

Out of the Ordinary®



Specialist Bank and
Asset Manager

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

Unaudited consolidated financial information for the six months ended 30 September 2015

IFRS - Pounds Sterling





Overview of results

Unaudited

	30 Sept 2015	30 Sept 2014	% change	31 Mar 2015
Total operating income before impairment losses on loans and advances (£'000)	438,303	427,375	2.6%	853,053
Operating costs (£'000)	313,595	321,964	(2.6%)	644,322
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	91,921	50,405	82.4%	101,243
Earnings attributable to ordinary shareholder (£'000)	60,091	75,812	(20.7%)	105,848
Cost to income ratio	71.6%	75.5%	(5.2%)	75.5%
Total capital resources (including subordinated liabilities) (£'000)	2,470,050	2,570,011	(3.9%)	2,398,038
Total shareholder's equity (£'000)	1,845,258	1,910,373	(3.4%)	1,801,115
Total assets (£'000)	16,933,304	19,510,280	(13.2%)	17,943,469
Net core loans and advances (£'000)	7,186,326	6,647,741	8.1%	7,035,690
Customer accounts (deposits) (£'000)	10,039,603	10,526,128	(4.6%)	10,579,558
Cash and near cash balances (£'000)	4,354,356	4,461,505	(2.4%)	5,010,861
Funds under management (£'mn) *	28,708	27,553	4.2%	29,838
Capital adequacy ratio	18.6%	16.7%		17.5%
Tier 1 ratio	13.1%	11.4%		12.1%
Common equity tier 1 ratio	13.1%	11.4%		12.1%
Leverage ratio - current	8.0%	7.3%		7.5%
Leverage ratio - "fully loaded"	8.0%	7.3%		7.5%
Defaults (net of impairments) as a % of net core loans and advances	2.94%	3.58%		3.01%
Net defaults (after collateral and impairments) as a % of net core loans and advances	-	-		-
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.89%	1.20%		1.16%
Total gearing ratio (i.e. total assets to total equity)	9.2X	10.2X		10.0X
Loans and advances to customers: customer accounts (deposits)	71.6%	63.2%		66.5%

* Restated to reflect internal adjustments to the jurisdiction in which funds under management are recognised.



Consolidated income statement

Unaudited

£'000	Six months to 30 Sept 2015	Six months to 30 Sept 2014	Year to 31 Mar 2015
Interest income	278,898	328,566	620,541
Interest expense	(144,188)	(171,649)	(330,673)
Net interest income	134,710	156,917	289,868
Fee and commission income	213,451	230,955	477,565
Fee and commission expense	(2,208)	(11,667)	(15,089)
Investment income	43,921	3,407	7,301
Trading income arising from			
- customer flow	45,477	43,992	88,258
- balance sheet management and other trading activities	(447)	(587)	(4,924)
Other operating income	3,399	4,358	10,074
Total operating income before impairment losses on loans and advances	438,303	427,375	853,053
Impairment losses on loans and advances	(31,314)	(49,890)	(102,084)
Operating income	406,989	377,485	750,969
Operating costs	(313,595)	(321,964)	(644,322)
Depreciation on operating leased assets	(216)	(1,089)	(1,535)
Operating profit before goodwill and acquired intangibles	93,178	54,432	105,112
Impairment of goodwill	-	(8,552)	(8,552)
Amortisation of acquired intangibles	(7,233)	(7,394)	(14,497)
Operating profit	85,945	38,486	82,063
Net (loss)/gain on disposal of subsidiaries	(4,751)	90,480	78,529
Profit before taxation	81,194	128,966	160,592
Taxation on operating profit before goodwill	(21,284)	(15,526)	(22,568)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	1,438	(33,601)	(28,307)
Profit after taxation	61,348	79,839	109,717
Profit attributable to non-controlling interests	(1,257)	(4,027)	(3,869)
Earnings attributable to shareholder	60,091	75,812	105,848

Consolidated statement of comprehensive income

£'000	Six months to 30 Sept 2015	Six months to 30 Sept 2014	Year to 31 Mar 2015
Profit after taxation	61,348	79,839	109,717
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	-	471	471
(Gains)/losses on realisation of available-for-sale assets recycled through the income statement	(482)	(1,164)	1,935
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(2,964)	5,381	(3,686)
Foreign currency adjustments on translating foreign operations	(12,916)	(54,298)	(51,630)
Total comprehensive income	44,986	30,229	56,807
Total comprehensive income attributable to non-controlling interests	1,274	4,060	3,864
Total comprehensive income attributable to ordinary shareholder	43,712	26,169	52,943



Consolidated balance sheet

Unaudited

£'000	30 Sept 2015	31 Mar 2015	30 Sept 2014
Assets			
Cash and balances at central banks	1,683,273	2,181,232	2,854,037
Loans and advances to banks	813,964	828,726	802,165
Reverse repurchase agreements and cash collateral on securities borrowed	1,367,202	1,448,205	725,292
Sovereign debt securities	1,075,933	1,212,910	859,800
Bank debt securities	189,287	226,273	227,017
Other debt securities	303,115	222,485	186,953
Derivative financial instruments	648,587	805,886	1,310,107
Securities arising from trading activities	663,177	670,298	550,106
Investment portfolio	406,643	400,800	407,822
Loans and advances to customers	7,186,326	7,035,690	6,647,741
Other loans and advances	630,308	776,305	1,149,002
Other securitised assets	156,491	411,983	444,716
Interests in associated undertakings	15,582	16,297	15,577
Deferred taxation assets	64,480	66,249	58,759
Other assets	1,220,910	1,113,136	1,083,703
Property and equipment	56,274	60,316	57,840
Investment properties	58,309	65,736	59,905
Goodwill	261,035	260,900	262,454
Intangible assets	132,408	140,042	147,731
Non current assets / disposal groups classified as held for sale	-	-	1,659,553
	16,933,304	17,943,469	19,510,280
Liabilities			
Deposits by banks	241,676	214,138	753,141
Derivative financial instruments	787,406	953,205	678,642
Other trading liabilities	269,125	251,879	374,919
Repurchase agreements and cash collateral on securities lent	420,145	597,259	599,965
Customer accounts (deposits)	10,039,603	10,579,558	10,526,128
Debt securities in issue	1,386,805	1,334,236	1,585,913
Liabilities arising on securitisation of other assets	123,237	330,526	314,288
Current taxation liabilities	134,211	121,198	110,143
Deferred taxation liabilities	36,075	39,464	36,759
Other liabilities	1,024,971	1,123,968	1,691,816
Liabilities directly associated with non current assets / disposal groups held for sale	-	-	268,555
	14,463,254	15,545,431	16,940,269
Subordinated liabilities	624,792	596,923	659,638
	15,088,046	16,142,354	17,599,907
Equity			
Ordinary share capital	1,186,800	1,186,800	1,186,800
Share premium	143,288	143,288	143,288
Capital reserve	162,789	162,789	162,789
Other reserves	(35,168)	(18,791)	(17,546)
Retained income	385,569	326,351	434,173
Shareholder's equity excluding non-controlling interests	1,843,278	1,800,437	1,909,504
Non-controlling interests in partially held subsidiaries	1,980	678	869
Total equity	1,845,258	1,801,115	1,910,373
Total liabilities and equity	16,933,304	17,943,469	19,510,280



Summarised consolidated cash flow statements

Unaudited

£'000	6 months to 30 Sept 2015	Year to 31 Mar 2015	6 months to 30 Sep 2014
Cash inflows from operations	120,642	223,705	112,945
(Increase)/decrease in operating assets	407,438	(132,286)	(429,924)
Increase/(decrease) in operating liabilities	(1,085,532)	402,548	1,160,545
Net cash outflow from operating activities	(557,452)	493,967	843,566
Net cash (outflow)/inflow from investing activities	(1,237)	38,139	44,383
Net cash (outflow)/inflow from financing activities	-	(205,793)	(32,000)
Effects of exchange rate changes on cash and cash equivalents	11,562	12,732	20,345
Net increase/(decrease) in cash and cash equivalents	(547,127)	339,045	876,294
Cash and cash equivalents at the beginning of the period	2,878,452	2,539,407	2,539,407
Cash and cash equivalents at the end of the period	2,331,325	2,878,452	3,415,701

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



Condensed consolidated statement of changes in equity

Unaudited

£'000	Six months to 30 Sept 2015	Year to 31 Mar 2015	Six months to 30 Sept 2014
Balance at the beginning of the period	1,801,115	1,912,109	1,912,109
Profit after taxation	61,348	109,717	79,839
Fair value movements on cash flow hedges taken directly to other comprehensive income	-	471	471
(Gains)/losses on realisation of available-for-sale assets recycled through the income statement	(482)	1,935	(1,164)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(2,964)	(3,686)	5,381
Foreign currency adjustments on translating foreign operations	(12,916)	(51,630)	(54,298)
Total comprehensive income for the period	44,986	56,807	30,229
Share-based payments adjustments	(871)	4,160	-
Dividends paid to ordinary shareholders	-	(172,000)	(32,000)
Movement arising on reduction/acquisition of non-controlling interests	28	39	35
Balance at the end of the period	1,845,258	1,801,115	1,910,373



Segmental business analysis - income statement

Unaudited

For the six months to 30 September 2015

£'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	2,022	132,688	134,710
Fee and commission income	122,353	91,098	213,451
Fee and commission expense	(284)	(1,924)	(2,208)
Investment income	(230)	44,151	43,921
Trading income arising from			
- customer flow	532	44,945	45,477
- balance sheet management and other trading activities	(16)	(431)	(447)
Other operating income	695	2,704	3,399
Total operating income before impairment losses on loans and advances	125,072	313,231	438,303
Impairment losses on loans and advances	-	(31,314)	(31,314)
Operating income	125,072	281,917	406,989
Operating costs	(99,274)	(214,321)	(313,595)
Depreciation on operating leased assets	-	(216)	(216)
Operating profit before goodwill and acquired intangibles	25,798	67,380	93,178
Profit attributable to non-controlling interests	-	(1,257)	(1,257)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	25,798	66,123	91,921
Cost to income ratio	79.4%	68.5%	71.6%
Total assets (£'million)	916	16,017	16,933

For the six months to 30 September 2014

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



Additional income statement note disclosures

Unaudited

Net interest income

		2015		2014	
For the six months to 30 September		Balance sheet value	Interest income	Balance sheet value	Interest income
£'000	Note				
Cash, near cash and bank debt and sovereign debt securities	1	5,129,659	23,943	5,468,311	22,716
Core loans and advances	2	7,186,326	208,956	6,647,741	221,235
Private Client		3,498,779	73,466	3,417,233	108,600
Corporate, institutional and other clients		3,687,547	135,490	3,230,508	112,635
Other debt securities and other loans and advances		933,423	45,999	1,335,955	56,706
Other interest-earning assets	3	156,491	-	444,716	27,909
Total interest-earning assets		13,405,899	278,898	13,896,723	328,566

		2015		2014	
For the six months to 30 September		Balance sheet value	Interest expense	Balance sheet value	Interest expense
£'000	Note				
Deposits by banks and other debt-related securities	4	2,048,626	(20,126)	2,939,019	(26,287)
Customer accounts		10,039,603	(70,377)	10,526,128	(79,048)
Other interest-bearing liabilities	5	123,237	(21,299)	314,288	(35,846)
Subordinated liabilities		624,792	(32,386)	659,638	(30,468)
Total interest-bearing liabilities		12,836,258	(144,188)	14,439,073	(171,649)

Net interest income	134,710	156,917
----------------------------	----------------	----------------

Notes:

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities;
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets.
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.

Net fee and commission income

For the six months to 30 September

£'000	2015	2014
Wealth management businesses net fee and commission income	122,069	117,237
Funds management fees/fees for assets under management	93,277	87,788
Private client transactional fees	29,076	30,075
Fee and commission expense	(284)	(626)
Specialist Banking net fee and commission income	89,174	102,051
Corporate and institutional transactional and advisory services	79,904	100,704
Private client transactional fees	11,194	12,388
Fee and commission expense	(1,924)	(11,041)
Net fees and commission income	211,243	219,288
Annuity fees (net of fees payable)	145,191	139,865
Deal fees	66,052	79,423

Investment income

For the six months to 30 September		Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Other asset categories	Total
£'000					
2015					
Realised		6,835	30,766	114	37,715
Unrealised		6,861	(8,076)	(7,144)	(8,359)
Dividend income		12,486	-	-	12,486
Funding and other net related income		-	-	2,079	2,079
		26,182	22,690	(4,951)	43,921
2014					
Realised		59,979	11,571	(1,884)	69,666
Unrealised		(65,937)	(2,817)	28	(68,726)
Dividend income		2,257	-	-	2,257
Funding and other net related income		-	-	210	210
		(3,701)	8,754	(1,646)	3,407

* Including embedded derivatives (warrants and profit shares).



Additional IAS 34 disclosures

Unaudited

Analysis of financial assets and liabilities by measurement basis

At 30 September 2015 £'000	Total instruments at fair value ^a	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	1,360	1,681,913	-	1,683,273
Loans and advances to banks	-	813,964	-	813,964
Reverse repurchase agreements and cash collateral on securities borrowed	164,528	1,202,674	-	1,367,202
Sovereign debt securities	1,075,933	-	-	1,075,933
Bank debt securities	11,793	177,494	-	189,287
Other debt securities	129,078	174,037	-	303,115
Derivative financial instruments*	648,587	-	-	648,587
Securities arising from trading activities	663,177	-	-	663,177
Investment portfolio	406,643	-	-	406,643
Loans and advances to customers	31,047	7,155,279	-	7,186,326
Other loans and advances	-	630,308	-	630,308
Other securitised assets	153,516	2,975	-	156,491
Interests in associated undertakings	-	-	15,582	15,582
Deferred taxation assets	-	-	64,480	64,480
Other assets	199,553	856,957	164,400	1,220,910
Property and equipment	-	-	56,274	56,274
Investment properties	-	-	58,309	58,309
Goodwill	-	-	261,035	261,035
Intangible assets	-	-	132,408	132,408
	3,485,215	12,695,601	752,488	16,933,304
Liabilities				
Deposits by banks	-	241,676	-	241,676
Derivative financial instruments*	787,406	-	-	787,406
Other trading liabilities	269,125	-	-	269,125
Repurchase agreements and cash collateral on securities lent	198,368	221,777	-	420,145
Customer accounts (deposits)	-	10,039,603	-	10,039,603
Debt securities in issue	330,807	1,055,998	-	1,386,805
Liabilities arising on securitisation of other assets	123,237	-	-	123,237
Current taxation liabilities	-	-	134,211	134,211
Deferred taxation liabilities	-	-	36,075	36,075
Other liabilities	-	887,879	137,092	1,024,971
Subordinated liabilities	-	624,792	-	624,792
	1,708,943	13,071,725	307,378	15,088,046

^a Included in total instruments at fair value are available-for-sale instruments of £1,226 million.

* Derivative financial instruments have been classified as held-for-trading and include derivatives held as hedges.

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 level 1 assets.

At 30 September 2015 £'000	Financial instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Assets				
Cash and balances at central banks	1,360	1,360	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	164,528	-	164,528	-
Sovereign debt securities	1,075,933	1,075,933	-	-
Bank debt securities	11,793	5,085	6,708	-
Other debt securities	129,078	34,404	78,300	16,374
Derivative financial instruments	648,587	-	600,544	48,043
Securities arising from trading activities	663,177	627,813	26,084	9,280
Investment portfolio	406,643	52,804	44,782	309,057
Loans and advances to customers	31,047	-	243	30,804
Other securitised assets	153,516	-	-	153,516
Other assets	199,553	194,975	4,578	-
	3,485,215	1,992,374	925,767	567,074
Liabilities				
Derivative financial instruments	787,406	-	785,561	1,845
Other trading liabilities	269,125	269,125	-	-
Repurchase agreements and cash collateral on securities lent	198,368	-	198,368	-
Debt securities in issue	330,807	-	330,154	653
Liabilities arising on securitisation of other assets	123,237	-	-	123,237
	1,708,943	269,125	1,314,083	125,735
Net assets	1,776,272	1,723,249	(388,316)	441,339



Additional IAS 34 disclosures

Unaudited

Transfers between level 1 and level 2

During the period derivative financial instrument assets and liabilities to the value of £173.1 million and £367.7 million 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 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for financial instruments in level 3 of the fair value category. All instruments are at fair value through profit and loss.

£'000	Total level 3 fair value instruments	Fair value through profit and loss instruments	Available-for-sale instruments
Balance at 1 April 2015	455,829	405,058	50,770
Total gains or losses recognised in the current period	(29,656)	(33,743)	4,087
In the income statement	(29,607)	(33,743)	4,136
In the statement of comprehensive income	(49)	-	(49)
Purchases	54,368	26,495	27,873
Sales	(35,094)	(31,731)	(3,363)
Settlements	(304)	4,250	(4,554)
Transfers into level 3	3,230	2,736	494
Foreign exchange adjustments	(7,034)	(7,101)	68
Balance at 30 September 2015	441,339	365,964	75,375

For the period ended 30 September 2015, no instruments were transferred from level 3 into level 2 (31 March 2015: £2.4 million). In the 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 £3.2 million (31 March 2015: £62.7 million) because the significance of the unobservable inputs used to determine the fair value increased significantly to warrant a transfer.

The following table quantifies the gains or (losses) included in the income statement recognised on level 3 financial instruments:

For the six months to 30 September 2015

£'000	Total	Realised	Unrealised
Total gains or losses included in the income statement for the period			
Net interest (expense) / income	(2,068)	(2,168)	100
Fee and commission income	2,942	-	2,942
Investment income	(22,066)	(18,754)	(3,312)
Trading income arising from customer flow	(8,925)	-	(8,925)
Trading income arising from balance sheet management and other trading activities	553	167	386
Other operating income	(43)	(43)	-
	(29,607)	(20,798)	(8,809)
Total gains or losses included in other comprehensive income for the period			
Gains on realisation of available-for-sale assets recycled through the income statement	4,136	4,136	-
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(49)	-	(49)
	4,087	4,136	(49)

Measurement of financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	Valuation basis/techniques	Main inputs
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates
Bank debt securities	Black-Scholes Discounted cash flow model	Volatilities Discount rates, swap curves and NCD curves
Other debt securities	Discounted cash flow model	Discount rate, swap 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	Discount rate, 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, net asset value model, comparable quoted inputs	Discount rate and fund unit price Net assets
Loans and advances to customers	Discounted cash flow model	Discount rates
Other assets	Discounted cash flow model	Discount rates
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Discount rate, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flows, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flows	Discount rates



Additional IAS 34 disclosures

Unaudited

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:

					Reflected in the income statement	
At 30 September 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes £'000	Unfavourable changes £'000	
Assets						
Other debt securities	16,374	Credit Spreads	(2%) - 3%	163	(163)	
		Other	(6%) - 5%	119	(119)	
				44	(44)	
Derivative financial instruments	48,043	Discount rates	(5%) - 5%	10,491	(5,844)	
		Volatilities	(4%) - 3%	301	(245)	
		Adjustments	(3%) - 8%	1,719	(1,708)	
		Other	(11%) - 10%	899	(1,914)	
				7,572	(1,977)	
Securities arising from trading activities	9,280	Cash flow adjustments	(2%) - 1%	1,921	(1,921)	
Investment portfolio	241,771	Cash flow adjustments		27,851	(18,138)	
		Price Earnings multiple	(10%) - 10% or 5x EBITDA	1,123	(305)	
		EBITDA	(10%) - 10%	1,841	(1,105)	
		Other	(10%) - 10%	3,288	(3,555)	
				21,599	(13,173)	
Loans and advances to customers	30,804	Cash flows	(5%) - 5%	1,078	(10,947)	
		Other	(9%) - 3%	-	(9,817)	
				1,078	(1,130)	
Other securitised assets	153,516	Credit spreads	- 6 months/+ 12 month adjustment to CDR curve	3,186	(7,660)	
Liabilities						
Derivative financial instruments	1,845	Cash flow adjustment	(2%) - 1%	2,173	(970)	
		Volatilities	(2%) - 3%	1,913	(899)	
				260	(71)	
Debt securities in issue	653	Credit spreads	(2%) - 1%	-	-	
Liabilities arising on securitisation of other assets*	123,237	Credit default rates. Loss severity, prepayment rates	(5%) - 5%	4,863	(1,686)	
					Reflected in other comprehensive income	
30 September 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes £'000	Unfavourable changes £'000	
Assets						
Investment Portfolio	67,286	EBITDA	(10%) - 10% or 5x EBITDA	4,212	(3,405)	
Total	441,339			100,628	(100,087)	



Additional IAS 34 disclosures

Unaudited

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

Credit spreads

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

Discount rates

Discount rates are the interest rates used to discount future cash flows in a discount 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.

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 2015

£'000	Carrying value	Fair value
Assets		
Cash and balances at central banks	1,681,913	1,681,913
Loans and advances to banks	813,964	813,964
Reverse repurchase agreements and cash collateral on securities borrowed	1,202,674	1,202,674
Bank debt securities	177,494	186,757
Other debt securities	174,037	169,935
Loans and advances to customers	7,155,279	7,215,964
Other loans and advances	630,308	617,336
Other securitised assets	2,975	2,975
Other assets	856,957	856,955
	12,695,601	12,748,473
Liabilities		
Deposits by banks	241,676	265,785
Repurchase agreements and cash collateral on securities lent	221,777	221,777
Customer accounts (deposits)	10,039,603	10,057,702
Debt securities in issue	1,055,998	1,032,459
Other liabilities	887,879	888,683
Subordinated liabilities	624,792	705,366
	13,071,725	13,171,772



Additional note disclosures

Unaudited

Operating costs

For the six months to 30 September

£'000	2015	2014
Staff costs	226,936	227,521
Premises expenses (excluding depreciation)	14,745	16,182
Equipment expenses (excluding depreciation)	11,792	12,662
Business expenses	41,755	44,184
Marketing expenses	13,035	13,824
Depreciation, amortisation and impairment of property, equipment and intangibles	5,548	8,680
	313,811	323,053

Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

£'000	30 Sept 2015	31 Mar 2015
Assets		
Reverse repurchase agreements	1,261,266	1,360,696
Cash collateral on securities borrowed	105,936	87,509
	1,367,202	1,448,205
Liabilities		
Repurchase agreements	298,261	489,822
Cash collateral on securities lent	121,884	107,437
	420,145	597,259

Extract of other debt securities

£'000	30 Sept 2015	31 Mar 2015
Bonds	225,965	119,618
Commercial paper	-	12,994
Floating rate notes	75,056	87,790
Other investments	2,094	2,083
	303,115	222,485

Extract of securities arising from trading activities

£'000	30 Sept 2015	31 Mar 2015
Bonds	185,058	138,885
Government securities	324,605	380,274
Listed equities	150,756	148,746
Other investments	2,758	2,393
	663,177	670,298

Extract of loans and advances to customers and other loans and advances

£'000	30 Sept 2015	31 Mar 2015
Gross loans and advances to customers	7,361,342	7,224,134
Impairments of loans and advances to customers	(175,016)	(188,444)
Specific impairments	(138,510)	(154,262)
Portfolio impairments	(36,506)	(34,182)
Net loans and advances to customers	7,186,326	7,035,690
Gross other loans and advances to customers	646,120	806,297
Impairments of other loans and advances to customers	(15,812)	(29,992)
Specific impairments	(15,002)	(29,160)
Portfolio impairments	(810)	(832)
Net other loans and advances to customers	630,308	776,305

Extract of securitised assets arising on securitisation

£'000	30 Sept 2015	31 Mar 2015
Total other securitised assets	156,491	411,983

Other assets

£'000	30 Sept 2015	31 Mar 2015
Settlement debtors	810,617	802,237
Trading properties	94,811	125,763
Prepayments and accruals	24,624	39,713
Trading margins	199,553	33,200
Other	91,305	112,223
	1,220,910	1,113,136

Debt securities in issue

£'000	30 Sept 2015	31 Mar 2015
Repayable in:		
Less than three months	20,737	38,535
Three months to one year	142,226	111,387
One to five years	623,462	643,969
Greater than five years	600,380	540,345
	1,386,805	1,334,236

Other liabilities

£'000	30 Sept 2015	31 Mar 2015
Settlement liabilities	779,995	803,156
Other creditors and accruals	197,151	248,068
Other non-interest-bearing liabilities	47,825	72,744
	1,024,971	1,123,968

Extract of deferred taxation

£'000	30 Sept 2015	31 Mar 2015
Losses carried forward	6,783	8,153



Additional note disclosures

Unaudited

Extract of subordinated liabilities

£'000	30 Sept 2015	31 Mar 2015
Issued by Investec Finance plc	18,395	18,510
Issued by Investec Bank plc	606,397	578,413
	624,792	596,923
Remaining maturities:		
In one year or less, or on demand	-	-
In more than one year, but not more than two years	18,395	18,510
In more than two years, but not more than five years	-	-
In more than five years	606,397	578,413

Offsetting

Amounts subject to enforceable netting arrangements						
Effects of offsetting on-balance sheet				Related amounts not offset		
At 30 September 2015						
£'000	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Assets						
Cash and balances at central banks	1,683,273	-	1,683,273	-	-	1,683,273
Loans and advances to banks	813,964	-	813,964	-	(133,545)	680,419
Reverse repurchase agreements and cash collateral on securities borrowed	1,367,272	(70)	1,367,202	(260,097)	(6,053)	1,101,052
Sovereign debt securities	1,075,933	-	1,075,933	(161,705)	-	914,228
Bank debt securities	189,287	-	189,287	(33,593)	-	155,694
Other debt securities	303,115	-	303,115	-	-	303,115
Derivative financial instruments	3,032,341	(2,383,754)	648,587	(235,562)	(75,891)	337,134
Securities arising from trading activities	663,177	-	663,177	(585,218)	-	77,959
Investment portfolio	406,643	-	406,643	-	-	406,643
Loans and advances to customers	7,186,326	-	7,186,326	-	-	7,186,326
Other loans and advances	630,308	-	630,308	-	(21,946)	608,362
Other securitised assets	156,491	-	156,491	-	-	156,491
Other assets	1,223,654	(2,744)	1,220,910	-	(162,436)	1,058,474
	18,731,784	(2,386,568)	16,345,216	(1,276,175)	(399,871)	14,669,170
Liabilities						
Deposits by banks	241,676	-	241,676	-	(45,959)	195,717
Derivative financial instruments	3,171,160	(2,383,754)	787,406	(335,338)	(306,017)	146,051
Other trading liabilities	269,125	-	269,125	(260,097)	-	9,028
Repurchase agreements and cash collateral on securities lent	420,145	-	420,145	(320,252)	-	99,893
Customer accounts (deposits)	10,039,603	-	10,039,603	-	(22,763)	10,016,840
Debt securities in issue	1,386,805	-	1,386,805	(360,488)	(11,911)	1,014,406
Liabilities arising on securitisation of other assets	123,237	-	123,237	-	-	123,237
Other liabilities	1,027,785	(2,814)	1,024,971	-	-	1,024,971
Subordinated liabilities	624,792	-	624,792	-	-	624,792
	17,304,328	(2,386,568)	14,917,760	(1,276,175)	(386,650)	13,254,935

Amounts subject to enforceable netting arrangements						
Effects of offsetting on-balance sheet				Related amounts not offset		
At 31 March 2015						
£'000	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Assets						
Cash and balances at central banks	2,181,232	-	2,181,232	-	-	2,181,232
Loans and advances to banks	828,726	-	828,726	-	(185,581)	643,145
Reverse repurchase agreements and cash collateral on securities borrowed	1,453,618	(5,413)	1,448,205	(480,647)	(3,657)	963,901
Sovereign debt securities	1,212,910	-	1,212,910	(151,841)	-	1,061,069
Bank debt securities	226,273	-	226,273	(59,516)	-	166,757
Other debt securities	222,485	-	222,485	-	-	222,485
Derivative financial instruments	8,749,057	(7,943,171)	805,886	(285,518)	(81,087)	439,281
Securities arising from trading activities	670,298	-	670,298	(562,139)	-	108,159
Investment portfolio	400,800	-	400,800	-	-	400,800
Loans and advances to customers	7,044,165	(8,475)	7,035,690	-	-	7,035,690
Other loans and advances	776,305	-	776,305	-	(25,253)	751,052
Other securitised assets	411,983	-	411,983	-	-	411,983
Other assets	18,579,577	(17,466,441)	1,113,136	-	-	1,113,136
	42,757,429	(25,423,500)	17,333,929	(1,539,661)	(295,578)	15,498,690
Liabilities						
Deposits by banks	222,613	(8,475)	214,138	-	(46,431)	167,707
Derivative financial instruments	1,835,122	(881,917)	953,205	(386,671)	(203,056)	363,478
Other trading liabilities	24,352,976	(24,101,097)	251,879	(243,315)	-	8,564
Repurchase agreements and cash collateral on securities lent	597,259	-	597,259	(597,259)	-	-
Customer accounts (deposits)	10,579,558	-	10,579,558	-	(18,094)	10,561,464
Debt securities in issue	1,334,236	-	1,334,236	(312,416)	(7,777)	1,014,043
Liabilities arising on securitisation of other assets	330,526	-	330,526	-	-	330,526
Other liabilities	1,555,979	(432,011)	1,123,968	-	-	1,123,968
Subordinated liabilities	596,923	-	596,923	-	-	596,923
	41,405,192	(25,423,500)	15,981,692	(1,539,661)	(275,358)	14,166,673



Understanding the group's results

Sale of businesses

During the year ended 31 March 2015 Investec Bank plc sold Investec Bank (Australia) Limited. In addition, Investec plc sold Kensington Group plc and Start Mortgage Holdings as set out below.

Sale of Investec Bank (Australia) Limited

The sale of Investec Bank (Australia) Limited's Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold. The group continues to have a presence in Australia, focusing on its core activities of Specialised Finance, Corporate Advisory, Property Fund Management and Asset Management.

The remaining business operates as a non-banking subsidiary of the Investec group. As a result, the group is longer reporting the activities of its Australian businesses separately, with these activities now reported under the 'UK and Other' geographical segment and the 'UK and Other' Specialist Banking segment.

Sales of Kensington Group plc and Start Mortgage Holdings Limited

On 9 September 2014 Investec plc announced the sale of its UK intermediated mortgage business Kensington Group plc ("Kensington") together with certain other Investec mortgage assets to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners for £180 million in cash based on a tangible net asset value of the business of £165 million at 31 March 2014. This transaction became effective on 30 January 2015.

On 15 September 2014 Investec plc announced the sale of its Irish intermediated mortgage business Start Mortgage Holdings Limited ("Start") together with certain other Irish mortgage assets to an affiliate of Lone Star Funds. This transaction became effective on 4 December 2014.

Some of these sale assets resided on Investec Bank plc's balance sheet.

A final net settlement amount was paid after the 31 March 2015 year end. As a result of this payment, a further loss before taxation of £4.7million was recognised.

Impact of these sales on the group's operational performance

The sales of these businesses have had a significant effect on the comparability of the group's financial statutory position and results. As a result, comparison on a statutory basis of the interim results for the six months ended 30 September 2015 with the interim results for the six months ended 30 September 2014 would be less meaningful. In order to present a more meaningful view of the group's performance, additional management information is presented on the group's ongoing businesses. This information is only set out in a separate section. The additional information presented on an ongoing basis excludes items, that in management's view, could distort the comparison of performance between periods. Based on this principle, the following items are excluded from underlying statutory profit to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK.

A reconciliation between the statutory and ongoing income statement is provided. All other information in this document is based on the group's statutory accounts, unless otherwise indicated.



Consolidated summarised ongoing income statement

Unaudited

£'000	Six months to 30 Sept 2015	Six months to 30 Sept 2014	Variance	% change
Net interest income	133,351	117,814	15,537	13.2%
Net fee and commission income	207,927	217,034	(9,107)	(4.2%)
Investment income	43,907	12,041	31,866	264.6%
Trading income arising from				
- customer flow	45,900	44,423	1,477	3.3%
- balance sheet management and other trading activities	(147)	108	(255)	(236.1%)
Other operating income	3,399	4,310	(911)	(21.1%)
Total operating income before impairment losses on loans and advances	434,337	395,730	38,607	9.8%
Impairment losses on loans and advances	(2,915)	(11,294)	8,379	(74.2%)
Operating income	431,422	384,436	46,986	12.2%
Operating costs	(302,506)	(288,398)	(14,108)	4.9%
Depreciation on operating leased assets	(216)	(1,089)	873	(80.2%)
Operating profit before goodwill, acquired intangibles and non-operating items	128,700	94,949	33,751	35.5%
Profit attributable to non-controlling interests	(1,257)	(4,027)	2,770	(68.8%)
Operating profit before taxation	127,443	90,922	36,521	40.2%
Taxation	(29,509)	(27,082)	(2,427)	9.0%
Adjusted earnings before goodwill, acquired intangibles and non-operating items	97,934	63,840	34,094	53.4%
Cost to income ratio	69.7%	73.1%		



Reconciliation from statutory summarised income statement to ongoing summarised income statement

Unaudited

Removal of:**

For the six months to 30 Sept 2015	£'000	Statutory as disclosed	UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	Ongoing business
Net interest income		134,710	1,359	-	-	133,351
Net fee and commission income		211,243	3,316	-	-	207,927
Investment income		43,921	14	-	-	43,907
Trading income arising from						
- customer flow		45,477	(423)	-	-	45,900
- balance sheet management and other trading activities		(447)	(300)	-	-	(147)
Other operating income		3,399	-	-	-	3,399
Total operating income before impairment losses on loans and advances		438,303	3,966	-	-	434,337
Impairment losses on loans and advances		(31,314)	(28,399)	-	-	(2,915)
Operating income		406,989	(24,433)	-	-	431,422
Operating costs		(313,595)	(11,089)	-	-	(302,506)
Depreciation on operating leased assets		(216)	-	-	-	(216)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items		93,178	(35,522)	-	-	128,700
Profit attributable to other non-controlling interests		(1,257)	-	-	-	(1,257)
Operating profit/(loss) before taxation		91,921	(35,522)	-	-	127,443
Taxation*		(21,284)	8,225	-	-	(29,509)
Adjusted earnings before goodwill, acquired intangibles and non-operating items		70,637	(27,297)	-	-	97,934
Cost to income ratio		71.6%				69.7%

* Applying the bank's effective statutory taxation rate of 23.2%.

** Where:

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



Reconciliation from statutory summarised income statement to ongoing summarised income statement

Unaudited

Removal of:**

For the six months to 30 Sept 2014	£'000	Statutory as disclosed	UK legacy business		Ongoing business
			excluding sale assets	Sale assets UK	
Net interest income		156,917	10,790	16,046	117,814
Net fee and commission income		219,288	1,689	(2,163)	217,034
Investment income		3,407	(4,689)	(2,078)	12,041
Trading income arising from					-
- customer flow		43,992	(183)	(38)	44,423
- balance sheet management and other trading activities		(587)	168	(709)	108
Other operating income		4,358	-	-	4,310
Total operating income before impairment losses on loans and advances		427,375	7,775	11,058	395,730
Impairment losses on loans and advances		(49,890)	(37,629)	509	(11,294)
Operating income		377,485	(29,854)	11,567	384,436
Operating costs		(321,964)	(11,838)	(8,925)	(288,398)
Depreciation on operating leased assets		(1,089)	-	-	(1,089)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items		54,432	(41,692)	2,642	94,949
Profit attributable to other non-controlling interests		(4,027)	-	-	(4,027)
Operating profit/(loss) before taxation		50,405	(41,692)	2,642	90,922
Taxation*		(15,526)	11,892	(754)	(27,082)
Adjusted earnings before goodwill, acquired intangibles and non-operating items		34,879	(29,800)	1,888	63,840
Cost to income ratio		75.5%			73.1%

* Applying the bank's effective statutory taxation rate of 28.5%.

** Where:

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



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

Unaudited

Removal of:**

For the six months to 30 Sept 2015 £'000	UK and Other Specialist Banking statutory as disclosed	UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	UK and Other Specialist Banking ongoing business
Net interest income	132,688	1,359	-	-	131,329
Net fee and commission income	89,174	3,316	-	-	85,858
Investment income	44,151	14	-	-	44,137
Trading income arising from					
- customer flow	44,945	(423)	-	-	45,368
- balance sheet management and other trading activities	(431)	(300)	-	-	(131)
Other operating income	2,704	-	-	-	2,704
Total operating income before impairment losses on loans and advances	313,231	3,966	-	-	309,265
Impairment losses on loans and advances	(31,314)	(28,399)	-	-	(2,915)
Operating income	281,917	(24,433)	-	-	306,350
Operating costs	(214,321)	(11,089)	-	-	(203,232)
Depreciation on operating leased assets	(216)	-	-	-	(216)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	67,380	(35,522)	-	-	102,902
Profit attributable to other non-controlling interests	(1,257)	-	-	-	(1,257)
Operating profit/(loss) before taxation	66,123	(35,522)	-	-	101,645

** Where:

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



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

Unaudited

Removal of:**

For the six months to 30 Sept 2014 £'000	UK and Other Specialist Banking statutory as disclosed	UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	UK and Other Specialist Banking ongoing business
Net interest income	153,913	10,790	16,046	12,267	114,810
Net fee and commission income	102,051	1,689	(2,163)	2,728	99,797
Investment income	1,612	(4,689)	(2,078)	(1,867)	10,246
Trading income arising from					
- customer flow	43,891	(183)	(38)	(210)	44,322
- balance sheet management and other trading activities	(673)	168	(709)	(154)	22
Other operating income	3,685	-	-	48	3,637
Total operating income before impairment losses on loans and advances	304,479	7,775	11,058	12,812	272,834
Impairment losses on loans and advances	(49,890)	(37,629)	509	(1,476)	(11,294)
Operating income	254,589	(29,854)	11,567	11,336	261,540
Operating costs	(225,979)	(11,838)	(8,925)	(12,803)	(192,413)
Depreciation on operating leased assets	(1,089)	-	-	-	(1,089)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	27,521	(41,692)	2,642	(1,467)	68,038
Profit attributable to other non-controlling interests	(4,027)	-	-	-	(4,027)
Operating profit/(loss) before taxation	23,494	(41,692)	2,642	(1,467)	64,011

**** Where:**

- The UK legacy business is as described further on.
- Sale assets UK refer to the sale of Kensington and Start as discussed earlier on.
- Sale assets Australia refer to the sale of Investec Bank (Australia) Limited as discussed earlier on.



Ongoing segmental business analysis - summarised income statement

Unaudited

For the six months to 30 Sept 2015
£'000

	Wealth & Investment	Specialist Banking	Total group
Net interest income	2,022	131,329	133,351
Net fee and commission income	122,069	85,858	207,927
Investment income	(230)	44,137	43,907
Trading income arising from			
- customer flow	532	45,368	45,900
- balance sheet management and other trading activities	(16)	(131)	(147)
Other operating income	695	2,704	3,399
Total operating income before impairment losses on loans and advances	125,072	309,265	434,337
Impairment losses on loans and advances	-	(2,915)	(2,915)
Operating income	125,072	306,350	431,422
Operating costs	(99,274)	(203,232)	(302,506)
Depreciation on operating leased assets	-	(216)	(216)
Operating profit before goodwill, acquired intangibles and non-operating items	25,798	102,902	128,700
Profit attributable to other non-controlling interests	-	(1,257)	(1,257)
Operating profit before goodwill, acquired intangibles and non-operating items and after other non-controlling interests	25,798	101,645	127,443
Cost to income ratio	79.4%	65.8%	69.7%



Ongoing segmental business analysis - summarised income statement

Unaudited

For the six months to 30 Sept 2014
£'000

	Wealth & Investment	Specialist Banking	Total group
Net interest income	3,004	114,810	117,814
Net fee and commission income	117,237	99,797	217,034
Investment income	1,795	10,246	12,041
Trading income arising from			
- customer flow	101	44,322	44,423
- balance sheet management and other trading activities	86	22	108
Other operating income	673	3,637	4,310
Total operating income before impairment losses on loans and advances	122,896	272,834	395,730
Impairment losses on loans and advances	-	(11,294)	(11,294)
Operating income	122,896	261,540	384,436
Operating costs	(95,985)	(192,413)	(288,398)
Depreciation on operating leased assets	-	(1,089)	(1,089)
Operating profit before goodwill, acquired intangibles and non-operating items	26,911	68,038	94,949
Profit attributable to other non-controlling interests	-	(4,027)	(4,027)
Operating profit before goodwill, acquired intangibles and non-operating items and after other non-controlling interests	26,911	64,011	90,922
Cost to income ratio	78.1%	70.8%	73.1%



Legacy business in the UK Specialist Bank

Unaudited

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

The total legacy business over the period reported a loss before taxation of £35.5 million (2014: £41.7 million).

The remaining legacy portfolio will continue to be managed down as the group sees opportunities to clear the portfolio. The book has declined significantly over the past few years as a result of strategic sales, redemptions and write-offs. Management believes that the remaining legacy book will still take two to four years to wind down. Total net defaults in the legacy book amount to £181 million.

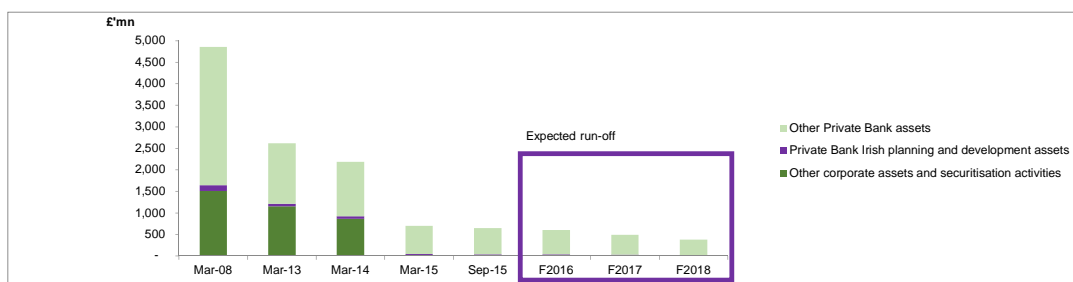
An analysis of assets of within the legacy business

£'million	30 Sept 2015	30 Sept 2015	31 Mar 2015	31 Mar 2015
	Total net assets (after impairments)	Total balance sheet impairment	Total net assets (after impairments)	Total balance sheet impairment
Private Bank Irish planning and development assets	37	41	47	50
Other Private Bank assets	608	125	649	126
Total other legacy assets	645	166	696	176
Performing	464	-	511	-
Non-performing	181	166	185	176

* Included in balance sheet impairments is a group portfolio impairment of £35.9 million (31 March 2015: £33.2 million). The 31 March 2015 disclosures have been adjusted to reflect the allocation of this portfolio impairment to the legacy portfolio.

Expected run-off of legacy assets

Total other legacy assets excluding sale assets





Capital structure and capital adequacy

Unaudited

£'million	30 Sept 2015	31 Mar 2015
Tier 1 capital		
Shareholder's equity	1,784	1,734
Shareholder's equity per balance sheet	1,843	1,800
Foreseeable dividends	(15)	(15)
Deconsolidation of special purpose entities	(44)	(51)
Non-controlling interests	2	-
Non-controlling interests per balance sheet	2	1
Non-controlling interests in deconsolidated entities	-	(1)
Regulatory adjustments to the accounting basis	(16)	(15)
Additional value adjustments	(16)	(15)
Deductions	(382)	(394)
Goodwill and intangible assets net of deferred tax	(375)	(382)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(7)	(8)
Securitisation positions	-	(4)
Common equity tier 1 capital	1,388	1,325
Tier 1 capital	1,388	1,325
Tier 2 capital	590	590
Tier 2 instruments	590	590
Total regulatory capital	1,978	1,915
Risk-weighted assets	10,632	10,967
Capital ratios		
Common equity tier 1 ratio	13.1%	12.1%
Tier 1 ratio	13.1%	12.1%
Total capital ratio	18.6%	17.5%
Capital requirements	851	878
Credit risk - prescribed standardised exposure classes	612	634
Corporates	294	285
Secured on real estate property	142	133
Retail	38	36
Institutions	21	33
Other exposure classes	111	136
Securitisation exposures	6	11
Equity risk - standardised approach	12	11
Listed equities	4	4
Unlisted equities	8	7
Counterparty credit risk	42	35
Credit valuation adjustment risk	3	4
Market risk	69	71
Interest rate	23	26
Foreign exchange	16	17
Equities	24	23
Options	6	5
Operational risk - standardised approach	113	123



Capital structure and capital adequacy

Unaudited

£'million

	30 Sept 2015	31 Mar 2015
Risk-weighted assets (banking and trading)	10,632	10,967
Credit risk - prescribed standardised exposure classes	7,649	7,923
Corporates	3,677	3,561
Secured on real estate property	1,771	1,657
Retail	479	450
Institutions	266	410
Other exposure classes	1,380	1,704
Securitisation exposures	76	141
Equity risk - standardised approach	147	140
Listed equities	49	52
Unlisted equities	98	88
Counterparty credit risk	522	436
Credit valuation adjustment risk	43	47
Market risk	855	888
Interest rate	285	328
Foreign exchange	201	212
Equities	295	291
Options	73	57
Commodities	1	-
Operational risk - standardised approach	1,416	1,533

Leverage

	30 Sept 2015	31 Mar 2015*
Tier 1 Capital	1,388	1,325
Total exposure	17,359	17,744
Leverage ratio	8.0%	7.5%

A summary of capital adequacy and leverage ratios

	30 Sept 2015*	31 Mar 2015*
Common equity tier 1 (as reported)	13.1%	12.1%
Common equity tier 1 ("fully loaded") ^{^^}	13.1%	12.1%
Tier 1 (as reported)	13.1%	12.1%
Total capital adequacy ratio (as reported)	18.6%	17.5%
Leverage ratio** - permanent capital	8.0%	7.5%
Leverage ratio** - current	8.0%	7.5%
Leverage ratio** - ("fully loaded") ^{^^}	8.0%	7.5%

* The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable dividends when calculating common equity tier 1 (CET1) capital as now required under the Capital Requirements Regulation (CRR) and EBA technical standards. These disclosures are different to the capital disclosures included in the Interim Report, which follows our normal basis of presentation and do not include the deduction for foreseeable dividends when calculating CET1 capital. Investec Bank plc's CET1 ratio would be 10bps (31 March 2015: 10bps) higher on this basis.

^{^^} Based on the group's understanding of current regulations, "fully loaded" is based on CRR requirements as fully phased in by 2022.

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



Risk management

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 two 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.

Credit and counterparty risk can be impacted by country risk where cross-border transactions are undertaken. 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.

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

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

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 2.0% to £15.4 billion largely as a result of a decrease in cash balances as part of a planned reduction in surplus cash balances post the strategic sales undertaken. Cash and near cash balances decreased by 13.1% to £4.3 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities.

£'000	30 Sept 2015	31 March 2015	% change	Average*
Cash and balances at central banks	1 681 860	2 179 822	(22.8%)	1 930 841
Loans and advances to banks	813 964	828 726	(1.8%)	821 345
Reverse repurchase agreements and cash collateral on securities borrowed	1 367 202	1 448 205	(5.6%)	1 407 704
Sovereign debt securities	1 075 933	1 212 910	(11.3%)	1 144 422
Bank debt securities	189 287	226 273	(16.3%)	207 780
Other debt securities	296 040	221 480	33.7%	258 760
Derivative financial instruments	400 633	516 034	(22.4%)	458 334
Securities arising from trading activities	512 500	513 673	(0.2%)	513 087
Loans and advances to customers (gross)	7 361 342	7 224 134	1.9%	7 292 738
Other loans and advances (gross)	336 433	393 353	(14.5%)	364 893
Other securitised assets (gross)	9 464	51 223	(81.5%)	30 344
Other assets	321 239	55 383	>100%	188 311
Total on-balance sheet exposures	14 365 897	14 871 216	(3.4%)	14 618 557
Guarantees ^	28 910	31 664	(8.7%)	30 287
Contingent liabilities, committed facilities and other	1 024 099	831 179	23.2%	927 639
Total off-balance sheet exposures	1 053 009	862 843	22.0%	957 926
Total gross credit and counterparty exposures pre - collateral or other credit enhancements	15 418 906	15 734 059	(2.0%)	15 576 483

* Where the average is based on a straight-line average for period 1 April 2015 to 30 September 2015.

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



Risk management

A further analysis of our on-balance sheet credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) our on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 30 September 2015				
Cash and balances at central banks	1 681 860	1 413		1 683 273
Loans and advances to banks	813 964	-		813 964
Reverse repurchase agreements and cash collateral on securities borrowed	1 367 202	-		1 367 202
Sovereign debt securities	1 075 933	-		1 075 933
Bank debt securities	189 287	-		189 287
Other debt securities	296 040	7 075		303 115
Derivative financial instruments	400 633	247 954		648 587
Securities arising from trading activities	512 500	150 677		663 177
Investment portfolio	-	406 643	1	406 643
Loans and advances to customers	7 361 342	(175 016)	2	7 186 326
Other loans and advances	336 433	293 875	3	630 308
Other securitised assets	9 464	147 027	4	156 491
Interest in associated undertakings	-	15 582		15 582
Deferred taxation assets	-	64 480		64 480
Other assets	321 239	899 671	5	1 220 910
Property and equipment	-	56 274		56 274
Investment properties	-	58 309		58 309
Goodwill	-	261 035		261 035
Intangible assets	-	132 408		132 408
Total on-balance sheet exposures	14 365 897	2 567 407		16 933 304
At 31 March 2015				
Cash and balances at central banks	2 179 822	1 410		2 181 232
Loans and advances to banks	828 726	-		828 726
Reverse repurchase agreements and cash collateral on securities borrowed	1 448 205	-		1 448 205
Sovereign debt securities	1 212 910	-		1 212 910
Bank debt securities	226 273	-		226 273
Other debt securities	221 480	1 005		222 485
Derivative financial instruments	516 034	289 852		805 886
Securities arising from trading activities	513 673	156 625		670 298
Investment portfolio	-	400 800	1	400 800
Loans and advances to customers	7 224 134	(188 444)	2	7 035 690
Other loans and advances	393 353	382 952	3	776 305
Other securitised assets	51 223	360 760	4	411 983
Interest in associated undertakings	-	16 297		16 297
Deferred taxation assets	-	66 249		66 249
Other assets	55 383	1 057 753	5	1 113 136
Property and equipment	-	60 316		60 316
Investment properties	-	65 736		65 736
Goodwill	-	260 900		260 900
Intangible assets	-	140 042		140 042
Total on-balance sheet exposures	14 871 216	3 072 253		17 943 469

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

2. Largely relates to impairments.

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

4. 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 the security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicle that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.

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



Risk management

Gross credit counterparty exposures by residual contractual maturity at 30 September 2015

£'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	1 681 860	-	-	-	-	-	1 681 860
Loans and advances to banks	811 474	-	2 490	-	-	-	813 964
Reverse repurchase agreements and cash collateral on securities borrowed	1 266 959	100 243	-	-	-	-	1 367 202
Sovereign debt securities	321 637	130 316	46 145	-	-	577 835	1 075 933
Bank debt securities	59	8 259	5 074	28 500	147 395	-	189 287
Other debt securities	5 404	171	672	83 456	48 931	157 406	296 040
Derivative financial instruments	43 975	45 701	65 134	132 678	55 887	57 258	400 633
Securities arising from trading activities	204 635	696	2 016	134 930	106 728	63 495	512 500
Loans and advances to customers (gross)	1 345 351	804 528	894 871	3 152 833	725 919	437 840	7 361 342
Other loans and advances (gross)	24 118	200	739	55 765	43 645	211 966	336 433
Other securitised assets (gross)	-	-	-	-	-	9 464	9 464
Other assets	321 239	-	-	-	-	-	321 239
Total on-balance sheet exposures	6 026 711	1 090 114	1 017 141	3 588 162	1 128 505	1 515 264	14 365 897
Guarantees [^]	25 956	1 534	720	700	-	-	28 910
Contingent liabilities, committed facilities and other	190 213	135 619	207 213	469 292	21 714	48	1 024 099
Total off-balance sheet exposures	216 169	137 153	207 933	469 992	21 714	48	1 053 009
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	6 242 880	1 227 267	1 225 074	4 058 154	1 150 219	1 515 312	15 418 906

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



Risk management

An analysis of gross credit and counterparty exposure by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
£'000	30 Sept 2015	31 March 2015	30 Sept 2015	31 March 2015	30 Sept 2015	31 March 2015
HNW and professional individuals	1 331 777	1 203 497	138 585	109 328	1 470 362	1 312 825
Lending collateralised by property - largely to private clients	2 334 301	2 318 053	233 576	193 955	2 567 877	2 512 008
Agriculture	2 617	6 789	57	-	2 674	6 789
Electricity, gas and water (utility services)	411 555	362 488	217 650	222 310	629 205	584 798
Public and non-business services	131 429	187 120	3 085 811	3 797 555	3 217 240	3 984 675
Business services	425 829	333 764	87 040	60 742	512 869	394 506
Finance and insurance	671 271	732 597	3 469 131	3 281 401	4 140 402	4 013 998
Retailers and wholesalers	317 267	375 195	47 951	85 366	365 218	460 561
Manufacturing and commerce	411 618	462 507	84 216	69 914	495 834	532 421
Construction	67 708	62 500	20 828	25 708	88 536	88 208
Corporate commercial real estate	104 255	104 740	46 440	11 983	150 695	116 723
Other residential mortgages	-	-	272 672	354 916	272 672	354 916
Mining and resources	140 954	192 082	109 721	87 477	250 675	279 559
Leisure, entertainment and tourism	205 605	97 214	70 271	33 891	275 876	131 105
Transport	701 417	688 852	138 617	143 088	840 034	831 940
Communication	103 739	96 736	34 998	32 291	138 737	129 027
Total	7 361 342	7 224 134	8 057 564	8 509 925	15 418 906	15 734 059

Corporate client loans account for 50.2% of total core loans and advances and are well diversified across different obligors and various industries. A more detailed analysis of the corporate client loan portfolio is provided further on. The remainder of core loans and advances largely relate to private client lending, as represented by the industry classification 'HNW and professional individuals' as well as 'lending collateralised by property'. A more detailed analysis of the private client loan portfolio is provided further on.

Detailed analysis of gross credit and counterparty exposure by industry

£'000	HNW and 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	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
At 30 September 2015																	
Cash and balances at central banks	-	-	-	-	-	1 681 860	-	-	-	-	-	-	-	-	-	-	1 681 860
Loans and advances to banks	-	-	-	-	-	-	813 964	-	-	-	-	-	-	-	-	-	813 964
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	1 367 202	-	-	-	-	-	-	-	-	-	1 367 202
Sovereign debt securities	-	-	-	-	-	1 075 933	-	-	-	-	-	-	-	-	-	-	1 075 933
Bank debt securities	-	-	-	-	-	-	189 287	-	-	-	-	-	-	-	-	-	189 287
Other debt securities	-	-	-	-	-	7 187	5 483	978	28 675	-	-	71 786	43 867	12 225	4 917	15 985	296 040
Derivative financial instruments	19 784	-	57	24 520	211	38 268	231 139	7 541	22 814	8 312	533	-	13 055	14 276	19 302	821	400 633
Securities arising from trading activities	-	-	-	29 481	315 324	-	147 928	2 022	4 840	-	-	-	-	-	-	12 905	512 500
Loans and advances to customers (gross)	1 331 777	2 334 301	2 617	411 555	131 429	425 829	671 271	317 267	411 618	67 708	104 255	-	140 954	205 605	701 417	103 739	7 361 342
Other loans and advances (gross)	-	-	-	-	-	-	144 963	-	-	-	48	191 422	-	-	-	-	336 433
Other securitised assets (gross)	-	-	-	-	-	-	-	-	-	-	-	9 464	-	-	-	-	9 464
Other assets	-	-	-	-	-	-	321 239	-	-	-	-	-	-	-	-	-	321 239
Total on-balance sheet exposures	1 351 561	2 334 301	2 674	465 556	3 211 944	469 580	3 991 930	327 808	467 947	76 020	104 836	272 672	197 876	232 106	725 636	133 450	14 365 897
Guarantees [^]	26 976	-	-	-	-	400	-	-	-	-	-	-	1 534	-	-	-	28 910
Contingent liabilities, committed facilities and other	91 825	233 576	-	163 649	5 296	42 889	148 472	37 410	27 887	12 516	45 859	-	51 265	43 770	114 398	5 287	1 024 099
Total off-balance sheet exposures	118 801	233 576	-	163 649	5 296	43 289	148 472	37 410	27 887	12 516	45 859	-	52 799	43 770	114 398	5 287	1 053 009
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 470 362	2 567 877	2 674	629 205	3 217 240	512 869	4 140 402	365 218	495 834	88 536	150 695	272 672	250 675	275 876	840 034	138 737	15 418 906

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



Risk management
Detailed analysis of gross credit and counterparty exposure by industry

£'000	HNW and 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	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
At 31 March 2015																	
Cash and balances at central banks	-	-	-	-	2 179 822	-	-	-	-	-	-	-	-	-	-	-	2 179 822
Loans and advances to banks	-	-	-	-	-	-	828 726	-	-	-	-	-	-	-	-	-	828 726
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	1 448 205	-	-	-	-	-	-	-	-	-	1 448 205
Sovereign debt securities	-	-	-	-	1 212 910	-	-	-	-	-	-	-	-	-	-	-	1 212 910
Bank debt securities	-	-	-	-	-	-	226 273	-	-	-	-	-	-	-	-	-	226 273
Other debt securities	-	-	-	3 935	7 396	3 474	103 486	1 030	3 535	-	-	63 793	23 237	5 925	-	5 669	221 480
Derivative financial instruments	3 084	-	-	27 827	-	24 675	304 498	44 136	28 948	8 853	730	-	25 517	13 489	16 445	17 832	516 034
Securities arising from trading activities	-	-	-	34 894	380 262	794	81 267	3 828	4 817	-	1 343	-	2 187	1 150	2	3 129	513 673
Loans and advances to customers (gross)	1 203 497	2 318 053	6 789	362 488	187 120	333 764	732 597	375 195	462 507	62 500	104 740	-	192 082	97 214	688 852	96 736	7 224 134
Other loans and advances (gross)	-	-	-	-	-	-	144 181	-	-	-	9 702	239 470	-	-	-	-	393 353
Other securitised assets (gross)	-	-	-	-	-	-	-	-	-	-	-	51 223	-	-	-	-	51 223
Other assets	-	-	-	-	-	-	55 245	-	138	-	-	-	-	-	-	-	55 383
Total on-balance sheet exposures	1 206 581	2 318 053	6 789	429 144	3 967 510	362 707	3 924 478	424 189	499 945	71 353	116 515	354 486	243 023	117 778	705 299	123 366	14 871 216
Guarantees [^]	29 017	-	-	-	-	650	27	-	-	-	-	430	1 540	-	-	-	31 664
Contingent liabilities, committed facilities and other	77 227	193 955	-	155 654	17 165	31 149	89 493	36 372	32 476	16 855	208	-	34 996	13 327	126 641	5 661	831 179
Total off-balance sheet exposures	106 244	193 955	-	155 654	17 165	31 799	89 520	36 372	32 476	16 855	208	430	36 536	13 327	126 641	5 661	862 843
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 312 825	2 512 008	6 789	584 798	3 984 675	394 506	4 013 998	460 561	532 421	88 208	116 723	354 916	279 559	131 105	831 940	129 027	15 734 059

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



Risk management

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

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

£'000	30 Sept 2015	31 March 2015
Gross core loans and advances to customers	7 361 342	7 224 134
Total impairments	(175 016)	(188 444)
Specific impairments	(138 510)	(154 262)
Portfolio impairments	(36 506)	(34 182)
Net core loans and advances to customers	7 186 326	7 035 690
Average gross core loans and advances to customers	7 292 738	7 808 991
Current loans and advances to customers	6 886 699	6 707 975
Past due loans and advances to customers (1 - 60 days)	57 224	73 489
Special mention loans and advances to customers	30 842	42 556
Default loans and advances to customers	386 577	400 114
Gross core loans and advances to customers	7 361 342	7 224 134
Current loans and advances to customers	6 886 699	6 707 975
Default loans that are current and not impaired	17 684	26 785
Gross core loans and advances to customers that are past due but not impaired	146 929	146 428
Gross core loans and advances to customers that are impaired	310 030	342 946
Gross core loans and advances to customers	7 361 342	7 224 134
Total income statement charge for impairments on core loans and advances	(32 626)	(90 709)
Gross default loans and advances to customers	386 577	400 114
Specific impairments	(138 510)	(154 262)
Portfolio impairments	(36 506)	(34 182)
Defaults net of impairments	211 561	211 670
Aggregate collateral and other credit enhancements on defaults	278 698	280 697
Net default loans and advances to customers (limited to zero)	-	-
Ratios		
Total impairments as a % of gross core loans and advances to customers	2.38%	2.61%
Total impairments as a % of gross default loans	45.27%	47.10%
Gross defaults as a % of gross core loans and advances to customers	5.25%	5.54%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.94%	3.01%
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)	0.89%	1.16%



Risk management

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

£'000	30 Sept 2015	31 March 2015
Default loans that are current	132 002	176 913
1 - 60 days	102 590	119 496
61 - 90 days	12 622	2 249
91 - 180 days	28 003	7 639
181 - 365 days	32 961	45 758
> 365 days	166 465	164 104
Past due and default core loans and advances to customers (actual capital exposure)	474 643	516 159
1 - 60 days	4 011	5 796
61 - 90 days	587	172
91 - 180 days	4 884	2 566
181 - 365 days	8 391	4 742
> 365 days	141 127	156 328
Past due and default core loans and advances to customers (actual amount in arrears)	159 000	169 604

A further age analysis of past due and default 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 2015							
Default loans that are current and not impaired							
Total capital exposure	17 684	-	-	-	-	-	17 684
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	78 917	12 129	24 461	13 381	18 041	146 929
Amount in arrears	-	3 938	97	1 388	1 811	8 581	15 815
Gross core loans and advances to customers that are impaired							
Total capital exposure	114 318	23 673	493	3 542	19 580	148 424	310 030
Amount in arrears	-	73	490	3 496	6 580	132 546	143 185
At 31 March 2015							
Default loans that are current and not impaired							
Total capital exposure	26 785	-	-	-	-	-	26 785
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	113 795	2 249	5 287	9 195	15 902	146 428
Amount in arrears	-	5 754	172	214	525	8 327	14 992
Gross core loans and advances to customers that are impaired							
Total capital exposure	150 128	5 701	-	2 352	36 563	148 202	342 946
Amount in arrears	-	42	-	2 352	4 217	148 001	154 612



Risk management

An age analysis of past due and default core loans and advances to customers at 30 September 2015 (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)	-	57 224	-	-	-	-	57 224
Special mention	-	19 991	10 851	-	-	-	30 842
Special mention (1 - 90 days)	-	19 991	-	-	-	-	19 991
Special mention (61 - 90 days and item well secured)	-	-	10 851	-	-	-	10 851
Default	132 002	25 375	1 771	28 003	32 961	166 465	386 577
Sub-standard	62 706	13 494	1 763	24 441	31 123	73 403	206 930
Doubtful	67 906	11 881	-	2 786	1 156	5 998	89 727
Loss	1 390	-	8	776	682	87 064	89 920
Total	132 002	102 590	12 622	28 003	32 961	166 465	474 643

An age analysis of past due and default core loans and advances to customers at 30 September 2015 (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)	-	3 907	-	-	-	-	3 907
Special mention	-	30	97	-	-	-	127
Special mention (1 - 90 days)	-	30	-	-	-	-	30
Special mention (61 - 90 days and item well secured)	-	-	97	-	-	-	97
Default	-	74	490	4 884	8 391	141 127	154 966
Sub-standard	-	20	482	1 369	6 638	48 446	56 955
Doubtful	-	54	-	2 744	1 078	5 991	9 867
Loss	-	-	8	771	675	86 690	88 144
Total	-	4 011	587	4 884	8 391	141 127	159 000

An age analysis past due and default core loans and advances to customers at 31 March 2015 (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)	-	73 489	-	-	-	-	73 489
Special mention	-	40 307	2 249	-	-	-	42 556
Special mention (1 - 90 days)	-	40 307	-	-	-	-	40 307
Special mention (61 - 90 days and item well secured)	-	-	2 249	-	-	-	2 249
Default	176 913	5 700	-	7 639	45 758	164 104	400 114
Sub-standard	87 505	-	-	5 480	38 175	55 640	186 800
Doubtful	88 040	5 700	-	1 347	7 151	6 071	108 309
Loss	1 368	-	-	812	432	102 393	105 005
Total	176 913	119 496	2 249	7 639	45 758	164 104	516 159

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (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)	-	5 399	-	-	-	-	5 399
Special mention	-	355	172	-	-	-	527
Special mention (1 - 90 days)	-	355	-	-	-	-	355
Special mention (61 - 90 days and item well secured)	-	-	172	-	-	-	172
Default	42	-	-	2 566	4 742	156 328	163 678
Sub-standard	-	-	-	407	2 101	47 871	50 379
Doubtful	-	42	-	1 347	2 209	6 064	9 662
Loss	-	-	-	812	432	102 393	103 637
Total	-	5 796	172	2 566	4 742	156 328	169 604



Risk management

An analysis of core loans and advances to customers

£'000	Gross core loans and advances 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 2015								
Current core loans and advances	6 886 699	-	-	6 886 699	-	(36 506)	6 850 193	-
Past due (1 - 60 days)	-	57 224	-	57 224	-	-	57 224	3 907
Special mention	-	30 842	-	30 842	-	-	30 842	127
Special mention (1 - 90 days)	-	19 991	-	19 991	-	-	19 991	30
Special mention (61 - 90 days and item well secured)	-	10 851	-	10 851	-	-	10 851	97
Default	17 684	58 863	310 030	386 577	(138 510)	-	248 067	154 966
Sub-standard	17 684	58 542	130 704	206 930	(37 236)	-	169 694	56 955
Doubtful	-	321	89 406	89 727	(46 851)	-	42 876	9 867
Loss	-	-	89 920	89 920	(54 423)	-	35 497	88 144
Total	6 904 383	146 929	310 030	7 361 342	(138 510)	(36 506)	7 186 326	159 000
At 31 March 2015								
Current core loans and advances	6 707 975	-	-	6 707 975	-	(34 182)	6 673 793	-
Past due (1 - 60 days)	-	73 489	-	73 489	-	-	73 489	5 399
Special mention	-	42 556	-	42 556	-	-	42 556	527
Special mention (1 - 90 days)	-	40 307	-	40 307	-	-	40 307	355
Special mention (61 - 90 days and item well secured)	-	2 249	-	2 249	-	-	2 249	172
Default	26 785	30 383	342 946	400 114	(154 262)	-	245 852	163 678
Sub-standard	26 219	30 383	130 198	186 800	(36 870)	-	149 930	50 379
Doubtful	566	-	107 743	108 309	(54 494)	-	53 815	9 662
Loss	-	-	105 005	105 005	(62 898)	-	42 107	103 637
Total	6 734 760	146 428	342 946	7 224 134	(154 262)	(34 182)	7 035 690	169 604



Risk management

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

£'000	Private client, professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Total core loans and advances to customers
At 30 September 2015					
Current core loans and advances	3 233 121	2 854 088	671 118	128 372	6 886 699
Past due (1 - 60 days)	46 269	9 913	21	1 021	57 224
Special mention	30 456	82	2	302	30 842
Special mention (1 - 90 days)	19 991	-	-	-	19 991
Special mention (61 - 90 days and item well secured)	10 465	82	2	302	10 851
Default	356 232	28 481	130	1 734	386 577
Sub-standard	186 897	19 204	-	829	206 930
Doubtful	81 323	7 736	126	542	89 727
Loss	88 012	1 541	4	363	89 920
Total gross core loans and advances to customers	3 666 078	2 892 564	671 271	131 429	7 361 342
Total impairments	(167 299)	(7 060)	(71)	(586)	(175 016)
Specific impairments	(130 793)	(7 060)	(71)	(586)	(138 510)
Portfolio impairments	(36 506)	-	-	-	(36 506)
Net core loans and advances to customers	3 498 779	2 885 504	671 200	130 843	7 186 326
At 31 March 2015					
Current core loans and advances	3 036 997	2 753 200	732 353	185 425	6 707 975
Past due (1 - 60 days)	68 923	3 696	-	870	73 489
Special mention	42 288	268	-	-	42 556
Special mention (1 - 90 days)	40 307	-	-	-	40 307
Special mention (61 - 90 days and item well secured)	1 981	268	-	-	2 249
Default	373 342	25 703	244	825	400 114
Sub-standard	172 581	14 219	-	-	186 800
Doubtful	97 300	10 280	229	500	108 309
Loss	103 461	1 204	15	325	105 005
Total gross core loans and advances to customers	3 521 550	2 782 867	732 597	187 120	7 224 134
Total impairments	(179 681)	(8 128)	(150)	(485)	(188 444)
Specific impairments	(145 499)	(8 128)	(150)	(485)	(154 262)
Portfolio impairments	(34 182)	-	-	-	(34 182)
Net core loans and advances to customers	3 341 869	2 774 739	732 447	186 635	7 035 690



Risk management

Analysis of core loans and advances by risk category at 30 September 2015

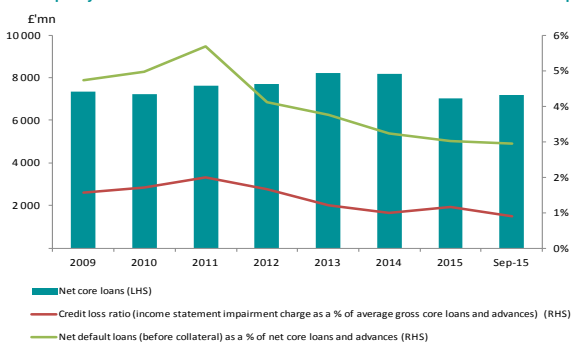
£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments [^]
Lending collateralised by property	2 334 301	327 135	229 704	(119 720)	(18 023)
Commercial real estate	1 429 158	122 930	83 413	(46 833)	(13 131)
Commercial real estate - investment	1 199 640	70 601	59 814	(15 077)	(4 121)
Commercial real estate - development	118 198	20 614	6 618	(13 995)	(220)
Commercial vacant land and planning	111 320	31 715	16 981	(17 761)	(8 790)
Residential real estate	905 143	204 205	146 291	(72 887)	(4 892)
Residential real estate - investment	305 352	72 206	65 789	(14 651)	(1 961)
Residential real estate - development	534 215	94 178	55 768	(44 373)	(1 809)
Residential vacant land and planning	65 576	37 821	24 734	(13 863)	(1 122)
High net worth and other private client lending	1 331 777	29 097	26 343	(11 073)	(7 379)
Mortgages	1 059 624	6 438	12 937	-	119
High net worth and specialised lending	272 153	22 659	13 406	(11 073)	(7 498)
Corporate and other lending	3 695 264	30 345	22 651	(7 717)	(4 899)
Acquisition finance	776 846	912	912	-	46
Asset-based lending	239 729	-	-	-	-
Fund finance	459 931	-	-	-	-
Other corporate and financial institutions and governments	612 220	-	-	-	-
Asset finance	1 150 594	11 310	5 931	(5 402)	(2 247)
Small ticket asset finance	868 471	11 310	5 931	(5 402)	(2 247)
Large ticket asset finance	282 123	-	-	-	-
Project finance	442 237	4 416	4 416	-	(2 698)
Resource finance	13 707	13 707	11 392	(2 315)	-
Portfolio impairments				(36 506)	(2 325)
Total	7 361 342	386 577	278 698	(175 016)	(32 626)

Analysis of core loans and advances by risk category at 31 March 2015

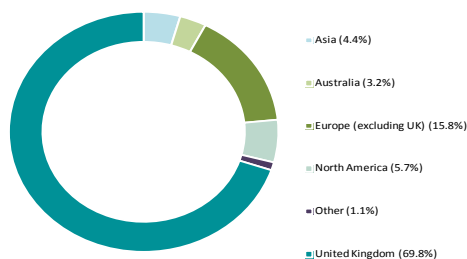
£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments [^]
Lending collateralised by property	2 318 053	343 229	233 676	(134 451)	(49 179)
Commercial real estate	1 510 506	122 886	79 588	(51 517)	(25 358)
Commercial real estate - investment	1 229 217	58 142	50 302	(11 752)	(16 157)
Commercial real estate - development	147 707	20 129	6 544	(13 585)	(3 997)
Commercial vacant land and planning	133 582	44 615	22 742	(26 180)	(5 204)
Residential real estate	807 547	220 343	154 088	(82 934)	(23 821)
Residential real estate - investment	292 089	53 911	50 294	(10 756)	(3 178)
Residential real estate - development	425 258	116 163	74 975	(50 571)	(9 122)
Residential vacant land and planning	90 200	50 269	28 819	(21 607)	(11 521)
High net worth and other private client lending	1 203 497	30 113	29 012	(11 048)	(10 529)
Mortgages	952 625	7 977	13 015	(914)	(713)
High net worth and specialised lending	250 872	22 136	15 997	(10 134)	(9 816)
Corporate and other lending	3 702 584	26 772	18 009	(8 763)	(11 821)
Acquisition finance	731 195	-	-	-	1 231
Asset-based lending	216 424	-	-	-	-
Fund finance	495 037	-	-	-	-
Other corporate and financial institutions and governments	719 049	-	-	-	(3 091)
Asset finance	1 119 165	8 346	3 642	(4 704)	(5 068)
Small ticket asset finance	835 773	8 346	3 642	(4 704)	(5 068)
Large ticket asset finance	283 392	-	-	-	-
Project finance	407 577	4 289	2 585	(1 704)	(515)
Resource finance	14 137	14 137	11 782	(2 355)	(4 378)
Portfolio impairments				(34 182)	(19 180)
Total	7 224 134	400 114	280 697	(188 444)	(90 709)

[^] Where a positive number represents a recovery

Asset quality trends



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





Risk management

Collateral

A summary of total collateral is provided in the table below

£'000	Collateral held against		Total
	Core loans and advances	Other credit and counterparty exposures*	
At 30 September 2015			
Eligible financial collateral	344 411	352 600	697 011
Listed shares	270 095	100 207	370 302
Cash	74 316	93 712	168 028
Debt securities issued by sovereigns	-	158 681	158 681
Property charge	4 825 287	214 460	5 039 747
Residential mortgages	2 325 945	214 460	2 540 405
Residential development	833 023	-	833 023
Commercial property developments	305 551	-	305 551
Commercial property investments	1 360 768	-	1 360 768
Other collateral	3 683 355	814 385	4 497 740
Unlisted shares	467 057	-	467 057
Charges other than property	29 406	814 385	843 791
Debtors, stock and other corporate assets	2 143 878	-	2 143 878
Guarantees	851 102	-	851 102
Other	191 912	-	191 912
Total collateral	8 853 053	1 381 445	10 234 498
At 31 March 2015			
Eligible financial collateral	381 651	557 158	938 809
Listed shares	302 938	82 925	385 863
Cash	78 713	76 511	155 224
Debt securities issued by sovereigns	-	397 722	397 722
Property charge	4 399 279	217 531	4 616 810
Residential mortgages	2 180 115	217 531	2 397 646
Residential development	554 920	-	554 920
Commercial property developments	271 843	-	271 843
Commercial property investments	1 392 401	-	1 392 401
Other collateral	4 034 402	729 614	4 764 016
Unlisted shares	486 524	-	486 524
Charges other than property	32 806	729 614	762 420
Debtors, stock and other corporate assets	2 353 919	-	2 353 919
Guarantees	762 092	-	762 092
Other	399 061	-	399 061
Total collateral	8 815 332	1 504 303	10 319 635

* 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.



Risk management

Equity and investment risk in the banking book

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

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

Valuation and accounting methodologies

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

	Income (pre funding costs)				
Category £'000	Unrealised	Realised	Dividends	Total	Fair value through equity
For the six months to 30 September 2015					
Unlisted investments	(7 706)	12 534	12 486	17 314	932
Listed equities	16 049	(9 177)	-	6 872	273
Investment and trading properties	880	(208)	-	672	-
Warrants, profit shares and other embedded derivatives	(1 482)	3 478	-	1 996	-
Total	7 741	6 627	12 486	26 854	1 205
For the year ended 31 March 2015					
Unlisted investments	(25 676)	60 017	5 089	39 430	709
Listed equities	19 770	1 505	772	22 047	425
Investment and trading properties	8 664	2 354	-	11 018	-
Warrants, profit shares and other embedded derivatives	(70 947)	1 873	-	(69 074)	-
Total	(68 189)	65 749	5 861	3 421	1 134



Risk management

Summary of investments held and stress testing analyses

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

£'000	On-balance sheet value of investments	Valuation change stress test	On-balance sheet value of investments	Valuation change stress test
Category	30 Sept 2015	30 Sept 2015*	31 March 2015	31 March 2015*
Unlisted investments	307 561	46 134	287 680	43 152
Listed equities	99 082	24 771	113 120	28 280
Total investment portfolio	406 643	70 905	400 800	71 432
Investment and trading properties	153 120	24 793	191 499	31 726
Warrants, profit shares and other embedded derivatives	32 032	11 211	36 111	12 639
Total	591 795	106 909	628 410	115 797

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

Stress test values applied

Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

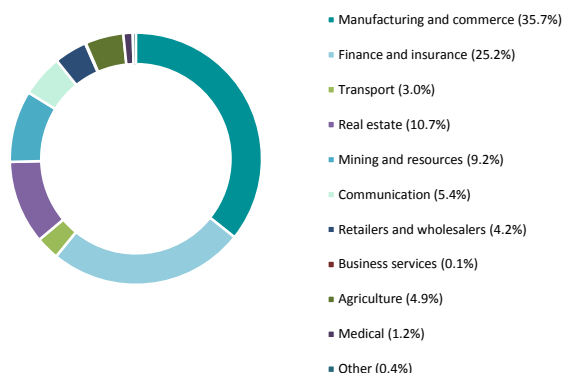
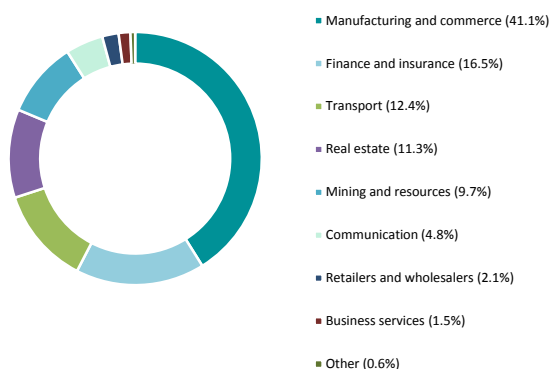
Stress testing summary

Based on the information at 30 September 2015, as reflected above, we could have a £107 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.

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

30 September 2015 (£439 million)

31 March 2015 (£437 million)





Risk management

Securitisation/structured credit activities exposures

The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been curtailed given the changes in the securitisation market.

The bank plays an originator role in the securitisation of assets it has originated. For regulatory purposes, structured entities are not consolidated where significant risk in the structured entity has been transferred to third parties. The positions we continue to hold in the securitisation will be either risk weighted and/or deducted from capital.

The bank 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 2015 are not regarded as material, and therefore no further information is disclosed for these exposures.

The bank has no securitisation backed by revolving exposures

We hold rated structured credit instruments (including resecuritisation exposures). These exposures are largely in the UK and amount to £270 million at 30 September 2015 (£317 million). This is intended as a hold to maturity portfolio rather than a trading portfolio. Therefore, since our commercial intention is to hold the assets to maturity, the portfolio will be valued on an amortised cost basis. These investments are risk-weighted for regulatory capital purposes.

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.

Nature of exposure/activity	Exposure at 30 Sept 2015	Exposure at 31 March 2015	Balance sheet and credit risk classification
	£'million	£'million	
Structured credit (gross exposure)*	279	350	Other debt securities and other loans and advances
Rated	270	317	
Unrated	9	33	
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (with the potential to be securitised)(net exposure)	162	170	Other loans and advances

* Analysis of rated and unrated structured credit

£'million	30 September 2015			31 March 2015		
	Rated**	Unrated	Total	Rated**	Unrated	Total
US corporate loans	134	-	134	116	-	116
UK and European RMBS	100	9	109	153	29	182
UK and European CMBS	-	-	-	6	4	10
UK and European corporate loans	36	-	36	42	-	42
Total	270	9	279	317	33	350

**A further analysis of rated structured credit at 30 September 2015

£'million	AAA	AA	A	BBB	BB	B	CCC and below	Total
US corporate loans	73	21	35	5	-	-	-	134
UK and European RMBS	28	51	13	5	-	-	3	100
UK and European corporate loans	16	9	10	1	-	-	-	36
Total at 30 September 2015	117	81	58	11	-	-	3	270
Total at 31 March 2015	64	138	56	36	1	-	22	317



Risk management

Market risk in the trading book

Traded market risk description

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

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

Management and measurement of traded market risk

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

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

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

All VaR models, while forward looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through 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 breach' is considered to have occurred. Over time we expect the average rate of observed backtesting breaches to be consistent with the percentile of VaR statistic being tested.

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

VaR

£'000	30 September 2015				31 March 2015			
	Period end	Average	High	Low	Year end	Average	High	Low
(using 95% VaR)								
Equities	554	537	699	412	524	573	825	436
Foreign exchange	33	33	81	15	23	20	64	1
Interest rates	188	219	559	136	495	300	536	197
Consolidated*	577	581	719	488	691	617	921	475

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



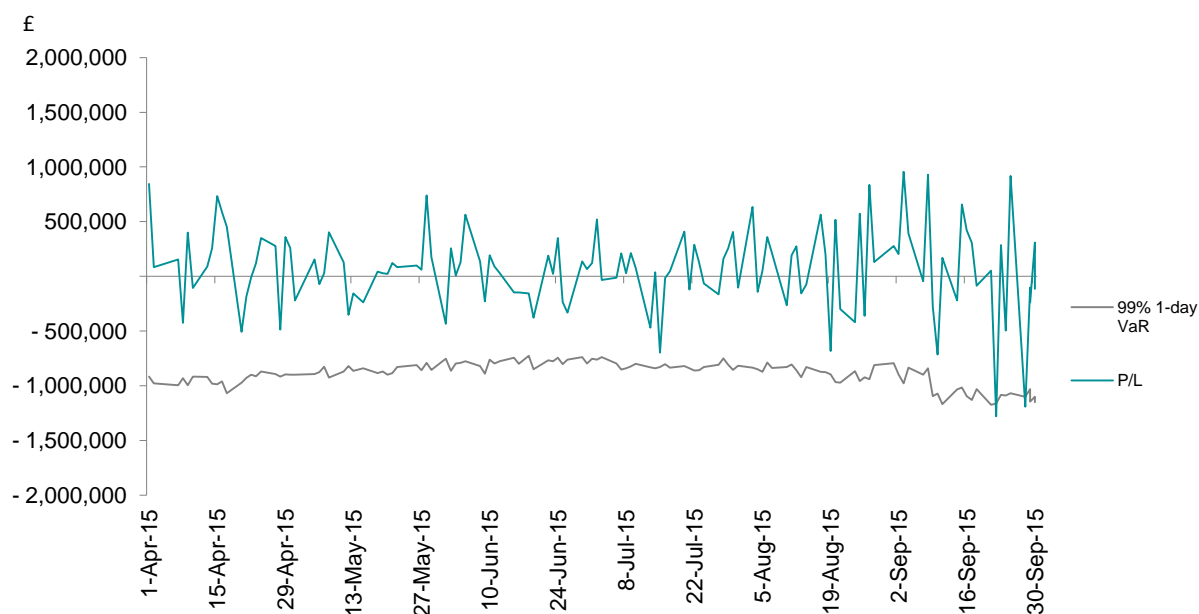
Risk management

Traded market risk management

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

99% one-day VaR backtesting

The average VaR utilisation for the six months to 30 September 2015 was lower than for 31 March 2015, as a result of a decrease in the interest rate risk run across all trading businesses. Using hypothetical (clean) profit and loss data for backtesting resulted in two exceptions at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is one exception more than expected at the 99% level and is due to increased equity volatility during August and September 2015.





Risk management

ETL

95% (one-day) £'000	30 Sept 2015	31 March 2015
Equities	735	663
Foreign exchange	46	34
Interest rates	213	717
Consolidated*	774	874

* The consolidated ETL 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.

£'000	30 September 2015				31 March 2015
	Period end	Average	High	Low	Year end
(using 99% EVT)					
Equities	1 631	1 258	2 275	761	1 658
Foreign exchange	93	82	221	37	102
Interest rates	327	546	1 312	280	1 676
Consolidated**	1 787	1 261	2 222	827	1 413

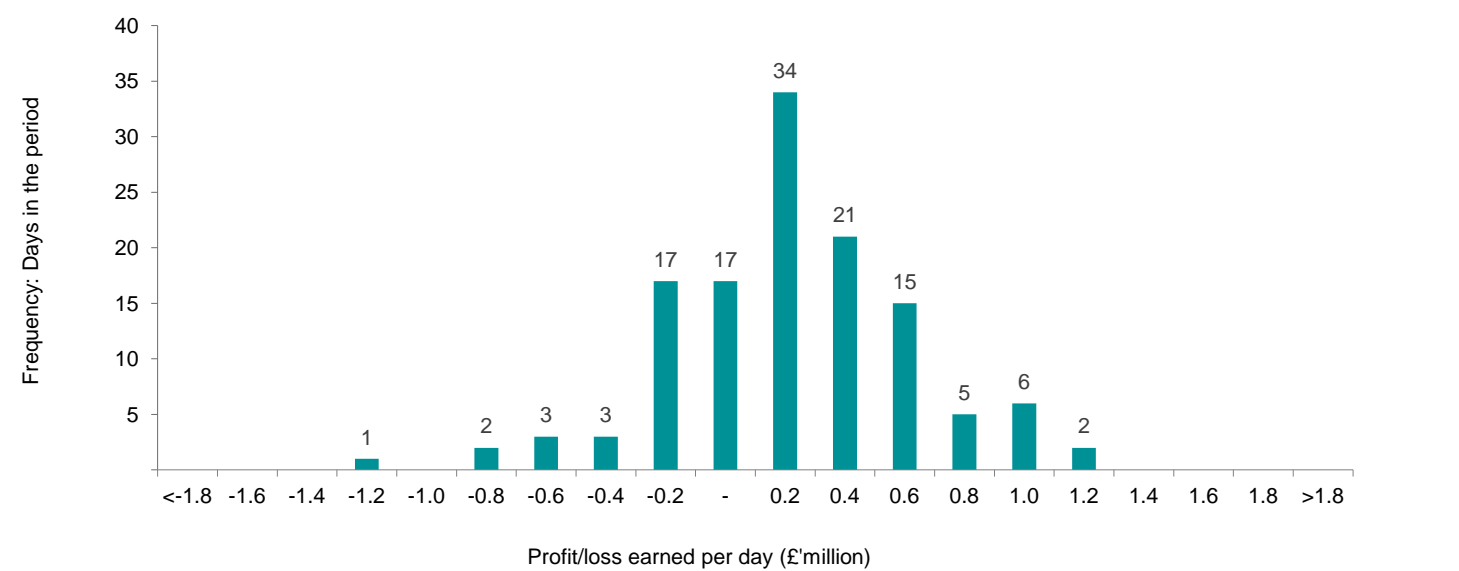
** The consolidated stress test numbers are lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).



Risk management

Profit and loss histogram

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 a positive trading revenue was realised on 83 days out of a total of 126 days in the trading business. The average daily trading revenue generated for the six months to 30 September 2015 was £119 423 (year ended March 2015: £162 486).





Risk management

Balance sheet risk management

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 risks on balance sheet, encumbrance and leverage.

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.



Risk management

Interest rate sensitivity gap

The table below shows our non-trading interest rate mismatch at 30 September 2015. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds - banks	3 170	2	-	1	7	-	3 180
Investment/trading assets and statutory liquids	579	13	29	234	848	9	1 712
Securitised assets	157	-	-	-	-	-	157
Advances	5 850	468	325	706	253	5	7 607
Non-rate assets	-	-	-	-	-	1 381	1 381
Assets	9 756	483	354	941	1 108	1 395	14 037
Deposits - banks	(251)	-	-	-	-	-	(251)
Deposits - non-banks	(7 845)	(354)	(901)	(618)	-	-	(9 718)
Negotiable paper	(244)	(28)	(29)	(408)	(208)	-	(917)
Securitized liabilities	(123)	-	-	-	-	-	(123)
Subordinated liabilities	-	-	-	(18)	(575)	(31)	(624)
Other liabilities	-	-	-	-	-	(452)	(452)
Liabilities	(8 463)	(382)	(930)	(1 044)	(783)	(483)	(12 085)
Intercompany loans	26	-	-	-	-	(133)	(107)
Shareholders' funds	-	-	-	-	-	(1 845)	(1 845)
Balance sheet	1 319	101	(576)	(103)	325	(1 066)	-
Off-balance sheet	652	198	(132)	(135)	(583)	-	-
Repricing gap	1 971	299	(708)	(238)	(258)	(1 066)	-
Cumulative repricing gap	1 971	2 270	1 562	1 324	1 066	-	-

Economic value sensitivity at 30 September 2015

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

'million	Sensitivity to the following interest rates (expressed in original currencies)						All (GBP)
	GBP	USD	EUR	AUD	ZAR	Other (GBP)	
200bps down	(44.0)	(9.8)	(4.9)	0.6	2.0	0.4	(53.0)
200bps up	42.0	10.2	6.9	(0.6)	(1.6)	(0.4)	52.7



Risk management

Balance sheet risk management

Liquidity risk

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.

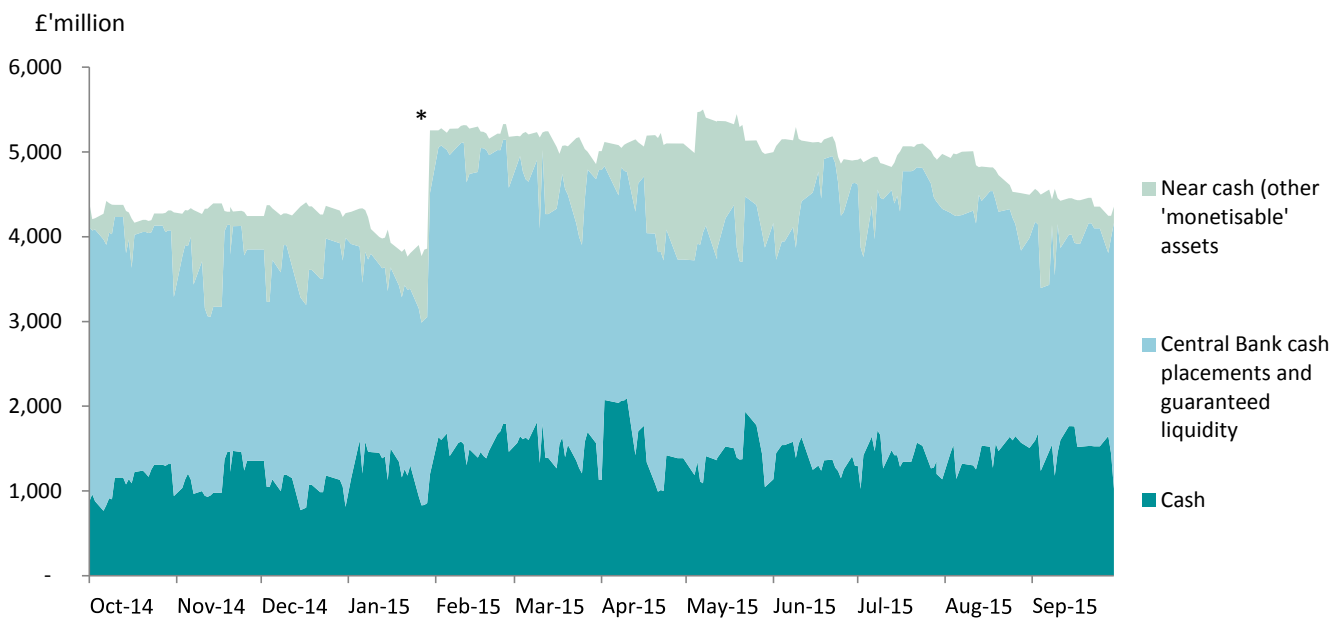
Liquidity risk is further broken down into:

- **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.

Sources of liquidity risk include:

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

Cash and near cash trend



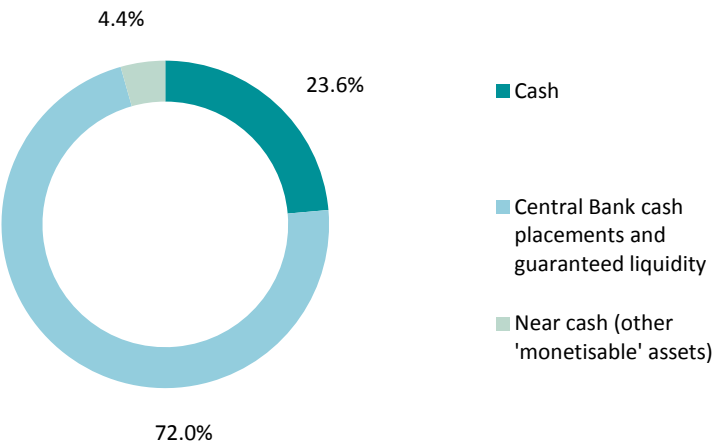
* Increase in cash balances due to sale of group assets.



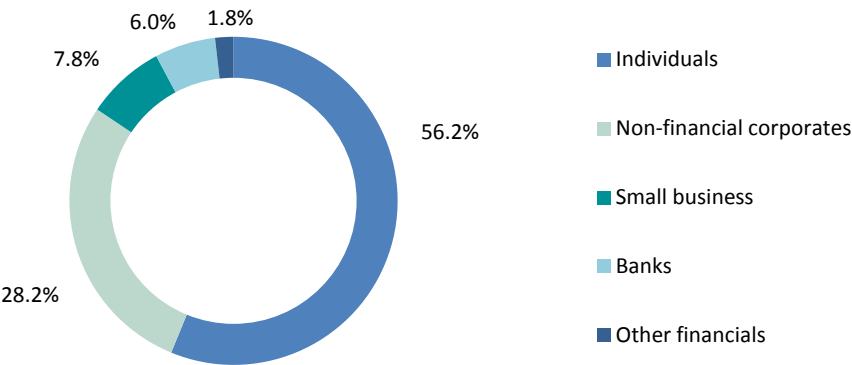
Risk management

Balance sheet risk management (continued)

An analysis of cash and near cash at 30 September 2015 (£4 354 million)



Bank and non-bank depositor concentration by type at 30 September 2015 (£10 339 million)





Risk management

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all asset 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.

Contractual liquidity at 30 September 2015

£'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	2 076	894	433	3	6	-	15	3 427
Investment/trading assets	387	274	64	252	573	478	1 459	3 487
Securitised assets	-	2	2	4	7	44	98	157
Advances	209	437	653	556	1 062	3 260	1 455	7 632
Other assets	21	919	31	4	3	65	713	1 756
Assets	2 693	2 526	1 183	819	1 651	3 847	3 740	16 459
Deposits - banks	(24)	(304)	-	-	-	-	(71)	(399)
Deposits - non-banks	(1 174)	(2 678)	(1 388)	(1 971)	(846)	(1 638)	(245)	(9 940)
Negotiable paper	-	(10)	(8)	(56)	(85)	(611)	(446)	(1 216)
Securitised liabilities	-	(1)	(2)	(3)	(6)	(37)	(74)	(123)
Investment/trading liabilities	(4)	(139)	(90)	(47)	(70)	(365)	(328)	(1 043)
Subordinated liabilities	-	-	-	-	(28)	(34)	(563)	(625)
Other liabilities	(69)	(828)	(48)	(25)	(93)	(65)	(33)	(1 161)
Liabilities	(1 271)	(3 960)	(1 536)	(2 102)	(1 128)	(2 750)	(1 760)	(14 507)
Intercompany	(7)	(40)	219	(100)	-	(22)	(157)	(107)
Shareholders' funds	-	-	-	-	-	-	(1 845)	(1 845)
Contractual liquidity gap	1 415	(1 474)	(134)	(1 383)	523	1 075	(22)	-
Cumulative liquidity gap	1 415	(59)	(193)	(1 576)	(1 053)	22	-	-

Behavioural liquidity

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	3 485	(1 383)	879	(249)	519	(2 601)	(650)	-
Cumulative	3 485	2 102	2 981	2 732	3 251	650	-	-