable to non-controlling interests.*

Exchange rate impact on statutory results

As discussed on page 7 exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pounds Sterling exchange rate over the period has depreciated by 3.4% and the closing rate has appreciated by 15.4% since 31 March 2016. The following table provides an analysis of the impact of the Rand on our reported numbers.

	Results in Pounds Sterling				
	Actual as reported Six months to 30 Sept 2016	Actual as reported Six months to 30 Sept 2015	Actual as reported % change	Neutral currency^ Six months to 30 Sept 2016	Neutral currency % change
Operating profit before taxation* (million)	£281	£279	0.7%	£284	1.6%
Earnings attributable to shareholders (million)	£209	£198	5.6%	£210	6.1%
Adjusted earnings attributable to shareholders** (million)	£203	£195	4.5%	£204	4.9%
Adjusted earnings per share**	22.7p	22.3p	1.8%	22.8p	2.2%
Basic earnings per share	26.5p	20.1p	31.8%	26.5p	31.8%
Dividends per share	10.0	9.5p	5.3%	n/a	n/a

* *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*
** *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*
^ *For income statement items we have used the average Rand: Pounds Sterling exchange rate that was applied in the prior year, i.e. 19.33.*

	Results in Pounds Sterling				
	Actual as reported At 30 Sept 2016	Actual as reported At 30 March 2016	Actual as reported % change	Neutral currency^^ At 30 Sept 2016	Neutral currency % change
Net asset value per share	403.5p	352.3p	14.5%	378.4p	7.4%
Net tangible asset value per share	348.5p	294.3p	18.4%	323.5p	9.9%
Total equity (million)	£4 485	£3 859	16.2%	£4 110	6.5%
Total assets (million)	£52 479	£45 352	15.7%	£48 078	6.0%
Core loans and advances (million)	£20 898	£18 119	15.3%	£18 749	3.5%
Cash and near cash balances (million)	£13 114	£10 994	19.3%	£11 926	8.8%
Customer deposits (million)	£28 305	£24 044	17.7%	£25 803	7.3%
Third party assets under management (million)	£141 783	£121 683	16.5%	£134 213	10.3%

^^ *For balance sheet items we have assumed that the Rand: Pounds Sterling closing exchange rate has remained neutral since 31 March 2016.*

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

	Results in Pounds Sterling			Results in Rands		
	Six months to 30 Sept 2016	Six months to 30 Sept 2015	% change	Six months to 30 Sept 2016	Six months to 30 Sept 2015	% change
Operating profit before taxation* (million)	£281	£279	0.7%	R5 592	R5 442	2.8%
Earnings attributable to shareholders (million)	£209	£198	5.6%	R4 132	R3 843	7.5%
Adjusted earnings attributable to shareholders** (million)	£203	£195	4.5%	R4 027	R3 787	6.3%
Adjusted earnings per share**	22.7p	22.3p	1.8%	449.6c	434.4c	3.5%
Basic earnings per share	26.5p	20.1p	31.8%	523.5c	391.6c	33.7%
Headline earnings per share	24.8p	21.0p	18.1%	489.5c	410.5c	19.2%
Dividends per share	10.0	9.5p	5.3%	178c	207c	(14.0%)

	At 30 Sept 2016	At 31 March 2016	% change	At 30 Sept 2016	At 31 March 2016	% change
Net asset value per share	403.5p	352.3p	14.5%	7 215c	7 444c	(3.1%)
Net tangible asset value per share	348.5p	294.3p	18.4%	6 232c	6 218c	0.2%
Total equity (million)	£4 485	£3 859	16.2%	R80 198	R81 543	(1.6%)
Total assets (million)	£52 479	£45 352	15.7%	R938 436	R958 221	(2.1%)
Core loans and advances (million)	£20 898	£18 119	15.3%	R373 703	R382 826	(2.4%)
Cash and near cash balances (million)	£13 114	£10 994	19.3%	R234 515	R232 290	1.0%
Customer deposits (million)	£28 305	£24 044	17.7%	R506 153	R508 024	(0.4%)
Third party assets under management (million)	£141 783	£121 683	16.5%	R2 535 391	R2 571 141	(1.4%)

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

Statutory salient features

	30 Sept 2016	30 Sept 2015	% change Sept 2015 vs Sept 2016	31 March 2016
Income statement and selected returns				
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	203 290	194 600	4.5%	359 732
Headline earnings (£'000)	221 917	183 435	21.0%	334 720
Operating profit* (£'000)	281 418	279 440	0.7%	505 593
Operating profit: Southern Africa (% of total)*	58.5%	59.8%		63.8%
Operating profit: UK and Other (% of total)*	41.5%	40.2%		36.2%
Cost to income ratio	67.1%	66.2%		66.4%
Staff compensation to operating income ratio	48.0%	46.8%		47.0%
Annualised return on average adjusted shareholders' equity (post-tax)	12.1%	12.6%		11.5%
Annualised return on average adjusted tangible shareholders' equity (post-tax)	14.2%	15.0%		13.7%
Annualised return on average risk-weighted assets	1.40%	1.51%		1.34%
Operating profit per employee (£'000)	30.8	33.3	(7.5%)	58.7
Net interest income as a % of operating income	29.8%	28.7%		29.6%
Non-interest income as a % of operating income	70.2%	71.3%		70.4%
Recurring income as a % of total operating income	72.4%	71.5%		71.7%
Effective operational tax rate	19.4%	21.2%		19.1%
Balance sheet				
Total capital resources (including subordinated liabilities) (£'million)	5 839	4 787	22.0%	4 994
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 485	3 666	22.3%	3 859
Shareholders' equity (excluding non-controlling interests) (£'million)	3 886	3 322	17.0%	3 360
Total assets (£'million)	52 479	41 700	25.8%	45 352
Net core loans and advances to customers (including own originated securitised assets) (£'million)	20 898	16 731	24.9%	18 119
Core loans and advances to customers as a % of total assets	39.8%	40.1%		40.0%
Cash and near cash balances (£'million)	13 114	9 165	43.1%	10 962
Customer accounts (deposits) (£'million)	28 305	21 659	30.7%	24 044
Third party assets under management (£'million)	141 783	113 942	24.4%	121 683
Capital adequacy ratio: Investec plc^	15.0%	16.4%		15.1%
Capital adequacy tier 1 ratio: Investec plc^	11.1%	11.7%		10.7%
Common equity tier 1 ratio: Investec plc^	10.9%	10.5%		9.7%
Leverage ratio: Investec plc^	7.1%	7.4%		7.0%
Capital adequacy ratio: Investec Limited^	14.4%	14.2%		14.0%
Capital adequacy tier 1 ratio: Investec Limited^	10.8%	10.9%		10.7%
Common equity tier 1 ratio: Limited^	9.8%	9.5%		9.6%
Leverage ratio: Investec Limited^	7.3%	7.4%		7.0%
Credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.48%	0.54%		0.62%
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	1.48%	1.90%		1.54%
Gearing ratio (assets excluding assurance assets to total equity)	10.1x	9.9x		10.2x
Core loans to equity ratio	4.7x	4.6x		4.7x
Loans and advances to customers: customer deposits	72.0%	75.1%		73.6%
Salient financial features and key statistics				
Adjusted earnings per share (pence)	22.7	22.3	1.8%	41.3
Headline earnings per share (pence)	24.8	21.0	18.1%	38.5
Basic earnings per share (pence)	26.5	20.1	31.8%	38.5
Diluted earnings per share (pence)	25.4	19.1	33.0%	36.7
Dividends per share (pence)	10.0	9.5	5.3%	21.0
Dividend cover (times)	2.3	2.3	–	2.0
Net asset value per share (pence)	403.5	345.8	16.7%	352.3
Net tangible asset value per share (pence)	348.5	287.1	21.4%	294.3
Weighted number of ordinary shares in issue (million)	895.7	871.8	2.7%	870.5
Total number of shares in issue (million)	954.5	908.8	5.0%	908.8
Closing share price (pence)	471	505	(6.7%)	513
Market capitalisation (£'million)	4 496	4 589	(2.0%)	4 662
Number of employees in the group (including temps and contractors)	9 333	8 505	9.7%	8 966
Closing ZAR:£ exchange rate	17.88	20.95	(14.7%)	21.13
Average ZAR:£ exchange rate	19.99	19.33	3.4%	20.72

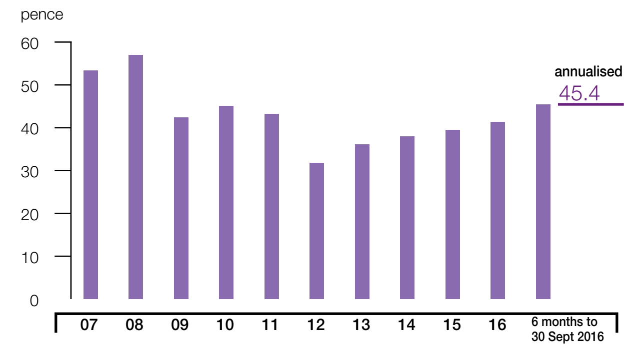
Refer to definitions and calculations on page 177.

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

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

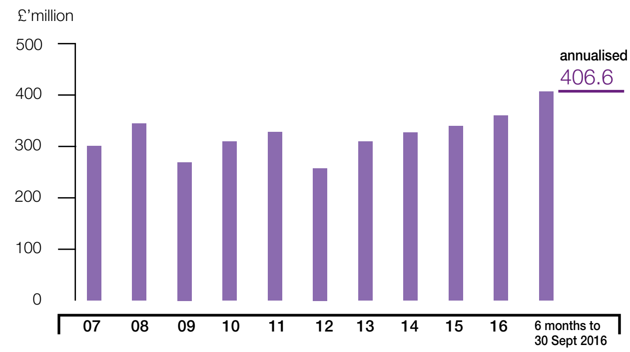
Up 1.8% to 22.7 pence

ADJUSTED EARNINGS PER SHARE



Up 4.5% to £203.3 million

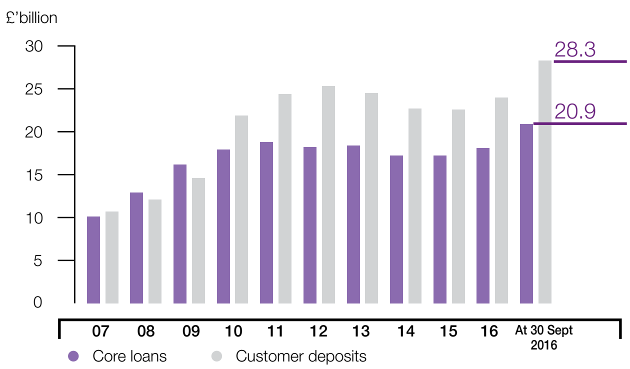
ADJUSTED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS BEFORE GOODWILL, ACQUIRED INTANGIBLES AND NON-OPERATING ITEMS



Core loans: up 15.3% to £20.9 billion since 31 March 2016 – an increase of 3.5% on a currency neutral basis*

Deposits: up 17.7% to £28.3 billion since 31 March 2016 – an increase of 7.3% on a currency neutral basis*

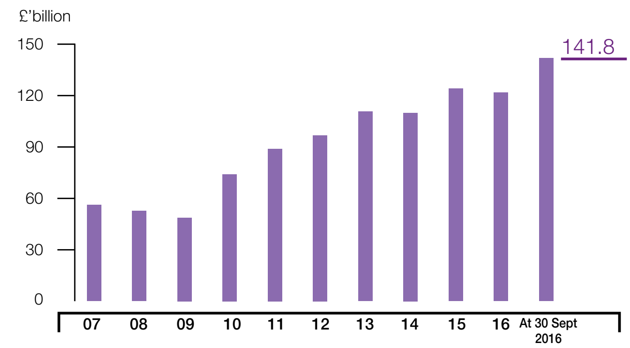
CORE LOANS AND CUSTOMER DEPOSITS



Up 16.5% to £141.8 billion since 31 March 2016 – an increase of 10.3% on a currency neutral basis*

Net inflows of £1.7 billion

THIRD-PARTY ASSETS UNDER MANAGEMENT

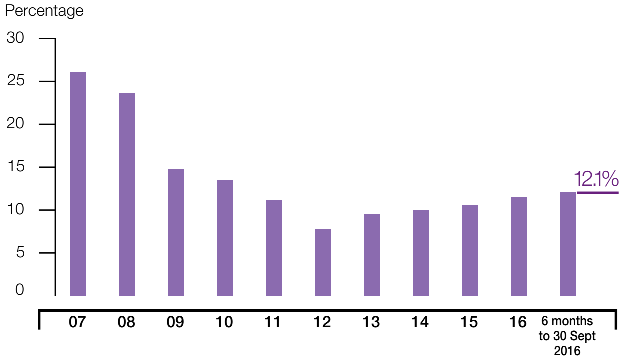


* *Currency neutral basis: calculation assumes that the group's relevant closing exchange rates, as reflected on page 7, remain the same at 30 September 2016 when compared to 31 March 2016.*

Target

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

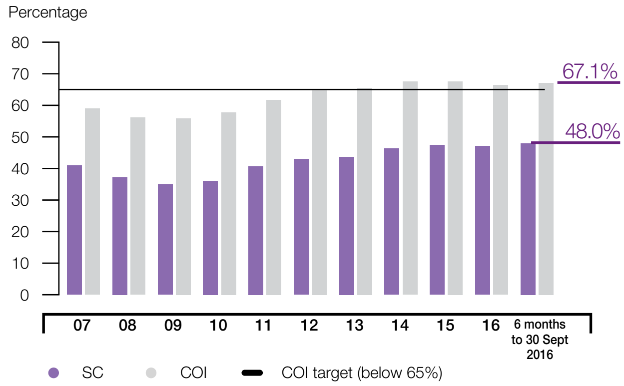
ROE*



Target

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

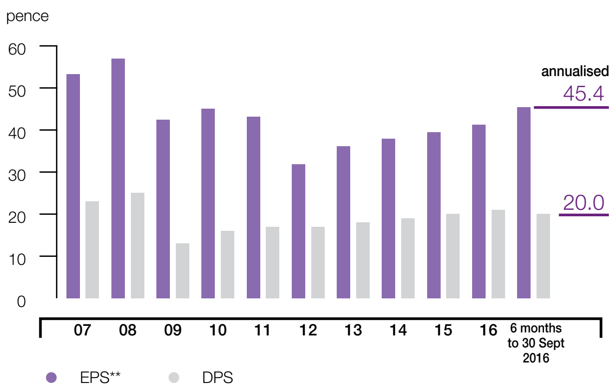
COST TO INCOME RATIO (COI) AND STAFF COMPENSATION TO OPERATING INCOME RATIO (SC)



Target

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

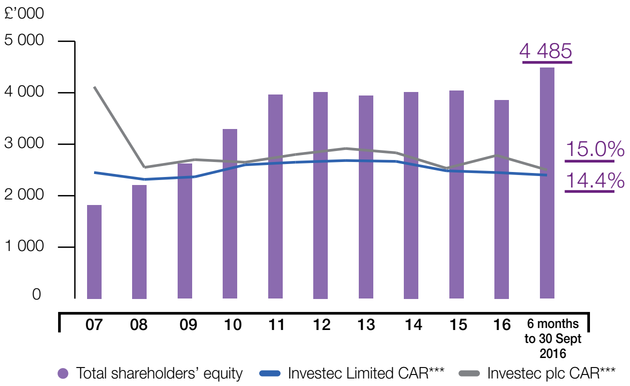
ADJUSTED EARNINGS PER SHARE (EPS) AND DIVIDENDS PER SHARE (DPS)



Target

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

TOTAL SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY RATIOS (CAR)



* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 92.*
** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 177.*
*** *Capital adequacy figures prior to 2008 are disclosed under Basel I. Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014.*

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

Five

Financial review and additional information – statutory basis

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

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

ASSET MANAGEMENT

Key income drivers

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

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

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

WEALTH & INVESTMENT

Key income drivers

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

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

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

SPECIALIST BANKING

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
– Lending activities.	– Size of loan portfolio – Clients' capital and infrastructural investments – Funding requirements – Client activity – Credit spreads – Shape of yield curve.	– Net interest income – Fees and commissions – Investment income.
– Cash and near cash balances.	– Capital employed in the business and capital adequacy targets – Asset and liability management policies and risk appetite – Regulatory requirements – Credit spreads.	– Net interest income – Trading income arising from balance sheet management activities.
– Deposit and product structuring and distribution.	– Distribution channels – Ability to create innovative products – Regulatory requirements – Credit spreads.	– Net interest income – Fees and commissions.
– Advisory services.	– The demand for our specialised advisory services, which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals.	– Fees and commissions.
– Derivative sales, trading and hedging.	– Client activity – Market conditions/volatility – Asset and liability creation – Product innovation – Market risk factors, primarily volatility and liquidity.	– Fees and commissions – Trading income arising from customer flow.
– Transactional banking services.	– Levels of activity – Ability to create innovative products – Appropriate systems infrastructure.	– Net interest income – Fees and commissions.

Key risks

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

These risks are summarised briefly in the table below with further detail provided in the risk management section of this report.

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

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

Statutory income statement analysis

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

Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 35 to 58.

TOTAL OPERATING INCOME

Total operating income before impairment losses on loans and advances increased by 5.6% to £1 051.7 million (2015: £996.0 million).

£'000	30 Sept 2016	% of total income	30 Sept 2015	% of total income	% change
Net interest income	313 465	29.8%	285 500	28.7%	9.8%
Net fee and commission income	608 488	57.8%	533 906	53.6%	14.0%
Investment income	29 024	2.8%	112 387	11.3%	(74.2%)
Share of post taxation operating profit of associates	9 639	0.9%	491	0.0%	>100.0%
Trading income arising from					
– customer flow	73 438	7.0%	56 895	5.7%	29.1%
– balance sheet management and other trading activities	12 370	1.2%	4 004	0.4%	>100.0%
Other operating income	5 298	0.5%	2 854	0.3%	85.6%
Total operating income before impairments	**1 051 722**	**100.0%**	**996 037**	**100.0%**	**5.6%**

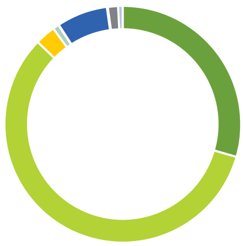
The following table sets out information on total operating income before impairment losses on loans and advances by geography for the period under review.

£'000	30 Sept 2016	% of total income	30 Sept 2015	% of total income	% change
UK and Other	624 391	59.4%	574 905	57.7%	8.6%
Southern Africa	427 331	40.6%	421 132	42.3%	1.5%
Total operating income before impairments	**1 051 722**	**100.0%**	**996 037**	**100.0%**	**5.6%**

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

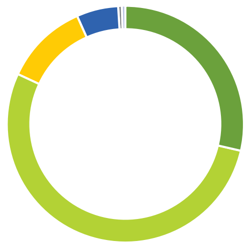
£'000	30 Sept 2016	% of total income	30 Sept 2015	% of total income	% change
Asset Management	239 073	22.7%	213 730	21.5%	11.9%
Wealth & Investment	172 631	16.4%	157 802	15.8%	9.4%
Specialist Banking	640 018	60.9%	624 505	62.7%	2.5%
Total operating income before impairments	**1 051 722**	**100.0%**	**996 037**	**100.0%**	**5.6%**

% OF TOTAL OPERATING INCOME BEFORE IMPAIRMENTS



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

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



30 Sept 2015
£996.0 million total operating income before impairments

28.7%	Net interest income
53.6%	Net fee and commission income
11.3%	Investment income
0.0%	Share of past taxation operating profit of associates
5.7%	Trading income arising from customer flow
0.4%	Trading income arising from balance sheet management and other trading activities
0.3%	Other operating income

NET INTEREST INCOME

Net interest income increased by 9.8% to £313.5 million (2015: £285.5 million) driven by strong book growth in the 2016 financial year as well as sound levels of lending activity in the current period.

£'000	30 Sept 2016	30 Sept 2015	Variance	% change
Asset Management	2 602	1 979	623	31.5%
Wealth & Investment	5 227	3 628	1 599	44.1%
Specialist Banking	305 636	279 893	25 743	9.2%
Net interest income	**313 465**	**285 500**	**27 965**	**9.8%**

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

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

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. In the current year no securitised assets are held at amortised cost outside of Southern Africa.*

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

For the six months to 30 September 2015 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 032 050	22 430	6 010 014	144 309	11 042 064	166 739
Core loans and advances	2	7 210 297	210 499	9 520 422	415 814	16 730 719	626 313
Private client		3 498 779	75 009	6 313 392	270 864	9 812 171	345 873
Corporate, institutional and other clients		3 711 518	135 490	3 207 030	144 950	6 918 548	280 440
Other debt securities and other loans and advances		585 424	43 579	552 550	10 700	1 137 974	54 279
Other interest-earning assets	3	156 491	–	122 771	2 486	279 262	2 486
Total interest-earning assets		**12 984 262**	**276 508**	**16 205 757**	**573 309**	**29 190 019**	**849 817**

For the six months to 30 September 2015 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	2 169 848	(22 650)	2 551 004	(43 000)	4 720 852	(65 650)
Customer accounts (deposits)		9 718 955	(65 437)	11 939 550	(349 587)	21 658 505	(415 024)
Other interest-bearing liabilities	5	123 237	(25 818)	157 333	(4 642)	280 570	(30 460)
Subordinated liabilities		624 792	(32 386)	496 887	(20 797)	1 121 679	(53 183)
Total interest-bearing liabilities		**12 636 832**	**(146 291)**	**15 144 774**	**(418 026)**	**27 781 606**	**(564 317)**
Net interest income			**130 217**		**155 283**		**285 500**
Net interest margin (local currency)			**1.88%**		**1.87%**		

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. In the current year no securitised assets are held at amortised cost outside of Southern Africa.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; and liabilities arising on securitisation. In the current year no liabilities on securitisation are held at amortised cost outside of Southern Africa.*

NET FEE AND COMMISSION INCOME

Net fee and commission income increased by 14.0% to £608.5 million (2015: £533.9 million) as a result of higher average funds under management over the period and net inflows in the Asset Management and Wealth Management businesses. In addition, the Specialist Banking business benefited from an increase in the scale of the property fund business in South Africa and from the corporate and advisory businesses, notably in the UK.

£'000	30 Sept 2016	30 Sept 2015	Variance	% change
Asset Management	234 612	212 452	22 160	10.4%
Wealth & Investment	164 787	153 006	11 781	7.7%
Specialist Banking	209 089	168 448	40 641	24.1%
Net fee and commission income	**608 488**	**533 906**	**74 582**	**14.0%**

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

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

For the six months to 30 September 2015 £'000	UK and Other	Southern Africa	Total group
Asset management and Wealth management businesses net fee and commission income	**261 910**	**103 548**	**365 458**
Fund management fees/fees for assets under management	278 845	92 581	371 426
Private client transactional fees	29 076	15 995	45 071
Fee and commission expense	(46 011)	(5 028)	(51 039)
Specialist Banking net fee and commission income	**92 548**	**75 900**	**168 448**
Corporate and institutional transactional and advisory services	81 772	64 342	146 114
Private client transactional fees	11 306	17 120	28 426
Fee and commission expense	(530)	(5 562)	(6 092)
Net fee and commission income	**354 458**	**179 448**	**533 906**
Annuity fees (net of fees payable)	286 570	140 077	426 647
Deal fees	67 888	39 371	107 259

INVESTMENT INCOME

Investment income reduced materially to £29.0 million (2015: £112.4 million) as a consequence of the change in accounting treatment from fair value to equity accounting for the assets to Investec Equity Partners (as explained on page 16). In addition the group reported a write down on an investment in the Hong Kong portfolio.

£'000	30 Sept 2016	30 Sept 2015	Variance	% change
Asset Management	7	38	(31)	(81.6%)
Wealth & Investment	1 405	(251)	1 656	>100.0%
Specialist Banking	27 612	112 600	(84 988)	(75.5%)
Investment income	**29 024**	**112 387**	**(83 363)**	**(74.2%)**

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

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

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

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

For the six months to 30 September 2015 £'000	UK and Other	Southern Africa	Total group
Realised	38 033	33 542	71 575
Unrealised	(8 359)	31 881	23 522
Dividend income	12 486	9 806	22 292
Funding and other net related income/(costs)	2 079	(7 081)	(5 002)
Investment income	**44 239**	**68 148**	**112 387**

For the six months to 30 September 2015 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**26 182**	**23 008**	**(1 188)**	**(3 763)**	**44 239**
Realised	6 835	31 084	–	114	38 033
Unrealised^	6 861	(8 076)	(1 188)	(5 956)	(8 359)
Dividend income	12 486	–	–	–	12 486
Funding and other net related income	–	–	–	2 079	2 079
Southern Africa	**58 132**	**5 927**	**2 860**	**1 229**	**68 148**
Realised	21 376	3 059	8 397	710	33 542
Unrealised^	34 525	2 868	(5 537)	25	31 881
Dividend income	9 717	–	–	89	9 806
Funding and other net related income	(7 486)	–	–	405	(7 081)
Total investment income/(loss)	**84 314**	**28 935**	**1 672**	**(2 534)**	**112 387**

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

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

SHARE OF POST TAXATION OPERATING PROFIT OF ASSOCIATES

Share of post taxation operating profit of associates of £9.6 million in the current period largely reflects earnings in relation to the group's investment in Investec Equity Partners.

TRADING INCOME

Trading income arising from customer flow increased by 29.1% to £73.4 million (2015: £56.9 million) benefitting from franchise growth and good client activity levels. Trading income from other trading activities reflected a profit of £12.4 million (2015: £4.0 million) largely due to favourable balance sheet management.

Arising from customer flow

£'000	30 Sept 2016	30 Sept 2015	Variance	% change
Wealth & Investment	368	560	(192)	(34.3%)
Specialist Banking	73 070	56 335	16 735	29.7%
Trading income arising from customer flow	**73 438**	**56 895**	**16 543**	**29.1%**

Arising from balance sheet management and other trading activities

£'000	30 Sept 2016	30 Sept 2015	Variance	% change
Asset Management	445	(949)	1 394	>100.0%
Wealth & Investment	142	162	(20)	(12.3%)
Specialist Banking	11 783	4 791	6 992	>100.0%
Trading income arising from balance sheet management and other trading activities	**12 370**	**4 004**	**8 366**	**>100.0%**

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Impairments on loans and advances increased marginally from £46.1 million to £46.6 million, with the annualised credit loss ratio on core loans and advances amounting to 0.48% (2015: 0.54%). Since 31 March 2016 gross defaults have increased from £466.1 million to £532.7 million largely due to an increase in defaults in the South African banking business. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.48% (31 March 2016: 1.54%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.48 times (31 March 2016: 1.35 times). Further information is provided on page 129.

£'000	30 Sept 2016	30 Sept 2015	Variance	% change
UK and Other	(30 078)	(31 314)	1 236	(3.9%)
Southern Africa	(16 513)	(14 826)	(1 687)	11.4%
Total impairment losses on loans and advances	**(46 591)**	**(46 140)**	**(451)**	**1.0%**
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(323)	(288)	(35)	12.2%

OPERATING COSTS

The ratio of total operating costs to total operating income was 67.1% (2015: 66.2%). Total operating costs grew by 7.0% to £705.7 million (2015: £659.7 million) reflecting planned spend on IT infrastructure and higher headcount across divisions to support increased activity and growth initiatives; and an increase in variable remuneration given improved profitability in certain businesses.

£'000	30 Sept 2016	% of total expenses	30 Sept 2015	% of total expenses	% change
Staff costs	(505 226)	71.6%	(465 906)	70.6%	8.4%
– fixed	(321 010)	45.5%	(293 096)	44.4%	9.5%
– variable	(184 216)	26.1%	(172 810)	26.2%	6.6%
Business expenses	(87 040)	12.3%	(94 333)	14.3%	(7.7%)
Equipment expenses (excluding depreciation)	(35 246)	5.0%	(28 658)	4.3%	23.0%
Premises expenses (excluding depreciation)	(34 519)	4.9%	(31 046)	4.7%	11.2%
Marketing expenses	(32 396)	4.6%	(28 790)	4.4%	12.5%
Depreciation and impairment of property, plant, equipment and software	(11 253)	1.6%	(10 986)	1.7%	2.4%
Total operating expenses	**(705 680)**	**100.0%**	**(659 719)**	**100.0%**	**7.0%**
Depreciation on operating leased assets	–	–	(220)	–	(100.0%)
Total expenses	**(705 680)**	**100.0%**	**(659 939)**	**100.0%**	**6.9%**

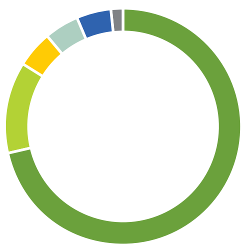
The following table sets out certain information on total expenses by geography for the period under review.

£'000	30 Sept 2016	% of total expenses	30 Sept 2015	% of total expenses	% change
UK and Other	(475 478)	67.4%	(432 548)	65.5%	9.9%
Southern Africa	(230 202)	32.6%	(227 391)	34.5%	1.2%
Total expenses	**(705 680)**	**100.0%**	**(659 939)**	**100.0%**	**6.9%**

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

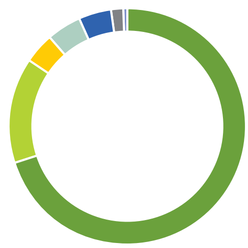
£'000	30 Sept 2016	% of total expenses	30 Sept 2015	% of total expenses	% change
Asset Management	(156 819)	22.2%	(143 176)	21.7%	9.5%
Wealth & Investment	(129 434)	18.3%	(119 952)	18.2%	7.9%
Specialist Banking	(395 605)	56.1%	(374 195)	56.7%	5.7%
Group costs	(23 822)	3.4%	(22 616)	3.4%	5.3%
Total expenses	**(705 680)**	**100.0%**	**(659 939)**	**100.0%**	**6.9%**

% OF TOTAL EXPENSES



30 Sept 2016
£705.7 million total expenses

71.6%	Staff costs
12.3%	Business expenses
5.0%	Equipment expenses
4.9%	Premises expenses
4.6%	Marketing expenses
1.6%	Depreciation
0.0%	Depreciation on operating leased assets



30 Sept 2015
£659.9 million total expenses

70.6%	Staff costs
14.3%	Business expenses
4.3%	Equipment expenses
4.7%	Premises expenses
4.4%	Marketing expenses
1.7%	Depreciation
0.0%	Depreciation on operating leased assets

OPERATING PROFIT BEFORE GOODWILL, ACQUIRED INTANGIBLES, NON-OPERATING ITEMS AND AFTER OTHER NON-CONTROLLING INTERESTS

As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests increased by 0.7% from £279.4 million to £281.4 million.

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

For the six months to 30 September 2016 £'000	**UK and Other**	**Southern Africa**	**Total group**	**% change**	**% of total**
Asset Management	43 116	39 138	82 254	16.6%	29.2%
Wealth & Investment	29 192	14 005	43 197	14.1%	15.3%
Specialist Banking	62 166	117 623	179 789	(7.2%)	63.9%
	134 474	**170 766**	**305 240**	**1.1%**	**108.4%**
Group costs	(17 758)	(6 064)	(23 822)	5.3%	(8.4%)
Total group	**116 716**	**164 702**	**281 418**	**0.7%**	**100.0%**
Other non-controlling interest – equity			18 033		
Operating profit			**299 451**		
% change	**4.0%**	**(1.5%)**	**0.7%**		
% of total	**41.5%**	**58.5%**	**100.0%**		

For the six months to 30 September 2015 £'000	**UK and Other**	**Southern Africa**	**Total group**	**% of total**
Asset Management	40 127	30 427	70 554	25.2%
Wealth & Investment	25 896	11 954	37 850	13.5%
Specialist Banking	63 263	130 389	193 652	69.3%
	129 286	**172 770**	**302 056**	**108.0%**
Group costs	(17 036)	(5 580)	(22 616)	(8.0%)
Total group	**112 250**	**167 190**	**279 440**	**100.0%**
Other non-controlling interest – equity			10 518	
Operating profit			**289 958**	
% of total	**40.2%**	**59.8%**	**100.0%**	

Key income drivers in our core businesses

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

ASSET MANAGEMENT

Global business (in Pounds Sterling)	30 Sept 2016	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Operating margin	34.4%	32.0%	34.2%	34.7%	34.5%	35.7%
Net inflows in funds under management as a % of opening funds under management	3.0%	4.1%	4.6%	3.7%	6.7%	8.8%
Average income yield earned on funds under management^	0.58%	0.55%	0.60%	0.60%	0.62%	0.62%

WEALTH & INVESTMENT

Global business (in Pounds Sterling)	30 Sept 2016	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Operating margin	25.0%	26.4%	25.2%	22.9%	20.3%	19.7%
Net organic growth in funds under management as a % of opening funds under management	2.9%	4.5%	6.6%	3.5%	2.0%	(5.3%)
Average income yield earned on funds under management^	0.71%	0.71%	0.72%	0.71%	0.66%	0.61%
UK and Other^^ (in Pounds Sterling)						
Operating margin	21.9%	24.6%	22.7%	20.1%	17.3%	16.3%
Net organic growth in funds under management as a % of opening funds under management	4.7%	4.5%	7.1%	5.1%	1.3%	(7.4%)
Average income yield earned on funds under management^	0.85%	0.87%	0.89%	0.89%	0.86%	0.80%
South Africa (in Rands)						
Operating margin	35.9%	33.1%	35.1%	33.9%	31.3%	28.5%
Net organic growth in discretionary funds under management as a % of opening discretionary funds under management	7.0%	10.4%	8.5%	13.6%	13.9%	8.7%
Average income yield earned on funds under management^*	0.48%	0.45%	0.41%	0.41%	0.37%	0.39%

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

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

^^ *'Other' comprises European Wealth Management, Investec Wealth & Investment Ireland (formerly NCB), which was acquired on 12 June 2012 and Investec Wealth & Investment Channel Islands.*

SPECIALIST BANKING – STATUTORY BASIS

Global business (in Pounds Sterling)	30 Sept 2016	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Cost to income ratio	61.8%*	60.1%*	63.1%*	63.2%*	63.1%	62.4%
ROE post-tax^	10.2%	10.1%	8.6%	7.9%	6.4%	5.1%
ROE post-tax (ongoing business)^	12.1%	13.0%	12.8%	11.9%	–	–
Growth in net core loans	15.3%##	5.4%	0.2%^^	(6.8%)	1.0%	(2.8%)
Growth in risk-weighted assets	15.8%	2.2%	(4.9%)^^	(6.0%)	4.7%	1.5%
Defaults (net of impairments as a % of core loans)	1.48%	1.54%	2.07%	2.30%	2.73%	3.31%
Credit loss ratio on core loans	0.48%	0.62%	0.68%	0.68%	0.84%	1.12%
UK and Other# (in Pounds Sterling)						
Cost to income ratio	72.4%*	73.4%*	78.9%*	72.5%*	69.0%	68.3%
ROE post-tax^	8.2%	5.5%	2.1%	3.6%	1.7%	(1.8%)
ROE post-tax (ongoing business)**^	12.9%	11.4%	9.6%	10.9%	–	–
Growth in net core loans	6.3%##	10.5%	(14.1%)^^	(0.3%)	6.6%	0.3%
Growth in risk-weighted assets	9.2%	6.7%	(15.5%)^^	0.4%	7.7%	4.6%
Defaults (net of impairments as a % of core loans)	1.86%	2.19%	3.00%	3.21%	3.75%	4.10%
Credit loss ratio on core loans	0.73%	1.13%	1.16%	0.99%	1.16%	1.65%
Southern Africa (in Rands)						
Cost to income ratio	49.7%*	46.5%*	47.2%*	51.0%*	55.5%	55.2%
ROE post-tax^	12.3%	15.1%	15.2%	12.5%	10.0%	9.6%
Growth in net core loans	3.4%	19.7%	16.1%	10.6%	10.2%	6.6%
Growth in risk-weighted assets	2.7%	15.1%	8.3%	11.0%	16.5%	11.9%
Defaults (net of impairments as a % of core loans)	1.23%	1.05%	1.43%	1.46%	1.89%	2.73%
Credit loss ratio on core loans	0.29%	0.26%	0.28%	0.42%	0.61%	0.65%

^ *Divisional ROEs are reported on a pre-tax basis. For the purpose of this calculation we have applied the group's effective tax rate to derive post-tax numbers. Capital as at 30 September 2016 was c.£1.4 billion in the UK and c.R29 billion in South Africa.*
^^ *Impacted by sale of assets.*
Currency neutral growth of 3.5% for the group and 3.6% for the UK and Other business.
* *Excludes group costs.*
** *Further information is provided on pages 23 and 53.*
# *Includes UK, Europe, Australia and the legacy businesses.*

IMPAIRMENT OF GOODWILL

The current period's goodwill impairment relates to certain asset management businesses acquired in prior years.

GOODWILL AND INTANGIBLE ASSETS ANALYSIS BY GEOGRAPHY AND LINE OF BUSINESS

£'000	30 Sept 2016	31 March 2016	30 Sept 2015
UK and Other	**358 141**	**356 994**	**356 225**
Asset Management	88 045	88 045	88 045
Wealth & Investment	243 243	242 672	242 245
Specialist Banking	26 853	26 277	25 935
Southern Africa	**12 828**	**11 045**	**12 094**
Asset Management	1 118	1 149	2 065
Wealth & Investment	1 927	1 616	1 630
Specialist Banking	9 783	8 280	8 399
Total goodwill	**370 969**	**368 039**	**368 319**
Intangible assets	**146 845**	**148 280**	**155 619**
Total group	**517 814**	**516 319**	**523 938**

AMORTISATION OF ACQUIRED INTANGIBLES

Amortisation of acquired intangibles of £8.5 million largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

TAXATION

The effective tax rate amounts to 19.4% (2015: 21.2%).

	Effective tax rates				
	30 Sept 2016	**30 Sept 2015**	**30 Sept 2016 £'000**	**30 Sept 2015 £'000**	**% change**
UK and Other	18.5%	24.0%	(21 789)	(26 703)	(18.4%)
Southern Africa	20.1%	19.4%	(34 490)	(34 782)	(0.8%)
Tax	**19.4%**	**21.2%**	**(56 279)**	**(61 485)**	**(8.5%)**

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests mainly comprises:

- £9.9 million profit attributable to non-controlling interests in the Asset Management business.
- £17.7 million profit attributable to non-controlling interests in the Investec Property Fund Limited.

EARNINGS ATTRIBUTABLE TO SHAREHOLDERS

As a result of the foregoing factors, earnings attributable to shareholders increased from £197.6 million to £208.6 million.

DIVIDENDS AND EARNINGS PER SHARE

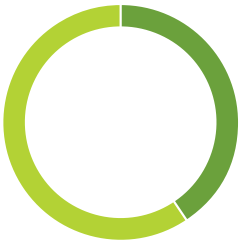
Information with respect to dividends and earnings per share is provided on pages 68 and 69 and pages 178 to 183.

Statutory balance sheet analysis

Since 31 March 2016:

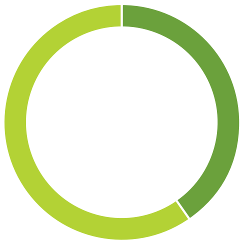
- Total shareholders' equity (including non-controlling interests) increased by 16.2% to £4.5 billion due to foreign currency translation gains, an increase in retained earnings and the issuance of shares during the period.
- Net asset value per share increased 14.5% to 403.5 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased by 18.4% to 348.5 pence.
- The annualised return on adjusted average shareholders' equity increased from 11.5% to 12.1%.

ASSETS BY GEOGRAPHY



30 Sept 2016
£52.5 billion total assets

- 38.4% UK and Other
- 61.6% Southern Africa



31 March 2016
£45.4 billion total assets

- 40.8% UK and Other
- 59.2% Southern Africa

Statutory net tangible asset value per share

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

£'000	30 Sept 2016	31 March 2016	30 Sept 2015
Shareholders' equity	3 886 025	3 360 287	3 322 141
Less: perpetual preference shares issued by holding companies	(205 440)	(300 258)	(301 564)
Less: goodwill and intangible assets (excluding software)	(501 698)	(503 996)	(512 744)
Net tangible asset value	**3 178 887**	**2 556 033**	**2 507 833**
Number of shares in issue (million)	954.6	908.8	908.8
Treasury shares (million)	(42.4)	(40.3)	(35.3)
Number of shares in issue in this calculation (million)	**912.2**	**868.5**	**873.5**
Net tangible asset value per share (pence)	**348.5**	**294.3**	**287.1**
Net asset value per share (pence)	**403.5**	**352.3**	**345.8**

Statutory return on risk-weighted assets

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

	30 Sept 2016	31 March 2016	Average	30 Sept 2015	31 March 2015	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	**203 290**	**359 732**	**281 511**	**194 600**	**339 523**	**267 062**
Investec plc risk-weighted assets (£'million)	13 408	12 297	12 853	11 144	11 608	11 376
Investec Limited risk-weighted assets^ (£'million)	17 770	14 626	16 198	13 857	14 992	14 425
Total risk-weighted assets (£'million)	**31 178**	**26 923**	**29 051**	**25 001**	**26 600**	**25 801**
Return on average risk-weighted assets	**1.40%**	**1.34%**		**1.51%**	**1.25%**	
^Investec Limited risk-weighted assets (R'million)	**317 734**	**309 052**	**313 393**	**290 301**	**269 466**	**279 883**

Return on equity by country and business – statutory

£'000	30 Sept 2016	31 March 2016	Average	30 Sept 2015	31 March 2015	Average
Calculation of average shareholders' equity						
Ordinary shareholders' equity	3 680 585	3 060 029	3 370 307	3 020 577	3 174 144	3 097 361
Goodwill and intangible assets (excluding software)	(501 698)	(503 996)	(502 847)	(512 744)	(494 111)	(503 428)
Adjusted tangible shareholders' equity	**3 178 887**	**2 556 033**	**2 867 460**	**2 507 833**	**2 680 033**	**2 593 933**

£'000	30 Sept 2016	31 March 2016	30 Sept 2015
Operating profit*	299 451	540 794	289 958
Non-controlling interests	(27 957)	(51 730)	(19 165)
Accrued preference dividends, adjusted for currency hedge	(11 925)	(26 130)	(14 708)
Revised operating profit	**259 569**	**462 934**	**256 085**
Taxation on operating profit before goodwill and acquired intangibles	(56 279)	(103 202)	(61 485)
Adjusted attributable earnings to ordinary shareholders*	**203 290**	**359 732**	**194 600**
Pre-tax return on average adjusted shareholders' equity	15.4%	14.9%	16.5%
Post-tax return on average adjusted shareholders' equity	12.1%	11.5%	12.6%
Pre-tax return on average adjusted tangible shareholders' equity	18.1%	17.7%	19.7%
Post-tax return on average adjusted tangible shareholders' equity	14.2%	13.7%	15.0%

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

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

Return on equity by geography

£'000	UK and Other	Southern Africa	Total group	UK and Other ongoing**
Total operating profit	118 835	180 616	299 451	151 880
Tax on profit on ordinary activities	(21 789)	(34 490)	(56 279)	(28 206)
Non-controlling interests	(7 875)	(20 082)	(27 957)	(7 875)
Preference dividends paid	(277)	(11 648)	(11 925)	(277)
Profit on ordinary activities after taxation -30 September 2016	**88 894**	**114 396**	**203 290**	**115 522**
Profit on ordinary activities after taxation - 30 September 2015	**76 150**	**118 450**	**194 600**	**104 140**
Ordinary shareholders' equity - 30 September 2016	**1 990 705**	**1 689 880**	**3 680 585**	**1 925 852**
Goodwill and intangible assets (excluding software)	(469 453)	(32 245)	(501 698)	(469 453)
Tangible ordinary shareholders' equity - 30 September 2016	**1 521 252**	**1 657 635**	**3 178 887**	**1 456 399**
Ordinary shareholders' equity - 31 March 2016	**1 717 892**	**1 342 137**	**3 060 029**	**1 647 872**
Goodwill and intangible assets (excluding software)	(475 300)	(28 696)	(503 996)	(475 300)
Tangible ordinary shareholders' equity - 31 March 2016	**1 242 592**	**1 313 441**	**2 556 033**	**1 172 572**
Ordinary shareholders' equity - 30 September 2015	**1 738 584**	**1 281 993**	**3 020 577**	**1 665 854**
Goodwill and intangible assets (excluding software)	(481 619)	(31 125)	(512 744)	(481 619)
Tangible ordinary shareholders' equity - 30 September 2015	**1 256 965**	**1 250 868**	**2 507 833**	**1 184 235**
Average ordinary shareholders' equity - 30 September 2016	**1 854 299**	**1 516 008**	**3 370 307**	**1 786 862**
Average ordinary shareholders' equity - 30 September 2015	1 751 301	1 346 060	3 097 361	1 670 551
Average tangible shareholders' equity - 30 September 2016	**1 381 922**	**1 485 538**	**2 867 460**	**1 314 486**
Average tangible shareholders' equity - 30 September 2015	1 266 154	1 327 779	2 593 933	1 185 404
Post-tax return on average ordinary shareholders' equity – 30 September 2016	**9.6%**	**15.1%**	**12.1%**	**12.9%**
Post-tax return on average ordinary shareholders' equity – 30 September 2015	8.7%	17.6%	12.6%	12.5%
Post-tax return on average tangible shareholders' equity – 30 September 2016	**12.9%**	**15.4%**	**14.2%**	**17.6%**
Post-tax return on average tangible shareholders' equity – 30 September 2015	12.0%	17.8%	15.0%	17.6%
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2016	**11.9%**	**19.6%**	**15.4%**	**16.1%**
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2015	11.7%	22.8%	16.5%	16.6%
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2016	**16.0%**	**20.0%**	**18.1%**	**21.9%**
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2015	16.2%	23.1%	19.7%	23.3%

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

Return on equity by business*

£'000	Asset Management	Wealth & Investment^	Specialist Banking	Specialist Banking ongoing**
Total operating profit, after other non-controlling interests	**82 254**	**43 197**	**179 789**	**212 834**
Notional return on regulatory capital	1 673	1 019	(2 692)	(2 692)
Notional cost of statutory capital	(4 522)	(4 808)	9 330	9 330
Cost of subordinated debt	(631)	(503)	1 134	1 134
Cost of preference shares	(291)	(167)	(11 468)	(11 468)
Adjusted earnings – 30 September 2016	**78 483**	**38 738**	**176 093**	**209 138**
Adjusted earnings – 30 September 2015	**67 849**	**33 142**	**186 357**	**221 880**
Ordinary shareholders' equity – 30 September 2016	**162 519**	**249 145**	**3 109 871**	**3 174 724**
Goodwill and intangible assets (excluding software)	(89 163)	(198 032)	(55 453)	(55 453)
Tangible ordinary shareholders' equity – 30 September 2016	**73 356**	**51 113**	**3 054 418**	**3 119 271**
Ordinary shareholders' equity – 31 March 2016	**171 629**	**246 302**	**2 483 048**	**2 413 028**
Goodwill and intangible assets (excluding software)	(89 194)	(203 534)	(52 218)	(52 220)
Tangible ordinary shareholders' equity – 31 March 2016	**82 435**	**42 768**	**2 430 830**	**2 360 808**
Ordinary shareholders' equity – 30 September 2015	**163 149**	**264 155**	**2 434 223**	**2 361 495**
Goodwill and intangible assets (excluding software)	(90 110)	(209 505)	(54 079)	(54 079)
Tangible ordinary shareholders' equity – 30 September 2015	**73 039**	**54 650**	**2 380 144**	**2 307 416**
Average ordinary shareholders' equity – 30 September 2016	**167 074**	**247 724**	**2 796 459**	**2 793 876**
Average ordinary shareholders' equity – 30 September 2015	161 899	259 737	2 516 675	2 435 928
Average tangible shareholders' equity – 30 September 2016	**77 896**	**46 941**	**2 742 623**	**2 740 040**
Average tangible shareholders' equity – 30 September 2015	71 161	46 976	2 475 796	2 395 049
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2016	**93.9%**	**31.3%**	**12.6%**	**15.0%**
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2015	83.8%	25.5%	14.8%	18.2%
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2016	**201.5%**	**165.0%**	**12.8%**	**15.3%**
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2015	190.7%	141.1%	15.1%	18.5%

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

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

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

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

Number of employees

By division – permanent employees	30 Sept 2016	30 Sept 2015
Asset Management		
UK and Other	476	458
Southern Africa*	1 078	983
Total	**1 554**	**1 441**
Wealth & Investment		
UK and Other	1 232	1 186
Southern Africa	319	302
Total	**1 551**	**1 488**
Specialist Banking		
UK and Other	1 873	1 920
Southern Africa	3 500	3 047
Australia	98	95
USA	107	26
Total	**5 578**	**5 088**
Total number of permanent employees	**8 683**	**8 017**

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

By geography	30 Sept 2016	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
UK and Other	3 688	3 603	3 462	3 231	3 357	3 214	2 635
Southern Africa	4 897	4 720	4 199	3 986	3 748	3 661	3 680
Australia	98	98	98	440	470	411	401
Temporary employees and contractors	650	545	495	601	576	495	521
Total number of employees	**9 333**	**8 966**	**8 254**	**8 258**	**8 151**	**7 781**	**7 237**

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

By division	Asset Management	Wealth & Investment	Specialist Banking	Total group
Number of employees – 30 September 2016	**1 634**	**1 615**	**6 084**	**9 333**
Number of employees – 31 March 2016	1 543	1 597	5 826	8 966
Number of employees – 30 September 2015	1 513	1 553	5 439	8 505
Number of employees – 31 March 2015	1 508	1 533	5 213	8 254
Average employees – six months to 30 September 2016	**1 589**	**1 606**	**5 955**	**9 150**
Average employees – six months to 30 September 2015	1 511	1 543	5 326	8 380
Operating profit* – six months to 30 September 2016 (£'000)	**82 254**	**43 197**	**179 789**	**305 240**
Operating profit* – six months to 30 September 2015 (£'000)	70 554	37 530	193 652	302 056
Operating profit per employee^ – 30 September 2016 (£'000)	**51.8^^**	**26.9**	**30.2**	**30.8**
Operating profit per employee^ – 30 September 2015 (£'000)	46.7^^	24.5	36.4	33.3

By geography	UK and Other	Southern Africa	Total group
Number of employees – 30 September 2016	**3 978**	**5 355**	**9 333**
Number of employees – 31 March 2016	3 869	5 097	8 966
Number of employees – 30 September 2015	3 855	4 650	8 505
Number of employees – 31 March 2015	3 729	4 525	8 254
Average employees – six months to 30 September 2016	**3 924**	**5 226**	**9 150**
Average employees – six months to 30 September 2015	3 792	4 588	8 380
Operating profit – six months to 30 September 2016 (£'000)	**116 716**	**164 702**	**281 418**
Operating profit – six months to 30 September 2015 (£'000)	112 250	167 190	279 440
Operating profit per employee^ – 30 September 2016 (£'000)	**29.7**	**31.5**	**30.8**
Operating profit per employee^ – 30 September 2015 (£'000)	29.6	36.4	33.3

* *Operating profit excludes group costs.*
^ *Based on average number of employees over the year.*
^^ *For Investec Asset Management, operating profit per employee includes Silica, its third party administration business.*

Total third party assets under management

£'million	30 Sept 2016	31 March 2016	30 Sept 2015
Asset Management	**89 837**	**75 679**	**70 120**
Southern Africa	30 807	24 603	22 795
UK and international	59 030	51 076	47 327
Wealth & Investment	**51 328**	**45 459**	**43 350**
South Africa	17 969	15 690	14 899
UK and other	33 359	29 769	28 451
Specialist Banking	**618**	**545**	**472**
South Africa	254	210	215
UK and other	364	335	257
Total third party assets under management	**141 783**	**121 683**	**113 942**

A further analysis of third party assets under management

At 30 September 2016 £'million	UK and international	Southern Africa	Total
Asset Management	**59 030**	**30 807**	**89 837**
Mutual funds	20 726	15 104	35 830
Segregated mandates	38 304	15 703	54 007
Wealth & Investment	**33 359**	**17 969**	**51 328**
Discretionary	24 311	5 913	30 224
Non-discretionary	9 048	12 056	21 104
Specialist Banking	**364**	**254**	**618**
	92 753	**49 030**	**141 783**

At 31 March 2016 £'million	UK and international	Southern Africa	Total
Asset Management	**51 076**	**24 603**	**75 679**
Mutual funds	18 289	11 388	29 677
Segregated mandates	32 787	13 215	46 002
Wealth & Investment	**29 769**	**15 690**	**45 459**
Discretionary	21 747	4 945	26 692
Non-discretionary	8 022	10 745	18 767
Specialist Banking	**335**	**210**	**545**
	81 180	**40 503**	**121 683**

FIVE Statutory segmental geographic analysis – income statement

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

For the six months to 30 September 2015 £'000	UK and Other	Southern Africa	Total group
Net interest income	130 217	155 283	285 500
Net fee and commission income	354 458	179 448	533 906
Investment income	44 239	68 148	112 387
Share of post taxation operating profit/(loss) of associates	944	(453)	491
Trading income arising from			
– customer flow	45 477	11 418	56 895
– balance sheet management and other trading activities	(3 195)	7 199	4 004
Other operating income/(loss)	2 765	89	2 854
Total operating income before impairment on loans and advances	**574 905**	**421 132**	**996 037**
Impairment losses on loans and advances	(31 314)	(14 826)	(46 140)
Operating income	**543 591**	**406 306**	**949 897**
Operating costs	(432 332)	(227 387)	(659 719)
Depreciation on operating leased assets	(216)	(4)	(220)
Operating profit before goodwill and acquired intangibles	**111 043**	**178 915**	**289 958**
Loss/(profit) attributable to other non-controlling interests	1 207	(11 725)	(10 518)
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	**112 250**	**167 190**	**279 440**
Profit attributable to Asset Management non-controlling interests	(5 357)	(3 290)	(8 647)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**106 893**	**163 900**	**270 793**
Impairment of goodwill	–	(717)	(717)
Amortisation of acquired intangibles	(7 233)	(615)	(7 848)
Net loss on disposal of subsidiaries	(4 746)	–	(4 746)
Earnings attributable to shareholders before taxation	**94 914**	**162 568**	**257 482**
Taxation on operating profit before goodwill and acquired intangibles	(26 703)	(34 782)	(61 485)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	1 438	172	1 610
Earnings attributable to shareholders	**69 649**	**127 958**	**197 607**
Selected returns and key statistics			
ROE (post-tax)	8.7%	17.6%	12.6%
Return on tangible equity (post-tax)	12.0%	17.8%	15.0%
Cost to income ratio	75.2%	54.0%	66.2%
Staff compensation to operating income	53.2%	38.0%	46.8%
Operating profit per employee (£'000)	29.6	36.4	33.3
Effective operational tax rate	24.0%	19.4%	21.2%
Total assets (£'million)	16 861	24 839	41 700

Statutory segmental business and geographic analysis – income statement

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

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

Statutory segmental business and geographic analysis – income statement

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(continued)

For the six months to 30 September 2015 £'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment UK and Other	Wealth & Investment Southern Africa	Wealth & Investment Total
Net interest income	123	1 856	1 979	2 022	1 606	3 628
Net fee and commission income	139 841	72 611	212 452	122 069	30 937	153 006
Investment income	–	38	38	(230)	(21)	(251)
Share of post taxation operating profit/(loss) of associates	–	–	–	695	–	695
Trading income arising from						
– customer flow	–	–	–	532	28	560
– balance sheet management and other trading activities	(1 164)	215	(949)	82	80	162
Other operating income	165	45	210	–	2	2
Total operating income before impairment losses on loans and advances	**138 965**	**74 765**	**213 730**	**125 170**	**32 632**	**157 802**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**138 965**	**74 765**	**213 730**	**125 170**	**32 632**	**157 802**
Operating costs	(98 838)	(44 338)	(143 176)	(99 274)	(20 678)	(119 952)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit/(loss) before goodwill and acquired intangibles	**40 127**	**30 427**	**70 554**	**25 896**	**11 954**	**37 850**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**40 127**	**30 427**	**70 554**	**25 896**	**11 954**	**37 850**
Profit attributable to Asset Management non-controlling interests	(5 357)	(3 290)	(8 647)	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**34 770**	**27 137**	**61 907**	**25 896**	**11 954**	**37 850**
Selected returns and key statistics						
Cost to income ratio	71.1%	59.3%	67.0%	79.3%	63.4%	76.0%
Staff compensation to operating income	53.7%	35.7%	47.4%	57.2%	44.5%	54.6%

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
128 072	151 821	279 893	–	–	–	285 500
92 548	75 900	168 448	–	–	–	533 906
44 469	68 131	112 600	–	–	–	112 387
249	(453)	(204)	–	–	–	491
44 945	11 390	56 335	–	–	–	56 895
(2 113)	6 904	4 791	–	–	–	4 004
2 600	42	2 642	–	–	–	2 854
310 770	**313 735**	**624 505**	**–**	**–**	**–**	**996 037**
(31 314)	(14 826)	(46 140)	–		–	(46 140)
279 456	**298 909**	**578 365**	**–**	**–**	**–**	**949 897**
(217 184)	(156 791)	(373 975)	(17 036)	(5 580)	(22 616)	(659 719)
(216)	(4)	(220)	–	–	–	(220)
62 056	**142 114**	**204 170**	**(17 036)**	**(5 580)**	**(22 616)**	**289 958**
1 207	(11 725)	(10 518)	–	–	–	(10 518)
63 263	**130 389**	**193 652**	**(17 036)**	**(5 580)**	**(22 616)**	**279 440**
–	–	–	–	–	–	(8 647)
63 263	**130 389**	**193 652**	**(17 036)**	**(5 580)**	**(22 616)**	**270 793**
69.9%	50.0%	59.9%	n/a	n/a	**n/a**	66.2%
51.4%	37.8%	44.6%	n/a	n/a	**n/a**	46.8%

FINANCIAL REVIEW AND ADDITIONAL INFORMATION – STATUTORY BASIS

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Statutory segmental business analysis – income statement

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

(continued)

For the six months to 30 September 2015 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	1 979	3 628	279 893	–	285 500
Net fee and commission income	212 452	153 006	168 448	–	533 906
Investment income	38	(251)	112 600	–	112 387
Share of post taxation operating profit/(loss) of associates	–	695	(204)	–	491
Trading income arising from					
– customer flow	–	560	56 335	–	56 895
– balance sheet management and other trading activities	(949)	162	4 791	–	4 004
Other operating income	210	2	2 642	–	2 854
Total operating income before impairment on loans and advances	**213 730**	**157 802**	**624 505**	**–**	**996 037**
Impairment losses on loans and advances	–	–	(46 140)	–	(46 140)
Operating income	**213 730**	**157 802**	**578 365**	**–**	**949 897**
Operating costs	(143 176)	(119 952)	(373 975)	(22 616)	(659 719)
Depreciation on operating leased assets	–	–	(220)	–	(220)
Operating profit/(loss) before goodwill and acquired intangibles	**70 554**	**37 850**	**204 170**	**(22 616)**	**289 958**
Profit attributable to other non-controlling interests	–	–	(10 518)	–	(10 518)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	**70 554**	**37 850**	**193 652**	**(22 616)**	**279 440**
Profit attributable to Asset Management non-controlling interests	(8 647)	–	–	–	(8 647)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	**61 907**	**37 850**	**193 652**	**(22 616)**	**270 793**
Selected returns and key statistics					
ROE (pre-tax)	83.8%	25.5%	14.8%	n/a	16.5%
Return on tangible equity (pre-tax)	190.7%	141.1%	15.1%	n/a	19.7%
Cost to income ratio	67.0%	76.0%	59.9%	n/a	66.2%
Staff compensation to operating income	47.4%	54.6%	44.6%	n/a	46.8%
Operating profit per employee (£'000)	46.7	24.5	36.4	n/a	33.3
Total assets (£'million)	481	2 004	39 215	n/a	41 700

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

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

At 31 March 2016 £'000	UK and Other	Southern Africa	Total group
Assets			
Cash and balances at central banks	2 638 069	369 200	3 007 269
Loans and advances to banks	1 103 198	1 395 387	2 498 585
Non-sovereign and non-bank cash placements	–	466 573	466 573
Reverse repurchase agreements and cash collateral on securities borrowed	446 954	2 050 171	2 497 125
Sovereign debt securities	1 252 991	1 955 871	3 208 862
Bank debt securities	181 365	715 490	896 855
Other debt securities	393 652	556 298	949 950
Derivative financial instruments	831 295	749 654	1 580 949
Securities arising from trading activities	524 344	594 730	1 119 074
Investment portfolio	451 000	209 795	660 795
Loans and advances to customers	7 803 602	9 877 970	17 681 572
Own originated loans and advances to customers securitised	–	437 243	437 243
Other loans and advances	304 223	17 394	321 617
Other securitised assets	150 565	9 730	160 295
Interests in associated undertakings	23 587	243 512	267 099
Deferred taxation assets	85 050	27 085	112 135
Other assets	1 683 290	409 371	2 092 661
Property and equipment	56 374	34 514	90 888
Investment properties	79 051	859 828	938 879
Goodwill	356 994	11 045	368 039
Intangible assets	123 480	24 800	148 280
	18 489 084	**21 015 661**	**39 504 745**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 847 036	5 847 036
	18 489 084	**26 862 697**	**45 351 781**
Liabilities			
Deposits by banks	501 259	1 896 144	2 397 403
Derivative financial instruments	947 502	635 345	1 582 847
Other trading liabilities	226 598	730 820	957 418
Repurchase agreements and cash collateral on securities lent	281 260	690 386	971 646
Customer accounts (deposits)	10 800 668	13 243 613	24 044 281
Debt securities in issue	1 702 098	597 653	2 299 751
Liabilities arising on securitisation of own originated loans and advances	–	85 650	85 650
Liabilities arising on securitisation of other assets	120 617	234	120 851
Current taxation liabilities	140 959	51 296	192 255
Deferred taxation liabilities	33 834	21 652	55 486
Other liabilities	1 318 156	484 811	1 802 967
	16 072 951	**18 437 604**	**34 510 555**
Liabilities to customers under investment contracts	–	5 845 503	5 845 503
Insurance liabilities, including unit-linked liabilities	–	1 533	1 533
	16 072 951	**24 284 640**	**40 357 591**
Subordinated liabilities	597 309	537 574	1 134 883
	16 670 260	**24 822 214**	**41 492 474**

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

At 30 September 2015 £'000	UK and Other	Southern Africa	Total group
Assets			
Cash and balances at central banks	1 683 278	319 759	2 003 037
Loans and advances to banks	952 262	1 308 746	2 261 008
Non-sovereign and non-bank cash placements	–	545 878	545 878
Reverse repurchase agreements and cash collateral on securities borrowed	1 137 998	1 366 341	2 504 339
Sovereign debt securities	1 075 933	1 663 736	2 739 669
Bank debt securities	182 579	805 554	988 133
Other debt securities	297 028	535 466	832 494
Derivative financial instruments	640 199	691 419	1 331 618
Securities arising from trading activities	658 158	696 441	1 354 599
Investment portfolio	409 257	519 858	929 115
Loans and advances to customers	7 210 297	9 056 986	16 267 283
Own originated loans and advances to customers securitised	–	463 436	463 436
Other loans and advances	288 396	17 084	305 480
Other securitised assets	156 491	122 771	279 262
Interests in associated undertakings	21 275	2 534	23 809
Deferred taxation assets	71 364	22 659	94 023
Other assets	1 474 480	597 224	2 071 704
Property and equipment	58 702	35 529	94 231
Investment properties	58 309	473 526	531 835
Goodwill	356 225	12 094	368 319
Intangible assets	129 020	26 599	155 619
Non-current assets classified as held for sale	–	28 692	28 692
	16 861 251	**19 312 332**	**36 173 583**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 526 475	5 526 475
	16 861 251	**24 838 807**	**41 700 058**
Liabilities			
Deposits by banks	220 445	1 589 861	1 810 306
Derivative financial instruments	771 250	624 791	1 396 041
Other trading liabilities	269 125	1 043 076	1 312 201
Repurchase agreements and cash collateral on securities lent	420 146	457 155	877 301
Customer accounts (deposits)	9 718 955	11 939 550	21 658 505
Debt securities in issue	1 529 257	503 988	2 033 245
Liabilities arising on securitisation of own originated loans and advances	–	82 670	82 670
Liabilities arising on securitisation of other assets	123 237	74 663	197 900
Current taxation liabilities	131 251	61 992	193 243
Deferred taxation liabilities	45 882	41 158	87 040
Other liabilities	1 271 849	465 895	1 737 744
	14 501 397	**16 884 799**	**31 386 196**
Liabilities to customers under investment contracts	–	5 524 800	5 524 800
Insurance liabilities, including unit-linked liabilities	–	1 675	1 675
	14 501 397	**22 411 274**	**36 912 671**
Subordinated liabilities	624 792	496 887	1 121 679
	15 126 189	**22 908 161**	**38 034 350**

At 30 September 2016 £'000	Total instruments at fair value	Total instruments at amortised cost	Insurance related linked instruments at fair value	Non-financial instruments	Total
Assets					
Cash and balances at central banks	1 672	4 231 606	–	–	4 233 278
Loans and advances to banks	121 680	3 032 837	–	–	3 154 517
Non-sovereign and non-bank cash placements	2 133	569 272	–	–	571 405
Reverse repurchase agreements and cash collateral on securities borrowed	1 117 341	1 307 508	–	–	2 424 849
Sovereign debt securities	3 424 066	215 149	–	–	3 639 215
Bank debt securities	279 510	362 032	–	–	641 542
Other debt securities	754 753	324 503	–	–	1 079 256
Derivative financial instruments	1 636 619	–	–	–	1 636 619
Securities arising from trading activities	1 215 293	–	–	–	1 215 293
Investment portfolio	806 696	–	–	–	806 696
Loans and advances to customers	882 856	19 494 135	–	–	20 376 991
Own originated loans and advances to customers securitised	–	521 063	–	–	521 063
Other loans and advances	–	371 111	–	–	371 111
Other securitised assets	140 436	12 697	–	–	153 133
Interests in associated undertakings	–	–	–	331 294	331 294
Deferred taxation assets	–	–	–	98 641	98 641
Other assets	374 838	1 420 446	–	511 670	2 306 954
Property and equipment	–	–	–	98 632	98 632
Investment properties	–	–	–	1 013 204	1 013 204
Goodwill	–	–	–	370 969	370 969
Intangible assets	–	–	–	146 845	146 845
Non-current assets classified as held for sale	–	–	–	27 818	27 818
	10 757 893	**31 862 359**	**–**	**2 599 073**	**45 219 325**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	7 259 638	–	7 259 638
	10 757 893	**31 862 359**	**7 259 638**	**2 599 073**	**52 478 963**
Liabilities					
Deposits by banks	–	2 536 285	–	–	2 536 285
Derivative financial instruments	1 757 081	–	–	–	1 757 081
Other trading liabilities	983 407	–	–	–	983 407
Repurchase agreements and cash collateral on securities lent	56 973	992 020	–	–	1 048 993
Customer accounts (deposits)	512 256	27 792 665	–	–	28 304 921
Debt securities in issue	632 781	1 721 787	–	–	2 354 568
Liabilities arising on securitisation of own originated loans and advances	–	91 611	–	–	91 611
Liabilities arising on securitisation of other assets	112 754	–	–	–	112 754
Current taxation liabilities	–	–	–	200 390	200 390
Deferred taxation liabilities	–	–	–	63 586	63 586
Other liabilities	40 858	1 369 324		516 761	1 926 943
	4 096 110	**34 503 692**	**–**	**780 737**	**39 380 539**
Liabilities to customers under investment contracts	–	–	7 257 222	–	7 257 222
Insurance liabilities, including unit-linked liabilities	–	–	2 416	–	2 416
	4 096 110	**34 503 692**	**7 259 638**	**780 737**	**46 640 177**
Subordinated liabilities	–	1 353 958	–	–	1 353 958
	4 096 110	**35 857 650**	**7 259 638**	**780 737**	**47 994 135**

Financial instruments carried at fair value

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

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

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

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

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

		Fair value category		
At 30 September 2016 £'000	**Total instruments at fair value**	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and balances at central banks	1 672	1 672	–	–
Loans and advances to banks	121 680	121 680	–	–
Non-sovereign and non-bank cash placements	2 133	–	2 133	–
Reverse repurchase agreements and cash collateral on securities borrowed	1 117 341	172 926	944 415	–
Sovereign debt securities	3 424 066	3 424 066	–	–
Bank debt securities	279 510	158 458	121 052	–
Other debt securities	754 753	529 826	215 934	8 993
Derivative financial instruments	1 636 619	–	1 582 541	54 078
Securities arising from trading activities	1 215 293	1 185 651	22 077	7 565
Investment portfolio	806 696	154 099	19 494	633 103
Loans and advances to customers	882 856	–	802 218	80 638
Other securitised assets	140 436	–	–	140 436
Other assets	374 838	374 838	–	–
	10 757 893	**6 123 216**	**3 709 864**	**924 813**
Liabilities				
Derivative financial instruments	1 757 081	–	1 754 975	2 106
Other trading liabilities	983 407	921 958	61 449	–
Repurchase agreements and cash collateral on securities lent	56 973	–	56 973	–
Customer accounts (deposits)	512 256	–	512 256	–
Debt securities in issue	632 781	–	620 407	12 374
Liabilities arising on securitisation of other assets	112 754	–	–	112 754
Other liabilities	40 858	–	40 858	–
	4 096 110	**921 958**	**3 046 918**	**127 234**
Net financial assets at fair value	**6 661 783**	**5 201 258**	**662 946**	**797 579**

Transfers between level 1 and level 2

During the period derivative financial assets and liabilities to the value of £116.9 million and £210.3 million respectively were transferred from level 1 to level 2 to reflect the level of modelling which is now being used to arrive at the fair value. There were no significant transfers between level 1 and level 2 in the prior year.

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 30 September 2016 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	Valuation basis/techniques	Main assumptions
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curves
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation	Yield curves
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Yield curves NCD curves
Other debt securities	Discounted cash flow model	Yield curves and NCD curves, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Standard industry derivative pricing model	Interest rate curves, implied bond spreads, equity volatilities
Investment portfolio	Discounted cash flow model, relative valuation model Comparable quoted inputs	Discount rate and fund unit price, net assets
Loans and advances to customers	Discounted cash flow model	Yield curves
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Yield curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Yield curves
Customer accounts (deposits)	Discounted cash flow model	Yield curves
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves

Financial instruments carried at fair value

(continued)

£'000	Total level 3 financial instruments	Fair value through profit and loss instruments	Available-for-sale instruments
The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:			
Balance as at 1 April 2016	**690 903**	635 384	55 519
Total gains or losses	**5 867**	(6 779)	12 646
In the income statement	**6 672**	(6 779)	13 451
In the statement of comprehensive income	**(805)**	–	(805)
Purchases	**105 372**	105 143	229
Sales	**(30 537)**	(18 907)	(11 630)
Issues	**(843)**	(843)	–
Settlements	**(21 732)**	(10 266)	(11 466)
Transfers into level 3	**(9 740)**	(9 740)	–
Foreign exchange adjustments	**58 289**	60 228	(1 939)
Balance as at 30 September 2016	**797 579**	**754 220**	**43 359**

For the period ended 30 September 2016, there were no significant transfers from level 3 into level 2. In the current and prior year the valuation methodologies were reviewed and observable inputs are used to determine the fair value.

There were transfers from level 2 to the level 3 category to the value of £9.7 million because the significance of the unobservable inputs used to determine the fair value increased sufficiently to warrant a transfer:

For the six months to 30 September 2016 £'000	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Net interest income	1 091	1 091	–
Fee and commission income	4 513	–	4 513
Investment income	(159)	11 700	(11 859)
Trading income arising from customer flow	1 227	(1 355)	2 582
	6 672	**11 436**	**(4 764)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement	13 451	13 451	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(805)	–	(805)
	12 646	**13 451**	**(805)**

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 2015	Balance sheet value £'000	Significant unobservable input changed in valuation method	Range over which unobservable input has been stressed	Favourable changes £'000	Unfavourable changes £'000
Assets					
Other debt securities	8 993	Reflected in income statement		**316**	**(436)**
		Cash flow adjustments	CPR 5 - 9%	289	(433)
		Other	CDS spreads	27	(3)
Derivative financial instruments	54 078	Reflected in income statement		**8 634**	**(6 491)**
		Volatilities	3.8 - 9%	3 632	(1 876)
		Cash flow adjustments	CPR 8% - 12%	753	(1 544)
		Net asset value	(10%) - 10%	56	(56)
		Other^	^	4 193	(3 015)
Securities arising from trading activities	7 565	Reflected in income statement Cash flow adjustments	CPR 9.1-10%	**717**	**(1 059)**
Investment portfolio	633 103	Reflected in income statement		**79 484**	**(66 406)**
		Cash flow adjustments	CPR 9%	3 050	(3 050)
		Price Earnings multiple	^^	21 176	(4 785)
		Price Earnings multiple	1x - 9.1x	3 116	(2 888)
		Other^	^	52 142	(55 683)
		Reflected in other comprehensive income		**3 633**	**(908)**
		EBITDA	3 x	115	(21)
		Other^	^	3 518	(887)
Loans and advances to customers	80 638	Reflected in income statement		**6 719**	**(15 203)**
		Discount rates	16%	1 633	(988)
		EBITDA	10%	5 086	(5 086)
		Other^	^	–	(9 129)
Other securitised assets*	140 436	Reflected in income statement		**2 416**	**(2 434)**
		Cash flow adjustments	CPR 6.25%	2 416	(2 434)
		Other	(1%) - 1%	–	–
Liabilities					
Derivative financial instruments	2 106	Reflected in income statement		**734**	**(1 580)**
		Cash flow adjustments	CPR 8%	716	(1 510)
		Volatilities	7-8.5%	18	(70)
Liabilities arising on securitisation of other assets*	112 754	Reflected in income statement Cash flow adjustments	CPR 6.25%	**1 011**	**(1 104)**
Deposits by banks and other debt related securities	12 374	Reflected in income statement Volatilities	7.0%	**175**	**(828)**
Net level 3 assets	**797 579**			**103 839**	**(96 449)**

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

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share) portfolios has been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

^^ *The price-earnings multiple has been determined on an investment by investment basis in order to obtain favourable and unfavourable valuations.*

Financial instruments carried at fair value

(continued)

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

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

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

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

EBITDA
A company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

Price-earnings multiple
The price-to-earnings ratio is an equity valuation multiple. It is a key driver in the valuation of unlisted investments.

Fair value of financial assets and liabilities at amortised cost

At 30 September 2016 £'000	Carrying amount	Fair value
Assets		
Cash and balances at central banks	4 231 606	4 231 606
Loans and advances to banks	3 032 837	3 032 827
Non-sovereign and non-bank cash placements	569 272	569 272
Reverse repurchase agreements and cash collateral on securities borrowed	1 307 508	1 307 508
Sovereign debt securities	215 149	217 919
Bank debt securities	362 032	429 177
Other debt securities	324 503	314 763
Loans and advances to customers	19 494 135	19 524 212
Own originated loans and advances to customers securitised	521 063	521 063
Other loans and advances	371 111	356 233
Other securitised assets	12 697	12 697
Other assets	1 420 446	1 420 438
	31 862 359	**31 937 715**
Liabilities		
Deposits by banks	2 536 285	2 567 515
Repurchase agreements and cash collateral on securities lent	992 020	991 703
Customer accounts (deposits)	27 792 665	27 812 635
Debt securities in issue	1 721 787	1 734 325
Liabilities arising on securitisation of own originated loans and advances	91 611	91 611
Other liabilities	1 369 324	1 369 029
Subordinated liabilities	1 353 958	1 508 367
	35 857 650	**36 075 185**

Investec ordinary shares

As at 30 September 2016, Investec plc and Investec Limited had 656.4 million and 298.1 million ordinary shares in issue respectively.

Largest ordinary shareholders as at 30 Sept 2016

In accordance with the terms provided for in section 793 of the UK Companies Act, 2006 and section 140A of the South African Companies Act, 1973, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below.

INVESTEC PLC

	Shareholder analysis by manager group	Number of shares	% holding
1.	Allan Gray (ZA)	48 092 055	7.3%
2.	Public Investment Corporation (ZA)	41 290 910	6.3%
3.	BlackRock Inc (UK & US)	33 413 711	5.1%
4.	Prudential Group (ZA)	22 736 690	3.5%
5.	T Rowe Price Associates (UK)	21 311 486	3.3%
6.	Old Mutual (ZA)	20 630 769	3.1%
7.	Coronation Fund Managers (ZA)	17 610 871	2.7%
8.	State Street Corporation (UK & US)	17 486 127	2.7%
9.	Legal & General Group (UK)	16 775 928	2.6%
10.	Royal London Mutual Assurance Society (UK)	16 700 200	2.5%
		256 048 747	**39.1%**

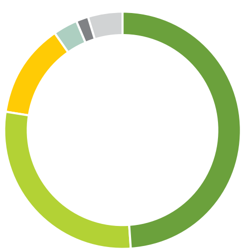
The top 10 shareholders account for 39.1% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

INVESTEC LIMITED

	Shareholder analysis by manager group	Number of shares	% holding
1.	Public Investment Corporation (ZA)	35 382 396	11.9%
2.	Allan Gray (ZA)	22 251 883	7.5%
3.	Old Mutual (ZA)	15 709 870	5.3%
4.	BlackRock Inc (UK and US)	11 535 171	3.9%
5.	Sanlam Group (ZA)	10 601 022	3.6%
6.	Coronation Fund Managers (ZA)	10 134 385	3.4%
7.	Dimensional Fund Advisors (UK)	9 924 617	3.3%
8.	The Vanguard Group, Inc (UK and US)	8 861 611	3.0%
9.	AQR Capital Management (US)	7 266 547	2.4%
10.	Entrepreneurial Development Trust (ZA)	6 603 899	2.2%
		138 271 401	**46.5%**

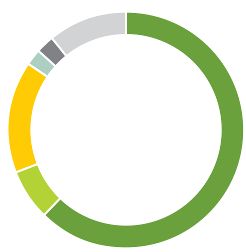
The top 10 shareholders account for 46.5% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

GEOGRAPHICAL HOLDING BY BENEFICIAL ORDINARY SHARE OWNER AS AT 30 SEPTEMBER 2016



Investec plc

49.1%	South Africa
28.4%	UK
13.0%	USA and Canada
3.2%	Rest of Europe
1.7%	Asia
4.6%	Other countries and unknown



Investec Limited

62.4%	South Africa
6.8%	UK
15.4%	USA and Canada
2.1%	Rest of Europe
2.6%	Asia
10.7%	Other countries and unknown

Share statistics

INVESTEC PLC

For the period ended	30 Sept 2016	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Closing market price per share (Pounds Sterling)							
– period ended	4.71	5.13	5.61	4.85	4.59	3.82	4.78
– highest	5.41	6.47	6.06	5.08	5.14	5.22	5.50
– lowest	4.19	4.03	4.91	3.66	3.10	3.18	4.29
Number of ordinary shares in issue (million)[1]	656.4	617.4	613.6	608.8	605.2	598.3	537.2
Market capitalisation (£'million)[1]	3 092	3 167	3 442	2 953	2 778	2 286	2 568
Daily average volume of share traded ('000)	1 806	1 474	2 170	1 985	1 305	1 683	1 634

INVESTEC LIMITED

For the period ended	30 Sept 2016	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Closing market price per share (Rands)							
– period ended	84.37	109.91	100.51	84.84	64.26	47.16	52.80
– highest	112.11	121.90	107.35	85.04	69.89	57.36	65.50
– lowest	82.37	93.91	86.02	59.00	41.31	42.00	49.49
Number of ordinary shares in issue (million)[2]	298.1	291.4	285.7	282.9	279.6	276.0	272.8
Market capitalisation (R'million)[2]	80 531	99 886	90 388	75 652	56 857	41 232	42 768
Market capitalisation (£'million)[2]	4 496	4 662	5 045	4 325	4 061	3 340	3 872
Daily average volume of shares traded ('000)	1 295	963	739	810	980	1 033	794

[1] *The LSE only include the shares in issue for Investec plc, i.e. currently 656.4 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*
[2] *The JSE agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited in calculating market capitalisation, i.e. a total of 954.5 million shares in issue.*

As per Basel requirements, the following risk management and capital section will provide details on the quantitative risk disclosure required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2016.

PHILOSOPHY AND APPROACH TO RISK MANAGEMENT

The board risk and capital committee (comprising both executive and non-executive directors) meets six times per annum and approves the overall risk appetite for the Investec group. The group's risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risk arising from running our businesses.

Our comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of our businesses.

Risk awareness, control and compliance are embedded in all our day-to-day activities. We seek to achieve an appropriate balance between risk and reward, taking cognisance of all stakeholders' interests. A strong risk and capital management culture is embedded into our values.

Group Risk Management monitors, manages and reports on our risks to ensure that they are within the stated risk appetite mandated by the board of directors through the board risk and capital committee.

We monitor and control risk exposure through independent credit, market, liquidity, operational, legal risk, internal audit and compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. There are specialist divisions in the UK and South Africa and smaller risk divisions in other regions tasked with promoting sound risk management practices.

Risk Management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives, continually seeking new ways to enhance techniques.

We believe that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite tolerance.

CREDIT AND COUNTERPARTY RISK MANAGEMENT

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

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

- Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected. Our definition of a settlement debtor is a short-term receivable (i.e. less than five days) which is excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in sovereign exposure i.e. the risk of exposure to loss caused by events in other countries. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

To mitigate country risk, there is a preference for primary exposure in the group's main operating geographies. The group will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography and where we have developed a local understanding and capability.

Investec's credit risk appetite with regard to country risk is characterised by the following principles:

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is no specific appetite for exposures outside of the group's pre-existing core geographies or product markets
- The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties, where deemed necessary and where considered economic.

While we do not have a separate country risk committee, the local and global credit committees as well as investment committees and ERRF will consider, analyse and assess the appropriate limits to be recorded when required, to assume exposure to foreign jurisdictions. The local group credit committee has the authority to approve country limits within mandate. The global credit committee, global investment committee or ERRF is responsible for approving country limits that are not within the mandate of local group credit committees.

The relevant credit committees within Investec will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction, or guarantor, is positively correlated with the probability of default of the borrower or counterparty. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the global risk management functions and the various independent credit committees to identify risks falling outside these definitions.

AN ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURES

Credit and counterparty exposures increased by 16.1% to £44.6 billion largely due to growth in loans and advances to customers and cash and near cash balances. Cash and near cash balances amount to £13.1 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities.

£'000	30 Sept 2016	31 March 2016	% change	Average*
Cash and balances at central banks	4 231 526	3 006 026	40.8%	3 618 776
Loans and advances to banks	3 154 517	2 498 585	26.3%	2 826 551
Non-sovereign and non-bank cash placements	571 405	466 573	22.5%	518 989
Reverse repurchase agreements and cash collateral on securities borrowed	2 424 849	2 497 125	(2.9%)	2 460 986
Sovereign debt securities	3 639 215	3 208 862	13.4%	3 424 039
Bank debt securities	641 542	896 855	(28.5%)	769 199
Other debt securities (gross)	1 083 328	949 933	14.0%	1 016 631
Derivative financial instruments	1 130 669	1 081 393	4.6%	1 106 031
Securities arising from trading activities	365 388	419 492	(12.9%)	392 440
Loans and advances to customers (gross)	20 599 312	17 867 823	15.3%	19 233 568
Own originated loans and advances to customers securitised (gross)	521 425	437 542	19.2%	479 484
Other loans and advances (gross)	399 391	350 623	13.9%	375 006
Other securitised assets (gross)	13 721	11 341	21.0%	12 531
Other assets	462 845	500 043	(7.4%)	481 444
Total on-balance sheet exposures	**39 239 133**	**34 192 216**	**14.8%**	**36 715 675**
Guarantees^	930 502	823 147	13.0%	876 824
Contingent liabilities, committed facilities and other	4 439 464	3 415 610	30.0%	3 927 537
Total off-balance sheet exposures	**5 369 966**	**4 238 757**	**26.7%**	**4 804 361**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**44 609 099**	**38 430 973**	**16.1%**	**41 520 036**

* *Where the average is based on a straight-line average for the period 1 April 2016 to 30 September 2016.*
^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

An analysis of gross credit and counterparty exposures by geography

£'000	UK and Other		Southern Africa		Total	
	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016
Cash and balances at central banks	3 778 499	2 636 837	453 027	369 189	4 231 526	3 006 026
Loans and advances to banks	1 235 883	1 103 198	1 918 634	1 395 387	3 154 517	2 498 585
Non-sovereign and non-bank cash placements	–	–	571 405	466 573	571 405	466 573
Reverse repurchase agreements and cash collateral on securities borrowed	460 887	446 954	1 963 962	2 050 171	2 424 849	2 497 125
Sovereign debt securities	966 144	1 252 991	2 673 071	1 955 871	3 639 215	3 208 862
Bank debt securities	177 712	181 365	463 830	715 490	641 542	896 855
Other debt securities (gross)	440 685	393 652	642 643	556 281	1 083 328	949 933
Derivative financial instruments	735 286	572 324	395 383	509 069	1 130 669	1 081 393
Securities arising from trading activities	327 526	393 964	37 862	25 528	365 388	419 492
Loans and advances to customers (gross)	8 456 665	7 946 793	12 142 647	9 921 030	20 599 312	17 867 823
Own originated loans and advances to customers securitised (gross)	–	–	521 425	437 542	521 425	437 542
Other loans and advances (gross)	378 976	331 617	20 415	19 006	399 391	350 623
Other securitised assets (gross)	13 721	11 341	–	–	13 721	11 341
Other assets	317 878	397 409	144 967	102 634	462 845	500 043
Total on-balance sheet exposures	**17 289 862**	**15 668 445**	**21 949 271**	**18 523 771**	**39 239 133**	**34 192 216**
Guarantees^	21 642	68 938	908 860	754 209	930 502	823 147
Contingent liabilities, committed facilities and other	1 540 087	1 209 486	2 899 377	2 206 124	4 439 464	3 415 610
Total off-balance sheet exposures	**1 561 729**	**1 278 424**	**3 808 237**	**2 960 333**	**5 369 966**	**4 238 757**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**18 851 591**	**16 946 869**	**25 757 508**	**21 484 104**	**44 609 099**	**38 430 973**

AN ANALYSIS OF GROSS CREDIT AND COUNTERPARTY EXPOSURES BY GEOGRAPHY

30 Sept 2016
£44 609 million

- 57.7% Southern Africa
- 42.3% UK and Other

31 March 2016
£38 431 million

- 55.9% Southern Africa
- 44.1% UK and Other

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 refer–ence	Total balance sheet
At 30 September 2016				
Cash and balances at central banks	4 231 526	1 752		4 233 278
Loans and advances to banks	3 154 517	-		3 154 517
Non-sovereign and non-bank cash placements	571 405	-		571 405
Reverse repurchase agreements and cash collateral on securities borrowed	2 424 849	-		2 424 849
Sovereign debt securities	3 639 215	-		3 639 215
Bank debt securities	641 542	-		641 542
Other debt securities	1 083 328	(4 072)	2	1 079 256
Derivative financial instruments	1 130 669	505 950		1 636 619
Securities arising from trading activities	365 388	849 905		1 215 293
Investment portfolio	-	806 696	1	806 696
Loans and advances to customers	20 599 312	(222 321)	2	20 376 991
Own originated loans and advances to customers securitised	521 425	(362)	2	521 063
Other loans and advances	399 391	(28 280)	3	371 111
Other securitised assets	13 721	139 412	3	153 133
Interest in associated undertakings	-	331 294	1	331 294
Deferred taxation assets	-	98 641		98 641
Other assets	462 845	1 844 109	4	2 306 954
Property and equipment	-	98 632		98 632
Investment properties	-	1 013 204		1 013 204
Goodwill	-	370 969		370 969
Intangible assets	-	146 845		146 845
Non-current assets (or disposal groups) classified as held for sale	-	27 818		27 818
Other financial instruments at fair value through profit and loss in respect of liabilities to customers	-	7 259 638		7 259 638
Total on-balance sheet exposures	**39 239 133**	**13 239 830**		**52 478 963**

1. *Largely relates to exposures that are classified as investment risk in the banking book. Further information is provided on pages 142 to 144.*
2. *Largely relates to impairments.*
3. *While the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'. Also includes cash in the securitised vehicles.*
4. *Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

A further analysis of our on-balance sheet credit and counterparty exposures *(continued)*

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 31 March 2016				
Cash and balances at central banks	3 006 026	1 243		3 007 269
Loans and advances to banks	2 498 585	–		2 498 585
Non-sovereign and non-bank cash placements	466 573	–		466 573
Reverse repurchase agreements and cash collateral on securities borrowed	2 497 125	–		2 497 125
Sovereign debt securities	3 208 862	–		3 208 862
Bank debt securities	896 855	–		896 855
Other debt securities	949 933	17		949 950
Derivative financial instruments	1 081 393	499 556		1 580 949
Securities arising from trading activities	419 492	699 582		1 119 074
Investment portfolio	–	660 795	1	660 795
Loans and advances to customers	17 867 823	(186 251)	2	17 681 572
Own originated loans and advances to customers securitised	437 542	(299)	2	437 243
Other loans and advances	350 623	(29 006)	3	321 617
Other securitised assets	11 341	148 954	3	160 295
Interest in associated undertakings	–	267 099	1	267 099
Deferred taxation assets	–	112 135		112 135
Other assets	500 043	1 592 618	4	2 092 661
Property and equipment	–	90 888		90 888
Investment properties	–	938 879		938 879
Goodwill	–	368 039		368 039
Intangible assets	–	148 280		148 280
Non-current assets (or disposal groups) classified as held for sale	–	–		–
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	5 847 036		5 847 036
Total on-balance sheet exposures	**34 192 216**	**11 159 565**		**45 351 781**

1. *Largely relates to exposures that are classified as investment risk in the banking book. Further information is provided on pages 142 to 144.*
2. *Largely relates to impairments.*
3. *While the group manages all risks (including credit risk) from a day-to-day operational perspective, certain of these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'. Also includes cash in the securitised vehicles.*
4. *Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit and counterparty exposures by residual contractual maturity at 30 September 2016

£'000	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	Total
Cash and balances at central banks	4 231 526	–	–	–	–	–	4 231 526
Loans and advances to banks	3 070 734	3 130	2 254	77 629	770	–	3 154 517
Non-sovereign and non-bank cash placements	571 405	–	–	–	–	–	571 405
Reverse repurchase agreements and cash collateral on securities borrowed	2 037 566	119 001	10 431	215 172	42 679	–	2 424 849
Sovereign debt securities	1 364 897	685 870	515 735	118 044	436 797	517 872	3 639 215
Bank debt securities	42 349	52 320	37 709	414 702	83 003	11 459	641 542
Other debt securities (gross)	29 499	448	60 205	391 128	280 482	321 566	1 083 328
Derivative financial instruments	251 282	127 264	151 849	293 824	208 679	97 771	1 130 669
Securities arising from trading activities	19 982	–	22 233	117 322	86 287	119 564	365 388
Loans and advances to customers (gross)	2 483 130	1 324 171	1 810 438	9 870 952	2 163 703	2 946 918	20 599 312
Own originated loans and advances to customers securitised (gross)	–	–	245	1 969	21 441	497 770	521 425
Other loans and advances (gross)	1 777	263	3 110	60 560	48 852	284 829	399 391
Other securitised assets (gross)	–	–	–	–	–	13 721	13 721
Other assets	462 845	–	–	–	–	–	462 845
Total on-balance sheet exposures	**14 566 992**	**2 312 467**	**2 614 209**	**11 561 302**	**3 372 693**	**4 811 470**	**39 239 133**
Guarantees^	344 775	48 195	41 740	460 130	21 216	14 446	930 502
Contingent liabilities, committed facilities and other	1 068 076	268 584	418 373	1 541 628	216 171	926 632	4 439 464
Total off-balance sheet exposures	**1 412 851**	**316 779**	**460 113**	**2 001 758**	**237 387**	**941 078**	**5 369 966**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**15 979 843**	**2 629 246**	**3 074 322**	**13 563 060**	**3 610 080**	**5 752 548**	**44 609 099**

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

Detailed analysis of gross credit and counterparty exposures by industry at 30 September 2016

£'000	High net worth and other professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	4 231 526	–	–
Loans and advances to banks	–	–	–	–	–	–	3 154 517
Non-sovereign and non-bank cash placements	–	–	3 232	–	5 640	14 804	102 750
Reverse repurchase agreements and cash collateral on securities borrowed	34 136	–	–	–	–	18 379	2 329 777
Sovereign debt securities	–	–	–	–	3 639 215	–	–
Bank debt securities	–	–	–	–	–	–	641 542
Other debt securities (gross)	–	–	–	38 313	136 493	3 597	269 610
Derivative financial instruments	12 543	–	1 428	90 670	239	45 227	759 261
Securities arising from trading activities	–	–	–	33 824	128 399	–	175 669
Loans and advances to customers (gross)	7 304 390	4 245 776	106 000	830 786	504 840	1 123 699	1 881 499
Own originated loans and advances to customers securitised (gross)	521 425	–	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	152 488
Other securitised assets (gross)	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	2	357 597
Total on-balance sheet exposures	**7 872 494**	**4 245 776**	**110 660**	**993 593**	**8 646 352**	**1 205 708**	**9 824 710**
Guarantees^	253 917	34 104	10 010	56 705	100 129	37 933	214 641
Contingent liabilities, committed facilities and other	1 856 560	603 634	26 634	404 367	94 013	137 243	421 361
Total off-balance sheet exposures	**2 110 477**	**637 738**	**36 644**	**461 072**	**194 142**	**175 176**	**636 002**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**9 982 971**	**4 883 514**	**147 304**	**1 454 665**	**8 840 494**	**1 380 884**	**10 460 712**

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

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
–	–	–	–	–	–	–	–	–	4 231 526
–	–	–	–	–	–	–	–	–	3 154 517
142 360	161 004	14 649	11 020	–	70 141	–	32 930	12 875	571 405
–	40 373	–	–	–	–	–	2 184	–	2 424 849
–	–	–	–	–	–	–	–	–	3 639 215
–	–	–	–	–	–	–	–	–	641 542
–	112 779	–	–	125 048	193 868	4 372	39 206	160 042	1 083 328
37 634	75 558	2 286	21 026	–	45 260	16 134	16 029	7 374	1 130 669
39	1 793	–	882	–	761	172	8 081	15 768	365 388
520 014	1 029 194	275 369	474 123	–	319 411	340 611	1 038 139	605 461	20 599 312
–	–	–	–	–	–	–	–	–	521 425
–	–	–	87	246 816	–	–	–	–	399 391
–	–	–	–	13 721	–	–	–	–	13 721
97 096	4 255	747	–	–	–	2 325	–	823	462 845
797 143	**1 424 956**	**293 051**	**507 138**	**385 585**	**629 441**	**363 614**	**1 136 569**	**802 343**	**39 239 133**
58 066	22 409	7	7 069	–	100 174	9 807	18 052	7 479	930 502
198 067	118 808	24 512	50 070	936	251 711	20 068	179 992	51 488	4 439 464
256 133	**141 217**	**24 519**	**57 139**	**936**	**351 885**	**29 875**	**198 044**	**58 967**	**5 369 966**
1 053 276	**1 566 173**	**317 570**	**564 277**	**386 521**	**981 326**	**393 489**	**1 334 613**	**861 310**	**44 609 099**

Detailed analysis of gross credit and counterparty exposures by industry at 31 March 2016

£'000	High net worth and other professional individuals	Lending collateralised by property – largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	3 006 026	–	–
Loans and advances to banks	–	–	–	–	–	–	2 498 585
Non-sovereign and non-bank cash placements	–	–	12	–	4 771	26 580	157 958
Reverse repurchase agreements and cash collateral on securities borrowed	29 484	–	–	–	–	7 157	2 425 013
Sovereign debt securities	–	–	–	–	3 208 862	–	–
Bank debt securities	–	–	–	–	–	–	896 855
Other debt securities	–	–	–	41 417	133 554	3 382	202 258
Derivative financial instruments	67	–	1 779	54 899	19 947	71 011	737 324
Securities arising from trading activities	–	–	–	24 940	213 788	–	160 629
Loans and advances to customers (gross)	5 956 874	4 124 131	109 985	668 342	436 712	837 229	1 538 641
Own originated loans and advances to customers securitised (gross)	437 542	–	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–	130 953
Other securitised assets (gross)	–	–	–	–	–	–	–
Other assets	–	–	41	–	–	97	420 332
Total on-balance sheet exposures	**6 423 967**	**4 124 131**	**111 817**	**789 598**	**7 023 660**	**945 456**	**9 168 548**
Guarantees^	204 264	39 854	–	46 863	90 709	1 398	329 650
Contingent liabilities, committed facilities and other	1 306 802	352 223	20 427	272 114	20 648	72 219	520 845
Total off-balance sheet exposures	**1 511 066**	**392 077**	**20 427**	**318 977**	**111 357**	**73 617**	**850 495**
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	**7 935 033**	**4 516 208**	**132 244**	**1 108 575**	**7 135 017**	**1 019 073**	**10 019 043**

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

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
–	–	–	–	–	–	–	–	–	3 006 026
–	–	–	–	–	–	–	–	–	2 498 585
84 314	69 508	9 990	–	–	74 846	–	14 776	23 818	466 573
–	31 956	–	–	–	–	–	3 515	–	2 497 125
–	–	–	–	–	–	–	–	–	3 208 862
–	–	–	–	–	–	–	–	–	896 855
–	60 710	–	–	106 246	184 693	4 017	26 914	186 742	949 933
37 983	58 771	1 804	33 496	–	16 979	17 425	22 607	7 301	1 081 393
35	2 481	–	781	–	–	1 093	4 856	10 889	419 492
510 846	976 420	203 047	410 962	–	361 218	313 645	955 582	464 189	17 867 823
–	–	–	–	–	–	–	–	–	437 542
–	–	–	85	219 585	–	–	–	–	350 623
–	–	–	–	11 341	–	–	–	–	11 341
73 640	4 355	147	–	–	–	928	–	503	500 043
706 818	**1 204 201**	**214 988**	**445 324**	**337 172**	**637 736**	**337 108**	**1 028 250**	**693 442**	**34 192 216**
3 553	6 424	14	537	–	87 901	8	3 073	8 899	823 147
182 387	95 145	10 490	38 852	–	297 184	14 340	163 564	48 370	3 415 610
185 940	**101 569**	**10 504**	**39 389**	**–**	**385 085**	**14 348**	**166 637**	**57 269**	**4 238 757**
892 758	**1 305 770**	**225 492**	**484 713**	**337 172**	**1 022 821**	**351 456**	**1 194 887**	**750 711**	**38 430 973**

Private client loans account for 57.2% of total gross core loans and advances, as represented by the industry classification 'high net worth and professional individuals and lending collateralised by property'

Summary analysis of gross credit and counterparty exposures by industry

The remainder of core loans and advances largely relate to corporate client lending and are evenly spread across industry sectors.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, diversified across several industries.

	Gross core loans and advances		Other credit and counterparty exposures		Total	
£'000	**30 Sept 2016**	**31 March 2016**	**30 Sept 2016**	**31 March 2016**	**30 Sept 2016**	**31 March 2016**
High net worth and professional individuals	7 825 815	6 394 416	2 157 156	1 540 617	9 982 971	7 935 033
Lending collateralised by property – largely to private clients	4 245 776	4 124 131	637 738	392 077	4 883 514	4 516 208
Agriculture	106 000	109 985	41 304	22 259	147 304	132 244
Electricity, gas and water (utility services)	830 786	668 342	623 879	440 233	1 454 665	1 108 575
Public and non-business services	504 840	436 712	8 335 654	6 698 305	8 840 494	7 135 017
Business services	1 123 699	837 229	257 185	181 844	1 380 884	1 019 073
Finance and insurance	1 881 499	1 538 641	8 579 213	8 480 402	10 460 712	10 019 043
Retailers and wholesalers	520 014	510 846	533 262	381 912	1 053 276	892 758
Manufacturing and commerce	1 029 194	976 420	536 979	329 350	1 566 173	1 305 770
Construction	275 369	203 047	42 201	22 445	317 570	225 492
Corporate commercial real estate	474 123	410 962	90 154	73 751	564 277	484 713
Other residential mortgages	–	–	386 521	337 172	386 521	337 172
Mining and resources	319 411	361 218	661 915	661 603	981 326	1 022 821
Leisure, entertainment and tourism	340 611	313 645	52 878	37 811	393 489	351 456
Transport	1 038 139	955 582	296 474	239 305	1 334 613	1 194 887
Communication	605 461	464 189	255 849	286 522	861 310	750 711
Total	**21 120 737**	**18 305 365**	**23 488 362**	**20 125 608**	**44 609 099**	**38 430 973**

AN ANALYSIS OF OUR CORE LOANS AND ADVANCES, ASSET QUALITY AND IMPAIRMENTS

Core loans and advances comprise:

£'000	30 Sept 2016	31 March 2016
Loans and advances to customers as per the balance sheet	20 376 991	17 681 572
Add: own originated loans and advances securitised as per the balance sheet	521 063	437 243
Net core loans and advances to customers	**20 898 054**	**18 118 815**

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

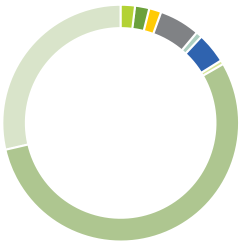
£'000	30 Sept 2016	31 March 2016
Gross core loans and advances to customers	**21 120 737**	**18 305 365**
Total impairments	**(222 683)**	**(186 550)**
Specific impairments	(174 945)	(154 031)
Portfolio impairments	(47 738)	(32 519)
Net core loans and advances to customers	**20 898 054**	**18 118 815**
Average gross core loans and advances to customers	**19 713 051**	**17 873 175**
Current loans and advances to customers	20 370 995	17 713 634
Past due loans and advances to customers (1 – 60 days)	91 624	100 664
Special mention loans and advances to customers	125 403	24 998
Default loans and advances to customers	532 715	466 069
Gross core loans and advances to customers	**21 120 737**	**18 305 365**
Current loans and advances to customers	20 370 995	17 713 634
Default loans that are current and not impaired	46 886	70 718
Gross core loans and advances to customers that are past due but not impaired	294 387	178 238
Gross core loans and advances to customers that are impaired	408 469	342 775
Gross core loans and advances to customers	**21 120 737**	**18 305 365**
Total income statement charge for impairments on core loans and advances	**(46 908)**	**(111 492)**
Gross default loans and advances to customers	532 715	466 069
Specific impairments	(174 945)	(154 031)
Portfolio impairments	(47 738)	(32 519)
Defaults net of impairments	**310 032**	**279 519**
Aggregate collateral and other credit enhancements on defaults	460 213	377 575
Net default loans and advances to customers (limited to zero)	**–**	**–**
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.05%	1.02%
Total impairments as a % of gross default loans	41.80%	40.03%
Gross defaults as a % of gross core loans and advances to customers	2.52%	2.55%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.48%	1.54%
Net defaults as a % of net core loans and advances to customers	–	–
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.48%	0.62%

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

£'000	UK and Other 30 Sept 2016	UK and Other 31 March 2016	Southern Africa 30 Sept 2016	Southern Africa 31 March 2016	Total group 30 Sept 2016	Total group 31 March 2016
Gross core loans and advances to customers	**8 456 665**	**7 946 793**	**12 664 072**	**10 358 572**	**21 120 737**	**18 305 365**
Total impairments	**(157 565)**	**(143 191)**	**(65 118)**	**(43 359)**	**(222 683)**	**(186 550)**
Specific impairments	(125 654)	(121 791)	(49 291)	(32 240)	(174 945)	(154 031)
Portfolio impairments	(31 911)	(21 400)	(15 827)	(11 119)	(47 738)	(32 519)
Net core loans and advances to customers	**8 299 100**	**7 803 602**	**12 598 954**	**10 315 213**	**20 898 054**	**18 118 815**
% of total	39.7%	43.1%	60.3%	56.9%	100.0%	100.0%
% change since March 2016	6.3%*		22.1%*		15.3%	
Average gross core loans and advances to customers	**8 201 729**	**7 598 177**	**11 511 322**	**10 274 998**	**19 713 051**	**17 873 175**
Current loans and advances to customers	8 089 845	7 561 596	12 281 150	10 152 038	20 370 995	17 713 634
Past due loans and advances to customers (1 – 60 days)	39 615	65 909	52 009	34 755	91 624	100 664
Special mention loans and advances to customers	14 985	5 354	110 418	19 644	125 403	24 998
Default loans and advances to customers	312 220	313 934	220 495	152 135	532 715	466 069
Gross core loans and advances to customers	**8 456 665**	**7 946 793**	**12 664 072**	**10 358 572**	**21 120 737**	**18 305 365**
Current loans and advances to customers	8 089 845	7 561 596	12 281 150	10 152 038	20 370 995	17 713 634
Default loans that are current and not impaired	15 070	29 639	31 816	41 079	46 886	70 718
Gross core loans and advances to customers that are past due but not impaired	83 571	99 383	210 816	78 855	294 387	178 238
Gross core loans and advances to customers that are impaired	268 179	256 175	140 290	86 600	408 469	342 775
Gross core loans and advances to customers	**8 456 665**	**7 946 793**	**12 664 072**	**10 358 572**	**21 120 737**	**18 305 365**
Total income statement charge for impairments on core loans and advances	**(30 140)**	**(85 954)**	**(16 768)**	**(25 538)**	**(46 908)**	**(111 492)**
Gross default loans and advances to customers	312 220	313 934	220 495	152 135	532 715	466 069
Specific impairments	(125 654)	(121 791)	(49 291)	(32 240)	(174 945)	(154 031)
Portfolio impairments	(31 911)	(21 400)	(15 827)	(11 119)	(47 738)	(32 519)
Defaults net of impairments	**154 655**	**170 743**	**155 377**	**108 776**	**310 032**	**279 519**
Collateral and other credit enhancements	203 052	202 524	257 161	175 051	460 213	377 575
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**
Ratios:						
Total impairments as a % of gross core loans and advances to customers	1.86%	1.80%	0.51%	0.42%	1.05%	1.02%
Total impairments as a % of gross default loans	50.47%	45.61%	29.53%	28.50%	41.80%	40.03%
Gross defaults as a % of gross core loans and advances to customers	3.69%	3.95%	1.74%	1.47%	2.52%	2.55%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.86%	2.19%	1.23%	1.05%	1.48%	1.54%
Net defaults as a % of net core loans and advances to customers	–	–	–	–	–	–
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.73%	1.13%	0.29%	0.26%	0.48%	0.62%

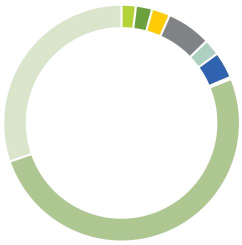
* *Impacted by the depreciation of the Pounds Sterling. The South African loan portfolio grew by 3.4% in Rands and the UK loan portfolio grew by 3.6% on a currency neutral basis, refer to page 54.*

AN ANALYSIS OF GROSS CORE LOANS AND ADVANCES TO CUSTOMERS BY COUNTRY OF EXPOSURE



30 Sept 2016
£21 121 million

2.1%	Africa (excluding RSA)
1.9%	Asia
1.6%	Australia
5.7%	Europe (excluding UK)
0.9%	Europe (Non-EU)
4.0%	North America
0.6%	Other
54.6%	South Africa
28.6%	United Kingdom



31 March 2016
£18 305 million

2.0%	Africa (excluding RSA)
2.3%	Asia
2.4%	Australia
6.3%	Europe (excluding UK)
2.0%	Europe (Non-EU)
3.7%	North America
0.4%	Other
50.7%	South Africa
30.2%	United Kingdom

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

£'000	30 Sept 2016	31 March 2016
Default loans that are current	231 707	229 832
1 – 60 days	147 916	141 417
61 – 90 days	115 786	20 633
91 – 180 days	91 352	57 670
181 – 365 days	58 410	27 842
> 365 days	104 571	114 337
Past due and default core loans and advances to customers (actual capital exposure)	**749 742**	**591 731**
1 – 60 days	10 452	15 251
61 – 90 days	7 864	802
91 – 180 days	36 683	9 219
181 – 365 days	19 805	9 295
> 365 days	89 529	90 028
Past due and default core loans and advances to customers (actual amount in arrears)	**164 333**	**124 595**

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

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
At 30 September 2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	46 886	–	–	–	–	–	46 886
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	130 937	102 097	43 325	4 304	13 724	294 387
Amount in arrears	–	9 697	5 632	33 099	2 144	11 637	62 209
Gross core loans and advances to customers that are impaired							
Total capital exposure	184 821	16 979	13 689	48 027	54 106	90 847	408 469
Amount in arrears	–	755	2 232	3 584	17 661	77 892	102 124
At 31 March 2016							
Watchlist loans neither past due nor impaired							
Total capital exposure	70 718	–	–	–	–	–	70 718
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	124 287	3 912	26 438	4 442	19 159	178 238
Amount in arrears	–	15 001	325	6 258	834	14 460	36 878
Gross core loans and advances to customers that are impaired							
Total capital exposure	159 114	17 130	16 721	31 232	23 400	95 178	342 775
Amount in arrears	–	250	477	2 961	8 461	75 568	87 717

An age analysis of past due and default core loans and advances to customers at 30 September 2016 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**91 624**	**–**	**–**	**–**	**–**	**91 624**
Special mention	**–**	**23 840**	**100 843**	**546**	**138**	**36**	**125 403**
Special mention (1 – 90 days)	–	23 840	92 727	546*	138*	36*	117 287
Special mention (61 – 90 days and item well secured)	–	–	8 116	–	–	–	8 116
Default	**231 707**	**32 452**	**14 943**	**90 806**	**58 272**	**104 535**	**532 715**
Sub-standard	90 980	15 528	11 749	62 335	15 594	59 844	256 030
Doubtful	135 139	16 924	3 006	27 395	41 325	25 701	249 490
Loss	5 588	–	188	1 076	1 353	18 990	27 195
Total	**231 707**	**147 916**	**115 786**	**91 352**	**58 410**	**104 571**	**749 742**

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An age analysis of past due and default core loans and advances to customers at 30 September 2016 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**8 387**	**–**	**–**	**–**	**–**	**8 387**
Special mention	**–**	**1 009**	**5 356**	**404**	**14**	**2**	**6 785**
Special mention (1 – 90 days)	–	1 009	575	404*	14*	2*	2 004
Special mention (61 – 90 days and item well secured)	–	–	4 781	–	–	–	4 781
Default	**–**	**1 056**	**2 508**	**36 279**	**19 791**	**89 527**	**149 161**
Sub-standard	–	438	324	32 867	5 783	52 965	92 377
Doubtful	–	618	1 996	2 337	12 655	17 584	35 190
Loss	–	–	188	1 075	1 353	18 978	21 594
Total	**–**	**10 452**	**7 864**	**36 683**	**19 805**	**89 529**	**164 333**

An age analysis of past due and default core loans and advances to customers at 31 March 2016 (based on total capital exposure)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**100 664**	**–**	**–**	**–**	**–**	**100 664**
Special mention	**–**	**20 123**	**3 558**	**685**	**455**	**177**	**24 998**
Special mention (1 – 90 days)	–	20 123	413	685*	455*	177*	21 853
Special mention (61 – 90 days and item well secured)	–	–	3 145	–	–	–	3 145
Default	**229 832**	**20 630**	**17 075**	**56 985**	**27 387**	**114 160**	**466 069**
Sub-standard	113 334	3 478	4 181	32 892	9 209	66 659	229 753
Doubtful	115 092	17 152	12 885	23 086	17 413	26 422	212 050
Loss	1 406	–	9	1 007	765	21 079	24 266
Total	**229 832**	**141 417**	**20 633**	**57 670**	**27 842**	**114 337**	**591 731**

An age analysis of past due and default core loans and advances to customers at 31 March 2016 (based on actual amount in arrears)

£'000	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	> 365 days	Total
Past due (1 – 60 days)	**–**	**5 772**	**–**	**–**	**–**	**–**	**5 772**
Special mention	**–**	**7 438**	**314**	**31**	**41**	**55**	**7 879**
Special mention (1 – 90 days)	–	7 438	10	31*	41*	55*	7 575
Special mention (61 – 90 days and item well secured)	–	–	304	–	–	–	304
Default	**–**	**2 041**	**488**	**9 188**	**9 254**	**89 973**	**110 944**
Sub-standard	–	1 807	49	6 282	3 965	55 221	67 324
Doubtful	–	234	431	1 899	4 524	13 702	20 790
Loss	–	–	8	1 007	765	21 050	22 830
Total	**–**	**15 251**	**802**	**9 219**	**9 295**	**90 028**	**124 595**

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

£'000	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 30 September 2016								
Current core loans and advances	**20 370 995**	**–**	**–**	**20 370 995**	**–**	**(47 025)**	**20 323 970**	**–**
Past due (1 – 60 days)	**–**	**91 624**	**–**	**91 624**	**–**	**(221)**	**91 403**	**8 387**
Special mention	**–**	**125 403**	**–**	**125 403**	**–**	**(135)**	**125 268**	**6 785**
Special mention (1 – 90 days)	–	117 287	–	117 287	–	(89)	117 198	2 004
Special mention (61 – 90 days and item well secured)	–	8 116	–	8 116	–	(46)	8 070	4 781
Default	**46 886**	**77 360**	**408 469**	**532 715**	**(174 945)**	**(357)**	**357 413**	**149 161**
Sub-standard	46 886	77 360	131 784	256 030	(42 407)	(357)	213 266	92 377
Doubtful	–	–	249 490	249 490	(109 722)	–	139 768	35 190
Loss	–	–	27 195	27 195	(22 816)	–	4 379	21 594
Total	**20 417 881**	**294 387**	**408 469**	**21 120 737**	**(174 945)**	**(47 738)**	**20 898 054**	**164 333**
At 31 March 2016								
Current core loans and advances	**17 713 634**	**–**	**–**	**17 713 634**	**–**	**(32 290)**	**17 681 344**	**–**
Past due (1 – 60 days)	**–**	**100 664**	**–**	**100 664**	**–**	**(155)**	**100 509**	**5 772**
Special mention	**–**	**24 998**	**–**	**24 998**	**–**	**(69)**	**24 929**	**7 879**
Special mention (1 – 90 days)	–	21 853	–	21 853	–	(56)	21 797	7 575
Special mention (61 – 90 days and item well secured)	–	3 145	–	3 145	–	(13)	3 132	304
Default	**70 718**	**52 576**	**342 775**	**466 069**	**(154 031)**	**(5)**	**312 033**	**110 944**
Sub-standard	70 718	52 576	106 459	229 753	(32 378)	(5)	197 370	67 324
Doubtful	–	–	212 050	212 050	(102 068)	–	109 982	20 790
Loss	–	–	24 266	24 266	(19 585)	–	4 681	22 830
Total	**17 784 352**	**178 238**	**342 775**	**18 305 365**	**(154 031)**	**(32 519)**	**18 118 815**	**124 595**

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

£'000	Private client professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 30 September 2016						
Current core loans and advances	**11 531 823**	**6 245 838**	**1 880 934**	**494 859**	**217 541**	**20 370 995**
Past due (1 – 60 days)	**72 245**	**11 945**	**367**	**1 109**	**5 958**	**91 624**
Special mention	**30 895**	**4 131**	**–**	**150**	**90 227**	**125 403**
Special mention (1 – 90 days)	23 469	3 671	–	–	90 147	117 287
Special mention (61 – 90 days and item well secured)	7 426	460	–	150	80	8 116
Default	**436 628**	**76 137**	**198**	**8 722**	**11 030**	**532 715**
Sub-standard	219 587	36 177	–	266	–	256 030
Doubtful	193 724	36 696	123	7 917	11 030	249 490
Loss						–
Total gross core loans and	23 317	3 264	75	539	–	27 195
advances to customers	**12 071 591**	**6 338 051**	**1 881 499**	**504 840**	**324 756**	**21 120 737**
Total impairments	**(177 039)**	**(32 809)**	**(971)**	**(4 065)**	**(7 799)**	**(222 683)**
Specific impairments	(132 276)	(30 722)	(136)	(4 012)	(7 799)	(174 945)
Portfolio impairments	(44 763)	(2 087)	(835)	(53)	–	(47 738)
Net core loans and advances to customers	**11 894 552**	**6 305 242**	**1 880 528**	**500 775**	**316 957**	**20 898 054**
At 31 March 2016						
Current core loans and advances	**10 013 490**	**5 475 475**	**1 535 953**	**432 585**	**256 131**	**17 713 634**
Past due (1 – 60 days)	**79 933**	**15 567**	**41**	**1 299**	**3 824**	**100 664**
Special mention	**24 009**	**210**	**2**	**146**	**631**	**24 998**
Special mention (1 – 90 days)	21 853	–	–	–	–	21 853
Special mention (61 – 90 days and item well secured)	2 156	210	2	146	631	3 145
Default	**401 115**	**51 813**	**2 645**	**2 682**	**7 814**	**466 069**
Sub-standard	206 269	18 786	2 482	2 058	158	229 753
Doubtful	173 229	30 793	122	250	7 656	212 050
Loss	21 617	2 234	41	374	–	24 266
Total gross core loans and advances to customers	**10 518 547**	**5 543 065**	**1 538 641**	**436 712**	**268 400**	**18 305 365**
Total impairments	**(151 687)**	**(27 117)**	**(297)**	**(698)**	**(6 751)**	**(186 550)**
Specific impairments	(121 336)	(25 334)	(102)	(508)	(6 751)	(154 031)
Portfolio impairments	(30 351)	(1 783)	(195)	(190)	–	(32 519)
Net core loans and advances to customers	**10 366 860**	**5 515 948**	**1 538 344**	**436 014**	**261 649**	**18 118 815**

An analysis of core loans and advances by risk category at 30 September 2016

£'000	UK and Other					Southern Africa				
	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Lending collateralised by property	**2 053 019**	**254 709**	**154 689**	**(101 353)**	**(26 468)**	**2 192 757**	**63 109**	**75 929**	**(9 550)**	**(4 358)**
Commercial real estate	**1 210 805**	**101 938**	**58 845**	**(43 308)**	**(11 583)**	**2 027 555**	**39 510**	**50 331**	**(8 215)**	**(4 319)**
Commercial real estate – investment	977 476	53 763	36 449	(17 344)	(10 344)	1 810 251	33 548	41 764	(6 802)	(4 626)
Commercial real estate – development	127 547	11 252	3 762	(7 491)	(329)	140 700	–	–	–	325
Commercial vacant land and planning	105 782	36 923	18 634	(18 473)	(910)	76 604	5 962	8 567	(1 413)	(18)
Residential real estate	**842 214**	**152 771**	**95 844**	**(58 045)**	**(14 885)**	**165 202**	**23 599**	**25 598**	**(1 335)**	**(39)**
Residential real estate – investment	295 929	69 139	45 767	(23 401)	(10 164)	–	–	–	–	–
Residential real estate – development	496 845	55 115	29 162	(25 953)	(3 454)	87 366	18 903	20 943	(126)	(114)
Residential vacant land and planning	49 440	28 517	20 915	(8 691)	(1 267)	77 836	4 696	4 655	(1 209)	75
High net worth and other private client lending	**1 557 067**	**25 560**	**34 357**	**(6 356)**	**(917)**	**6 268 748**	**93 250**	**129 489**	**(15 017)**	**(5 999)**
Mortgages	1 161 400	10 440	23 598	(658)	(359)	3 296 851	37 035	52 389	(3 084)	(1 074)
High net worth and specialised lending	395 667	15 120	10 759	(5 698)	(558)	2 971 897	56 215	77 100	(11 933)	(4 925)
Corporate and other lending	**4 846 579**	**31 951**	**14 006**	**(17 945)**	**(2 755)**	**4 202 567**	**64 136**	**51 743**	**(24 723)**	**(6 411)**
Acquisition finance	1 068 688	–	–	–	943	686 781	11 783	11 170	(2 246)	1 859
Asset-based lending	320 598	–	–	–	–	296 299	11 030	6 162	(7 799)	(1 117)
Fund finance	752 077	–	–	–	–	228 039	–	–	–	(522)
Other corporates and financial institutions and governments	696 278	–	–	–	–	2 359 690	14 983	7 761	(4 301)	(3 580)
Asset finance	1 358 657	12 351	4 492	(7 859)	(3 039)	252 518	12 644	21 342	–	(583)
Small ticket asset finance	1 012 057	12 351	4 492	(7 859)	(3 039)	94 996	–	–	–	(17)
Large ticket asset finance	346 600	–	–	–	–	157 522	12 644	21 342	–	(566)
Project finance	629 907	3 801	3 707	(94)	(204)	354 637	–	–	–	51
Resource finance	20 374	15 799	5 807	(9 992)	(455)	24 603	13 696	5 308	(10 377)	(2 519)
Portfolio impairments				**(31 911)**					**(15 828)**	
Total	**8 456 665**	**312 220**	**203 052**	**(157 565)**	**(30 140)**	**12 664 072**	**220 495**	**257 161**	**(65 118)**	**(16 768)**

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

Total group				
Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impair-ments	Income statement impair-ments^
4 245 776	**317 818**	**230 618**	**(110 903)**	**(30 826)**
3 238 360	**141 448**	**109 176**	**(51 523)**	**(15 902)**
2 787 727	87 311	78 213	(24 146)	(14 970)
268 247	11 252	3 762	(7 491)	(4)
182 386	42 885	27 201	(19 886)	(928)
1 007 416	**176 370**	**121 442**	**(59 380)**	**(14 924)**
295 929	69 139	45 767	(23 401)	(10 164)
584 211	74 018	50 105	(26 079)	(3 568)
127 276	33 213	25 570	(9 900)	(1 192)
7 825 815	**118 810**	**163 846**	**(21 373)**	**(6 916)**
4 458 251	47 475	75 987	(3 742)	(1 433)
3 367 564	71 335	87 859	(17 631)	(5 483)
9 049 146	**96 087**	**65 749**	**(42 668)**	**(9 166)**
1 755 469	11 783	11 170	(2 246)	2 802
616 897	11 030	6 162	(7 799)	(1 117)
980 116	–	–	–	(522)
3 055 968	14 983	7 761	(4 301)	(3 580)
1 611 175	24 995	25 834	(7 859)	(3 622)
1 107 053	12 351	4 492	(7 859)	(3 056)
504 122	12 644	21 342	–	(566)
984 544	3 801	3 707	(94)	(153)
44 977	29 495	11 115	(20 369)	(2 974)
–	**–**	**–**	**(47 739)**	**–**
21 120 737	**532 715**	**460 213**	**(222 683)**	**(46 908)**

An analysis of core loans and advances by risk category at 31 March 2016

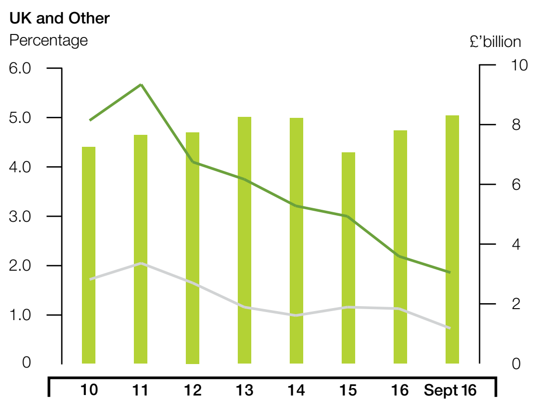
£'000	UK and Other					Southern Africa				
	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impair-ments	Income state-ment impair-ments^	Gross core loans	Gross defaults	Aggregate collateral and other credit enhance-ments on defaults	Balance sheet impair-ments	Income state-ment impair-ments^
Lending collateralised by property	**2 179 999**	**264 283**	**168 722**	**(101 064)**	**(65 891)**	**1 944 132**	**45 974**	**54 685**	**(6 395)**	**(3 897)**
Commercial real estate	**1 314 745**	**108 746**	**64 068**	**(45 030)**	**(28 293)**	**1 783 219**	**23 698**	**31 486**	**(4 405)**	**(3 403)**
Commercial real estate – investment	1 096 376	61 090	43 958	(17 151)	(18 450)	1 617 704	17 345	22 798	(2 980)	(1 957)
Commercial real estate – development	109 086	11 138	3 647	(7 491)	(553)	112 861	1 450	1 122	(470)	(395)
Commercial vacant land and planning	109 283	36 518	16 463	(20 388)	(9 290)	52 654	4 903	7 566	(955)	(1 051)
Residential real estate	**865 254**	**155 537**	**104 654**	**(56 034)**	**(37 598)**	**160 913**	**22 276**	**23 199**	**(1 990)**	**(494)**
Residential real estate – investment	298 740	72 449	55 151	(20 907)	(11 646)	–	–	–	–	–
Residential real estate – development	516 352	56 651	30 390	(26 854)	(21 425)	78 934	9 196	10 285	(92)	(3 446)
Residential vacant land and planning	50 162	26 437	19 113	(8 273)	(4 527)	81 979	13 080	12 914	(1 898)	2 952
High net worth and other private client lending	**1 458 552**	**19 532**	**18 650**	**(5 760)**	**(7 147)**	**4 935 864**	**71 326**	**103 004**	**(8 117)**	**(13 775)**
Mortgages	1 146 241	4 307	7 489	(600)	(43)	2 639 243	23 782	40 167	(1 911)	(2 307)
High net worth and specialised lending	312 311	15 225	11 161	(5 160)	(7 104)	2 296 621	47 544	62 837	(6 206)	(11 468)
Corporate and other lending	**4 308 242**	**30 119**	**15 152**	**(14 967)**	**(12 916)**	**3 478 576**	**34 835**	**17 362**	**(17 728)**	**(7 866)**
Acquisition finance	899 190	–	–	–	(1 120)	693 535	15 581	13 515	(3 305)	(4 784)
Asset-based lending	296 389	–	–	–	–	246 614	7 814	2 667	(6 751)	(2 485)
Fund finance	673 379	–	–	–	–	173 603	–	–	–	(434)
Other corporates and financial institutions and governments	766 815	–	–	–	–	1 843 691	5 025	1 180	(1 256)	(506)
Asset finance	1 205 400	11 891	5 961	(5 930)	(3 683)	193 146	–	–	–	982
Small ticket asset finance	932 865	11 891	5 961	(5 930)	(3 683)	67 266	–	–	–	610
Large ticket asset finance	272 535	–	–	–	–	125 880	–	–	–	372
Project finance	449 266	3 708	3 708	–	(2 354)	304 005	–	–	–	5 947
Resource finance	17 803	14 520	5 483	(9 037)	(5 759)	23 982	6 415	–	(6 416)	(6 586)
Portfolio impairments				**(21 400)**					**(11 119)**	
Total	**7 946 793**	**313 934**	**202 524**	**(143 191)**	**(85 954)**	**10 358 572**	**152 135**	**175 051**	**(43 359)**	**(25 538)**

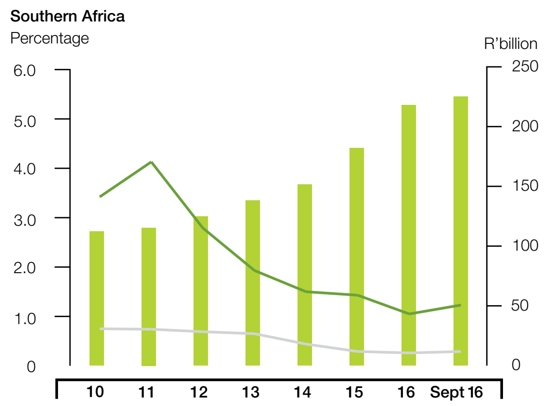
^ *Where a positive number represents a recovery or provision released.*

Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments^
Total group				
4 124 131	**310 257**	**223 407**	**(107 459)**	**(69 788)**
3 097 964	**132 444**	**95 554**	**(49 435)**	**(31 696)**
2 714 080	78 435	66 756	(20 131)	(20 407)
221 947	12 588	4 769	(7 961)	(948)
161 937	41 421	24 029	(21 343)	(10 341)
1 026 167	**177 813**	**127 853**	**(58 024)**	**(38 092)**
298 740	72 449	55 151	(20 907)	(11 646)
595 286	65 847	40 675	(26 946)	(24 871)
132 141	39 517	32 027	(10 171)	(1 575)
6 394 416	**90 858**	**121 654**	**(13 877)**	**(20 922)**
3 785 484	28 089	47 656	(2 511)	(2 350)
2 608 932	62 769	73 998	(11 366)	(18 572)
7 786 818	**64 954**	**32 514**	**(32 695)**	**(20 782)**
1 592 725	15 581	13 515	(3 305)	(5 904)
543 003	7 814	2 667	(6 751)	(2 485)
846 982	–	–	–	(434)
2 610 506	5 025	1 180	(1 256)	(506)
1 398 546	11 891	5 961	(5 930)	(2 701)
1 000 131	11 891	5 961	(5 930)	(3 073)
398 415	–	–	–	372
753 271	3 708	3 708	–	3 593
41 785	20 935	5 483	(15 453)	(12 345)
			(32 519)	
18 305 365	**466 069**	**377 575**	**(186 550)**	**(111 492)**

Additional information

ASSET QUALITY TRENDS





Credit loss ratio (LHS) Defaults (net of impairments) as a % of net core advances (LHS) Net core loans (RHS)

COLLATERAL

A summary of total collateral is provided in the table below.

£'000	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
At 30 September 2016			
Eligible financial collateral	**3 967 132**	**1 772 085**	**5 739 217**
Listed shares	3 812 433	573 638	4 386 071
Cash	154 699	144 816	299 515
Debt securities issued by sovereigns	–	1 053 631	1 053 631
Property charge	**21 177 183**	**235 556**	**21 412 739**
Residential property	10 385 840	230 259	10 616 099
Residential development	880 985	–	880 985
Commercial property developments	833 590	5 297	838 887
Commercial property investments	9 076 768	–	9 076 768
Other collateral	**7 985 973**	**158 253**	**8 144 226**
Unlisted shares	1 113 639	–	1 113 639
Charges other than property	760 981	153 846	914 827
Debtors, stock and other corporate assets	3 516 651	–	3 516 651
Guarantees	1 895 034	1 087	1 896 121
Other	699 668	3 320	702 988
Total collateral	**33 130 288**	**2 165 894**	**35 296 182**
At 31 March 2016			
Eligible financial collateral	**2 762 325**	**1 561 976**	**4 324 301**
Listed shares	2 645 382	450 273	3 095 655
Cash	116 943	110 224	227 167
Debt securities issued by sovereigns	–	1 001 479	1 001 479
Property charge	**18 379 627**	**237 226**	**18 616 853**
Residential property	9 267 056	232 275	9 499 331
Residential development	780 534	–	780 534
Commercial property development	759 146	4 951	764 097
Commercial property investments	7 572 891	–	7 572 891
Other collateral	**6 859 833**	**199 595**	**7 059 428**
Unlisted shares	1 065 031	–	1 065 031
Charges other than property	552 183	135 508	687 691
Debtors, stock and other corporate assets	2 997 267	–	2 997 267
Guarantees	1 632 448	1 679	1 634 127
Other	612 904	62 408	675 312
Total collateral	**28 001 785**	**1 998 797**	**30 000 582**

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

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

Investment risk in the banking book

INVESTMENT RISK DESCRIPTION

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

- **Principal Investments:** Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. Investments in listed shares may arise on the IPO of one of our investments. Additionally, listed investments may be considered where we believe that the market is mispricing the value of the underlying security or where there is the opportunity to stimulate corporate activity. In South Africa, a material portion of the principal investments have been transferred to a new vehicle, Investec Equity Partners (IEP) on 11 January 2016. Investec Bank Limited holds a 45% stake alongside other strategic investors who hold the remaining 55% in IEP. The investment in IEP is reflected as an investment in an associate. We continue to pursue opportunities to help create and grow black-owned and controlled companies.
- **Lending transactions:** The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- **Property activities:** We source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters
- **Central Funding:** In South Africa Central Funding is the custodian of certain equity and property investments.

VALUATION AND ACCOUNTING METHODOLOGIES

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

For the six months to 30 September 2016 £'000 Country/category	Income/(loss) (pre-funding costs) Unrealised°	Realised°	Dividends	Other	Total	Fair value through equity
Unlisted investments	**(3 615)**	**12 588**	**12 467**	**–**	**21 440**	**319**
UK and Other	11 121	10 470	7 281	–	28 872	408
Southern Africa	(14 736)	2 118	5 186	–	(7 432)	(89)
Listed equities	**(10 090)**	**10**	**3 501**	**–**	**(6 579)**	**(1 982)**
UK and Other	(13 926)	–	1 272	–	(12 654)	(1 198)
Southern Africa	3 836	10	2 229	–	6 075	(784)
Investment and trading properties	**(15 232)**	**21 602**	**–**	**–**	**6 370**	**–**
UK and Other	(12 578)	18 616	–	–	6 038	–
Southern Africa^	(2 654)	2 986	–	–	332	–
Warrants, profit shares and other embedded derivatives	**(3 032)**	**5 011**	**–**	**–**	**1 979**	**–**
UK and Other	(3 994)	–	–	–	(3 994)	–
Southern Africa	962	5 011	–	–	5 973	–
Investment in associate (IEP)^^	**–**	**–**	**–**	**8 453**	**8 453**	**–**
Southern Africa	–	–	–	8 453	8 453	–
Total	**(31 969)**	**39 211**	**15 968**	**8 453**	**31 663**	**(1 663)**

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 28.6%. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

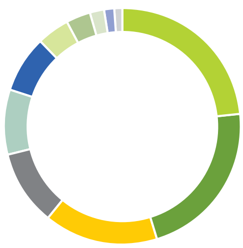
^^ *As explained on page 16.*

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

For the year to 31 March 2016 £'000 Country/category	Income (pre-funding costs) Unrealised°	Realised°	Dividends	Total	Fair value through equity
Unlisted investments	**(144 135)**	**226 911**	**24 716**	**107 492**	**(63)**
UK and Other	15 674	14 099	15 419	45 192	12
Southern Africa	(159 809)	212 812	9 297	62 300	(75)
Listed equities	**15 367**	**(6 094)**	**3 680**	**12 953**	**834**
UK and Other	2 340	(7 249)	–	(4 909)	1 499
Southern Africa	13 027	1 155	3 680	17 862	(665)
Investment and trading properties	**377**	**12 366**	**–**	**12 743**	**–**
UK and Other	(3 145)	2 364	–	(781)	–
Southern Africa^	3 522	10 002	–	13 524	–
Warrants, profit shares and other embedded derivatives	**(4 772)**	**16 545**	**–**	**11 773**	**–**
UK and Other	(2 452)	3 469	–	1 017	–
Southern Africa	(2 320)	13 076	–	10 756	–
Investment in associate (IEP)	**–**	**–**	**–**	**–**	**–**
Southern Africa	–	–	–	–	–
Total	**(133 163)**	**249 728**	**28 396**	**144 961**	**771**

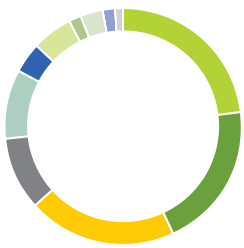
^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 28.6% in 2016. It is noted that the ultimate impact on the income statement reflects the group's net attributable earnings from the investment.*

AN ANALYSIS OF THE INVESTMENT PORTFOLIO, WARRANTS, PROFIT SHARES AND OTHER EMBEDDED DERIVATIVES BY INDUSTRY OF EXPOSURE



30 Sept 2016
£873 million

23.6%	Manufacturing and commerce
21.8%	Real estate
15.5%	Finance and insurance
10.3%	Transport
9.0%	Mining and resources
7.7%	Communication
4.5%	Retailers and wholesalers
3.4%	Electricity, gas and water (utility services)
1.9%	Other
1.2%	Business services
1.1%	Agriculture



31 March 2016
£705 million

23.1%	Manufacturing and commerce
20.2%	Real estate
20.1%	Finance and insurance
10.2%	Transport
9.4%	Mining and resources
4.0%	Communication
5.6%	Retailers and wholesalers
1.8%	Electricity, gas and water (utility services)
3.0%	Other
1.5%	Business services
1.1%	Agriculture

Additional information

SUMMARY OF INVESTMENTS HELD AND STRESS TESTING ANALYSES

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

£'000 Country/category	On-balance sheet value of investments 30 Sept 2016	Valuation change stress test 30 Sept 2016*	On-balance sheet value of investments 31 March 2016	Valuation change stress test 31 March 2016*
Unlisted investments**	**653 994**	**98 099**	**499 803**	**74 970**
UK and Other	445 319	66 798	363 060	54 459
Southern Africa	208 675	31 301	136 743	20 511
Listed equities**	**180 520**	**45 131**	**160 992**	**40 248**
UK and Other	81 118	20 280	87 940	21 985
Southern Africa	99 402	24 851	73 052	18 263
Total listed equities and unlisted investments	**834 514**	**143 230**	**660 795**	**115 218**
UK and Other	526 437	87 078	451 000	76 444
Southern Africa	308 077	56 152	209 795	38 774
Investment and trading properties	**641 774**	**90 475**	**587 089**	**70 209**
UK and Other	124 769	24 954	183 073	28 709
Southern Africa^	517 005	65 521	404 016	41 500
Warrants, profit shares and other embedded derivatives	**38 873**	**13 606**	**44 123**	**15 443**
UK and Other	24 900	8 715	32 902	11 516
Southern Africa	13 973	4 891	11 221	3 927
Investment in associate (IEP)^^	**295 224**	**44 284**	**239 636**	**35 945**
Southern Africa	295 224	44 284	239 636	35 945
Total	**1 810 385**	**291 595**	**1 531 643**	**236 815**

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

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

^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 28.6% (March 2016: 28.6%).*

^^ *As explained on page 16.*

Stress test values applied	
Unlisted investments and IEP	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 2016, as reflected above, we could have a £292 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not cause the group to report a loss, but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

Securitisation/ structured credit activities exposures

OVERVIEW

The group's definition of securitisation/ structured credit activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We, however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

The group applies the standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures at 30 September 2016 are not material, and therefore no further information is disclosed for these positions.

The information below sets out the initiatives we have focused on over the past few years, albeit that most of these business lines have been curtailed given the changes in the securitisation market and given the strategic divestments Investec undertook in the 2014 and 2015 financial years.

UK and Other

During the six months to September 2016 we did not undertake any new securitisation transactions.

The primary focus for new securitisation transactions remains to provide a cost effective, alternative source of financing to the bank.

For regulatory purposes, structured entities are not consolidated where significant risk in the structured entities has been transferred to third parties. The positions we continue to hold in these securitisations will be either risk weighted and/or deducted from capital.

We hold rated structured credit instruments (including resecuritisation exposures) of £439 million at 30 September 2016 (31 March 2016: £343 million). These exposures are largely AAA and AA rated, in the UK and US.

South Africa

In South Africa, our securitisation business was established over 15 years ago. Over this time, we have arranged a number of residential and commercial mortgage-backed programmes, asset-backed commercial paper conduits (ABCP), and third party securitisations.

Historically, we have also assisted in the development of select securitisation platforms with external third party originating intermediaries. Our exposure to these platforms has reduced and been sold down over the last few years and at present we have a single limited warehouse funding line to one platform.

Furthermore, we are sponsor to and provide a standby liquidity facility to Private Mortgages 1. This facility, which totalled R1 million at 30 September 2016 (31 March 2016: R15 million), has not been drawn on and is reflected as off-balance sheet contingent exposures in terms of our credit analysis.

This exposure is risk weighted for regulatory capital purposes. The liquidity risk associated with this facility is included in the stress testing for the group and is managed in accordance with our overall liquidity position.

We have also sought out select opportunities in the credit/debt markets and traded and purchased in structured credit. These have largely been South African RMBS which totalled R1.1 billion at 30 September 2016.

In addition, we have own originated, securitised assets in our Private Client business in South Africa. The primary motivations for the securitisation of assets within our Private Client division are to:

- Provide an alternative source of funding
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios.

Total assets that have been originated and securitised by the Private Client division amount to R9.3 billion at 30 September 2016 (31 March 2016: R9.2 billion) and consist of residential mortgages (R9.3 billion). Within these securitisation vehicles loans greater than 90 days in arrears amounted to R6.6 million.

Fox Street 1 (FS1) to Fox Street 5 (FS5) are rated by Global Credit Ratings. The group has acted as sole originator and sponsor in these securitisation transactions, which are considered to be traditional securitisations and in which a complete transfer of risk has deemed to have occurred for regulatory capital purposes.

The group has retained an investment in all of these transactions. In terms of current securitisation rules, the group cannot act as liquidity provider to these transactions, and thus for these Fox Street structures, the special purpose entity has an internal liquidity reserve that has been funded. Credit mitigants have not been used in these transactions. An exemption notice in terms of securitisation rules has been applied for in relation to the FS1 and FS2 transactions. The FS3 to FS5 CLF transactions are within scope of the Bank's Act.

For regulatory capital purposes, the equity tranche held in the FS1 and FS2 transaction, is treated as a deduction against capital. The capital treatment of CLF transactions is the same as if the homeloans were still on the balance sheet. The group has no resecuritisation exposures in South Africa.

CREDIT ANALYSIS

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.
In addition, assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/ structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities.

Nature of exposure/activity	Exposure 30 Sept 2016 £'million	Exposure 31 March 2016 £'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)*	542	392	Other debt securities and other loans and advances	
Rated	474	380		
Unrated	68	12		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised)	178	174	Other loans and advances	
Private Client division assets which have been securitised	521	437	Own originated loans and advances to customers	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 129
South Africa – liquidity facilities provided to third party corporate securitisation vehicles	–	1	Off-balance sheet	

* *Analysed further on page 147.*

*Analysis of structured credit

£'million	30 September 2016 Rated**	Unrated	Total	31 March 2016 Rated	Unrated	Total
US corporate loans	175	–	175	152	–	152
UK and European ABS	4	–	4	–	–	–
UK and European RMBS	235	11	246	182	12	194
UK and European corporate loans	54	–	54	40	–	40
Australian RMBS	6	–	6	6	–	6
South African RMBS	–	57	57	–	–	–
Total	**474**	**68**	**542**	**380**	**12**	**392**
Investec plc	439	11	450	343	12	355
Investec Limited	35	57	92	37	–	37

**Further analysis of rated structured credit at 30 September 2016

£'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	101	40	34	–	–	–	–	175
UK and European ABS	–	–	–	4	–	–	–	4
UK and European RMBS	59	115	50	–	9	2	–	235
UK and European corporate loans	17	21	15	1	–	–	–	54
Australian RMBS	–	6	–	–	–	–	–	6
Total at 30 September 2016	**177**	**182**	**99**	**5**	**9**	**2**	**–**	**474**
Total at 31 March 2016	**148**	**128**	**87**	**6**	**–**	**11**	**–**	**380**

Market risk in the trading book

TRADED MARKET RISK DESCRIPTION

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

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

TRADED MARKET RISK GOVERNANCE STRUCTURE

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels.

A global market risk forum, mandated by the various boards of directors, manages the market risks in accordance with pre-approved principles and policies. Risk limits are reviewed and set at the global market risk forum and ratified at ERRF in accordance with the risk appetite defined by the board. The appropriateness of limits is continually assessed with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

MANAGEMENT AND MEASUREMENT OF TRADED MARKET RISK

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

These reports are distributed to management and traders. There is a formal process for management recognition and authorisation for any risk excesses incurred. The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Trading limits are generally tiered, taking into account liquidity and the inherent risks of traded instruments. Valuation models for new instruments or products are independently validated by market risk before trading can commence. Each traded instrument undergoes various stresses to assess potential losses.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR (sVaR), expected 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% and 99% confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case scenarios that are not necessarily as plausible.

The accuracy of the VaR model as a predictor of potential loss is continuously monitored through backtesting. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a backtesting exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested.

In South Africa, we have internal model approval from the SARB for general market risk for all trading desks with the exception of credit trading and therefore trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day sVaR together with standardised specific risk capital for issuer risk. Backtesting results and a detailed stress-testing packs are submitted to the regulator on a monthly basis. In the UK, the market risk capital requirement is calculated using the standardised approach. For certain options, the group has obtained permission from the PRA to use an internal model to calculate the delta for these positions.

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

VAR

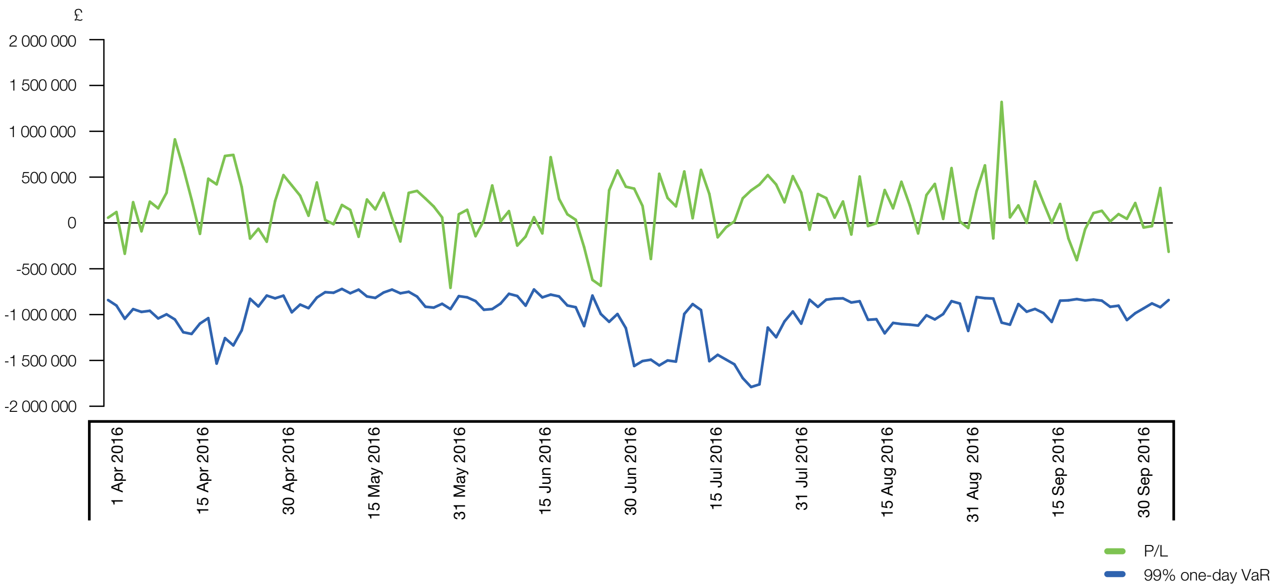
	30 September 2016				31 March 2016			
	Period end	Average	High	Low	Period end	Average	High	Low
UK and Other (using 95% VaR)								
Equities (£'000)	503	561	1 317	340	515	557	699	412
Foreign exchange (£'000)	16	47	158	6	37	32	101	12
Interest rates (£'000)	217	218	287	136	202	195	505	128
Consolidated (£'000)*	**508**	**606**	**1 364**	**415**	**529**	**589**	**723**	**488**
Southern Africa (using 95% VaR)								
Commodities (R'million)	0.5	0.1	0.5	–	0.1	0.1	0.2	–
Equities (R'million)	7.1	3.4	22.8	1.9	2.6	2.3	5.8	1.2
Foreign exchange (R'million)	1.5	1.7	5.3	1.0	3.0	2.6	6.4	1.2
Interest rates (R'million)	1.4	1.4	2.6	0.6	1.1	1.2	3.0	0.5
Consolidated (R'million)*	**6.8**	**3.9**	**21.8**	**2.1**	**4.8**	**3.9**	**8.5**	**1.8**

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

UK and Other

The average VaR utilisation for the six months to 30 September 2016 was slightly higher than the average over the same period to 31 March 2016, largely as a result of increased exposure to equity risk held within the trading businesses. Using hypothetical (clean) profit and loss data for backtesting resulted in zero exceptions over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is not a significant deviation from the expected number of exceptions at the 99% level.

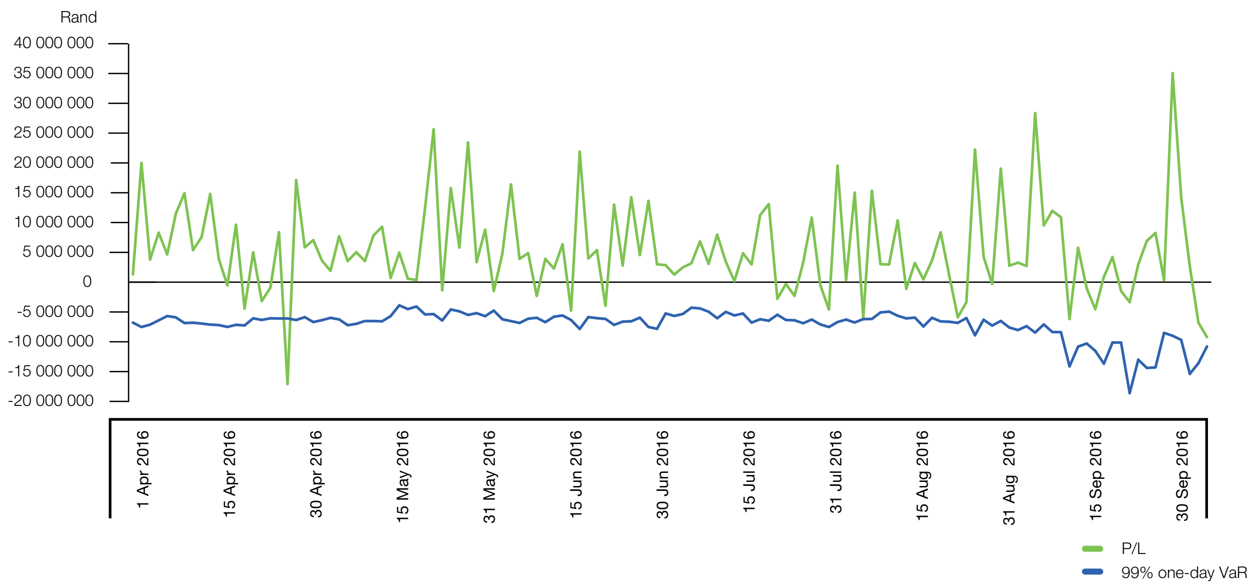
99% ONE-DAY VaR BACKTESTING



Southern Africa

Average VaR for the six months to 30 September 2016 in the South African trading book was unchanged as compared to the average as at 31 March 2016. The increase in VaR on the equities desk was offset by a decrease in VaR on the foreign exchange desk. Using hypothetical (clean) profit and loss data for backtesting resulted in one exception (as shown in the graph below). This is not a significant deviation from the expected number of exceptions at 99% level. The exception was due to normal trading losses.

99% ONE-DAY VaR BACKTESTING



ETL

	UK and Other 95% (one-day) £'000	Southern Africa 95% (one-day) R'million
30 September 2016		
Commodities	–	0.7
Equities	750	11.2
Foreign exchange	31	2.2
Interest rates	274	2.3
Consolidated*	**848**	**11.0**
31 March 2016		
Commodities	–	0.2
Equities	662	6.2
Foreign exchange	53	4.4
Interest rates	257	1.7
Consolidated*	**783**	**8.4**

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

STRESS TESTING

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

	30 September 2016				
	Period end	Average	High	Low	31 March 2016 Year end
UK and Other (using 99% EVT)					
Equities (£'000)	1 692	1 822	3 825	767	1 549
Foreign exchange (£'000)	84	216	619	49	122
Interest rates (£'000)	486	577	868	386	470
Consolidated (£'000)#	**2 082**	**2 319**	**3 735**	**1 404**	**1 772**
Southern Africa (using 99% EVT)					
Commodities (R'million)	2.2	0.3	2.2	0.1	0.4
Equities (R'million)	37.4	40.9	90.9	23.6	48.3
Foreign exchange (R'million)	6.4	7.1	22.5	3.5	11.7
Interest rates (R'million)	9.6	8.8	17.6	3.7	7.6
Consolidated (R'million)#	**36.6**	**39.5**	**95.2**	**17.7**	**47.2**

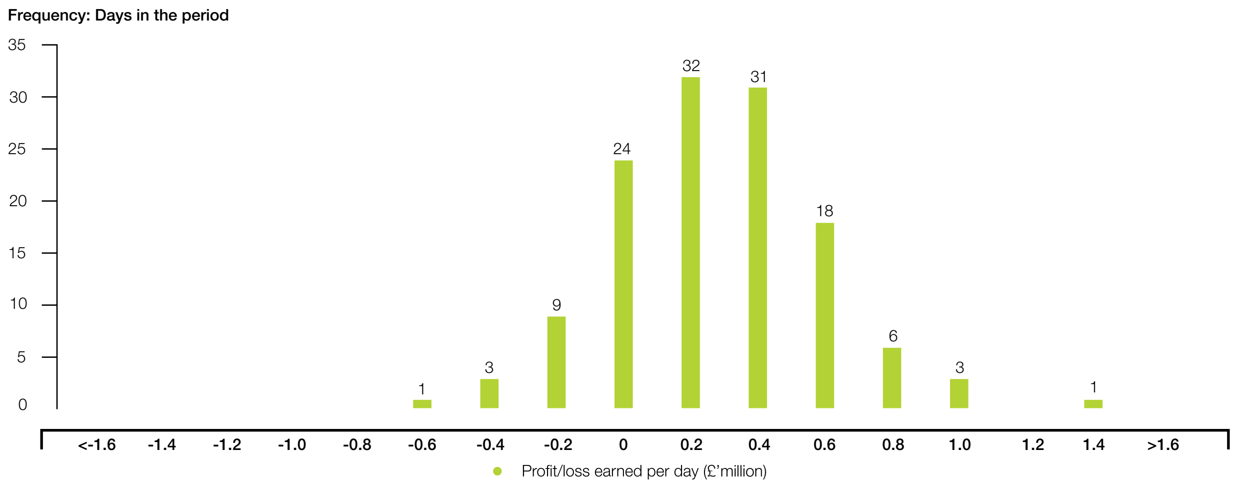
\# *The consolidated stress testing for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).*

PROFIT AND LOSS HISTOGRAMS

UK and Other

The histogram below illustrates the distribution of revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 91 days out of a total of 128 days in the trading business for the six months to 30 September 2016. The average daily trading revenue generated for the six months to 30 September 2016 was £182 714 (year to 31 March 2016: £124 250).

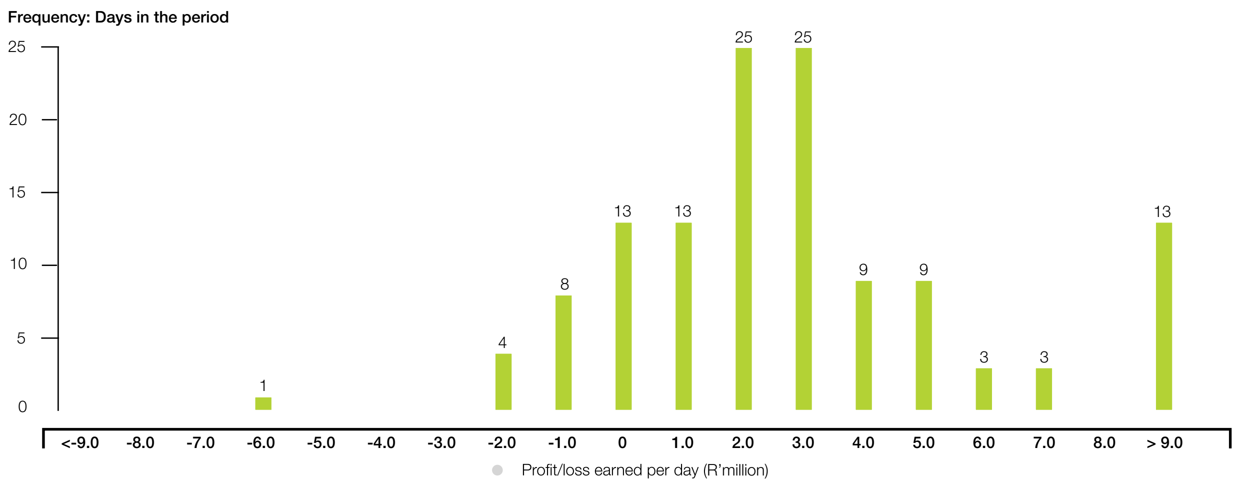
PROFIT AND LOSS



Southern Africa

The histogram below illustrates the distribution of daily revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 100 days out of a total of 126 days in the trading business for the six months to 30 September 2016. The average daily trading revenue generated for the six months to 30 September 2016 was R2.9 million (31 March 2016: R2.1 million).

PROFIT AND LOSS



Balance sheet risk management

BALANCE SHEET RISK DESCRIPTION

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

LIQUIDITY RISK

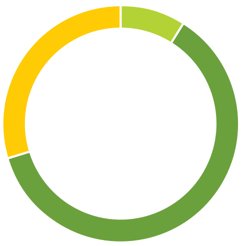
Liquidity risk description

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

Liquidity risk is further broken down into:

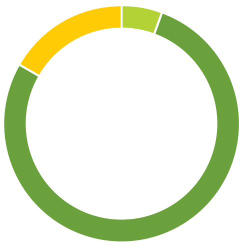
- **Funding liquidity:** which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation.
- **Market liquidity:** which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

AN ANALYSIS OF CASH AND NEAR CASH AT 30 SEPTEMBER 2016



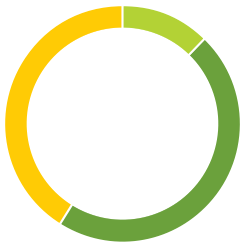
Total group
£13 114 million

9.1%	Near cash (other 'monetisable' assets)
61.4%	Central Bank cash placements and guaranteed liquidity
29.5%	Cash



Investec plc
£6 187 million

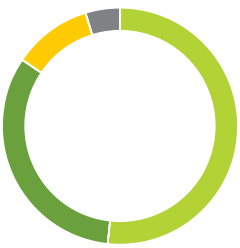
5.8%	Near cash (other 'monetisable' assets)
77.8%	Central Bank cash placements and guaranteed liquidity
16.4%	Cash



Investec Limited
R123 878 million

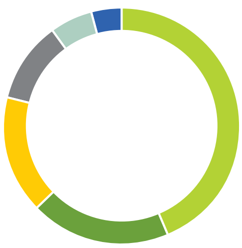
12.0%	Near cash (other 'monetisable' assets)
46.8%	Central Bank cash placements and guaranteed liquidity
41.2%	Cash

BANK AND NON-BANK DEPOSITOR CONCENTRATION BY TYPE AT 30 SEPTEMBER 2016



UK and Other
£12 636 million

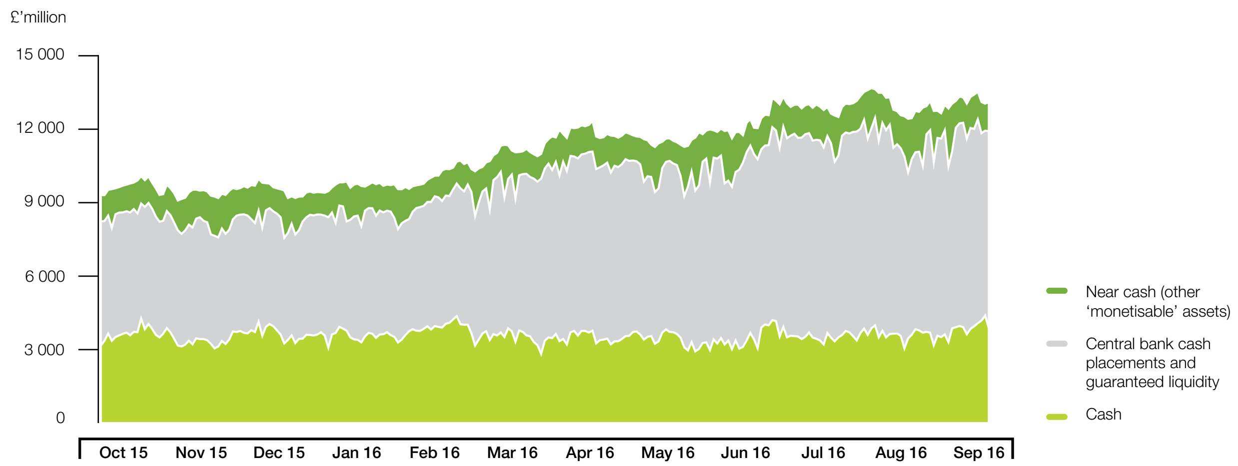
51.7%	Individuals
33.0%	Non-financial corporates
10.6%	Small business
4.7%	Banks



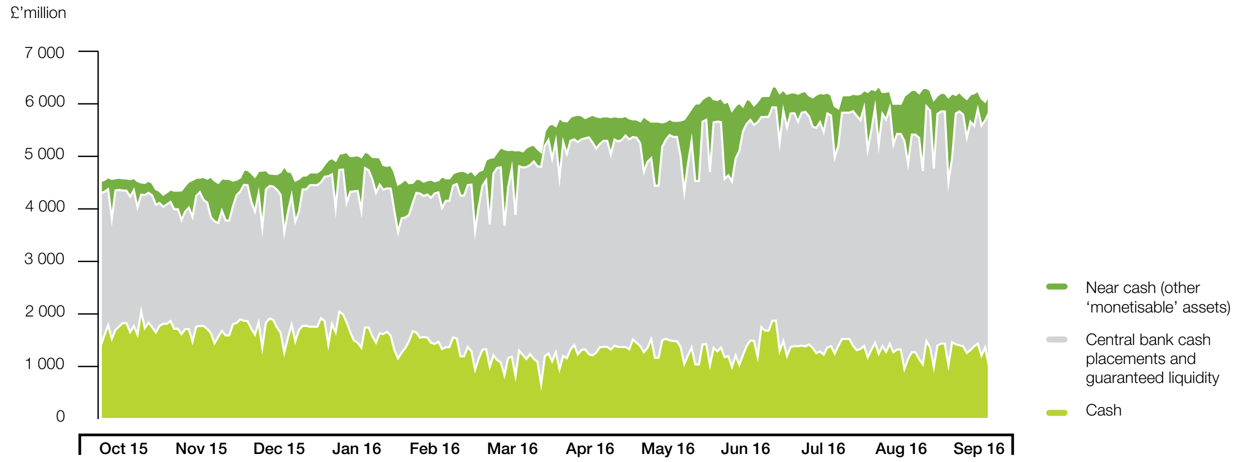
Southern Africa
R326 685 million

43.8%	Other financials
19.0%	Non-financial corporates
16.3%	Individuals
10.9%	Banks
5.9%	Small business
4.1%	Public sector

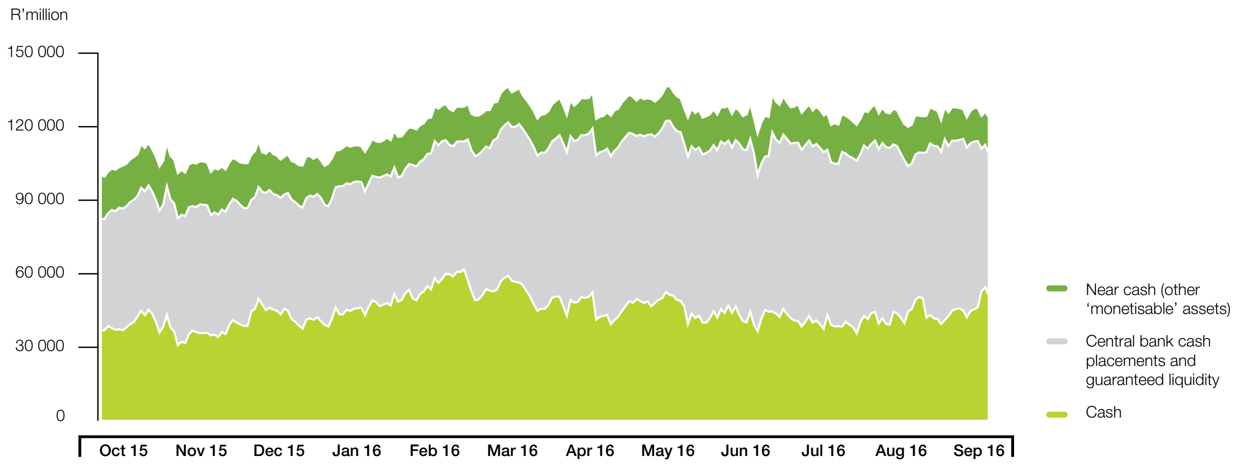
TOTAL INVESTEC GROUP CASH AND NEAR CASH TREND



INVESTEC PLC CASH AND NEAR CASH TREND



INVESTEC LIMITED CASH AND NEAR CASH TREND



The liquidity position of the group remained sound with total cash and near cash balances amounting to £13.1 billion

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.

Liquidity mismatch

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

The tables will not agree directly to the balances disclosed in the respective balance sheets since the tables incorporate cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government, or rated securities and near cash against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities.

We have:

– set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;

– set the time horizon to one month to monetise our cash and near cash portfolio of 'available-for-sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class; and

– reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display a fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

UK and Other
Contractual liquidity at 30 September 2016

£'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	4 195	531	297	–	13	3	3	5 042
Investment/trading assets	259	865	364	220	194	998	1 217	4 117
Securitised assets	–	5	2	1	1	6	128	143
Advances	189	414	672	780	1 005	4 007	1 652	8 719
Other assets	70	1 397	111	11	13	251	492	2 345
Assets	**4 713**	**3 212**	**1 446**	**1 012**	**1 226**	**5 265**	**3 492**	**20 366**
Deposits – banks	(45)	(139)	–	–	–	(319)	(91)	(594)
Deposits – non-banks	(2 051)	(2 360)	(2 059)	(1 859)	(1046)	(2 525)	(142)	(12 042)
Negotiable paper	(11)	(196)	(22)	(41)	(74)	(1 343)	(414)	(2 101)
Securitised liabilities	–	–	(4)	(3)	(4)	(44)	(58)	(113)
Investment/trading liabilities	(2)	(38)	(73)	(94)	(261)	(305)	(476)	(1 249)
Subordinated liabilities	–	–	–	–	(23)	–	(602)	(625)
Other liabilities	(114)	(988)	(59)	(63)	(215)	(138)	(31)	(1 608)
Liabilities	**(2 223)**	**(3 721)**	**(2 217)**	**(2 060)**	**(1 623)**	**(4 674)**	**(1 814)**	**(18 332)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(2 034)**	**(2 034)**
Contractual liquidity gap	**2 490**	**(509)**	**(771)**	**(1 048)**	**(397)**	**591**	**(356)**	**–**
Cumulative liquidity gap	2 490	1 981	1 210	162	(235)	356	–	

Behavioural liquidity

As discussed on page 155.

£'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	**4 134**	**(257)**	**1 137**	**(1 048)**	**(397)**	**(3 066)**	**(503)**	**–**
Cumulative	4 134	3 877	5 014	3 966	3 569	503	–	

Southern Africa
Contractual liquidity at 30 September 2016

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	36 513	3 686	751	–	37	1 423	–	42 410
Cash and short-term funds – non-banks	9 952	5	219	42	–	–	–	10 218
Investment/trading assets and statutory liquids	47 549	32 385	6 845	1 351	1 932	36 248	30 779	157 089
Securitised assets	74	9	54	104	175	1 603	7 473	9 492
Advances	6 975	4 432	13 241	14 657	22 116	104 145	50 756	216 322
Other assets	1 750	1 758	732	123	–	2 961	6 310	13 634
Assets	**102 813**	**42 275**	**21 842**	**16 277**	**24 260**	**146 380**	**95 318**	**449 165**
Deposits – banks	(762)	(1 711)	(2 283)	(2 722)	(574)	(26 658)	(1 006)	(35 716)
Deposits – non-banks	(131 430)^	(24 269)	(47 445)	(26 723)	(29 573)	(28 888)	(2 641)	(290 969)
Negotiable paper	(14)	(317)	(476)	(213)	(5 370)	(2 556)	(350)	(9 296)
Securitised liabilities	–	–	–	–	–	–	(1 638)	(1 638)
Investment/trading liabilities	(499)	(14 476)	(3 543)	(6 160)	(2 701)	(15 960)	(494)	(43 833)
Subordinated liabilities	–	–	–	–	–	(1 289)	(11 743)	(13 032)
Other liabilities	(1 334)	(883)	(869)	(232)	(1 261)	(432)	(5 797)	(10 808)
Liabilities	**(134 039)**	**(41 656)**	**(54 616)**	**(36 050)**	**(39 479)**	**(75 783)**	**(23 669)**	**405 292**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**–**	**(43 873)**	**(43 873)**
Contractual liquidity gap	**(31 226)**	**619**	**(32 774)**	**(19 773)**	**(15 219)**	**70 597**	**27 776**	**–**
Cumulative liquidity gap	(31 226)	(30 607)	(63 381)	(83 154)	(98 373)	(27 776)	–	

^ *Includes call deposits of R123.5 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 155.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**61 166**	**6 751**	**6 662**	**(4 326)**	**(4 663)**	**(132 043)**	**66 453**	**–**
Cumulative	61 166	67 917	74 579	70 253	65 590	(66 453)	–	

NON-TRADING INTEREST RATE

Risk description

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

Sources of interest rate risk include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios.
- **Yield curve risk:** repricing mismatches also expose the bank to changes in the slope and shape of the yield curve.
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- **Embedded option risk:** we are not materially exposed to embedded option risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk.
- **Endowment risk:** Refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

  The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.

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Interest rate sensitivity gap

The tables below show our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

UK and Other – interest rate sensitivity at 30 September 2016

£'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	5 042	–	–	–	–	–	5 042
Investment/trading assets and statutory liquids	1 294	52	80	367	443	–	2 236
Securitised assets	143	–	–	–	–	–	143
Advances	5 990	1 318	314	867	230	–	8 719
Non-rate assets	–	–	–	–	–	2 345	2 345
Assets	**12 469**	**1 370**	**394**	**1 234**	**673**	**2 345**	**18 485**
Deposits - banks	(593)	–	–	–	–	–	(593)
Deposits - non-banks	(9 456)	(679)	(687)	(992)	(228)	–	(12 042)
Negotiable paper	(1 171)	–	(67)	(269)	(323)	–	(1 830)
Securitised liabilities	(113)	–	–	–	–	–	(113)
Subordinated liabilities	–	(18)	–	–	(575)	(32)	(625)
Other liabilities	–	–	–	–	–	(1 248)	(1 248)
Liabilities	**(11 333)**	**(697)**	**(754)**	**(1 261)**	**(1 126)**	**(1 280)**	**(16 451)**
Shareholders' funds	**–**	**–**	**–**	**–**	**–**	**(2 034)**	**(2 034)**
Balance sheet	**1 136**	**673**	**(360)**	**(27)**	**(453)**	**(969)**	**–**
Off-balance sheet	**445**	**(356)**	**(43)**	**(88)**	**42**	**–**	**–**
Repricing gap	**1 581**	**317**	**(403)**	**(115)**	**(411)**	**(969)**	**–**
Cumulative repricing gap	**1 581**	**1 898**	**1495**	**1 380**	**969**	**–**	

Southern Africa – interest rate sensitivity at 30 September 2016

R'million	Not > 3 months	> 3 months but < 6 months	> 6 months but < 1 year	> 1 year but < 5 years	> 5 years	Non rate	Total non-trading
Cash and short-term funds – banks*	31 929	185	37	–	–	8 098	40 249
Cash and short-term funds – non-banks	10 171	42	–	–	–	5	10 218
Investment/trading assets and statutory liquids**	43 660	24 050	9 027	8 196	5 572	44 804	135 309
Securitised assets	9 492	–	–	–	–	–	9 492
Advances	193 923	5 265	1 184	13 941	2 006	3	216 322
Other assets	1 028	–	–	–	–	11 291	12 319
Assets	**290 203**	**29 542**	**10 248**	**22 137**	**7 578**	**64 201**	**423 909**
Deposits – banks	(33 194)	(2 098)	(312)	(112)	–	–	(35 716)
Deposits – non-banks	(241 780)	(19 497)	(17 370)	(9 155)	(2 084)	(1 038)	(290 924)
Negotiable paper	(4 332)	(308)	(4 472)	(184)	–	–	(9 296)
Securitised liabilities	(1 637)	–	–	–	–	(1)	(1 638)
Investment/trading liabilities	(4 940)	(3 388)	–	(574)	–	(13 714)	(22 616)
Subordinated liabilities	(11 175)	(1 204)	–	(653)	–	–	(13 032)
Other liabilities	(183)	–	(6)	(19)	–	(9 139)	(9 347)
Liabilities	**(297 241)**	**(26 495)**	**(22 160)**	**(10 697)**	**(2 084)**	**(23 892)**	**(382 569)**
Intercompany loans	**1 332**	**3 127**	**3 990**	**(1 868)**	**(241)**	**536**	**6 876**
Shareholders' funds	**(3 126)**	**(334)**	**–**	**(263)**	**(2 199)**	**(38 115)**	**(44 037)**
Balance sheet	**(8 832)**	**5 840**	**(7 922)**	**9 309**	**3 054**	**2 730**	**4 179**
Off-balance sheet	**13 104**	**(10 260)**	**4 635**	**(6 840)**	**(5 005)**	**187**	**(4 179)**
Repricing gap	**4 272**	**(4 420)**	**(3 287)**	**2 469**	**(1 951)**	**2 917**	**–**
Cumulative repricing gap	**4 272**	**(148)**	**(3 435)**	**(966)**	**(2 917)**	**–**	

Economic value sensitivity at 30 September 2016

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

UK and Other

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	All (GBP)
200bps down	(34.2)	(2.9)	(7.4)	0.4	–	0.1	(46.4)
200bps up	46.4	3.4	7.3	(0.4)	–	(0.1)	59.1

Southern Africa

	Sensitivity to the following interest rates (expressed in original currencies)						
'million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	All (ZAR)
200bps down	79.5	4.3	2.7	–	2.8	(0.8)	224.2
200bps up	(11.2)	(3.9)	(6.5)	0.1	(0.7)	0.8	(179.5)

Capital management and allocation

CAPITAL MEASUREMENT

Investec Limited (and its subsidiaries) and Investec plc (and its subsidiaries) are managed independently and have their respective capital bases ring-fenced, however, the governance of capital management is consistent across the two groups. The DLC structure requires the two groups to independently manage each group's balance sheet and hence capital is managed on this basis. This approach is overseen by the BRCC (via the Investec DLC capital committee) which is a board sub-committee with ultimate responsibility for the capital adequacy of both Investec Limited and Investec plc.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single, unified enterprise.

Investec Limited and Investec plc are separately regulated entities operating under different regulatory capital regimes. It is therefore difficult to directly compare the capital adequacy of the two entities.

REGULATORY CAPITAL – INVESTEC LIMITED

Current regulatory framework

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

Since 1 January 2013, Investec Limited has been calculating capital resources and requirements at a group level using the Basel III framework, as implemented in South Africa by the SARB, in accordance with the Bank's Act and all related regulations.

Investec Limited uses the standardised approach to calculate its credit and counterparty credit risk and operational risk capital requirements. Capital requirements for equity risk is calculated using the internal ratings-based (IRB) approach by applying the simple risk-weight method. The market risk capital requirement is measured using an internal risk management model, approved by the SARB.

Various subsidiaries of Investec Limited are subject to additional regulation covering various activities or implemented by local regulators in other jurisdictions. For capital management purposes, it is the prevailing rules applied to the consolidated Investec Limited group that are monitored most closely. Nevertheless, where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. Management of each regulated entity, with the support of the group's capital management functions, ensures that capital remains prudently above minimum requirements at all times.

REGULATORY CAPITAL – INVESTEC PLC

Current regulatory framework

Investec plc is authorised by the PRA and is regulated by the FCA and the PRA on a consolidated basis. Since 1 January 2014 Investec plc has been calculating capital resources and requirements at a group level using the Basel III framework, as implemented in the European Union through the Capital Requirements Directive IV (CRD IV). The group continues to phase in the remaining CRD IV rule changes, notably the grandfathering provisions applicable to non-qualifying capital instruments (reducing by 10% per annum until fully derecognised in 2022) and the transitional arrangements applicable to additional tier 1 and tier 2 capital continue to be phased out at 20% per annum, until 1 January 2018.

From 1 January 2015, UK banks are required to meet the new minimum capital requirements as prescribed by CRD IV. The common equity tier 1 capital requirement increased from 4.0% to 4.5% of risk-weighted assets, while the tier 1 capital requirement increased from 5.5% to 6.0% of risk-weighted assets. In addition Investec plc continues to meet 56% of its individual capital guidance, as determined by the internal capital adequacy assessment and supervisory review process, with common equity tier 1 capital. The PRA issued the Investec plc group with a reformatted Pillar IIA requirement of 1.8% of risk-weighted assets, of which 1.0% has to be met from common equity tier 1 capital.

In July and August 2015, the PRA published its final policy and supervisory statement setting out the revisions to the new Pillar II capital framework, including introducing the PRA's methodologies for setting Pillar II capital. The new framework took effect on 1 January 2016 and includes the introduction of the PRA buffer, which has replaced the Capital Planning Buffer (known as Pillar IIB). The PRA buffer will also need to be met from common equity tier 1 capital, and will be transitioned in at 25% per annum, until fully phased in by January 2019. All firms are subject to a PRA buffer assessment and the PRA will set a PRA buffer only if it judges that the CRD IV buffers are inadequate for a particular firm given its vulnerability in a stress scenario, or where the PRA has identified risk management and governance failings, which the CRD IV buffers are not intended to address.

In line with the CRD IV provision on capital buffers, in the UK firms are required to meet a combined buffer requirement in addition to their Pillar I and Pillar II capital requirements. The combined buffer includes the capital conservation buffer and countercyclical capital buffer and must be met with common equity tier 1 capital. The buffer for global systemically important institutions (G-SIIs) and the systemic risk buffer do not apply to Investec plc and will not be included in the combined buffer requirement. From 1 January 2016 Investec plc began phasing in the capital conservation buffer at 0.625% of risk-weighted assets. An additional 0.625% of risk-weighted assets will be phased-in each year until fully implemented by 1 January 2019. Investec plc is also subject to the countercyclical capital buffer requirement, which is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. As at 31 March 2016, three jurisdictions have implemented countercyclical buffer rates. Norway and Sweden have set a rate of 1.0% effective from 3 October 2015 and both countries have raised the rate to 1.5% in June 2016; Sweden has indicated that the rate will rise to 2% in March 2017 and Hong Kong has implemented a rate of 0,625% from 27 January 2016 and has indicated the rate will rise to 1.25% from January 2017. In the UK, the Financial Policy Committee (FPC) has maintained the rate at 0% for UK exposures until at least June 2017.

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

Investec plc uses the standardised approach to calculate its credit and counterparty credit risk, securitisation and operational risk capital requirements. The mark-to-market method is used to calculate the counterparty credit risk exposure amount. The market risk capital requirement is calculated using the standardised approach. For certain options, the group has obtained permission from the PRA to use an internal model to calculate the delta for these positions.

Subsidiaries of Investec plc may be subject to additional regulations, as implemented by local regulators in other relevant jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators. For capital management purposes, it is the prevailing rules applied to the consolidated Investec plc group that are monitored closely. With the support of the group's capital management function, local management of each regulated entity ensures that capital remains prudently above minimum requirements at all times.

REGULATORY CONSIDERATIONS

The regulatory environment has continued to evolve during 2016, with a vast number of new consultations, regulatory and implementing technical standards and other proposals being published or adopted, notably by the PRA, the BCBS, EBA and the SARB.

International

Credit Valuation Adjustment (CVA) risk

In July 2015 the BCBS issued for consultation the revised credit valuation risk framework, which takes into account the market risk exposure component of CVA risk. The BCBS will ensure the revisions to this framework are consistent with the revised market risk framework. The proposals will be subject to a Quantitative Impact Study (QIS), which will inform the final calibration of the framework. No implementation timelines have been set.

Simple, Transparent and Comparable (STC) securitisations

In November 2015, the BCBS released a consultation document on the capital treatment for STC securitisations. These proposals build on the revised securitisation framework adopted in December 2014. The criteria for identifying STC securitisations were published in July 2015 and the committee is proposing to reduce the minimum capital requirements for such securitisations positions. A range of potential reductions in capital charges is suggested and a final decision on the calibration will take place in 2016.

Credit risk

The BCBS continues to consult on revisions to the standardised approach for credit risk and in December 2015 issued a second consultation paper, addressing concerns raised by respondents to the first consultation. The proposals reintroduced the use of external ratings in a non-mechanistic manner for exposures to banks and corporates. The proposed risk weighting of real estate loans has also been modified, with the loan-to-value ratio as the main risk driver and the committee proposes that the assessment of a borrower's ability to pay become a key underwriting criterion. The committee will conduct a comprehensive QIS in 2016 and the information collected will help inform the overall calibration of the new standard to ensure adequate capitalisation and consistency with other components of the capital framework. Prior to finalising the framework by the end of 2016, the committee will consider this proposal along with all other reforms currently under discussion to ensure sufficient time is given for implementation.

Market risk

In January 2016, the BCBS published the revised market risk framework which will take effect on 1 January 2019. The new framework revises the boundary between the banking book and trading book to reduce scope for arbitrage, provides a revised internal models approach and a revised standardised approach which will serve as a credible fall-back and floor to the model-based approach. Over the implementation period the committee will monitor the capital impact of the revised standard to ensure consistency in the overall calibration of the Basel capital framework.

Operational risk

In March 2016, the BCBS released a consultation paper proposing revisions to the operational risk capital framework. The proposed revisions build on the earlier consultation issued by BCBS in October 2014, in particular the new standardised measurement approach will replace the three existing approaches, significantly simplifying the regulatory framework. The committee plans to conduct a QIS to help inform the calibration of the proposed standard. No implementation timeline has been set.

All the revised standards published by the BCBS, including the revised counterparty credit risk and securitisation frameworks adopted in 2014, will need to be adopted by the European Commission and SARB before they become binding on UK firms and South African banks, respectively.

UK

Leverage ratio

In July 2015, the FPC directed the PRA to implement a UK leverage ratio framework. The PRA subsequently published a consultation paper setting out how they intended to meet the FPC's direction and in December 2015 issued a final policy statement. The UK leverage ratio framework is applicable to all PRA-regulated banks and building societies with retail deposits equal to or greater than £50 billion on an individual or a consolidated basis. Firms in scope of the framework will be required to meet a 3% minimum leverage ratio requirement, and to assess that they hold an amount of common equity tier 1 capital that is greater than or equal to their countercyclical leverage ratio buffer and, if the firm is a global systemically important institution (G-SII), its G-SII additional leverage ratio buffer from 1 January 2016. Investec plc is not within the scope of this framework and will therefore not be subject to the additional leverage ratio reporting and disclosure requirements.

Minimum Requirement for own funds and Eligible Liabilities (MREL)

In December 2015, the BoE published its approach to setting MREL. The consultation paper sets out the BoE's proposed policy for exercising its powers, under the EU Bank Recovery and Resolution Directive and associated UK legislation, to direct institutions to maintain a minimum MREL requirement. The purpose of MREL is to help ensure that when banks, building societies and investment firms fail, that failure can be managed in an orderly way while minimising risk to financial stability, disruption to critical economic functions, and risk to public funds. The BoE, as resolution authority, is required to determine an amount necessary for loss absorption in resolution and an amount necessary for recapitalisation. The sum of these amounts constitutes a firm's MREL. The BoE is required to set MREL in line with the statutory requirements set out in the Bank Recovery and Resolution Directive and EBA's technical standards, which were published in final draft format in July 2015.

In parallel, the PRA published a consultation paper in December 2015 setting out the relationship between MREL and regulatory buffers. In this consultation the PRA proposes that firms should not be able to double count common equity tier 1 capital towards MREL and risk-weighted capital and leverage buffers.

Other systemically important institutions (O-SIIs)

In October 2015, the PRA issued a consultation paper setting out the criteria and scoring methodology to identify O-SIIs under the Capital Requirements Directive (CRD). In February 2016, the PRA issued its final policy statement and released its 2015 list of UK firms designated as O-SIIs. The PRA will conduct the O-SII identification annually and will publish the list of firms designated as O-SIIs by 1 December each year. O-SIIs, under the UK government's current implementation of the CRD, are not required to maintain additional capital buffers. Investec plc has not been designated an O-SII for 2015.

Europe

Leverage ratio disclosure

In February 2016, the European Commission adopted implementing technical standard 2016/200, establishing a common set of disclosure requirements for the leverage ratio, which took effect immediately in Europe. These disclosure requirements form part of the Pillar III disclosure requirements as set out in Part 8 of the Capital Requirements Regulation.

CAPITAL AND LEVERAGE RATIO TARGETS

Capital

Over recent years, capital adequacy standards for banks have been raised as part of attempts to increase the stability and resilience of the global banking sector. Investec Limited and Investec plc have always held capital in excess of regulatory requirements and the individual groups continue to remain well capitalised. Accordingly, we are targeting a minimum common equity tier 1 capital ratio of above 10%, a tier 1 capital ratio of above 11%, and a total capital adequacy ratio target in the range of 14% to 17%. These targets are continuously assessed for appropriateness.

Leverage

Investec is currently targeting a leverage ratio above 6%, but will continue to reassess this target for appropriateness pending the outcome of the EBA's report in July 2016.

MANAGEMENT OF CAPITAL AND LEVERAGE

Capital

The DLC capital committee is responsible for ensuring that the impact of any regulatory change is analysed, understood and planned for. To allow the committee to carry out this function, the group's prudential advisory and reporting team closely monitors regulatory developments and regularly present to the committee on the latest developments and proposals. As part of any assessment, the committee is provided with analysis setting out the group's capital adequacy position, taking into account the most up-to-date interpretation of the rule changes. In addition, regular sessions with the board are held to ensure that members are kept up to date with the most salient changes to ensure the impact on the group and its subsidiaries is monitored and understood.

Leverage

At present Investec Limited calculates and reports its leverage ratio based on the latest SARB regulations. The leverage ratio is a non-risk-based measure intended to prevent excessive build up of leverage and mitigate the risks associated with deleveraging during periods of market uncertainty. The reporting of the leverage ratio in South Africa has been mandatory since 1 January 2013 as part of an exercise to monitor South African banks' readiness to comply with the minimum standard of 4% from 1 January 2018. Following guidance from the SARB, Investec applies the rules as outlined in the most recent BCBS publication.

In the UK, the leverage ratio is a non-risk-based measure, with public disclosure applicable from 1 January 2015, applying the rules set out in the leverage ratio delegated Act. The leverage ratio is subject to a monitoring period from 1 January 2014 to 30 June 2016, at which point the EBA will report to the European Commission suggesting adequate calibration and appropriate adjustments to the capital and total exposure measure.

As with the governance of capital management, the DLC capital committee is responsible for ensuring that the impact of any regulatory changes on the leverage ratio is calculated, analysed and understood at all reporting levels. The leverage exposure measure is calculated on a monthly and quarterly basis and is presented to the DLC capital committee on a regular basis. The DLC capital committee is responsible for monitoring the risk of excessive leverage.

CAPITAL MANAGEMENT

Philosophy and approach

Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate given the level of risk taken at an individual transaction or business unit level.

The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns. Our internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group;
- provide protection to depositors against losses arising from risks inherent in the business;
- provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions; and
- inform the setting of minimum regulatory capital through the Supervisory Review and Evaluation Process (SREP).

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

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

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

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

CAPITAL DISCLOSURES

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

CAPITAL STRUCTURE AND CAPITAL ADEQUACY

At 30 September 2016	Investec plc*° £'million	IBP*° £'million	Investec Limited*^ R'million	IBL* R'million
Tier 1 capital				
Shareholders' equity	1 973	1 929	30 274	31 612
Shareholders' equity per balance sheet	2 018	1 946	33 457	33 146
Perpetual preference share capital and share premium	(27)	–	(3 183)	(1 534)
Deconsolidation of special purpose entities	(18)	(17)	–	–
Non-controlling interests	12	–	–	–
Non-controlling interests per balance sheet	16	–	8 333	–
Non-controlling interests excluded for regulatory purposes	–	–	(8 333)	–
Surplus non-controlling interest disallowed in common equity tier 1	(4)	–	–	–
Regulatory adjustments to the accounting basis	(44)	(5)	1 470	1466
Defined benefit pension fund adjustment	(39)	–	–	–
Additional value adjustments	(5)	(5)	–	–
Cash flow hedging reserve	–	–	1 470	1 466
Deductions	(474)	(381)	(754)	(692)
Goodwill and intangible assets net of deferred tax	(463)	(371)	(754)	(692)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(4)	(4)	–	–
Securitisation positions	(4)	(3)	–	–
Debt valuation adjustment	(3)	(3)	–	–
Common equity tier 1 capital	**1 467**	**1 543**	**30 990**	**32 386**
Additional tier 1 capital	**25**	**–**	**3 401**	**920**
Additional tier 1 instruments	25	–	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	–	–	(1 887)	(614)
Non-qualifying surplus capital attributable to non-controlling interest	–	–	(56)	–
Non-controlling interest in non-banking entities	–	–	77	–
Tier 1 capital	**1 492**	**1 543**	**34 391**	**33 306**
Tier 2 capital	**525**	**590**	**11 368**	**12 522**
Collective impairment allowances	–	–	278	278
Tier 2 instruments	593	590	13 032	12 407
Phase out of non-qualifying tier 2 instruments	–	–	(163)	(163)
Non-qualifying surplus capital attributable to non-controlling interests	(68)	–	(1 779)	–
Total regulatory capital	**2 017**	**2 133**	**45 759**	**45 828**
Risk-weighted assets	**13 408**	**12 739**	**317 734**	**307 062**
Capital ratios				
Common equity tier 1 ratio	10.9%	12.1%	9.8%	10.5%
Tier 1 ratio	11.1%	12.1%	10.8%	10.8%
Total capital adequacy ratio	15.0%	16.7%	14.4%	14.9%

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

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of forseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividend totalling £64 million for Investec plc and £35 million for IBP would be 48bps and 31bps lower respectively.*

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower.*

CAPITAL STRUCTURE AND CAPITAL ADEQUACY *(continued)*

At 31 March 2016	Investec plc*° £'million	IBP*° £'million	Investec Limited*^ R'million	IBL* R'million
Tier 1 capital				
Shareholders' equity	1 698	1 827	28 444	30 331
Shareholders' equity per balance sheet	1 867	1 844	31 627	31 865
Perpetual preference share capital and share premium	(150)	–	(3 183)	(1 534)
Deconsolidation of special purpose entities	(19)	(17)	–	–
Non-controlling interests	10	(1)	–	–
Non-controlling interests per balance sheet	13	(1)	8 140	–
Non-controlling interests excluded for regulatory purposes	–	–	(8 140)	–
Surplus non-controlling interest disallowed in common equity tier 1	(3)	–	–	–
Regulatory adjustments to the accounting basis	(43)	(6)	1 842	1 839
Defined benefit pension fund adjustment	(37)	–	–	–
Additional value adjustments	(6)	(6)	–	–
Cash flow hedging reserve	–	–	1 842	1 839
Deductions	(478)	(386)	(762)	(695)
Goodwill and intangible assets net of deferred taxation	(466)	(374)	(762)	(695)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(8)	(8)	–	–
Securitisation positions	(4)	(4)	–	–
Common equity tier 1 capital	**1 187**	**1 434**	**29 524**	**31 475**
Additional tier 1 capital	**130**	**–**	**3 418**	**920**
Additional tier 1 instruments	130	–	5 267	1 534
Phase out of non-qualifying additional tier 1 instruments	–	–	(1 887)	(614)
Non-qualifying surplus capital attributable to non-controlling interests	–	–	(36)	–
Non-controlling interests in non-banking entities	–	–	74	–
Tier 1 capital	**1 317**	**1 434**	**32 942**	**32 395**

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

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £46 million for Investec plc and £34 million for IBP was 40bps and 30bps lower, respectively.*

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower.*

CAPITAL STRUCTURE AND CAPITAL ADEQUACY *(continued)*

At 31 March 2016	Investec plc*° £'million	IBP*° £'million	Investec Limited*^ R'million	IBL* R'million
Tier 2 capital	**535**	**590**	**10 253**	**10 726**
Collective impairment allowances	–	–	229	229
Tier 2 instruments	610	590	11 357	10 732
Phase out of non-qualifying tier 2 instruments	–	–	(235)	(235)
Non-qualifying surplus capital attributable to non-controlling interests	(75)	–	(1 098)	–
Total regulatory capital	**1 852**	**2 024**	**43 195**	**43 121**
Risk-weighted assets	**12 297**	**11 738**	**309 052**	**295 752**
Capital ratios				
Common equity tier 1 ratio	9.7%	12.2%	9.6%	10.6%
Tier 1 ratio	10.7%	12.2%	10.7%	11.0%
Total capital adequacy ratio	15.1%	17.2%	14.0%	14.6%

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° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of forseeable dividends when calculating common equity tier 1 capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £46 million for Investec plc and £34 million for IBP was 40bps and 30bps lower, respectively.*

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower.*

CAPITAL REQUIREMENTS

At 30 September 2016	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Capital requirements	**1 073**	**1 019**	**32 964**	**31 858**
Credit risk – prescribed standardised exposure classes	785	763	24 392	24 369
Corporates	417	412	12 519	12 704
Secured on real estate property	154	154	2 744	2 744
Short-term claims on institutions and corporates	–	–	6 119	6 119
Retail	41	41	530	530
Institutions	33	31	537	537
Other exposure classes	129	114	1 725	1 517
Securitisation exposures	11	11	218	218
Equity risk	8	8	4 516	4 421
Listed equities	1	1	398	369
Unlisted equities	7	7	4 118	4 052
Counterparty credit risk	49	49	472	472
Credit valuation adjustment risk	6	6	198	198
Market risk	73	71	502	443
Interest rate	29	29	86	86
Foreign exchange	20	18	116	116
Commodities	17	17	4	4
Equities	7	7	296	237
Options	–	–	–	–
Operational risk – standardised approach	152	122	2 884	1 955
At 31 March 2016				
Capital requirements	**984**	**939**	**32 064**	**30 684**
Credit risk – prescribed standardised exposure classes	711	698	23 978	23 603
Corporates	341	338	13 402	13 278
Secured on real estate property	150	150	2 943	2 943
Short-term claims on institutions and corporates	–	–	4 905	4 876
Retail	44	44	483	483
Institutions	32	35	813	813
Other exposure classes	135	122	1 028	806
Securitisation exposures	9	9	404	404
Equity risk	8	8	4 104	4 005
Listed equities	3	3	334	305
Unlisted equities	5	5	3 770	3 700
Counterparty credit risk	41	41	569	569
Credit valuation adjustment risk	5	5	185	185
Market risk	76	74	501	475
Interest rate	27	27	66	66
Foreign exchange	23	21	212	212
Commodities	–	–	5	4
Equities	16	16	218	193
Options	10	10	–	–
Operational risk – standardised approach	143	113	2 727	1 847

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

RISK-WEIGHTED ASSETS

At 30 September 2016	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Risk-weighted assets	**13 408**	**12 738**	**317 734**	**307 062**
Credit risk – prescribed standardised exposure classes	9 799	9 539	235 106	234 883
Corporates	5 215	5 146	120 669	122 448
Secured on real estate property	1 924	1 924	26 450	26 450
Short-term claims on institutions and corporates	–	–	58 978	58 978
Retail	508	509	5 108	5 108
Institutions	407	389	5 172	5 172
Other exposure classes	1 602	1 429	16 626	14 624
Securitisation exposures	143	142	2 103	2 103
Equity risk	100	99	43 530	42 609
Listed equities	11	11	3 836	3 556
Unlisted equities	89	88	39 694	39 053
Counterparty credit risk	616	618	4 548	4 548
Credit valuation adjustment risk	77	76	1 912	1 912
Market risk	911	885	4 839	4 269
Interest rate	358	358	831	831
Foreign exchange	253	227	1 117	1 117
Commodities	6	6	35	35
Underwriters	–	–	–	–
Equities	209	209	2 856	2 286
Options	85	85	–	–
Operational risk – standardised approach	1 905	1 521	27 799	18 841
At 31 March 2016				
Risk-weighted assets	**12 297**	**11 738**	**309 052**	**295 752**
Credit risk – prescribed standardised exposure classes	8 883	8 720	231 113	227 504
Corporates	4 260	4 224	129 178	127 985
Secured on real estate property	1 876	1 876	28 361	28 361
Short-term claims on institutions and corporates	–	–	47 273	47 001
Retail	550	550	4 660	4 660
Institutions	397	439	7 838	7 838
Other exposure classes	1 693	1 524	9 910	7 766
Securitisation exposures	107	107	3 893	3 893
Equity risk	103	102	39 560	38 603
Listed equities	43	43	3 219	2 937
Unlisted equities	60	59	36 341	35 666
Counterparty credit risk	515	518	5 486	5 486
Credit valuation adjustment risk	57	58	1 783	1 783
Market risk	955	924	4 825	4 578
Interest rate	332	332	636	636
Foreign exchange	292	261	2 039	2 039
Commodities	–	–	46	46
Equities	201	201	2 104	1 857
Options	130	130	–	–
Operational risk – standardised approach	1 784	1 416	26 285	17 798

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Movement in risk-weighted assets
Total risk-weighted assets (RWAs) have increased by 9% over the period, predominantly within credit risk RWAs.

Credit risk RWAs
For Investec Plc consolidated reporting, we have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs which include equity risk increased by £0.91 billion. The increase is primarily attributable to a growth in secured corporate lending.

Counterparty credit risk RWAs and Credit Valuation Risk (CVA)
Counterparty credit risk and CVA RWAs increased by £121 million mainly due to increased trading volumes.

Market risk RWAs
We apply the standardised approach for calculating market risk RWAs. Market risk RWAs reduced marginally by £44 million.

Operational risk RWAs
Operational risk RWAs are calculated using the standardised approach and increased by £121 million. The increase is due to a higher three year average operating income.

INVESTEC LIMITED

Movement in risk-weighted assets
Total RWAs grew by 2.8% over the period, with approximately 46% of this growth attributable to equity risk, 46% to credit risk and the remaining risk types contributing the balance.

Credit risk RWAs
For Investec Limited consolidated reporting, we have adopted the standardised approach for calculating credit risk RWAs. Credit risk RWAs grew by R32.8 billion with strong growth across the various businesses, including Corporate and Institutional Banking and Private Client Lending. While a portion of this growth is due to currency movement on foreign-denominated assets, the majority is the result of consistent growth across multiple asset classes, the most noticeable being term and short-dated corporate lending and lending secured by residential real estate. The impact of Basel III and the associated enhancements to the Banks Act by the South African Reserve Bank were implemented in 2013, and there has been minimal change in the methodology governing the calculation of required capital during the 2016 financial year.

Counterparty credit risk and credit valuation adjustment RWAs
Counterparty credit risk RWAs decreased marginally by R938 million, while CVA over the period increased marginally by R129 million. CVA was implemented as part of Basel III in South Africa and captures the risk of deterioration in the credit quality of a bank's OTC derivative counterparties. For the 2016 financial year, the SARB has withdrawn its exemption notice, resulting in a full implementation of CVA in South Africa as per Basel III. This resulted in a significantly higher (but more stable) CVA RWAs for Investec Limited. We currently apply the standardised approach to the calculation of the CVA capital requirement.

Equity risk RWAs
Equity risk grew by approximately R4 billion over the period. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equities 424%.

The impact of this is a proportionally much larger increase in RWAs than the associated balance sheet equity value. The growth is attributable to new investments and revaluations of existing assets.

Market risk RWAs
Market Risk RWAs are calculated using the Value at Risk (VaR) approach and has shown a marginal increase, due to a reduction in FX VaR and stressed VaR.

Operational risk RWAs
Operational risk is calculated using the standardised approach and is driven by the levels of income over a three-year average period, applying specific factors applicable to the nature of the business generating the income.

TOTAL REGULATORY CAPITAL FLOW STATEMENT

At 30 September 2016	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**1 187**	**1 434**	**29 524**	**31 475**
New capital issues	173	–	717	–
Dividends	(43)	–	(1 932)	(965)
Profit after taxation	84	62	2 884	1 611
Reserve movement from preference share redemption	41	–	–	–
Treasury shares	(39)	–	(340)	–
Share-based payment adjustments	11	–	280	–
Movement in other comprehensive income	51	45	414	635
Goodwill and intangible assets (deduction net of related taxation liability)	3	3	8	3
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	4	4	–	–
Deconsolidation of special purpose entities	1	–	–	–
Other, including regulatory adjustments and transitional arrangements	(6)	(5)	(565)	(373)
Closing common equity tier 1 capital	**1 467**	**1 543**	**30 990**	**32 386**
Opening additional tier 1 capital	**130**	**–**	**3 418**	**920**
Redeemed capital	(105)	–	–	–
Movement in minority interest in non-banking entity	–	–	(17)	–
Closing additional tier 1 capital	**25**	**–**	**3 401**	**920**
Closing tier 1 capital	**1 492**	**1 543**	**34 391**	**33 306**
Opening tier 2 capital	**535**	**590**	**10 253**	**10 726**
New tier 2 capital issues	–	–	1 682	1 682
Redeemed capital	(18)	–	(184)	(184)
Collective impairment allowances	–	–	48	48
Other, including regulatory adjustments and transitional arrangements	8	–	(431)	250
Closing tier 2 capital	**525**	**590**	**11 368**	**12 522**
Closing total regulatory capital	**2 017**	**2 133**	**45 759**	**45 828**

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

TOTAL REGULATORY CAPITAL FLOW STATEMENT

At 31 March 2016	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**1 179**	**1 340**	**25 831**	**28 315**
New capital issues	23	–	3 825	–
Dividends	(128)	(40)	(2 611)	(120)
Profit after taxation	128	95	5 920	3 475
Treasury shares	(91)	–	(1 481)	–
Acquisition of non-controlling interests	(142)	–	–	–
Gain on transfer of non-controlling interests	–	–	34	–
Share-based payment adjustments	28	5	592	–
Movement in other comprehensive income	(10)	(16)	46	(389)
Goodwill and intangible assets (deduction net of related taxation liability)	7	7	(471)	(505)
Deconsolidation of special purpose entities	46	34	–	–
Non-controlling interest transferred to tier 1	144	–	–	–
Other, including regulatory adjustments and transitional arrangements	3	9	(2 161)	699
Closing common equity tier 1 capital	**1 187**	**1 434**	**29 524**	**31 475**
Opening additional tier 1 capital	**205**	**–**	**4 584**	**1 073**
Redeemed capital	(145)	–	–	–
Other, including regulatory adjustments and transitional arrangements	70	–	(447)	(153)
Transfer of non-controlling interests in non-banking entities from common equity tier 1	–	–	(719)	–
Closing additional tier 1 capital	**130**	**–**	**3 418**	**920**
Closing tier 1 capital	**1 317**	**1 434**	**32 942**	**32 395**
Opening tier 2 capital	**556**	**590**	**9 213**	**10 319**
New tier 2 capital issues	–	–	1 985	1 360
Redeemed capital	–	–	(1 283)	(1 283)
Collective impairment allowances	–	–	60	60
Other, including regulatory adjustments and transitional arrangements	(21)	–	278	270
Closing tier 2 capital	**535**	**590**	**10 253**	**10 726**
Closing total regulatory capital	**1 852**	**2 024**	**43 195**	**43 121**

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

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

As at 30 September 2016	Investec plc°*	IBP°*	Investec Limited*^	IBL*
Common equity tier 1 (as reported)	10.9%	12.1%	9.8%	10.5%
Common equity tier 1 (fully loaded)^^	10.9%	12.1%	9.8%	10.5%
Tier 1 (as reported)	11.1%	12.1%	10.8%	10.8%
Total capital adequacy ratio (as reported)	15.0%	16.7%	14.4%	14.9%
Leverage ratio** – permanent capital	7.1%	7.5%	7.7%#	7.7%#
Leverage ratio** – current	7.1%	7.5%	7.3%#	7.6%#
Leverage ratio** – 'fully loaded'^^	7.0%	7.5%	6.7%#	7.4%#
Leverage ratio – current UK leverage ratio framework^^^	8.7%	9.2%	–	–

As at 31 March 2016	Investec plc°*	IBP°*	Investec Limited*^	IBL*
Common equity tier 1 (as reported)	9.7%	12.2%	9.6%	10.6%
Common equity tier 1 (fully loaded)^^	9.7%	12.2%	9.6%	10.6%
Tier 1 (as reported)	10.7%	12.2%	10.7%	11.0%
Total capital adequacy ratio (as reported)	15.1%	17.2%	14.0%	14.6%
Leverage ratio** – permanent capital	7.0%	7.7%	7.4%#	7.5%#
Leverage ratio** – current	7.0%	7.7%	6.9%#	7.3%#
Leverage ratio** – 'fully loaded'^^	6.3%	7.7%	6.3%#	7.1%#

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

Based on revised BIS rules.

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower (March 2016: 16bps lower).*

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

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

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS *(continued)*

Reconciliation of leverage ratios As at 30 September 2016	Investec plc £'million*	IBP £'million*	Investec Limited R'million*	IBL R'million*
Total assets per accounting balance sheet	**20 366**	**19 867**	**578 984**	**411 409**
Deconsolidation of non-financial/other entities	(68)	(63)	(129 818)	–
Consolidation of banking associates	70	38	–	–
Total assets per regulatory balance sheet	**20 368**	**19 842**	**449 166**	**411 409**
Reversal of accounting values:				
Derivatives	(980)	(981)	(11 805)	(11 821)
Security financing transactions	–	–	(35 120)	(31 068)
Regulatory adjustments:	1 554	1 727	70 183	70 245
Derivatives market value	688	688	6 359	6 359
Derivative add-on amounts per the mark-to-market method	621	618	2 775	2 775
Securities financing transaction add-on for counterparty credit risk	87	87	27 481	27 481
Off-balance sheet items	756	709	34 322	34 322
Add-on for written credit derivatives	10	10	–	–
Exclusion of items already deducted from the capital measure	(608)	(385)	(754)	(692)
Exposure measure	**20 942**	**20 588**	**472 424**	**438 765**
Tier 1 capital	1 492	1 543	34 391	33 306
Leverage ratio – current**	**7.1%**	**7.5%**	**7.3%#**	**7.6%#**
Tier 1 capital fully loaded	1 467	1 543	31 617	32 386
Leverage ratio – 'fully loaded'^^**	**7.0%**	**7.5%**	**6.7%#**	**7.4%#**

Reconciliation of leverage ratios At 31 March 2016	Investec plc £'million*	IBP £'million*	Investec Limited R'million*	IBL R'million*
Total assets per accounting balance sheet	**18 756**	**18 335**	**568 779**	**405 629**
Deconsolidation of non-financial/other entities	(77)	(80)	(123 540)	–
Consolidation of banking associates	24	8	–	–
Total assets per regulatory balance sheet	**18 703**	**18 263**	**445 239**	**405 629**
Reversal of accounting values:				
Derivatives	(838)	(843)	(15 839)	(15 843)
Regulatory adjustments:	966	1 145	48 622	51 085
Derivatives market value	326	328	9 075	9 673
Derivative add-on amounts per the mark-to-market method	512	519	3 073	3 197
Securities financing transaction add-on for counterparty credit risk	126	126	389	389
Off-balance sheet items	595	554	37 595	38 521
Add-on for written credit derivatives	9	9	–	–
Exclusion of items already deducted from the capital measure	(602)	(391)	(1 510)	(695)
Exposure measure	**18 831**	**18 565**	**478 022**	**440 871**
Tier 1 capital	1 317	1 434	32 942	32 395
Leverage ratio – current**	**7.0%**	**7.7%**	**6.9%#**	**7.3%#**
Tier 1 capital 'fully loaded'^^	1 187	1 434	30 147	31 474
Leverage ratio – 'fully loaded'^^**	**6.3%**	**7.7%**	**6.3%#**	**7.1%#**

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

^^ *Based on the group's understanding of current regulations, 'fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*

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

\# *Based on revised BCBS rules.*

Analysis of rated counterparties in each standardised credit risk exposure class

INVESTEC PLC

The table below shows the breakdown of rated credit risk exposures by credit quality step as prescribed by the Capital Requirements Regulation for the purposes of the Standardised Approach for the mapping of external credit assessments to credit quality steps.

	30 September 2016		31 March 2016	
Credit quality step	**Exposure £'million**	**Exposure after credit risk mitigation £'million**	**Exposure £'million**	**Exposure after credit risk mitigation £'million**
Central banks and sovereigns				
1	4 728	4 728	3 842	3 842
2	–	–	–	–
3	22	22	–	–
4	–	–	–	–
5	–	–	–	–
6	–	–	–	–
Institutions*				
1	450	448	388	366
2	437	422	469	455
3	217	217	155	155
4	74	31	43	19
5	2	2	–	–
6	–	–	–	–
Corporates				
1	5	4	2	–
2	43	13	30	4
3	59	23	51	5
4	10	7	6	2
5	28	20	2	2
6	8	7		
Securitisation positions				
1	344	344	265	265
2	75	75	63	63
3	36	36	19	19
4	–	–	–	–
5	–	–	–	–
Resecuritisation positions				
1	–	–	–	–
2	–	–	3	3
3	–	–	–	–
4	–	–	–	–
5	–	–	–	–
Total rated counterparty exposure	**6 538**	**6 400**	**5 338**	**5 200**

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

Analysis of rated counterparties in each standardised credit exposure class

(continued)

INVESTEC LIMITED

The capital requirement disclosed as held against credit risk as at 30 September includes a small amount of capital held for counterparty credit risk, mainly within the group's trading businesses. On the basis of materiality, no detail has been provided on this risk in the following analysis.

The table below shows the exposure amounts associated with the credit quality steps and the relevant risk weightings.

	30 September 2016		31 March 2016	
Credit quality step	Exposure R'million	Exposure after credit risk mitigation R'million	Exposure R'million	Exposure after credit risk mitigation R'million
Central banks and sovereigns				
1	52 356	52 332	50 117	50 117
2	–	–	–	–
3	–	–	626	555
4	–	–	146	146
5	–	–	302	302
6	1 577	1 577	–	–
Institutions original effective maturity of more than three months				
1	1 327	1 327	2 111	2 111
2	2 217	2 010	9 890	9 194
3	10 165	10 047	6 369	5 271
4	210	–	222	222
5	–	–	766	766
6	1 240	–	3 098	3 098
Short-term claims on institutions				
1	1 534	144	27	27
2	16 615	5 515	129	129
3	23 806	16 336	13 638	13 581
4	25	235	–	–
5	–	–	–	–
6	330	–	–	–
Corporates				
1	1 050	1 050	882	882
2	3 352	2 260	1 620	915
3	23 353	22 271	18 254	9 927
4	–	–	146	146
5	–	–	–	–
6	–	–	–	–
Securitisation positions				
1	–	–	–	–
2	571	571	126	126
3	2 695	2 695	3 494	3 494
4	–	–	65	65
5	–	–	188	188
Total rated counterparty exposure	**142 423**	**118 370**	**112 216**	**101 262**

Six

Annexures

ADJUSTED SHAREHOLDERS' EQUITY

Refer to calculation on page 92

COST TO INCOME RATIO

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

CORE LOANS AND ADVANCES

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 129

DIVIDEND COVER

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS BEFORE GOODWILL, ACQUIRED INTANGIBLES AND NON-OPERATING ITEMS (I.E. ADJUSTED EARNINGS)

Refer to page 68

ADJUSTED EARNINGS PER ORDINARY SHARE BEFORE GOODWILL, ACQUIRED INTANGIBLES AND NON-OPERATING ITEMS

Refer to page 68

EFFECTIVE OPERATIONAL TAX RATE

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

MARKET CAPITALISATION

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

NET TANGIBLE ASSET VALUE PER SHARE

Refer to calculation on page 91

NON-OPERATING ITEMS

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

OPERATING PROFIT

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

OPERATING PROFIT PER EMPLOYEE

Refer to calculation on page 96

RECURRING INCOME

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

RETURN ON AVERAGE ADJUSTED SHAREHOLDERS' EQUITY

Refer to calculation on page 92

RETURN ON AVERAGE ADJUSTED TANGIBLE SHAREHOLDERS' EQUITY

Refer to calculation on page 92

RETURN ON RISK-WEIGHTED ASSETS

Adjusted earnings divided by average risk-weighted assets

RISK-WEIGHTED ASSETS

Calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 92

STAFF COMPENSATION TO OPERATING INCOME RATIO

All employee-related costs expressed as a percentage of operating income

THIRD PARTY ASSETS UNDER ADMINISTRATION

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

TOTAL CAPITAL RESOURCES

Includes shareholders' equity, subordinated liabilities and non-controlling interests

TOTAL EQUITY

Total shareholders' equity including non-controlling interests

WEIGHTED NUMBER OF ORDINARY SHARES IN ISSUE

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 68

Investec plc

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

RAND-DENOMINATED PREFERENCE SHARE DIVIDEND ANNOUNCEMENT

RAND-DENOMINATED NON-REDEEMABLE NON-CUMULATIVE NON-PARTICIPATING PERPETUAL PREFERENCE SHARES ("PREFERENCE SHARES")

Declaration of dividend number 11

Notice is hereby given that preference dividend number 11 has been declared from income reserves for the period 01 April 2016 to 30 September 2016 amounting to a gross preference dividend of 500.11644 cents per preference share payable to holders of the Rand-denominated non-redeemable non-cumulative non-participating perpetual preference shares as recorded in the books of the company at the close of business on Friday, 02 December 2016.

The relevant dates relating to the payment of dividend number 11 are as follows:

Last day to trade *cum*-dividend	Tuesday, 29 November 2016
Shares commence trading *ex*-dividend	Wednesday, 30 November 2016
Record date	Friday, 02 December 2016
Payment date	Monday, 12 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 02 December 2016, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued Rand-denominated preference share capital of Investec plc is 131 447 preference shares
- The dividend paid by Investec plc to shareholders recorded on the South African register is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated)
- The net dividend amounts to 425.09897 cents per preference share for preference shareholders liable to pay the Dividend Tax and 500.11644 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

D Miller
Company secretary

16 November 2016

Investec Limited

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

PREFERENCE SHARE DIVIDEND ANNOUNCEMENT

NON-REDEEMABLE NON-CUMULATIVE NON-PARTICIPATING PREFERENCE SHARES ("PREFERENCE SHARES")

Declaration of dividend number 24

Notice is hereby given that preference dividend number 24 has been declared from income reserves for the period 01 April 2016 to 30 September 2016 amounting to a gross preference dividend of 409.41111 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 02 December 2016.

The relevant dates for the payment of dividend number 24 are as follows:

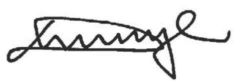
Last day to trade *cum*-dividend	Tuesday, 29 November 2016
Shares commence trading *ex*-dividend	Wednesday, 30 November 2016
Record date	Friday, 02 December 2016
Payment date	Monday, 12 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 02 December 2016, both dates inclusive.

Additional information to take note of:

- Investec Limited South African tax reference number: 9800/181/71/2
- The issued preference share capital of Investec Limited is 32 214 499 preference shares in this specific class
- The dividend paid by Investec Limited is subject to South African Dividend Tax (Dividend Tax) of 15% subject to any available exemptions as legislated
- The net dividend amounts to 347.99944 cents per preference share for preference shareholders liable to pay the Dividend Tax and 409.41111 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board



N van Wyk
Company secretary
16 November 2016

Investec Bank Limited

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

PREFERENCE SHARE DIVIDEND ANNOUNCEMENT

NON-REDEEMABLE NON-CUMULATIVE NON-PARTICIPATING PREFERENCE SHARES ("PREFERENCE SHARES")

Declaration of dividend number 27

Notice is hereby given that preference dividend number 27 has been declared by the board from income reserves for the period 01 April 2016 to 30 September 2016 amounting to a gross preference dividend of 438.68108 cents per share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 02 December 2016.

The relevant dates for the payment of dividend number 27 are as follows:

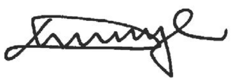
Last day to trade *cum*-dividend	Tuesday, 29 November 2016
Shares commence trading *ex*-dividend	Wednesday, 30 November 2016
Record date	Friday, 02 December 2016
Payment date	Monday, 12 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 02 December 2016, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares in this specific class
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated)
- The net dividend amounts to 372.87892 cents per preference share for shareholders liable to pay the Dividend Tax and 438.68108 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board



N van Wyk
Company secretary

16 November 2016

Investec plc

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

PREFERENCE SHARE DIVIDEND ANNOUNCEMENT

NON-REDEEMABLE NON-CUMULATIVE NON-PARTICIPATING PREFERENCE SHARES ("PREFERENCE SHARES")

Declaration of dividend number 21

Notice is hereby given that preference dividend number 21 has been declared from income reserves for the period 01 April 2016 to 30 September 2016 amounting to a gross preference dividend of 7.12329 pence per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 02 December 2016.

For shares trading on the Johannesburg Stock Exchange (JSE), the dividend of 7.12329 pence per preference share is equivalent to a gross dividend of 126.40563 cents per share, which has been determined using the Rand/Pound Sterling average buy/sell forward rate as at 11h00 (SA Time) on Wednesday, 16 November 2016.

The relevant dates relating to the payment of dividend number 21 are as follows:

Last day to trade *cum*-dividend	
On the Johannesburg Stock Exchange (JSE)	Tuesday, 29 November 2016
On the Channel Islands Stock Exchange (CISX)	Wednesday, 30 November 2016
Shares commence trading *ex*-dividend	
On the Johannesburg Stock Exchange (JSE)	Wednesday, 30 November 2016
On the Channel Islands Stock Exchange (CISX)	Thursday, 01 December 2016
Record date (on the JSE and CISX)	Friday, 02 December 2016
Payment date (on the JSE and CISX)	Monday, 12 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 02 December 2016 both dates inclusive, nor may transfers between the United Kingdom share register and the South African branch register take place between Wednesday, 30 November 2016 and Friday, 02 December 2016 both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued preference share capital of Investec plc is 2 754 587 preference shares
- The dividend paid by Investec plc to shareholders recorded on the South African branch register is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated)
- The net dividend amounts to 107.44479 cents per preference share for preference shareholders liable to pay the Dividend Tax and 126.40563 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

D Miller
Company secretary

16 November 2016

Investec Limited

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

ORDINARY SHARE DIVIDEND ANNOUNCEMENT

Declaration of dividend number 122

Notice is hereby given an interim dividend number 122, being a gross dividend of 178.00000 cents (2015: 207.00000 cents) per ordinary share has been declared by the Board from income reserves in respect of the six months ended 30 September 2016 payable to shareholders recorded in the shareholders' register of the company at the close of business on Friday, 09 December 2016.

The relevant dates for the payment of dividend number 122 are as follows:

Last day to trade *cum*-dividend	Tuesday, 06 December 2016
Shares commence trading *ex*-dividend	Wednesday, 07 December 2016
Record date	Friday, 09 December 2016
Payment date	Wednesday, 21 December 2016

The interim gross dividend of 178.00000 cents per ordinary share has been determined by converting the Investec plc distribution of 10.0 pence per ordinary share into Rands using the Rand/Pounds Sterling average buy/sell forward rate at 11h00 (SA time) on Wednesday, 16 November 2016.

Share certificates may not be dematerialised or rematerialised between Wednesday, 07 December 2016 and Friday, 09 December 2016, both dates inclusive.

Additional information to take note of:

- Investec Limited South African tax reference number: 9800/181/71/2
- The issued ordinary share capital of Investec Limited is 298 173 370 ordinary shares
- The dividend paid by Investec Limited is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated)
- Shareholders who are exempt from paying the Dividend Tax will receive a net dividend of 178.00000 cents per ordinary share
- Shareholders who are not exempt from paying the Dividend Tax will receive a net dividend of 151.30000 cents per ordinary share (gross dividend of 178.00000 cents per ordinary share less Dividend Tax of 26.70000 cents per ordinary share).

By order of the board

N van Wyk
Company secretary
16 November 2016

Investec plc

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

ORDINARY SHARE DIVIDEND ANNOUNCEMENT

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

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

Declaration of dividend number 29

Notice is hereby given that an interim dividend number 29, being a gross dividend of 10.0 pence (2015: 9.5 pence) per ordinary share has been declared by the Board from income reserves in respect of the six months ended 30 September 2016 payable to shareholders recorded in the members' register of the company at the close of business on Friday, 09 December 2016.

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

Last day to trade *cum*-dividend	
On the Johannesburg Stock Exchange (JSE)	Tuesday, 06 December 2016
On the London Stock Exchange (LSE)	Wednesday, 07 December 2016
Shares commence trading *ex*-dividend	
On the Johannesburg Stock Exchange (JSE)	Wednesday, 07 December 2016
On the London Stock Exchange (LSE)	Thursday, 08 December 2016
Record date (on the JSE and LSE)	Friday, 09 December 2016
Payment date (on the JSE and LSE)	Wednesday, 21 December 2016

Share certificates on the South African branch register may not be dematerialised or rematerialised between Wednesday, 07 December 2016 and Friday, 09 December 2016, both dates inclusive, nor may transfers between the United Kingdom share register and the South African branch register take place between Wednesday, 07 December 2016 and Friday, 09 December 2016, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Shareholders registered on the South African branch register are advised that the distribution of 10.0 pence, equivalent to a gross dividend of 178.00000 cents per share, has been arrived at using the Rand/Pound Sterling average buy/sell forward rate, as determined at 11h00 (SA time) on Wednesday, 16 November 2016
- Investec plc United Kingdom tax reference number: 2683967322360
- The issued ordinary share capital of Investec plc is 656 424 689 ordinary shares
- The dividend paid by Investec plc to South African resident shareholders registered on the South African branch register and the dividend paid by Investec Limited to Investec plc shareholders on the SA DAS share are subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated)
- Shareholders registered on the South African branch register who are exempt from paying the Dividend Tax will receive a net dividend of 178.00000 cents per share
- Shareholders registered on the South African branch register who are not exempt from paying the Dividend Tax will receive a net dividend of 151.30000 cents per share (gross dividend of 178.00000 cents per share less Dividend Tax of 26.70000 cents per share)

By order of the board

D Miller
Company secretary
16 November 2016

Investec plc and Investec Limited

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INTERNET ADDRESS

www.investec.com

REGISTRATION NUMBER

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

AUDITORS

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Ernst & Young Inc.

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Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

DIRECTORATE

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Fani Titi (chairman)
Zarina Bassa
Laurel Bowden
Cheryl A Carolus
Perry KO Crosthwaite (senior independent NED)
David Friedland
Charles Jacobs
Ian R Kantor
Lord Malloch-Brown (KCMG)
Khumo Shuenyane
Peter RS Thomas

For queries regarding information in this document

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Notes