

Out of the Ordinary®

 **Investec**

Specialist Bank



Investec plc

The information in this presentation relates to the year ended 30 September 2019,
unless otherwise indicated.

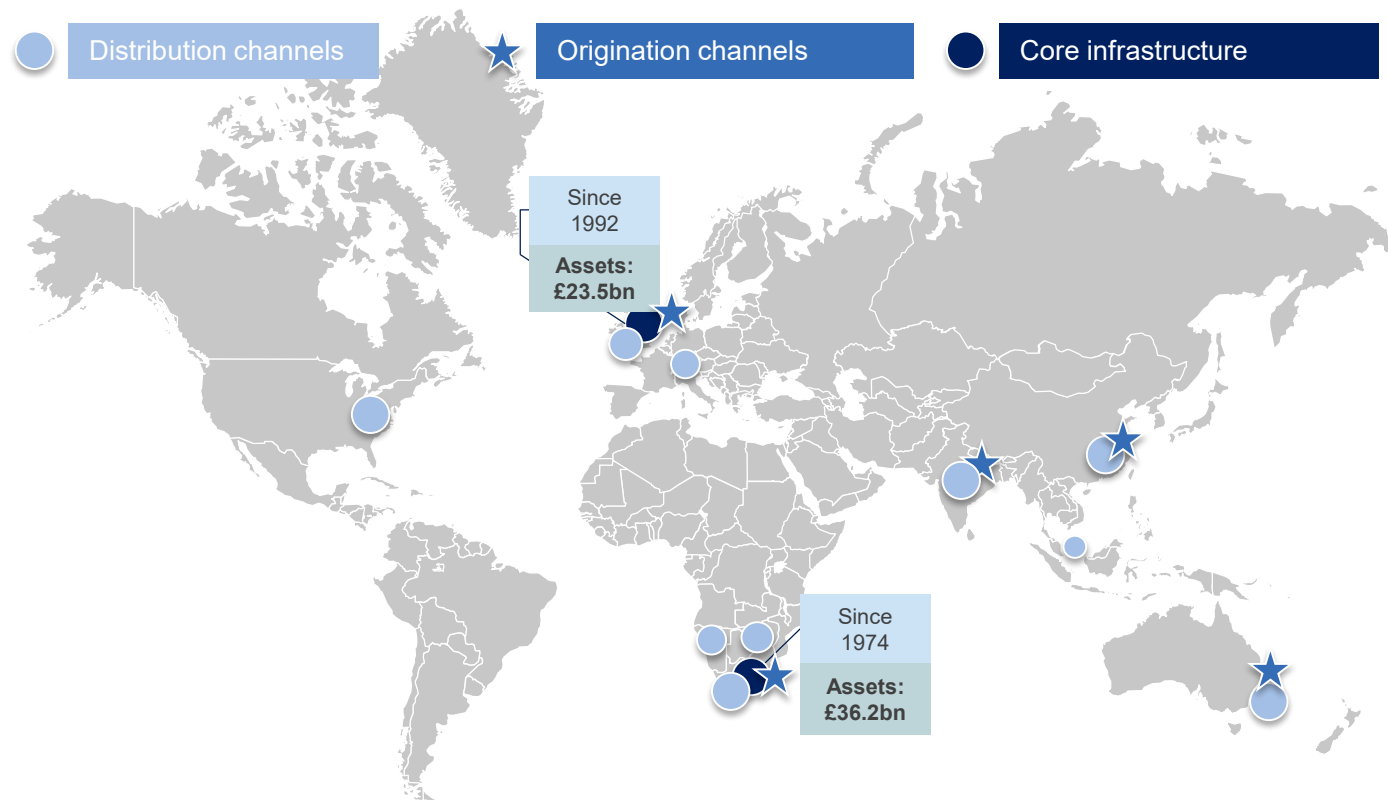


An overview of the Investec Group

Investec: a distinctive specialist bank and asset manager

Facilitating the creation of wealth and management of wealth

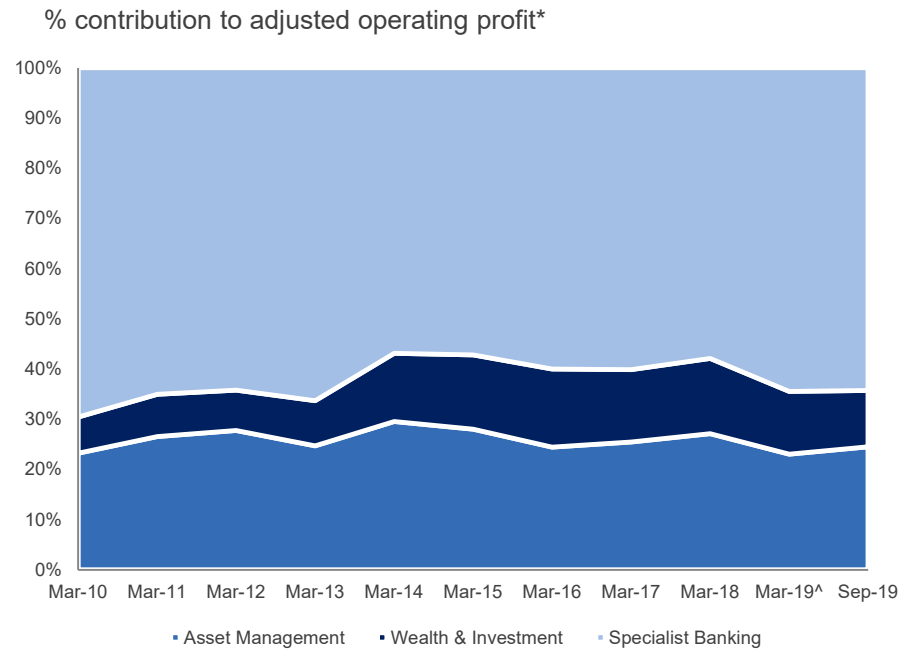
- Established in 1974
- Today, efficient integrated international business platform employing approximately **10 500*** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of £59.7bn; total equity £5.4bn; total FUM £177.9bn



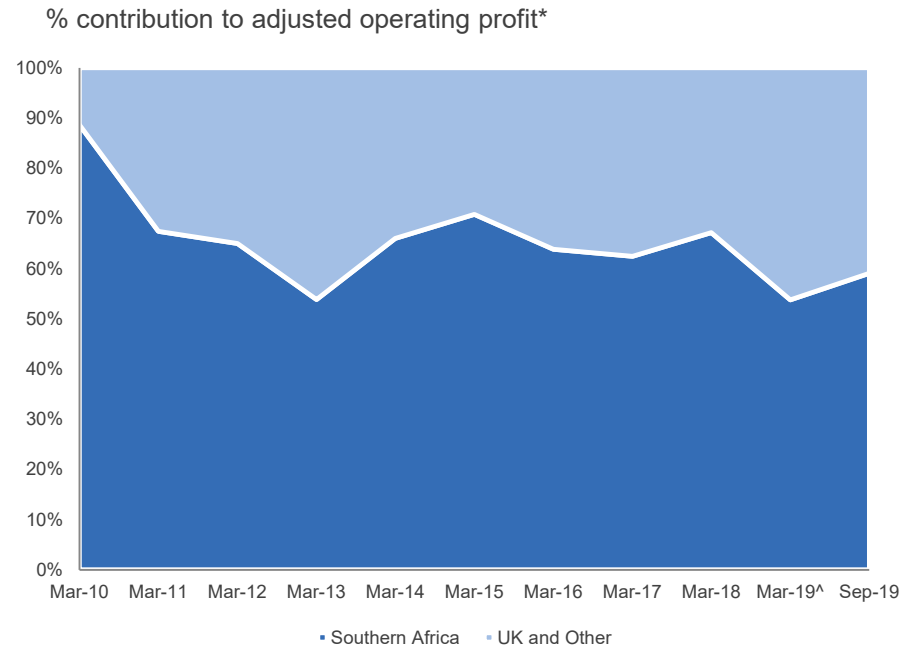
*Including temporary employees and contractors

Solid recurring income base supported by a diversified portfolio

Across businesses



Across geographies



*Adjusted operating profit by geography is Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests. Adjusted operating profit by business is Operating profit before group costs and before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests. ^Reflected in the above trends March 2019 information has been restated and excludes the financial impact of the rundown on the Hong Kong direct investments business and the impact of other group restructures as detailed on slide 39. All prior year numbers have not been restated.

Strategic focus

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

Specialised strategy

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

Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing revenue earned from capital light activities and capital intensive activities
- Cost and risk conscious.

Strong culture

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

Our strategy

Our long-term strategy is to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception we have expanded through a combination of organic growth and strategic acquisitions.

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

Group strategic focus

- Simplify, focus and grow with discipline
- Leverage our unique client profile and provide our clients with an integrated holistic offering
- Support our high-touch client approach with a comprehensive digital offering
- Ensure domestic relevance and critical mass in our chosen geographies
- Facilitate our clients with cross-border transactions and flow across our chosen geographies

Divisional strategic focus

Asset Management

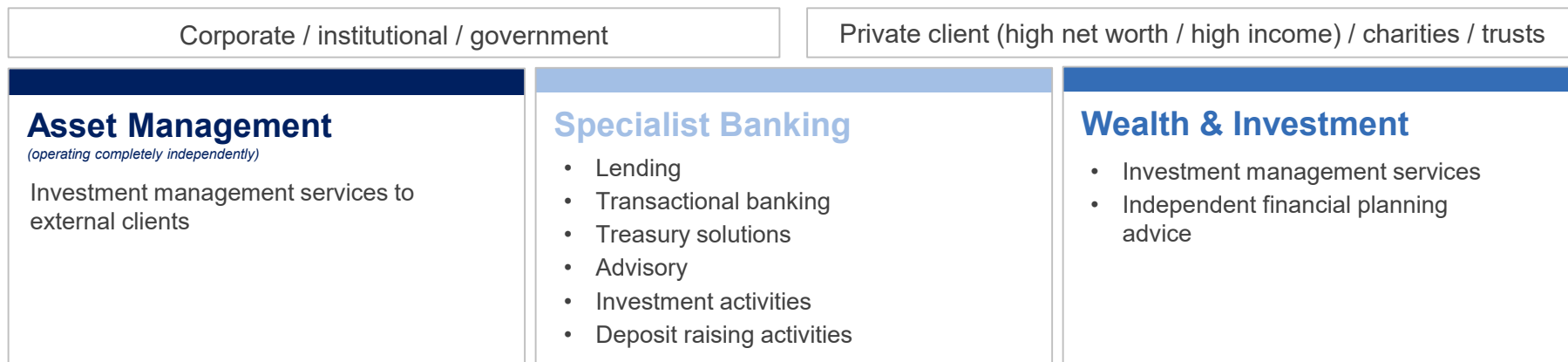
- Continue to invest across our investment platform
- Grow Advisor and Institutional business
- Embrace and enhance the Sustainability trend
- Achieve a successful demerger and listing

Bank and Wealth

- Focused on enhancing effectiveness of operating platform to better serve clients and deliver long-term shareholder returns
- Increase discipline in capital allocation
- Manage the cost base for greater efficiencies
- Accelerate revenue growth
- Expanding connectivity across the organization to more fully serve client needs
- Bolster digital capabilities

Balanced business model supporting our long-term strategy

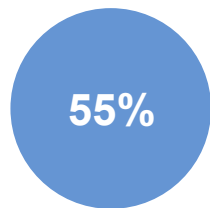
Three distinct business activities focused on well defined target clients



As announced on 14 September 2018 following a strategic review, the group made a decision to demerge and separately list the Investec Asset Management business. The demerger and the listing of the asset management business is subject to shareholder and other customary approvals, and is expected to be completed during the first quarter of calendar year 2020.

We aim to maintain an **appropriate balance** between revenue earned from capital light activities and revenue earned from balance sheet activities.

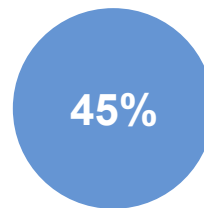
Capital light activities



Contributed to group income

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

Balance sheet activities



Contributed to group income

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

Fee and commission income



Types of income



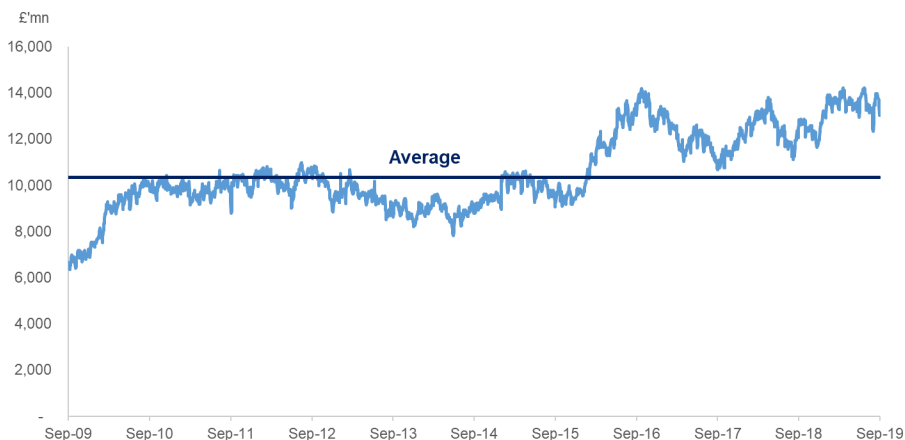
Net interest, investment, associate and trading income

We continue to have a sound balance sheet

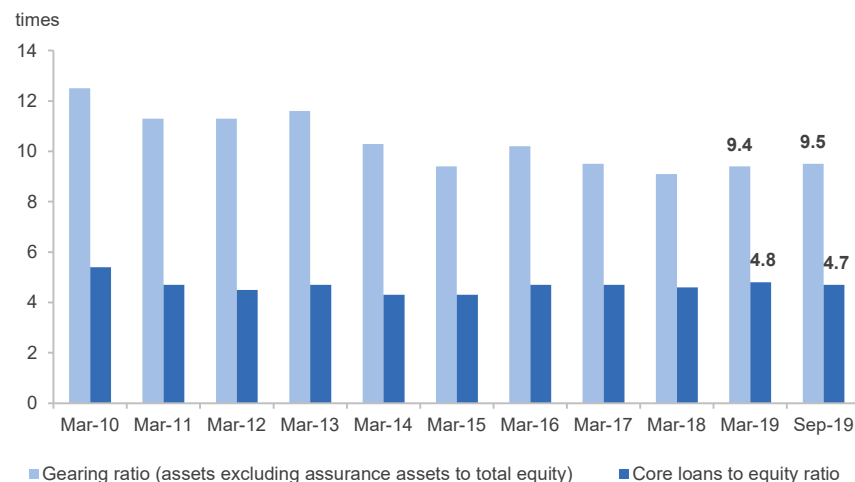
Key operating fundamentals

- Senior management “hands-on” culture
- A high level of readily available, **high quality liquid assets**: representing c. 25% - 35% of our liability base. Cash and near cash balances amounted to £13.0 billion at year end, representing 40.7% of customer deposits.
- No reliance on wholesale funding
- Solid leverage ratios: always held **capital in excess of regulatory requirements** and the group intends to perpetuate this philosophy. Target common equity tier 1 ratio of above 10% and total capital ratios between 14% and 17%
- **Low gearing ratio**: 9.5x with leverage ratios in excess of 7%
- Geographical and operational diversity with a **high level of recurring income** continues to support sustainability of operating profit

Cash and near cash

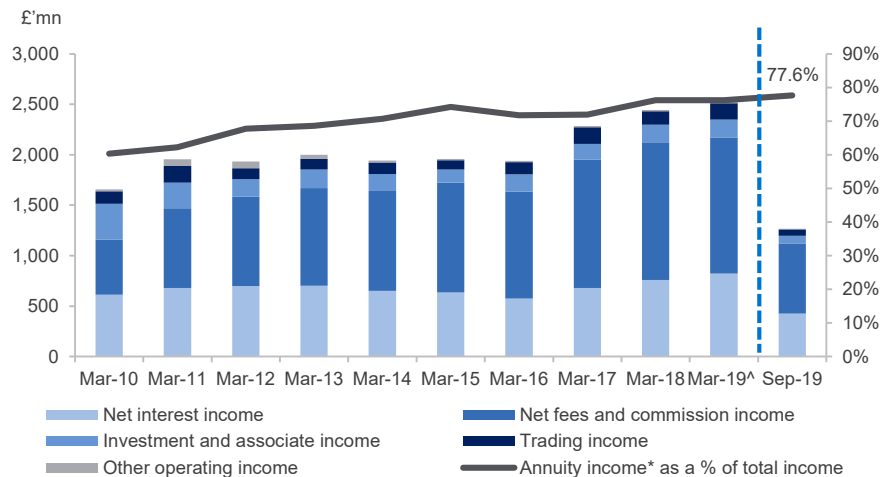


Low gearing ratios

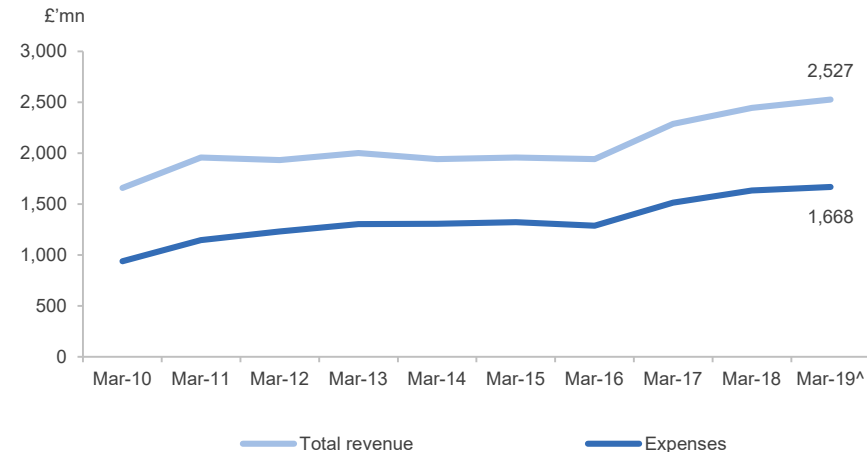


We have a sound track record

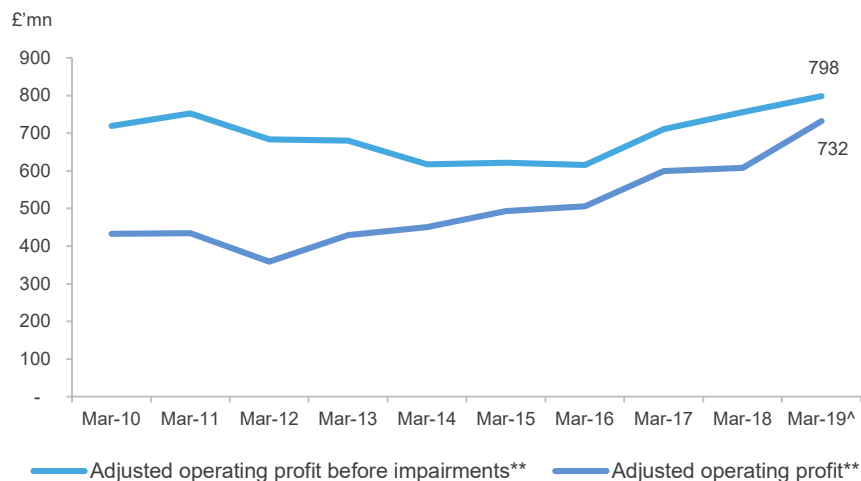
Recurring income



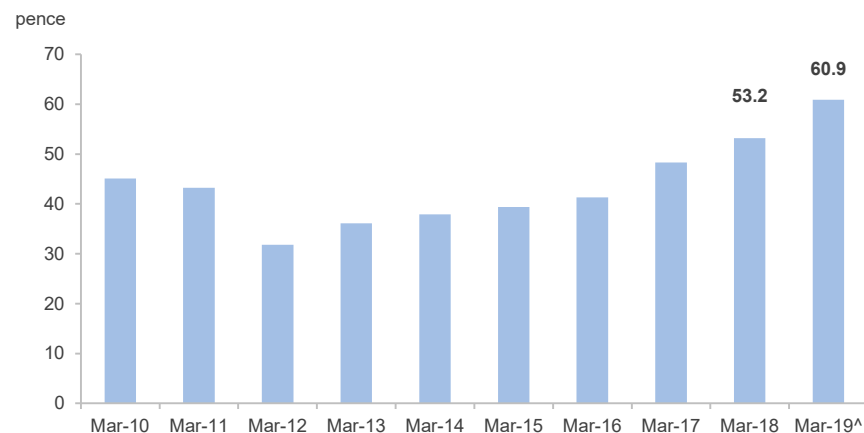
Revenue versus expenses



Adjusted operating profit** before impairments



Adjusted EPS^^

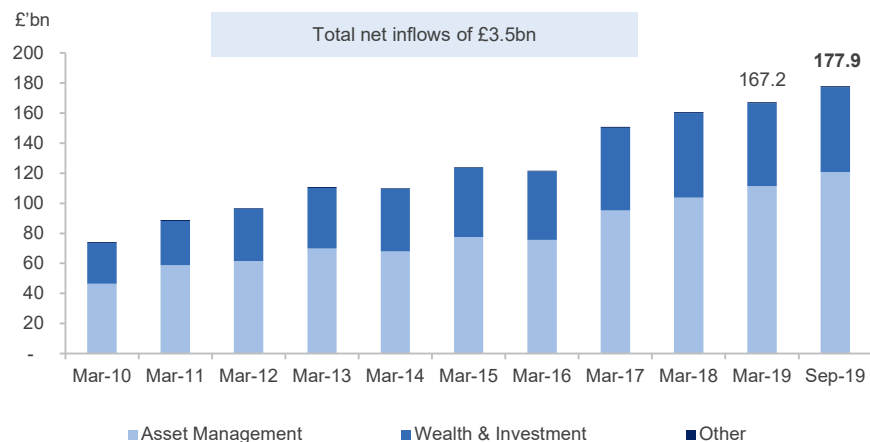


*Where annuity income is net interest income and annuity fees. ** Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

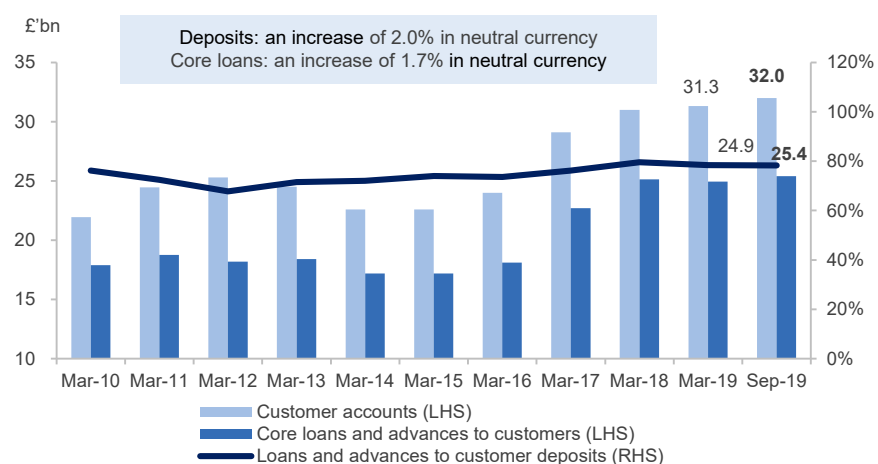
^Reflected in the above trends March 2019 information has been restated and excludes the financial impact of the rundown on the Hong Kong direct investments business and the impact of other group restructures as detailed on slide 39. All prior year numbers have not been restated. ^^Where adjusted EPS is earnings per share before goodwill, acquired intangibles and strategic actions and the deduction of preference shares.

We have a sound track record

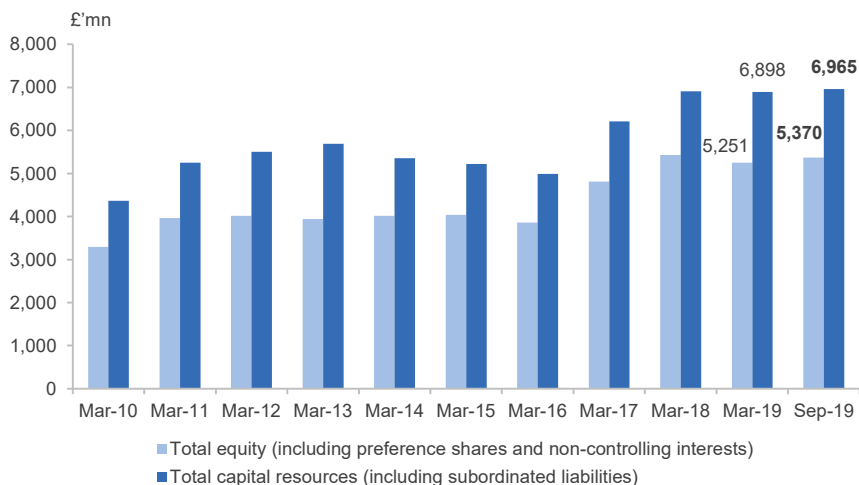
Third party assets under management



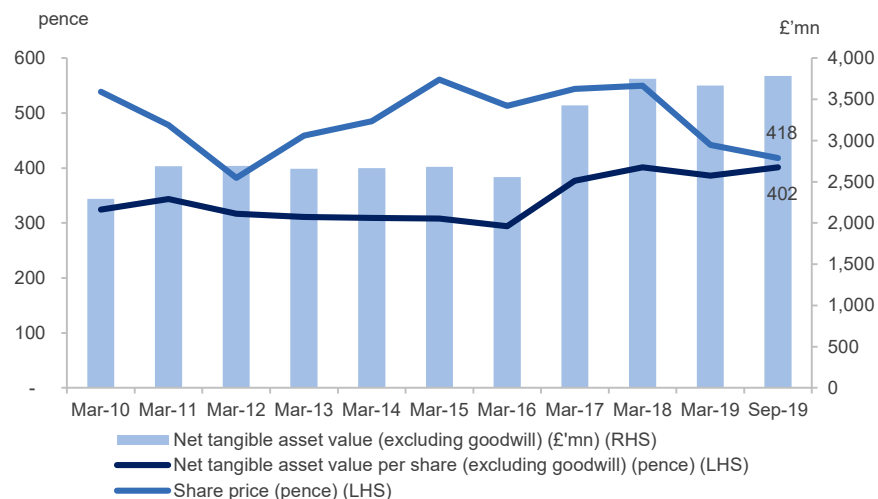
Core loans and advances and deposits



Total equity and capital resources



Net tangible asset value



We have invested in our Brand



...our Communities

...our People



... and the Planet





An overview of Investec plc

Overview of Investec plc

Investec plc is a **distinctive specialist bank** and **asset manager** with primary business in the **United Kingdom**.

We focus on delivering distinct profitable solutions for our clients in three core areas of activity, namely:

Asset Management, Wealth & Investment and Specialist Banking

Total assets
£23.5bn

Net core loans
£10.8bn

Total equity
£2.3bn

Customer deposits
£13.4bn

Third Party AUM
£123.3bn

Investec plc

- Holding company of the Investec Group's **UK & Other operations**
- Operating in the UK since 1992
- **UK FTSE 250 listed entity** since 2002
- PRA and FCA regulated and a member of the London Stock Exchange
- **Balanced and defensive business model** comprising Specialist Banking, Asset Management and Wealth & Investment
- Employing approximately **4,400** permanent employees
- **Creditors ring-fenced** from Investec Bank Limited (Southern African banking subsidiary)
- **Capital and liquidity are not fungible** between Investec plc and Investec Limited – each entity required to be self-funded and self-capitalised in adherence with the regulations in their respective jurisdictions

Core activities and operational foot print

Asset Management Value Proposition

- An organically built global investment manager with emerging market origins
- Competitive investment performance in chosen specialities
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership
- A commitment to investing for a sustainable future
- Independently managed entity within the Investec group.

Wealth & Investment Value Proposition

- Built via the acquisition and integration of businesses and organic growth over a long period of time
- Established platforms in the UK, Switzerland and Guernsey
- Distinct distribution channels: direct, intermediaries, charities, and international
- 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.

Specialist Banking Value Proposition

- High-quality specialist banking solutions to corporate and private clients with leading positions in select areas
- 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.

Where we operate

UK and Europe

Brand well established
Leading asset manager with market leading products
One of the UK's leading private client investment managers
Proven ability to attract and recruit investment managers
Sustainable specialist banking business on the back of client activity

USA

Experienced local teams in place with industry expertise

Hong Kong

Private equity fund solutions

India

Facilitates the link between India, UK and South Africa

Australia

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

Key strengths

Diversified revenue streams with high annuity base

- Balanced business model comprising three distinct business activities: **Specialist Banking, Asset Management and Wealth & Investment**
- Continued focus on growing our **capital light businesses**, now 64% of Investec plc's revenue[#]
- High level of **annuity revenue**[^] accounting for 75.1% of total operating income
- **Strong growth in third party AUM**
- Simplification of banking business resulting in a **reduction in legacy portfolio and impairments**

Sound balance sheet

- **Never required shareholder or government support**
- **Robust capital base: 10.5% CET1 ratio** and **strong leverage ratio of 7.6%** (7.3% on a fully loaded basis) as of 30 September 2019*
- Investec plc benefits from a substantial unlevered assets, being Investec Asset Management (AUM: £81.7bn) and Wealth & Investment (AUM: £41.0bn)
- **Low gearing: 10.1x**
- **Strong liquidity ratios** with high level of readily available, high quality liquid assets representing 49.5% of customer deposits (cash and near cash: £6.6bn)
- **Diversified funding base** with strong retail deposit franchise and low reliance on wholesale funding

Strong culture

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

[#]For the six months ended 30 September 2019. [^]Where annuity income is net interest income and annuity fees.

*CET1 ratios shown on a consolidated basis as at 30 September 2019; after the deduction of foreseeable charges and dividends as required by the CRR and EBA technical standards.

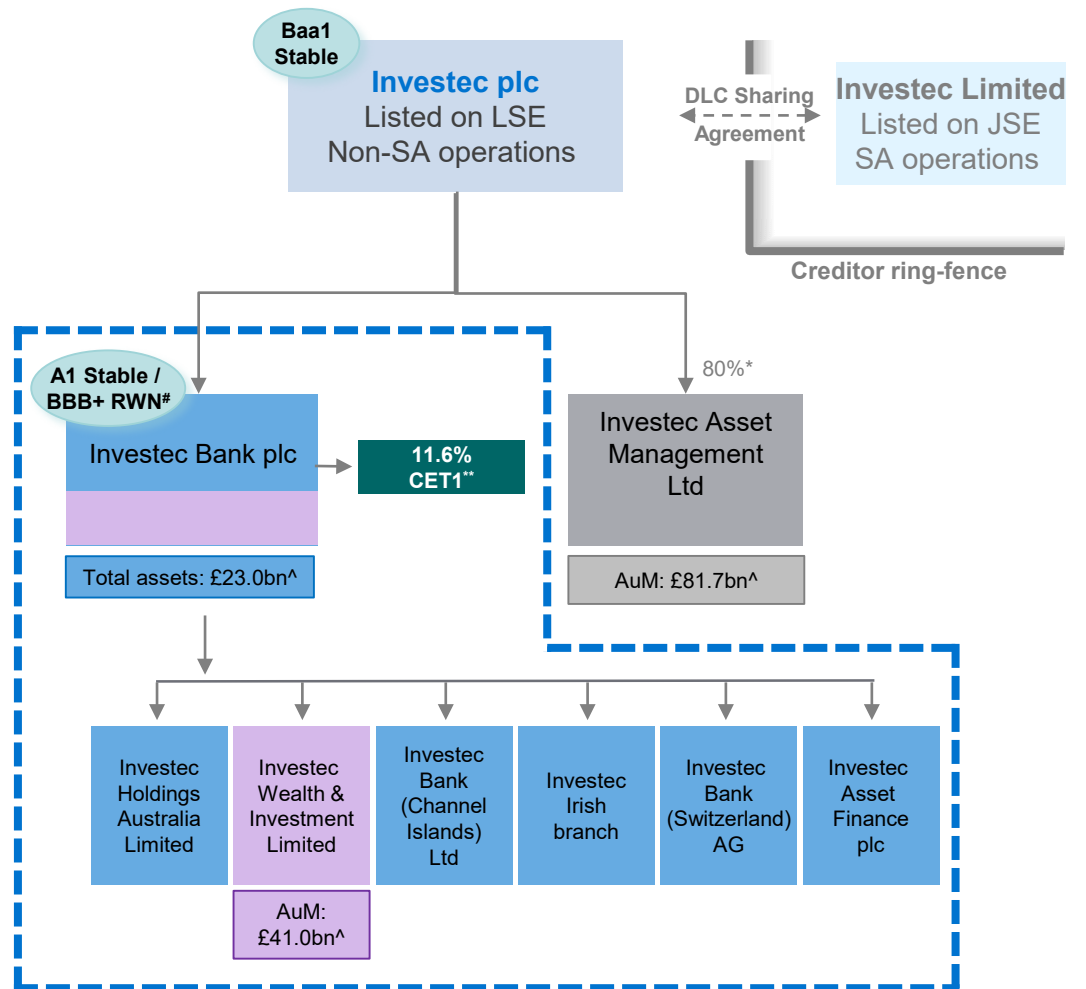
Investec plc: structure and main operating subsidiaries

Features of Investec's structure

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

Features of the Investec Group's DLC structure

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



Assets under Management	Sep-19	Mar-19	Mar-18
<i>UK & Other</i>			
Investec Wealth & Investment	£41.0bn	£39.1bn	£36.9bn
Investec Asset Management	£81.7bn	£76.0bn	£69.4bn
Other	£0.6bn	£0.4bn	£0.3bn
Total third party assets under management	£123.3bn	£115.5bn	£106.6bn

- Specialist banking
- Asset Management
- Wealth & Investment

Investec plc: focusing on capital light activities

- We have realigned our business model and focused on **growing our capital light businesses**
- We have **significantly increased our third party assets under management** - a key capital light annuity income driver - in the Asset Management and Wealth & Investment businesses
- Our total capital light activities **account for 60% of Investec plc's revenue**

CAPITAL LIGHT ACTIVITIES

Third party asset management, advisory and transactional income

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

BALANCE SHEET DRIVEN ACTIVITIES

Net interest, customer flow trading, investment and associate income

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

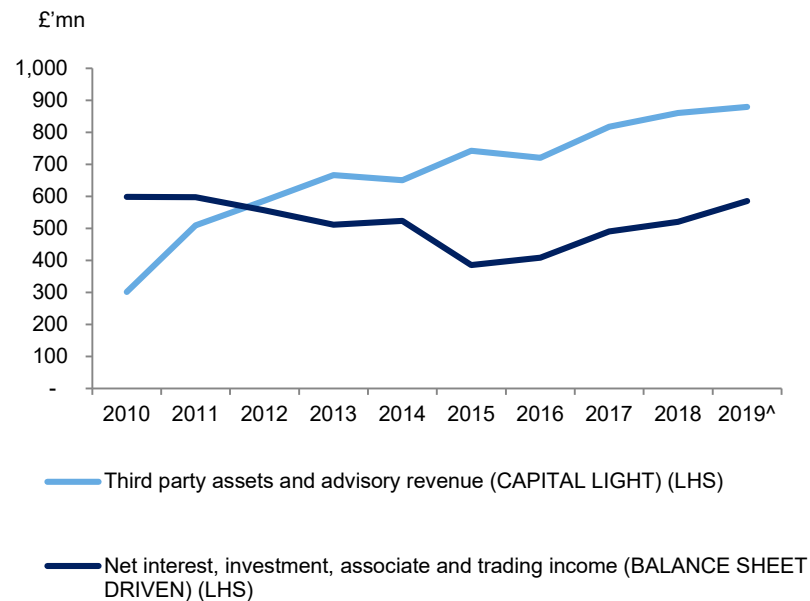
CAPITAL LIGHT BUSINESSES*

£879mn
60% of total revenue

Net fees and commissions of
£865mn
59% of total revenue

Other of
£14mn
1% of total revenue

Investec plc revenues and funds under management



BALANCE SHEET DRIVEN BUSINESSES*

£585mn
40% of total revenue

Net interest income of
£386mn
27% of total revenue

Customer flow and other trading income of
£105mn
7% of total revenue

Investment and associate income of
£94mn
6% of total revenue

Fee and commission income



Types of income



Net interest, customer flow trading, investment and associate income

Investec plc: strategic objectives

Maintain healthy capital ratios

- Always held capital in excess of regulatory requirements
- Targets:
 - Common Equity Tier 1 ratio >10% (10.5% at 30 September 2019)
 - Tier 1 ratio >11% (12.2% at 30 September 2019)
 - Total capital ratio: 14% – 17% (15.2% at 30 September 2019)
 - Leverage ratio >6% (7.6% at 30 September 2019)
- Capital strength maintained without recourse to shareholders, new investors or government assistance

Maintain robust liquidity management philosophy

- Appropriately manage our levels of surplus liquidity and cost of funding
- Maintain high level of readily available, high-quality liquid assets - minimum cash to customer deposit ratio of 25% (49.5% at 30 September 2019)
- Maintain diversified sources of funding

Perpetuate the quality of the balance sheet

Focus on revenue drivers

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

Maintain operational efficiency

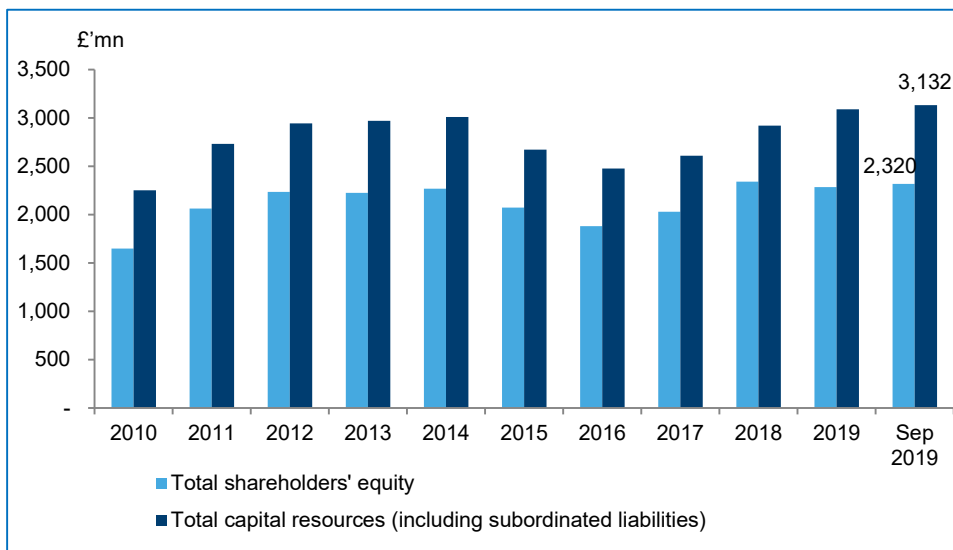
- Investec plc cost to income ratio was 76.5% at 30 September 2019
- Targeting cost to income ratio of below 70%
- Our cost to income ratio has been elevated as we have been investing in infrastructure and resources to grow the franchise, notably the build-out of the Private Bank
- With the investment in the Private Bank largely complete, management is committed to an increased focus on cost discipline
- Our solid corporate franchise should continue to support sound growth in revenue



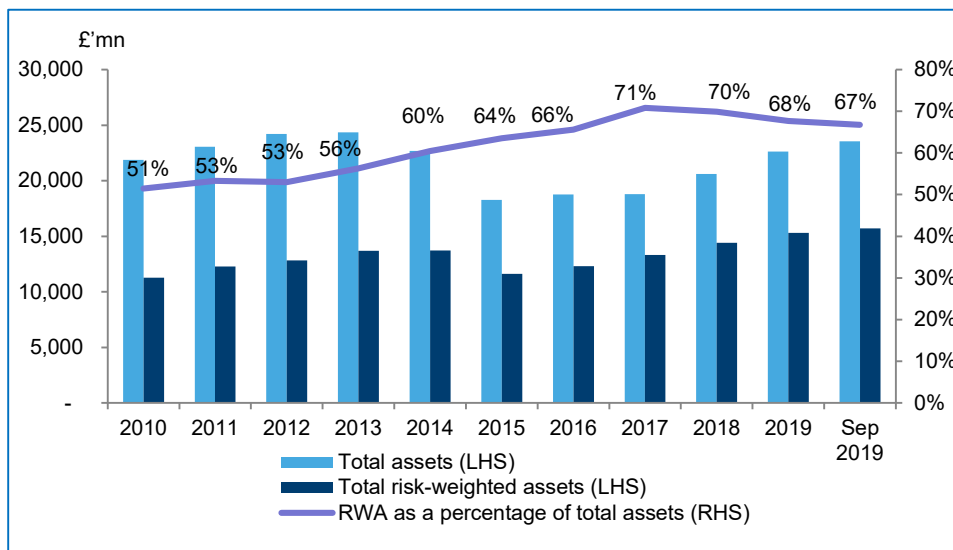
**Investec plc:
sound balance sheet and
operating fundamentals**

Investec plc: sound capital base and capital ratios

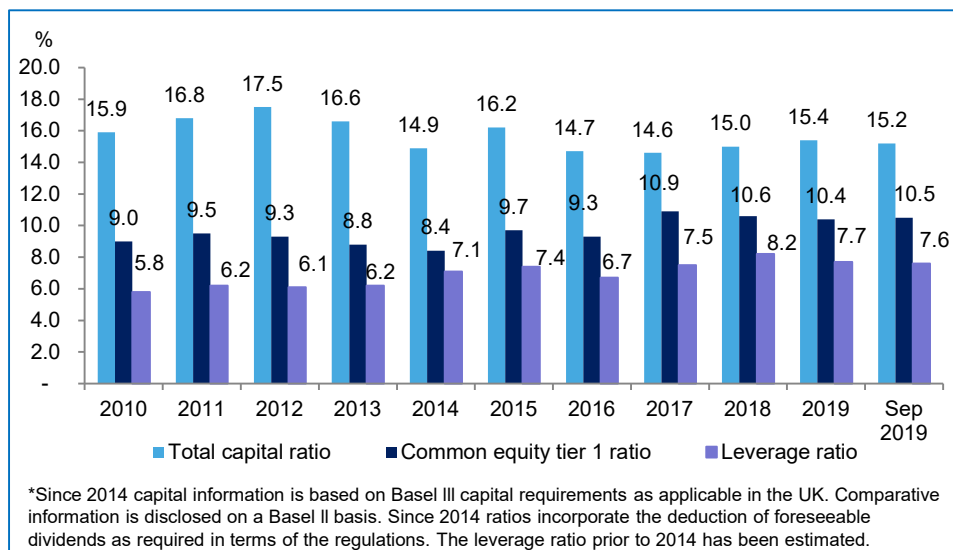
Total capital



Total risk-weighted assets



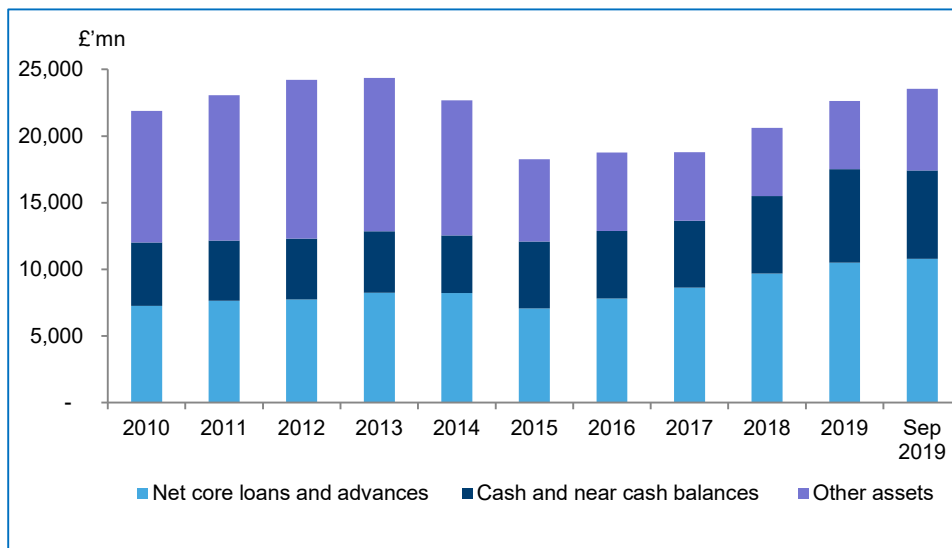
Basel capital ratios*



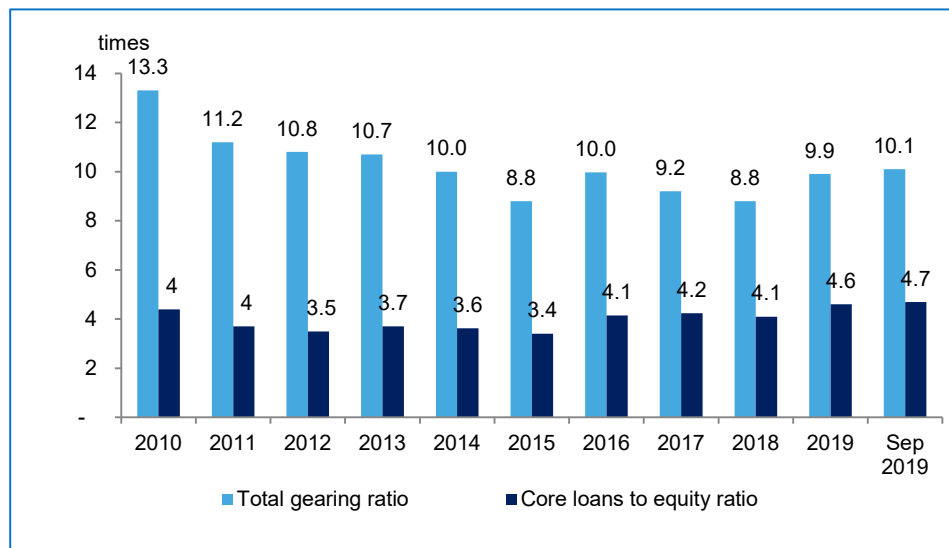
- Investec has always held capital in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised
- Capital targets:
 - Common equity tier 1 target: above 10%
 - Total capital ratio target: 14% – 17%
- As we are on the Standardised Approach in terms of Basel III our RWA represent a large portion of our total assets.** As a result we inherently hold more capital than our peers who are on the Advanced Approach
- We have continued to grow our capital base** throughout the crisis without recourse to government and shareholders. Our total shareholders' equity has grown by 41% since 2010 to £2.3bn at 30 September 2019
- 30 September 2019: total capital ratio of 15.2% and common equity tier 1 ratio of 10.5%** (these ratios now incorporate the deduction of foreseeable dividends as required in terms of the regulations. Excluding these adjustments the common equity tier 1 ratio would be 24bps higher)
- Our fully loaded Basel III common equity tier 1 ratio is estimated to be 10.1% and our fully loaded leverage ratio is 7.3%**

Investec plc: low gearing ratios

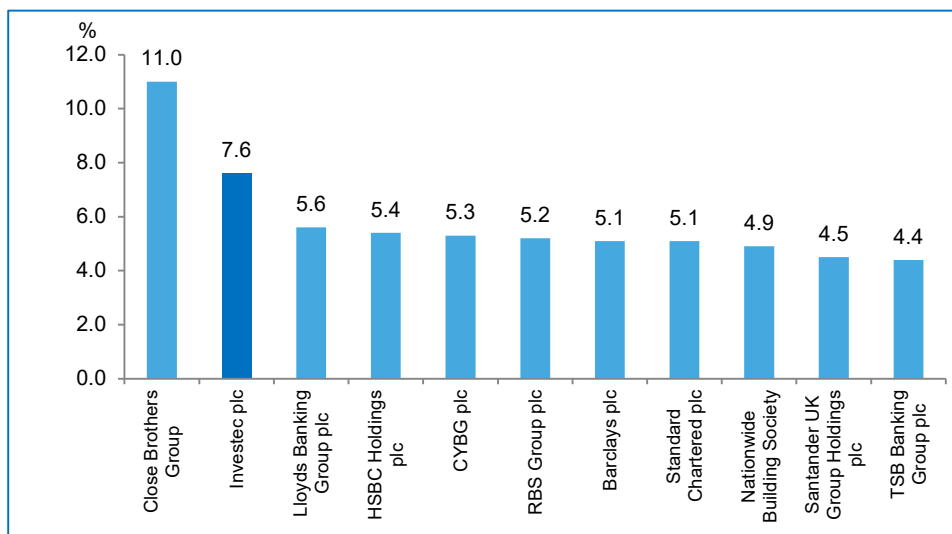
Total assets



Gearing



Regulatory leverage ratios - peer group comparisons*

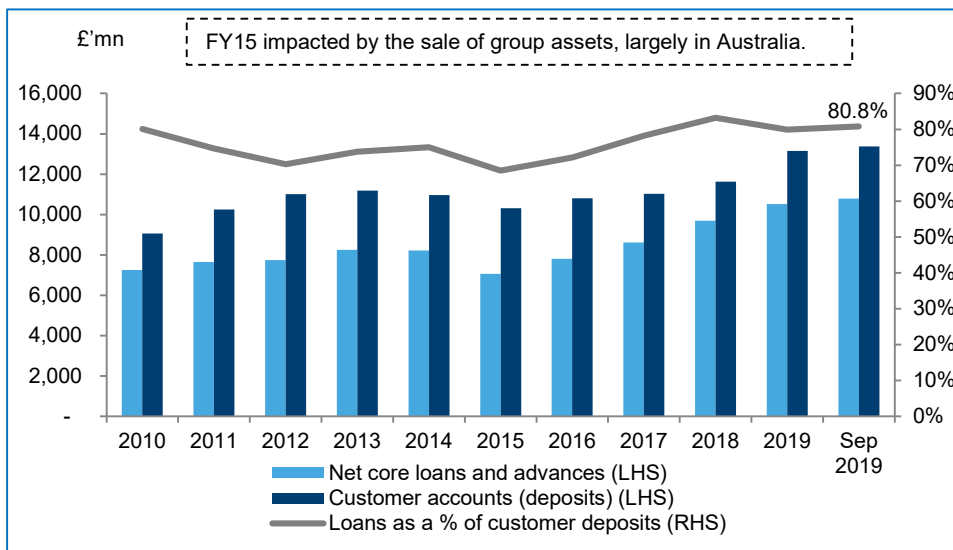


- Our core loans and advances have grown moderately over the past few years with the biggest increase in assets representing an increase in our cash and near cash balances which have grown by approximately 3.5% each year since 2010
- Total assets reduced during FY15 as a result of the group's strategic sales of certain businesses
- **We have maintained low gearing ratios with total gearing at 10.1x and an average of 10.3x since 2010**

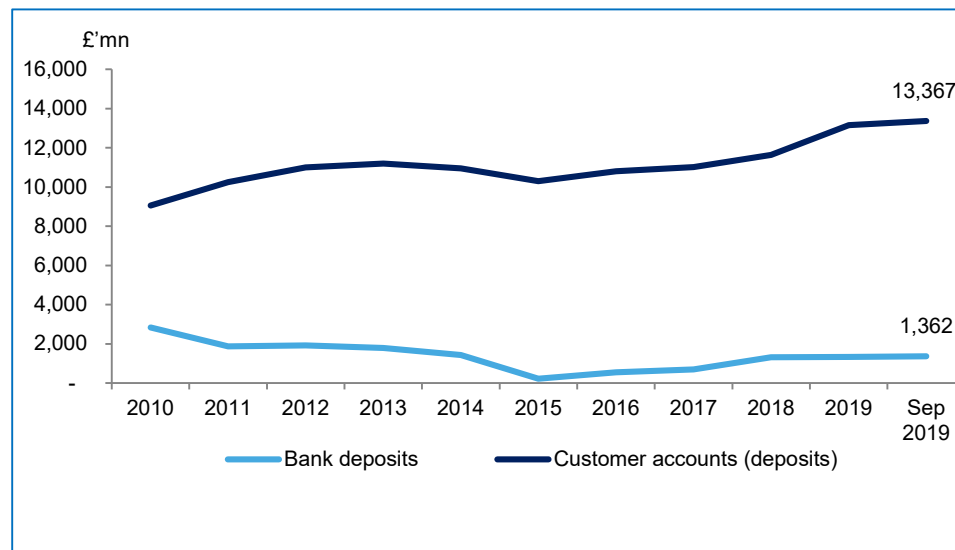
*Source: as disclosed in the latest available year-end annual financial statements at 20 November 2019.

Investec plc: surplus liquidity

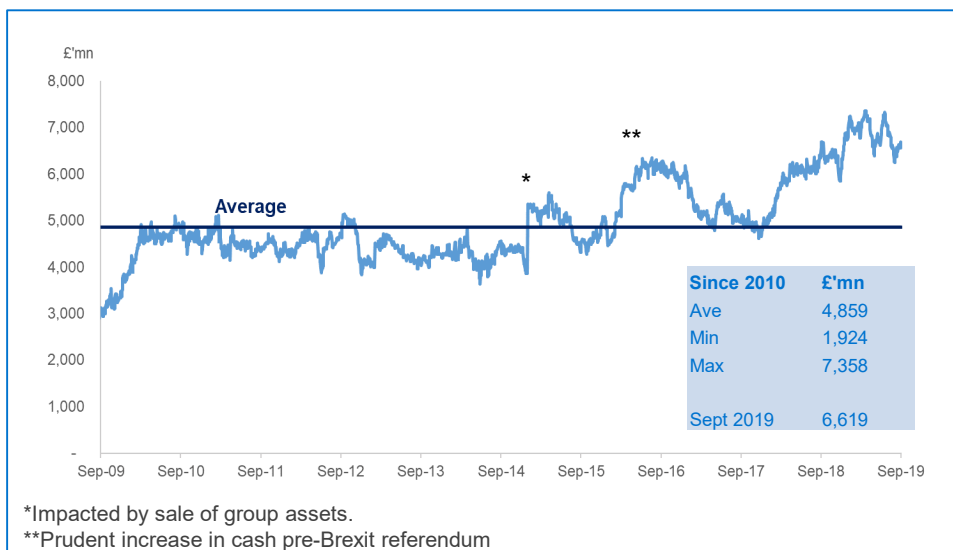
Total loans and deposits



Total deposits – increase in retail deposits



Cash and near cash balances

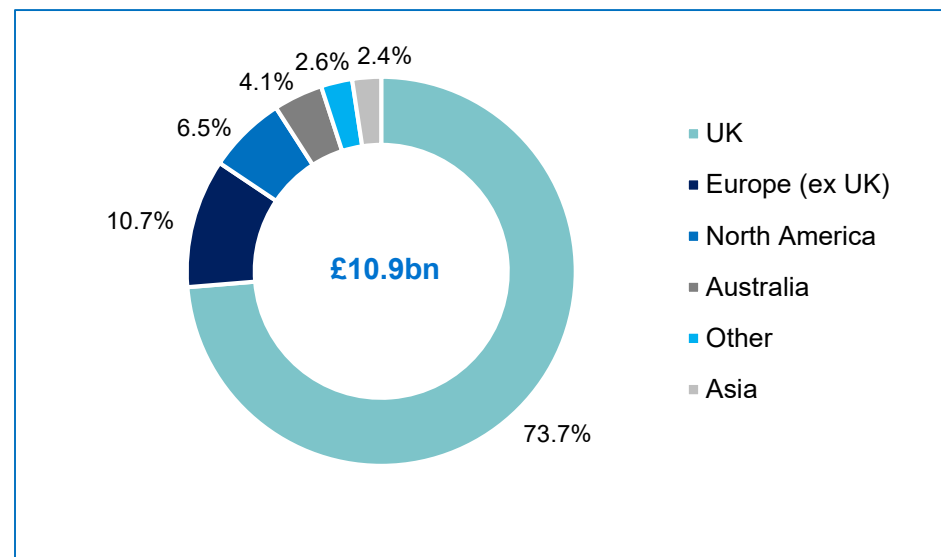


- We exceed Basel III liquidity requirements
- Customer deposits have grown by 48% (c.4.2% CAGR p.a.) since 2010 to £13.4bn at 30 September 2019
- We maintain a high level of readily available, high quality liquid assets – targeting a minimum cash to customer deposit ratio of 25%. These balances have increased significantly since 2010 to £6.6bn at 30 September 2019 (representing 49.5% of customer deposits)
- Advances as a percentage of customer deposits are 80.8%
- Fixed and notice customer deposits have continued to grow with our customers display a strong 'stickiness' and willingness to reinvest in our suite of term and notice products.
- The LCR reported to the Prudential Regulatory Authority at 30 September 2019 was 309% for Investec plc (and 329% for Investec Bank plc (solo basis)).

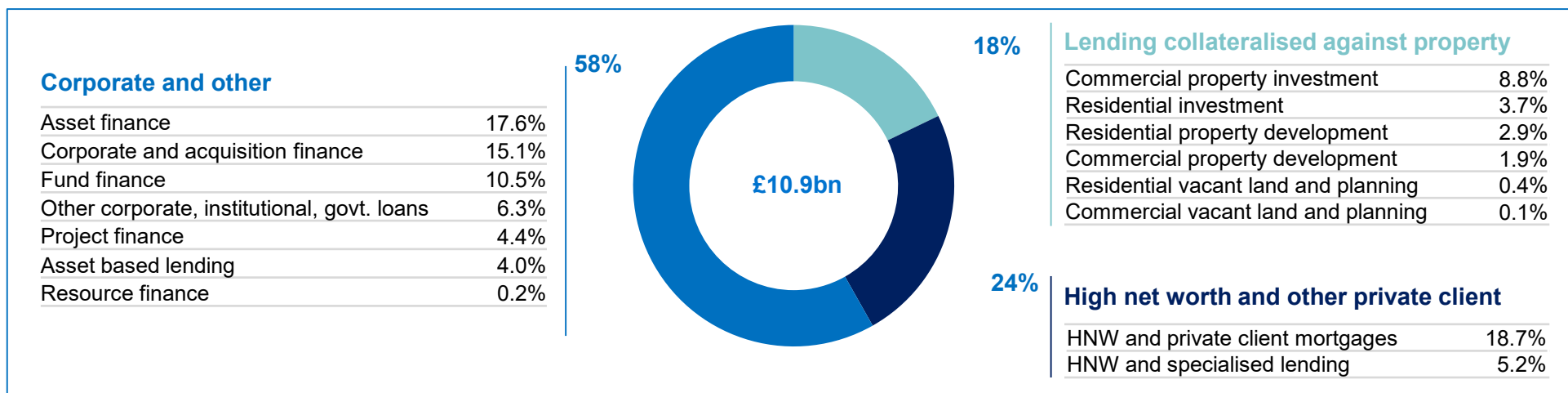
Investec plc: exposures in a select target market

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

Gross core loans by country of exposure at 30 September 2019

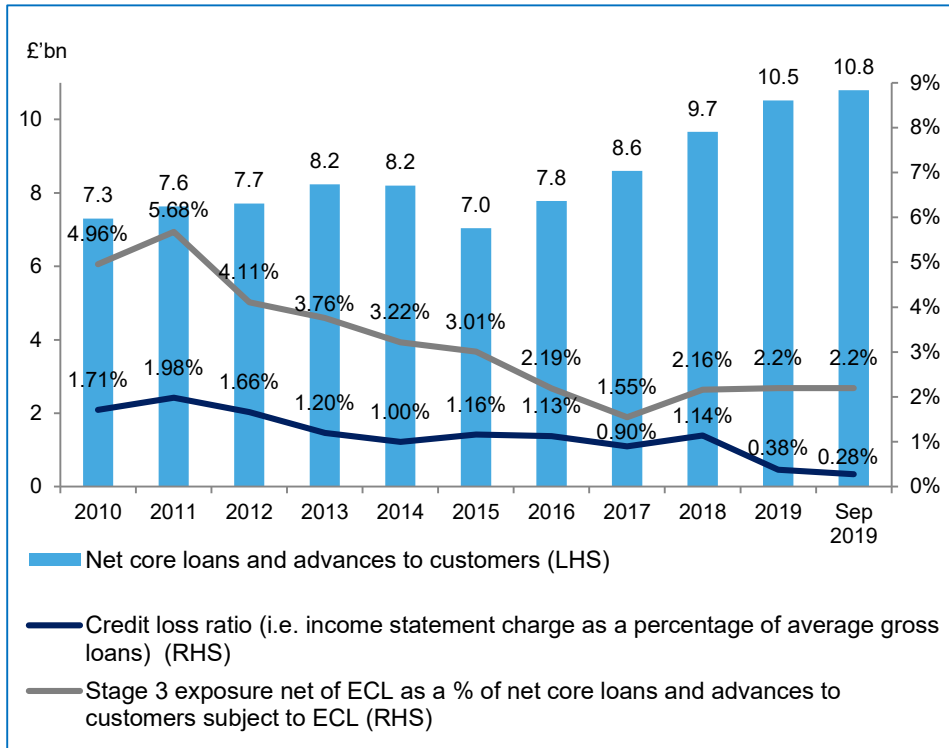


Gross core loans by risk category at 30 September 2019



Investec plc: sound and improving asset quality

Core loans and asset quality

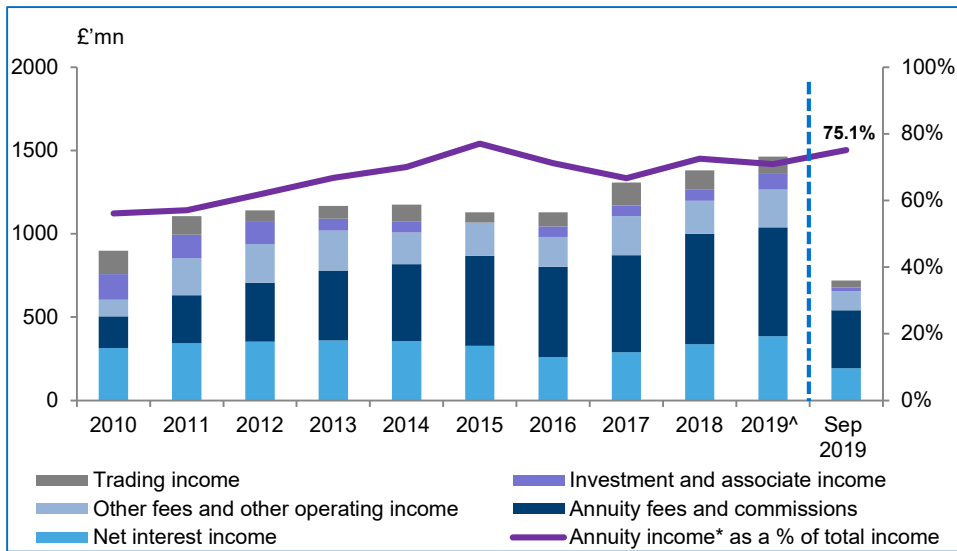


- **Credit quality on core loans and advances for the year ended 30 September 2019:**
 - **Total income statement ECL impairment charges** amounted to £16.1mn (2018: £10.0mn), however, the **credit loss ratio[#] reduced** to a normalised level of 0.28% (31 March 2019: 0.38%), and is now within its **long term average range**
 - **Stage 3 exposures net of ECL** increased from £211mn at 31 March 2019 to £225mn. **Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL** remained stable since March 2019 at 2.2%.

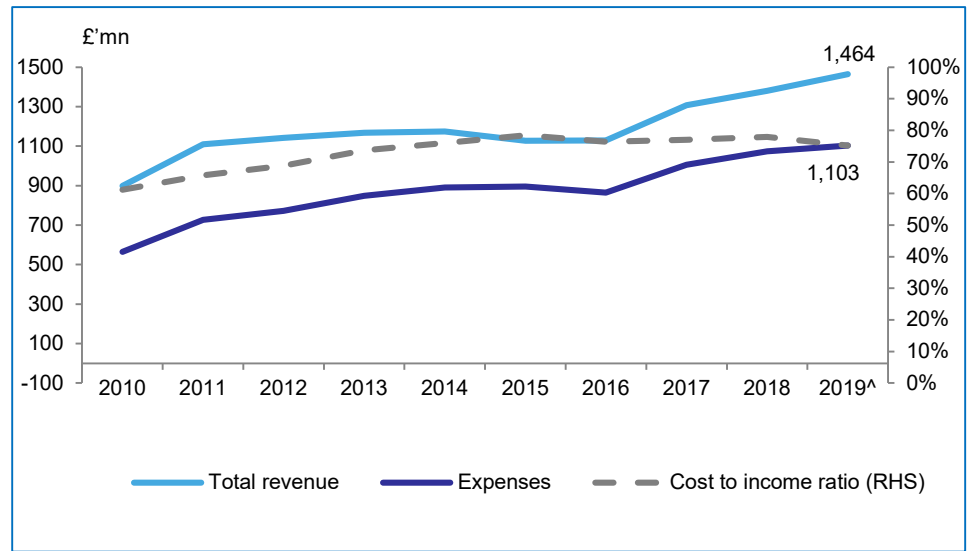
[#]Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL.

Investec plc: profitability supported by diversified revenue streams

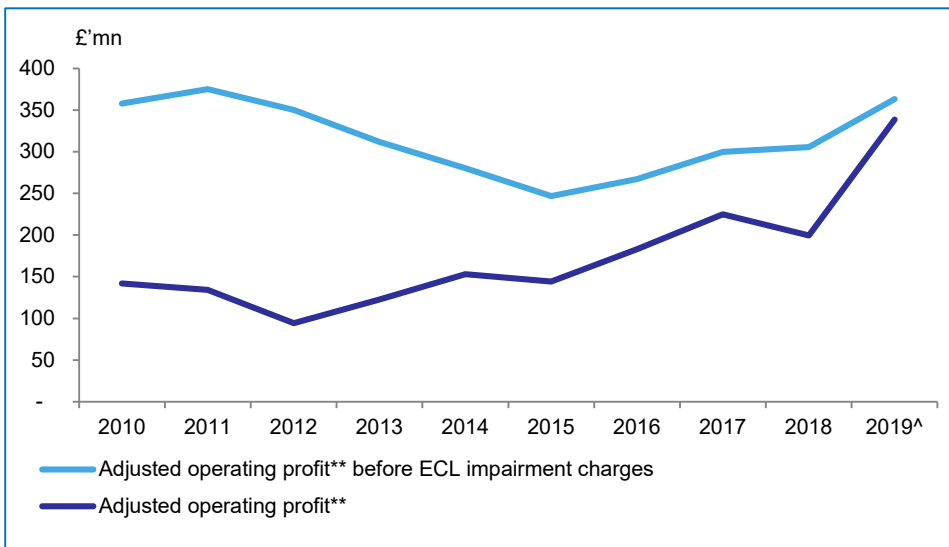
Recurring income



Revenue versus expenses



Adjusted operating profit** before ECL impairment charges

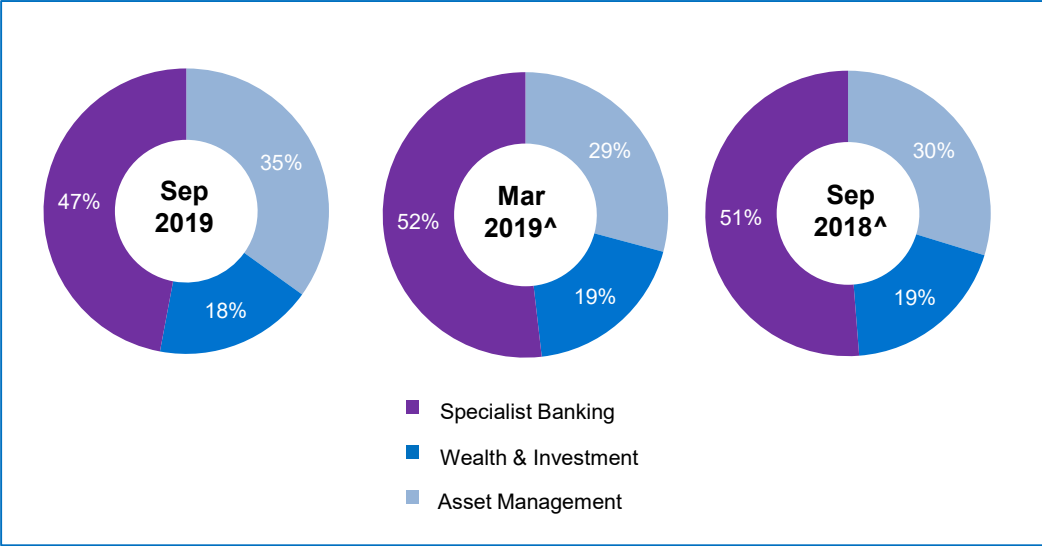


- We have grown adjusted operating profit (increased by £156mn over the past three years to £339mn as at 31 March 2019)
- Since 2008 results have been impacted by elevated impairments driven by the legacy portfolio. This is particularly evident in the 2018 financial year as increased impairments were recognised in anticipation of accelerated exits on certain legacy assets. This is not expected to be repeated, as evident in the 2019 financial year there was no repeat of prior substantial legacy losses
- We are focusing on managing costs while building for the future
- We have a solid recurring income base comprising net interest income and recurring fees which has been enhanced by the growth in our asset and wealth management businesses

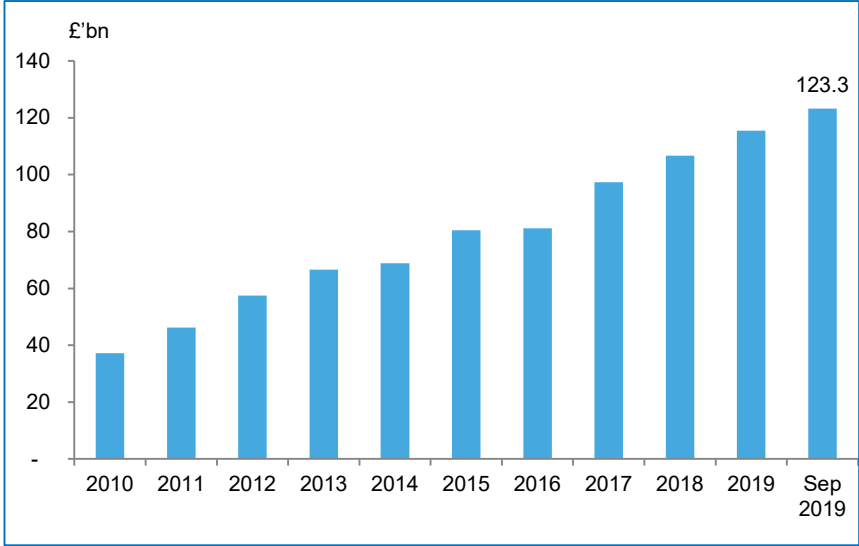
Investec plc: we have realigned the business model

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

% contribution to adjusted operating profit*



Funds under management



*Adjusted operating profit by business is Operating profit before group costs and goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests. [^]Reflected in the above trends, March 2019 information has been restated and excludes the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures as detailed on slide 39.

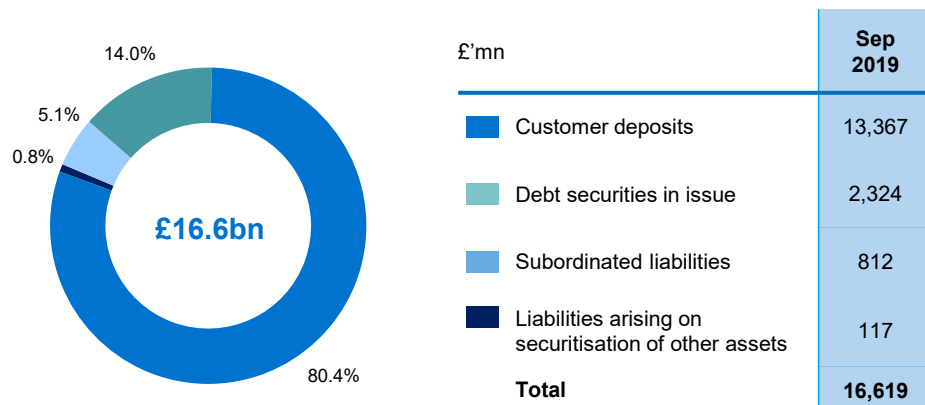
Investec plc: diversified funding strategy and credit ratings

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

Conservative and prudent funding strategy



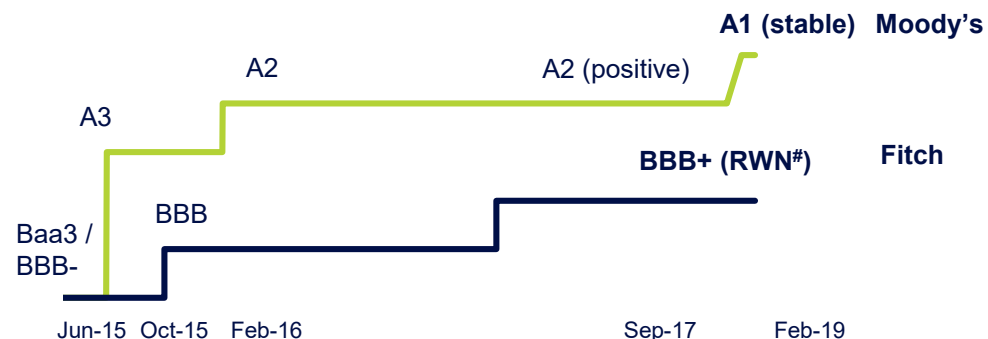
Selected funding sources



Credit ratings*

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

IBP's long-term ratings



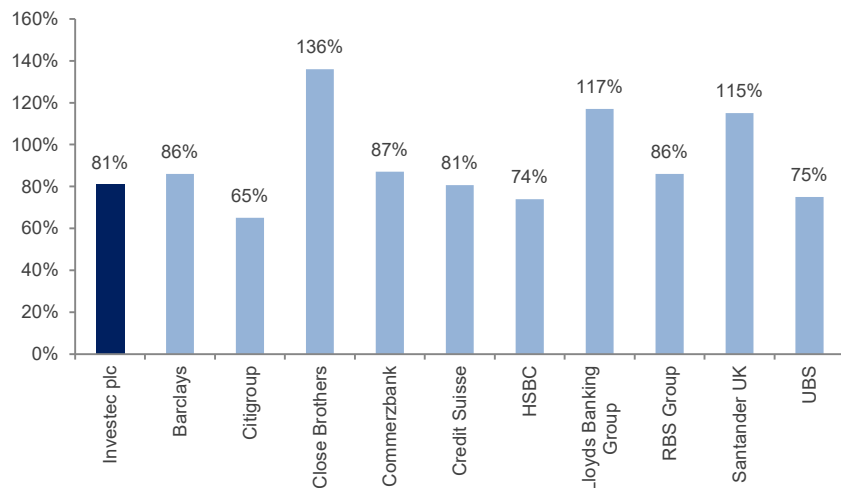
*A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. #Rating Watch Negative



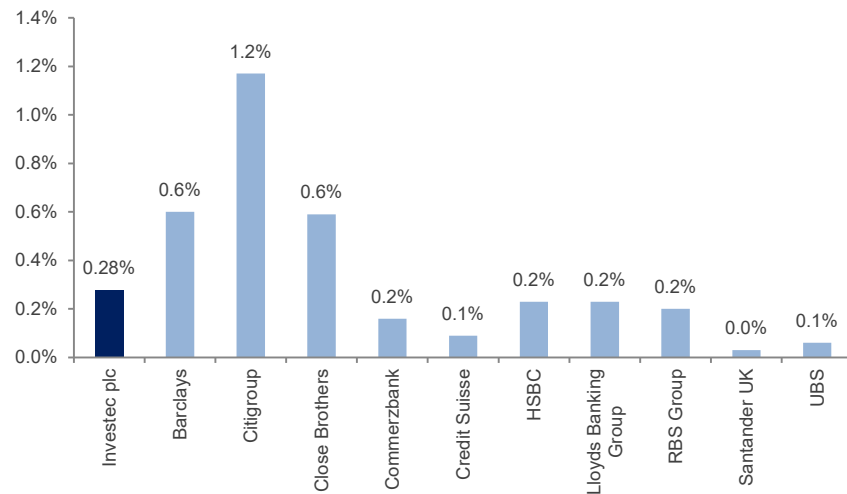
Investec plc: peer analysis

Investec plc: peer group comparisons

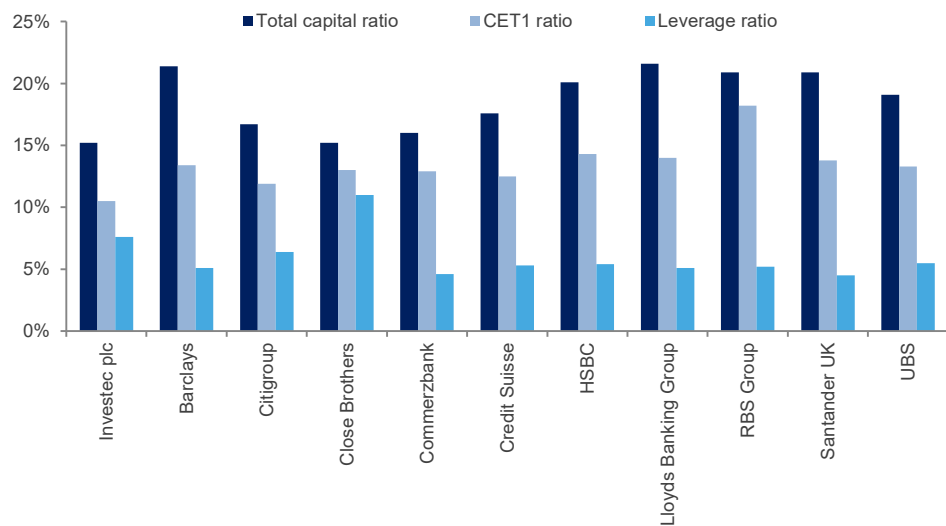
Funding: Advances to customers: customer deposits (smaller number is better)



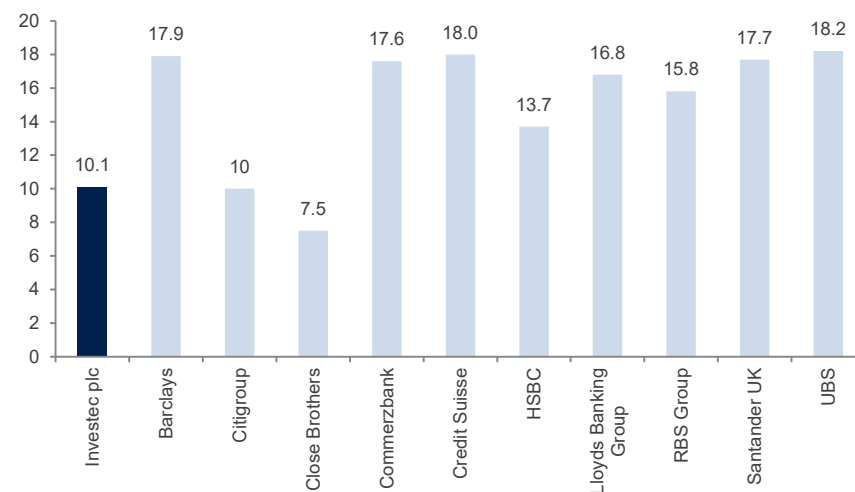
Credit loss ratio: P&L impairments as a % of average advances (smaller number is better)



Capital ratios: (larger number is better)



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



Investec plc: peer group comparisons

Definitions and/or explanations of certain ratios:

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



Investec plc - appendices

Investec plc: salient financial features

Key financial statistics	30 Sept 2019	30 Sept 2018 [^]	% change	31 March 2019 [^]
Total operating income before expected credit loss impairment charges (£'000)	720 244	738 832	(2.5%)	1 463 975
Operating costs (£'000)	550 353	557 956	(1.4%)	1 103 187
Adjusted operating profit* (£'000)	153 038	173 909	(12.0%)	338 577
Earnings attributable to ordinary shareholders (£'000)	82 746	119 792	(30.9%)	192 390
Cost to income ratio (%)	76.5%	75.2%		75.2%
Total capital resources (including subordinated liabilities) (£'000)	3 131 524	3 026 683	3.5%	3 088 971
Total shareholder's equity (£'000)	2 319 940	2 222 795	4.4%	2 285 272
Total assets (£'000)	23 544 534	21 692 405	8.5%	22 636 653
Net core loans and advances (£'000)	10 795 132	10 056 099	7.3%	10 514 251
Customer accounts (deposits) (£'000)	13 366 979	12 376 364	8.0%	13 150 824
Loans and advances to customers as a % of customer deposits	80.8%	81.3%		80.0%
Cash and near cash balances (£'mn)	6 619	6 456	2.5%	6 991
Funds under management (£'mn)	123 282	114 688	7.5%	115 450
Total gearing ratio (i.e. total assets to equity)	10.1x	9.8x		9.9x

Key asset quality and capital ratios	30 September 2019	31 March 2019
Total capital ratio	15.2%	15.4%
Tier 1 ratio	12.2%	12.2%
CET 1 ratio	10.5%	10.4%
Leverage ratio – current	7.6%	7.7%
Leverage ratio – 'fully loaded' ^{^^}	7.3%	7.3%
Stage 3 exposure as a % of gross core loans and advances subject to ECL	3.1%	3.2%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	2.2%	2.2%
Credit loss ratio [#]	0.28% ^{**}	0.38%

[^]Reflected in the above trends, March 2019 information has been restated and excludes the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures as detailed on slide 39. All prior year numbers have not been restated. *Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests. ^{^^}Based on group's understanding of current regulations, 'fully loaded' is based on Capital Requirements Regulation requirements as fully phased in by 2022, including full adoption of IFRS 9 # Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL. ^{**} Annualised.

Investec plc: income statement

£'000	Six months to 30 Sept 2019	Six months to 30 Sept 2018 [^]	% change	Year to 31 March 2019 [^]
Interest income	392 890	350 013	12.3%	728 006
Interest expense	(199 868)	(157 852)	26.6%	(341 612)
Net interest income	193 022	192 161	0.4%	386 394
Fee and commission income	556 688	536 204	3.8%	1 045 827
Fee and commission expense	(100 055)	(89 872)	11.3%	(180 589)
Investment income	17 188	28 684	(40.1%)	90 533
Share of post taxation profit of associates and joint venture holdings	3 595	-	>100.0%	2 950
Trading income arising from				
- customer flow	45 736	48 420	(5.5%)	86 766
- balance sheet management and other trading activities	(2 336)	17 553	(>100.0%)	17 845
Other operating income	6 406	5 682	12.7%	14 249
Total operating income before expected credit loss impairment charges	720 244	738 832	(2.5%)	1 463 975
Expected credit loss impairment charges	(16 087)	(10 005)	60.8%	(24 553)
Operating income	704 157	728 827	(3.4%)	1 439 422
Operating costs	(550 353)	(557 956)	(1.4%)	(1 103 187)
Depreciation on operating leased assets	(845)	(1 167)	(27.6%)	(2 137)
Operating profit before acquired intangibles and strategic actions	152 959	169 704	(9.9%)	334 098
Amortisation of acquired intangibles	(6 548)	(6 408)	2.2%	(12 958)
Closure and rundown of the Hong Kong direct investments business	(49 469)	(26 909)	83.8%	(65 593)
Operating profit	96 942	136 387	(28.9%)	255 547
Financial impact of group restructures	8 632	6 234	38.5%	(20 782)
Profit before taxation	105 574	142 621	(26.0%)	234 765
Taxation on operating profit before acquired intangibles and strategic ac	(25 517)	(23 822)	7.1%	(48 672)
Taxation on before acquired intangibles and strategic actions	12 353	5 098	>100.0%	17 760
Profit after taxation	92 410	123 897	(25.4%)	203 853
Profit attributable to Asset Management non-controlling interests	(9 743)	(8 310)	17.2%	(15 942)
Loss attributable to non-controlling interests	79	4 205	(98.1%)	4 479
Earnings attributable to shareholder	82 746	119 792	(30.9%)	192 390

[^]Reflected in the above trends, March 2019 information has been restated and excludes the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures as detailed on slide 39. All prior year numbers have not been restated.

Investec plc: balance sheet

£'000	30 Sept 2019	31 March 2019	% change
Assets			
Cash and balances at central banks	3 331 166	4 445 431	(25.1%)
Loans and advances to banks	1 117 645	1 164 051	(4.0%)
Reverse repurchase agreements and cash collateral on securities borrowed	913 588	633 202	44.3%
Sovereign debt securities	2 148 108	1 298 947	65.4%
Bank debt securities	52 460	52 265	0.4%
Other debt securities	464 627	498 265	(6.8%)
Derivative financial instruments	727 694	625 550	16.3%
Securities arising from trading activities	780 367	798 224	(2.2%)
Investment portfolio	374 788	493 268	(24.0%)
Loans and advances to customers	10 796 848	10 515 665	2.7%
Other loans and advances	174 175	207 863	(16.2%)
Other securitised assets	114 733	118 143	(2.9%)
Interests in associated undertakings and joint venture holdings	56 397	53 451	5.5%
Deferred taxation assets	138 409	148 351	(6.7%)
Other assets	1 598 513	1 028 611	55.4%
Property and equipment	311 993	99 796	>100.0%
Investment properties	14 500	14 500	-
Goodwill	349 239	356 048	(1.9%)
Intangible assets	79 284	85 022	(6.7%)
Total assets	23 544 534	22 636 653	4.0%

Investec plc: balance sheet (continued)

£'000	30 September 2019	31 March 2019	% change
Liabilities			
Deposits by banks	1 361 524	1 330 843	2.3%
Derivative financial instruments	954 871	707 692	34.9%
Other trading liabilities	87 457	80 217	9.0%
Repurchase agreements and cash collateral on securities lent	240 223	314 335	(23.6%)
Customer accounts (deposits)	13 366 979	13 150 824	1.6%
Debt securities in issue	2 323 626	2 454 551	(5.3%)
Liabilities arising on securitisation of own originated loans and advances	116 544	113 711	2.5%
Current taxation liabilities	115 233	131 896	(12.6%)
Deferred taxation liabilities	19 069	20 704	(7.9%)
Other liabilities	1 827 484	1 242 909	47.0%
	20 413 010	19 547 682	4.4%
Subordinated liabilities	811 584	803 699	1.0%
	21 224 594	20 351 381	4.3%
Equity			
Ordinary share capital	202	200	1.0%
Perpetual preference share capital	29	29	-
Share premium	1 447 371	1 382 732	4.7%
Treasury shares	(174 047)	(113 651)	53.1%
Other reserves	(173 347)	(175 878)	(1.4%)
Retained income	952 211	928 753	2.5%
Shareholder's equity excluding non-controlling interests	2 052 419	2 022 185	1.5%
Other Additional Tier 1 securities in issue	250 000	250 000	-
Non-controlling interests in partially held subsidiaries	17 521	13 087	33.9%
Total equity	2 319 940	2 285 272	1.5%
Total liabilities and equity	23 544 534	22 636 653	4.0%

Investec plc: segmental analysis of operating profit

For the six months to 30 Sept 2019 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	(1 207)	6 694	187 535	–	193 022
Fee and commission income	299 280	155 807	101 601	–	556 688
Fee and commission expense	(94 888)	(339)	(4 828)	–	(100 055)
Investment income	(158)	(372)	17 718	–	17 188
Share of post taxation profit of associates and joint ventures holdings	–	–	3 595	–	3 595
Trading income arising from					
- customer flow	–	483	42 253	–	45 736
- balance sheet management and other trading activities	4 054	17	(6 407)	–	(2 336)
Other operating income	3 822	–	2 584	–	6 406
Total operating income before expected credit loss impairment charges	210 903	162 290	347 051	–	720 244
Expected credit loss impairment release/(charges)	–	1	(16 088)	–	(16 087)
Operating income	210 903	162 291	330 963	–	704 157
Operating costs	(151 929)	(131 836)	(250 749)	(15 839)	(550 353)
Depreciation on operating leased assets	–	–	(845)	–	(845)
Operating profit before acquired intangibles and strategic actions	58 974	30 455	79 369	(15 839)	152 959
Loss attributable to other non-controlling interests	–	–	79	–	79
Adjusted operating profit	58 974	30 455	79 448	(15 839)	153 038
Profit attributable to Asset Management non-controlling interests	(9 743)	–	–	–	(9 743)
Adjusted operating profit after non-controlling interests	49 231	30 455	79 448	(15 839)	143 295
Cost to income ratio	72.0%	81.2%	72.4%	n/a	76.5%
Total assets (£'million)	492	959	22 093	n/a	23 545

Investec plc: segmental analysis of operating profit

For the six months to 30 Sept 2018^ £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	305	4 046	187 810	–	192 161
Fee and commission income	274 140	155 895	106 169	–	536 204
Fee and commission expense	(83 436)	(373)	(6 063)	–	(89 872)
Investment income	–	47	28 637	–	28 684
Share of post taxation profit of associates	–	–	–	–	–
Trading income arising from					
- customer flow	–	393	48 027	–	48 420
- balance sheet management and other trading activities	4 471	3	13 079	–	17 553
Other operating income	2 700	–	2 982	–	5 682
Total operating income before expected credit loss impairment charges	198 180	160 011	380 641	–	738 832
Expected credit loss impairment charges	(2)	(27)	(9 976)	–	(10 005)
Operating income	198 178	159 984	370 665	–	728 827
Operating costs	(141 338)	(123 637)	(275 754)	(17 227)	(557 956)
Depreciation on operating leased assets	–	–	(1 167)	–	(1 167)
Operating profit before acquired intangibles and strategic actions	56 840	36 347	93 744	(17 227)	169 704
Loss attributable to other non-controlling interests	–	–	4 205	–	4 205
Adjusted operating profit	56 840	36 347	97 949	(17 227)	173 909
Profit attributable to Asset Management non-controlling interests	(8 310)	–	–	–	(8 310)
Adjusted operating profit after non-controlling interests	48 530	36 347	97 949	(17 227)	165 599
Cost to income ratio	71.3%	77.3%	71.9%	n/a	75.2%
Total assets (£'million)	481	876	20 335	n/a	21 692

^September 2018 information has been restated and excludes the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures as detailed on slide 39.

Investec plc: asset quality under IFRS 9

£'million	30 Sept 2019	31 March 2019
Gross core loans and advances to customers subject to ECL	10 219	9 891
Stage 1	9 360	8 996
Stage 2	542	576
<i>of which past due greater than 30 days</i>	17	13
Stage 3	317	319
<i>Ongoing (excluding Legacy) Stage 3*</i>	172	149
Gross core loans and advances to customers subject to ECL (%)		
Stage 1	91.6%	91.0%
Stage 2	5.3%	5.8%
Stage 3	3.1%	3.2%
<i>Ongoing (excluding Legacy) Stage 3*</i>	1.7%	1.5%
Stage 3 net of ECL	225	211
<i>Ongoing (excluding Legacy) Stage 3*</i>	133	114
Aggregate collateral and other credit enhancements on Stage 3	237	228
Stage 3 net of ECL and collateral	-	-
Stage 3 as a % of gross core loans and advances to customers subject to ECL	3.1%	3.2%
<i>Ongoing (excluding Legacy) Stage 3*</i>	1.7%	1.5%
Total ECL impairments as a % of Stage 3 exposure	42.9%	46.7%
Stage 3 net of ECL as a % of net core loans and advances to customers subject to ECL	2.2%	2.2%
<i>Ongoing (excluding Legacy) Stage 3*</i>	1.3%	1.2%

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

Investec plc: capital adequacy

£'million	30 Sept 2019*	31 March 2019
Tier 1 capital		
Shareholders' equity	1 972	1 918
Non-controlling interests	9	7
Regulatory adjustments to the accounting basis	97	110
Deductions	(435)	(447)
Common equity tier 1 capital	1 643	1 588
Additional tier 1 capital	274	274
Total Tier 1 capital	1 917	1 862
Tier 2 capital	466	489
Total regulatory capital	2 383	2 351
Risk-weighted assets^^	15 712	15 313
Capital ratios^^		
Common equity tier 1 ratio	10.5%	10.4%
Tier 1 ratio	12.2%	12.2%
Total capital ratio	15.2%	15.4%

*The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating common equity tier (CET) 1 capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include the deduction for foreseeable charges and dividends when calculating CET 1 capital. Investec plc's CET 1 ratio would be 24bps (31 March 2019: 41bps) higher on this basis.

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

PLC Restatement Note

The group remains committed to its objective to simplify and focus the business in pursuit of disciplined growth over the long-term.

In this regard the following strategic actions have been effected:

- Proposed demerger of the asset management business
- Closure of Click & Invest which formed part of the UK wealth management business
- Sale of the Irish Wealth & Investment business
- Restructure of the Irish branch
- Sale of the UK Property Fund
- Closure and rundown of the Hong Kong direct investments business.

We have elected to separately disclose the financial impact of these strategic actions as the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, we consider it appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement.

In addition, from 1 April 2019, as a result of amendments to IAS 12 Income Taxes, tax relief on payments in relation to Other Additional Tier 1 securities has been recognised as a reduction in taxation on operating profit before acquired intangibles and strategic actions whereas it was previously recorded directly in retained income. Prior period comparatives have been restated, increasing the profit after taxation for the six months to 30 September 2018 by £1.6 million and for the year to 31 March 2019 by £3.2 million.

Financial impact of strategic actions

£'000	Six months to 30 Sept 2019	Six months to 30 Sept 2018	Year to 31 March 2019
Closure and rundown of the Hong Kong direct investments business*	(49 469)	(26 909)	(65 593)
Financial impact of group restructures	8 632	6 234	(20 782)
Costs incurred in relation to proposed Asset Management demerger	(4 125)	-	(6 191)
Closure of Click & Invest	(4 020)	(3 483)	(14 265)
Sale of the Irish Wealth & Investment business	18 959	-	-
Restructure of the Irish branch	(1 265)	9 717	(326)
Sale of UK Property Fund	(917)	-	-
Financial impact of strategic actions	(40 837)	(20 675)	(86 375)

*Included within the balance are fair value adjustments of £44.6 million (30 September 2018: £23.3 million; 31 March 2019: £57.8 million).