

2016

**INVESTEC PLC SILO
FINANCIAL INFORMATION**
(excluding the results
of Investec Limited)

Unaudited consolidated financial
information for the six months
ended 30 September 2016

IFRS – Pounds Sterling



Out of the Ordinary[®]

 **Investec**





Overview of results

	30 Sept 2016	30 Sept 2015	% change	31 March 2016
Total operating income before impairment losses on loans and advances (£'000)	624 391	574 904	8.6%	1 128 374
Operating costs (£'000)	475 477	432 332	10.0%	863 648
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests (£'000)	110 961	106 893	3.8%	182 863
Earnings attributable to ordinary shareholders (£'000)	83 770	73 234	14.4%	122 684
Cost to income ratio	76.2%	75.2%	1.3%	76.7%
Total capital resources (including subordinated liabilities) (£'000)	2 659 484	2 533 841	5.0%	2 478 117
Total shareholders' equity (£'000)	2 034 309	1 909 049	6.6%	1 880 808
Total assets (£'000)	20 365 915	17 295 448	17.8%	18 756 588
Net core loans and advances (£'000)	8 299 100	7 210 297	15.1%	7 803 602
Customer accounts (deposits) (£'000)	12 042 361	9 727 635	23.8%	10 808 980
Cash and near cash balances (£'000)	6 186 729	4 389 672	40.9%	5 082 338
Funds under management (£'million)	92 753	76 035	22.0%	81 180
Capital adequacy ratio	14.6%	15.9%		14.7%
Tier 1 ratio	10.7%	11.2%		10.3%
Common equity tier 1 ratio	10.5%	10.0%		9.3%
Leverage ratio	6.8%	7.1%		6.7%
Leverage ratio – "fully loaded"	6.7%	6.4%		6.1%
Defaults (net of impairments) as a % of net core loans and advances	1.86%	2.93%		2.19%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–		–
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.73%	0.89%		1.13%
Total gearing (i.e. total assets to total equity)	10.0x	9.1x		10.0x
Loans and advances to customers: customer accounts (deposits)	68.9%	74.1%		72.2%

Consolidated income statement



Unaudited

£'000	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Interest income	277 779	276 506	549 092
Interest expense	(145 133)	(146 289)	(288 147)
Net interest income	132 646	130 217	260 945
Fee and commission income	447 833	402 400	813 744
Fee and commission expense	(58 367)	(47 943)	(103 986)
Investment income	18 751	44 239	62 120
Share of post tax operating profit of associate	1 016	994	2 321
Trading income arising from			
– customer flow	64 913	45 477	92 681
– balance sheet management and other trading activities	12 269	(3 195)	(7 983)
Other operating income	5 330	2 714	8 532
Total operating income before impairment losses on loans and advances	624 391	574 904	1 128 374
Impairment losses on loans and advances	(30 078)	(31 313)	(84 217)
Operating income	594 313	543 591	1 044 157
Operating costs	(475 477)	(432 332)	(863 648)
Depreciation on operating leased assets	–	(216)	(2 149)
Operating profit before goodwill and acquired intangibles	118 836	111 043	178 360
Amortisation of acquired intangibles	(7 187)	(7 233)	(14 477)
Operating profit	111 649	103 810	163 883
Net loss on disposal of subsidiaries	–	(4 746)	(4 805)
Profit before taxation	111 649	99 064	159 078
Taxation on operating profit before goodwill	(21 789)	(23 118)	(35 335)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	1 785	1 438	4 701
Profit after taxation	91 645	77 384	128 444
Profit attributable to Asset Management non-controlling interests	(5 756)	(5 357)	(10 263)
(Profit)/loss attributable to other non-controlling interests	(2 119)	1 207	4 503
Earnings attributable to shareholders	83 770	73 234	122 684



Consolidated statement of total comprehensive income

Unaudited

£'000	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Profit after taxation	91 645	77 384	128 444
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
(Gains) on available-for-sale assets recycled through the income statement*	(5 420)	(482)	(1 298)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	28 058	(3 062)	(20 268)
Foreign currency adjustments on translating foreign operations	23 089	(16 133)	5 304
Items that will never be reclassified to the income statement:			
Remeasurement of net defined benefit pension asset	–	–	4 738
Total comprehensive income	137 372	57 707	116 920
Total comprehensive income attributable to non-controlling interests	7 530	4 146	5 652
Total comprehensive income attributable to ordinary shareholders	128 214	41 857	98 009
Total comprehensive income attributable to perpetual preferred securities	1 628	11 704	13 259
Total comprehensive income	137 372	57 707	116 920

* Net of taxation.

Consolidated balance sheet



Unaudited

£'000	At 30 Sept 2016	At 31 March 2016	At 30 Sept 2015
Assets			
Cash and balances at central banks	3 780 240	2 638 069	1 683 278
Loans and advances to banks	1 262 188	1 112 441	953 609
Reverse repurchase agreements and cash collateral on securities borrowed	521 751	557 025	1 367 202
Sovereign debt securities	966 144	1 252 991	1 075 933
Bank debt securities	185 546	188 397	189 287
Other debt securities	436 613	393 652	297 028
Derivative financial instruments	979 968	837 558	641 323
Securities arising from trading activities	470 418	524 344	658 157
Investment portfolio	526 437	451 000	409 258
Loans and advances to customers	8 299 100	7 803 602	7 210 297
Other loans and advances	420 290	417 205	447 227
Other securitised assets	143 411	150 565	156 491
Interests in associated undertakings	30 310	23 587	21 275
Deferred taxation assets	71 795	85 050	71 364
Other assets	1 737 835	1 705 203	1 511 463
Property and equipment	58 026	56 374	58 702
Investment property	–	79 051	58 309
Goodwill	358 141	356 994	356 225
Intangible assets	117 702	123 480	129 020
	20 365 915	18 756 588	17 295 448
Liabilities			
Deposits by banks	594 024	544 210	262 743
Derivative financial instruments	1 116 873	964 362	787 421
Other trading liabilities	132 578	226 598	269 125
Repurchase agreements and cash collateral on securities lent	175 005	281 260	420 145
Customer accounts (deposits)	12 042 361	10 808 980	9 727 635
Debt securities in issue	1 926 300	1 828 819	1 697 632
Liabilities arising on securitisation of other assets	112 754	120 617	123 237
Current taxation liabilities	135 819	140 959	131 251
Deferred taxation liabilities	38 744	33 834	42 298
Other liabilities	1 431 973	1 328 832	1 300 120
	17 706 431	16 278 471	14 761 607
Subordinated liabilities	625 175	597 309	624 792
	18 331 606	16 875 780	15 386 399
Equity			
Ordinary share capital	191	182	182
Perpetual preference share capital	29	151	151
Share premium	1 245 347	1 194 257	1 194 257
Treasury shares	(91 170)	(81 309)	(61 662)
Other reserves	(49 216)	(66 757)	(51 044)
Retained income	912 952	820 967	809 883
Shareholders' equity excluding non-controlling interests	2 018 133	1 867 491	1 891 767
Non-controlling interests	16 176	13 317	17 282
Total equity	2 034 309	1 880 808	1 909 049
Total liabilities and equity	20 365 915	18 756 588	17 295 448



Statement of changes in equity

Unaudited

£'000	Six months to 30 Sept 2016	Six months to 30 Sept 2015	Year to 31 March 2016
Balance at the beginning of the period	1 880 808	2 074 073	2 074 073
Profit after taxation	91 645	77 384	128 444
Gains on available-for-sale assets recycled through the income statement*	(5 420)	(482)	(1 298)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	28 058	(3 062)	(20 268)
Foreign currency adjustments on translating foreign operations	23 089	(16 133)	5 304
Remeasurement of net defined benefit pension liability	–	–	4 738
Total comprehensive income for the period	137 372	57 707	116 920
Share-based payments adjustments	10 827	11 829	27 706
Dividends paid to ordinary shareholders	(41 459)	(46 367)	(103 791)
Dividends declared to perpetual preference shareholders	–	–	(13 259)
Dividends paid to perpetual preference shareholders	(1 628)	(11 704)	(10 680)
Dividends paid to non-controlling interests	(4 650)	(5 235)	–
Issue of ordinary shares	173 147	22 818	22 818
Redemption of preferences shares	(81 621)	–	–
Gain on transfer of non-controlling interests	27	–	–
Redemption of non-controlling interests	–	(142 106)	(142 111)
Movement of treasury shares	(38 514)	(51 966)	(90 868)
Balance at the end of the period	2 034 309	1 909 049	1 880 808

* Net of taxation.

Segmental business analysis – income statement



Unaudited

For the six months to 30 September 2016 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	90	2 124	130 432	–	132 646
Fee and commission income	200 316	129 106	118 411	–	447 833
Fee and commission expense	(53 938)	(315)	(4 114)	–	(58 367)
Investment income	–	1 366	17 385	–	18 751
Share of post tax operating profit of associates	–	702	314	–	1 016
Trading income arising from					
– customer flow	–	246	64 667	–	64 913
– balance sheet management and other trading activities	1 337	185	10 747	–	12 269
Other operating income	1 472	–	3 858	–	5 330
Total operating income before impairment losses on loans and advances	149 277	133 414	341 700	–	624 391
Impairment losses on loans and advances	–	–	(30 078)	–	(30 078)
Operating income	149 277	133 414	311 622	–	594 313
Operating costs	(106 162)	(104 223)	(247 334)	(17 758)	(475 477)
Operating profit/(loss) before goodwill and acquired intangibles	43 115	29 191	64 288	(17 758)	118 836
Operating loss attributable to other non-controlling interests	–	–	(2 119)	–	(2 119)
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	43 115	29 191	62 169	(17 758)	116 717
Operating profit attributable to Asset Management non-controlling interests	(5 756)	–	–	–	(5 756)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	37 359	29 191	62 169	(17 758)	110 961
Cost to income ratio	71.1%	78.1%	72.4%	n/a	76.2%
Total assets (£'million)	458	1 028	18 880	n/a	20 366
For the six months to 30 September 2015 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total group
Net interest income	123	2 022	128 072	–	130 217
Fee and commission income	185 568	122 353	94 479	–	402 400
Fee and commission expense	(45 726)	(284)	(1 933)	–	(47 943)
Investment income	–	(230)	44 469	–	44 239
Share of post tax operating profit of associates	–	695	249	–	994
Trading income arising from					
– customer flow	–	532	44 945	–	45 477
– balance sheet management and other trading activities	(1 164)	82	(2 113)	–	(3 195)
Other operating income	165	–	2 600	–	2 714
Total operating income before impairment losses on loans and advances	138 966	125 170	310 768	–	574 904
Impairment losses on loans and advances	–	–	(31 313)	–	(31 313)
Operating income	138 966	125 170	279 455	–	543 591
Operating costs	(98 838)	(99 274)	(217 184)	(17 036)	(432 332)
Depreciation on operating leased assets	–	–	(216)	–	(216)
Operating profit/(loss) before goodwill and acquired intangibles	40 128	25 896	62 055	(17 036)	111 043
Operating loss attributable to other non-controlling interests	–	–	1 207	–	1 207
Operating profit/(loss) before goodwill, acquired intangibles and after other non-controlling interests	40 128	25 896	63 262	(17 036)	112 250
Operating profit attributable to Asset Management non-controlling interests	(5 357)	–	–	–	(5 357)
Operating profit/(loss) before goodwill, acquired intangibles and after non-controlling interests	34 771	25 896	63 262	(17 036)	106 893
Cost to income ratio	71.1%	79.3%	69.9%	n/a	75.2%
Total assets (£'million)	378	920	15 997	n/a	17 295



Additional income statement note disclosures

Unaudited

Net interest income

		2016		2015	
For the six months to 30 September £'000		Balance sheet value	Interest income	Balance sheet value	Interest income
	Notes				
Cash, near cash and bank debt and sovereign debt securities	1	6 715 869	20 791	5 269 309	24 070
Core loans and advances	2	8 299 100	225 485	7 210 297	210 499
Private client		3 470 466	71 932	3 498 779	75 009
Corporate, institutional and other clients		4 828 634	153 553	3 711 518	135 490
Other debt securities and other loans and advances		856 903	31 503	744 255	41 937
Other interest-earning assets	3	–	–	156 491	–
Total interest-earning assets		15 871 872	277 779	13 380 352	276 506

		2016		2015	
For the six months to 30 September £'000		Balance sheet value	Interest expense	Balance sheet value	Interest expense
	Notes				
Deposits by banks and other debt-related securities	4	2 695 330	48 164	2 380 521	26 136
Customer accounts (deposits)		12 042 361	68 523	9 727 635	65 469
Other interest-bearing liabilities	5	–	–	123 237	22 298
Subordinated liabilities		625 175	28 446	624 792	32 386
Total interest-bearing liabilities		15 362 866	145 133	12 856 185	146 289
Net interest income			132 646		130 217

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; and bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers.
3. Comprised in the prior year (as per the balance sheet) other securitised assets. In the current year no securitised assets are held at amortised cost.
4. Comprises (as per the balance sheet) deposits by banks; debt securities in issue; and repurchase agreements and cash collateral on securities lent.
5. Comprised in the prior year (as per the balance sheet) liabilities arising on securitisation of other assets. In the current year no liabilities arising on securitisation are held at amortised cost.

Additional income statement note disclosures



Unaudited

(continued)

Net fee and commission income

For the six months to 30 September

£'000

	2016	2015
Asset management and wealth management businesses net fee and commission income	275 169	261 911
Fund management fees/fees for assets under management	302 219	278 845
Private client transactional fees	27 203	29 076
Fee and commission expense	(54 253)	(46 010)
Specialist Banking net fee and commission income	114 297	92 546
Corporate and institutional transactional and advisory services	100 245	83 173
Private client transactional fees	18 166	11 306
Fee and commission expense	(4 114)	(1 933)
Net fee and commission income	389 466	354 457
Annuity fees (net of fees payable)	280 927	285 167
Deal fees	108 539	69 290

Investment income

For the six months to 30 September £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)**	Investment properties	Other asset categories	Total
2016					
Realised	10 470	(4 858)	18 600	1 650	25 862
Unrealised [^]	(6 799)	(5 257)	(10 008)	3 136	(18 928)
Dividend income	8 553	–	–	–	8 553
Funding and other net related income	–	–	–	3 264	3 264
	12 224	(10 115)	8 592	8 050	18 751
2015					
Realised	6 835	31 084	–	114	38 033
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	23 008	–	(4 951)	44 239

* Including embedded derivatives (warrants and profit shares).

** Includes write downs of debt securities of £4m in the current period (2015: £nil).

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



Additional IAS 34 disclosures

Unaudited

Analysis of financial assets and liabilities by category of financial instrument

At 30 September 2016 £'000	Total instruments at fair value [^]	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	1 672	3 778 568	–	3 780 240
Loans and advances to banks	78 986	1 183 202	–	1 262 188
Reverse repurchase agreements and cash collateral on securities borrowed	53 503	468 248	–	521 751
Sovereign debt securities	966 144	–	–	966 144
Bank debt securities	7 834	177 712	–	185 546
Other debt securities	217 342	219 271	–	436 613
Derivative financial instruments*	979 968	–	–	979 968
Securities arising from trading activities	470 418	–	–	470 418
Investment portfolio	526 437	–	–	526 437
Loans and advances to customers	80 638	8 218 462	–	8 299 100
Other loans and advances	–	420 290	–	420 290
Other securitised assets	140 436	2 975	–	143 411
Interests in associated undertakings	–	–	30 310	30 310
Deferred taxation assets	–	–	71 795	71 795
Other assets	305 260	1 165 259	267 316	1 737 835
Property and equipment	–	–	58 026	58 026
Investment properties	–	–	–	–
Goodwill	–	–	358 141	358 141
Intangible assets	–	–	117 702	117 702
	3 828 638	15 633 987	903 290	20 365 915
Liabilities				
Deposits by banks	–	594 024	–	594 024
Derivative financial instruments*	1 116 873	–	–	1 116 873
Other trading liabilities	132 578	–	–	132 578
Repurchase agreements and cash collateral on securities lent	52 638	122 367	–	175 005
Customer accounts (deposits)	–	12 042 361	–	12 042 361
Debt securities in issue	420 218	1 506 082	–	1 926 300
Liabilities arising on securitisation of other assets	112 754	–	–	112 754
Current taxation liabilities	–	–	135 819	135 819
Deferred taxation liabilities	–	–	38 744	38 744
Other liabilities	–	1 187 716	244 257	1 431 973
	1 835 061	15 452 550	418 820	17 706 431
Subordinated liabilities	–	625 175	–	625 175
	1 835 061	16 077 725	418 820	18 331 606

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

[^] Included in total instruments at fair value are available-for-sale instrument of £1 096 million.



Financial instruments carried at fair value

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

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

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

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

At 30 September 2016 £'000	Total instruments at fair value	Valuation technique applied		
		Level 1	Level 2	Level 3
Assets				
Cash and balances at central banks	1 672	1 672	–	–
Loans and advances to banks	78 986	78 986	–	–
Reverse repurchase agreements and cash collateral on securities borrowed	53 503	–	53 503	–
Sovereign debt securities	966 144	966 144	–	–
Bank debt securities	7 834	7 834	–	–
Other debt securities	217 342	2 151	206 198	8 993
Derivative financial instruments	979 968	404	926 045	53 519
Securities arising from trading activities	470 418	440 776	22 077	7 565
Investment portfolio	526 437	55 441	30 761	440 235
Loans and advances to customers	80 638	–	–	80 638
Other securitised assets	140 436	–	–	140 436
Other assets	305 260	305 260	–	–
	3 828 638	1 858 668	1 238 584	731 386
Liabilities				
Derivative financial instruments	1 116 873	778	1 113 988	2 107
Other trading liabilities	132 578	132 578	–	–
Repurchase agreements and cash collateral on securities lent	52 638	–	52 638	–
Debt securities in issue	420 218	–	407 844	12 374
Liabilities arising on securitisation of other assets	112 754	–	–	112 754
	1 835 061	133 356	1 574 470	127 235
Net assets	1 993 577	1 725 312	(335 886)	604 151

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

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



Additional IAS 34 disclosures

(continued)

Unaudited

LEVEL 3 INSTRUMENTS

£'000	Total level 3 financial instruments	Fair value through income statement	Available- for-sale instruments
Balance as at 1 April 2016	558 539	503 020	55 519
Total gains/(losses)	7 215	(5 431)	12 646
In the income statement	8 020	(5 431)	13 451
In the statement of comprehensive income	(805)	–	(805)
Purchases	61 335	61 107	229
Sales	(24 123)	(12 493)	(11 630)
Issues	(843)	(843)	–
Settlements	(21 732)	(10 266)	(11 466)
Transfers into level 3	(9 965)	(9 965)	–
Transfers out of level 3	–	–	–
Foreign exchange adjustments	33 724	35 663	(1 939)
Balance as at 30 September 2016	604 151	560 792	43 359

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

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

For the year to 30 September 2016

£'000	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the year			
Net interest income	1 366	1 366	–
Fee and commission income	4 522	–	4 522
Investment income/(expense)	(663)	9 753	(10 416)
Trading income arising from customer flow	2 795	–	2 795
	8 020	11 119	(3 099)
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation of available-for-sale assets recycled through the income statement	13 451	13 451	–
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(805)	–	(805)
	12 646	13 451	(805)

For the period ended 30 September 2016, there were no significant transfers from level 3 into level 2 (31 March 2016: assets of £4.6 million). In the current and prior year the valuation methodologies were reviewed and observable inputs are used to determine the fair value.

There were transfers from level 2 to the level 3 category to the value of £9.9 million (31 March 2016: £26.3 million) because the significance of the unobservable inputs used to determine the fair value increased significantly to warrant a transfer.



LEVEL 2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Valuation basis/techniques	Main assumptions
ASSETS		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, 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, forexforward 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
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 flow model, Hermite interpolation	Discount rates
Debt securities in issue	Discounted cash flow model	Discount rates



Additional IAS 34 disclosures

(continued)

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:

At 30 September 2016	Balance sheet value £'000	Significant unobservable input changed	Range of unobservable inputs used	Favourable changes	Un-favourable changes
Assets					
Other debt securities	8 993	Reflected in income statement		316	(436)
		Cash flow adjustments	CPR 5 – 9%	289	(433)
		Other	CDS Spreads	27	(3)
Derivative financial instruments	53 519	Reflected in income statement		8 578	(6 435)
		Volatilities	3.8% – 9%	3 632	(1 876)
		Cash flow adjustments	CPR 8% – 12%	753	(1 544)
		Other [^]	^	4 193	(3 015)
Securities arising from trading activities	7 565	Reflected in income statement			
		Cash flow adjustments	CPR 9.1% – 10%	717	(1 059)
Investment portfolio	411 430	Reflected in income statement		39 045	(34 934)
		Cash flow adjustments	CPR 9%	3 050	(3 050)
		Price Earnings multiple	1x – 9.1x	3 116	(2 888)
		Other [^]	^	32 879	(28 996)
		Reflected in other comprehensive income		3 633	(908)
		EBITDA		115	(21)
		Other [^]		3 518	(887)
Loans and advances to customers	80 638	Reflected in income statement		6 719	(15 203)
		Discount rates	16%	1 633	(988)
		EBITDA	10%	5 086	(5 086)
		Other [^]	^	–	(9 129)
Other securitised assets*	140 436	Reflected in income statement			
		Cash flow adjustments	CPR 6.25%	2 416	(2 434)
Liabilities					
Derivative financial instruments	2 107	Reflected in income statement		734	(1 580)
		Cash flow adjustments	CPR 8%	716	(1 510)
		Volatilities	7% – 8.5%	18	(70)
Liabilities arising on securitisation of other assets*	112 754	Reflected in income statement Cash flow adjustments	CPR 6.25%	1 011	(1 104)
Deposits by banks and other debt related securities	12 374	Reflected in income statement Volatilities	7%	175	(828)
Net level 3 assets	604 151			63 344	(64 921)



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 discounted cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

Volatilities

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

Cash flows

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

Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

EBITDA

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

Fair value of financial instruments at amortised cost

At 30 September 2016 £'000	Carrying amount	Fair value
2016		
Assets		
Cash and balances at central banks	3 778 568	3 778 568
Loans and advances to banks	1 183 202	1 183 196
Reverse repurchase agreements and cash collateral on securities borrowed	468 248	468 248
Bank debt securities	177 712	182 393
Other debt securities	219 271	208 755
Loans and advances to customers	8 218 462	8 239 512
Other loans and advances	420 290	405 413
Other securitised assets	2 975	2 975
Other assets	1 165 259	1 165 252
	15 633 987	15 634 312
Liabilities		
Deposits by banks	594 024	600 561
Repurchase agreements and cash collateral on securities lent	122 367	122 367
Customer accounts (deposits)	12 042 361	12 061 330
Debt securities in issue	1 506 082	1 502 647
Other liabilities	1 187 716	1 187 716
Subordinated liabilities	625 175	718 556
	16 077 725	16 193 177



Additional IAS 34 disclosures

(continued)

Unaudited

Operating costs For the six months to 30 September £'000	2016	2015
Staff costs	346 734	306 046
Premises expenses (excluding depreciation)	21 745	19 202
Equipment expenses (excluding depreciation)	19 546	14 650
Business expenses	61 125	69 253
Marketing expenses	19 971	17 324
Depreciation, amortisation and impairment of property, equipment and intangibles	6 356	6 073
	475 477	432 548

Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent £'000	30 Sept 2016	31 March 2016
Assets		
Reverse repurchase agreements	433 077	476 308
Cash collateral on securities borrowed	88 674	80 717
	521 751	557 025
Liabilities		
Repurchase agreements	52 638	154 142
Cash collateral on securities lent	122 367	127 118
	175 005	281 260

Extract of other debt securities £'000	30 Sept 2016	31 March 2016
Bonds	320 419	303 687
Commercial paper	24 449	22 100
Treasury bills	89 153	65 743
Other investments	2 592	2 122
	436 613	393 652

Extract of securities arising from trading activities £'000	30 Sept 2016	31 March 2016
Bonds	225 702	194 485
Government securities	100 388	198 181
Listed equities	142 681	130 013
Unlisted equities	317	329
Other investments	1 330	1 336
	470 418	524 344

Extract of loans and advances to customers and other loans and advances £'000	30 Sept 2016	31 March 2016
Gross loans and advances to customers	8 456 665	7 946 793
Impairments of loans and advances to customers	(157 565)	(143 191)
Specific impairments	(125 654)	(121 791)
Portfolio impairments	(31 911)	(21 400)
Net loans and advances to customers	8 299 100	7 803 602
Gross other loans and advances		
Impairments of other loans and advances	427 714	424 090
Specific impairments	(7 424)	(6 885)
Portfolio impairments	(6 674)	(6 112)
Net other loans and advances	(750)	(773)
	420 290	417 205

Additional IAS 34 disclosures



Unaudited

(continued)

Extract of securitised assets and liabilities arising on securitisation £'000	30 Sept 2016	31 Mar 2016
Total other securitised assets	143 411	150 565
Other assets £'000	30 Sept 2016	31 Mar 2016
Settlement debtors	1 022 092	911 395
Trading properties	124 769	104 021
Prepayments and accruals	118 784	109 153
Pension assets	48 629	46 472
Trading initial margins	257 004	301 426
Other	166 557	232 736
	1 737 835	1 705 203
Debt securities in issue £'000	30 Sept 2016	31 Mar 2016
Repayable in:		
Less than three months	41 697	35 001
Three months to one year	111 976	116 680
One to five years	1 068 484	873 712
Greater than five years	704 143	803 426
	1 926 300	1 828 819
Other liabilities £'000	30 Sept 2016	31 Mar 2016
Settlement liabilities	971 485	849 025
Other creditors and accruals	319 858	372 924
Other non-interest-bearing liabilities	140 630	106 883
	1 431 973	1 328 832
Extract of perpetual preference share capital £'000	30 Sept 2016	31 Mar 2016
Perpetual preference share capital	29	151
Perpetual preference share premium	27 399	149 449
	27 428	149 600
Extract of deferred taxation £'000	30 Sept 2016	31 Mar 2016
Losses carried forward	4 281	9 754
Extract of subordinated liabilities £'000	30 Sept 2016	31 Mar 2016
Issued by Investec Finance plc	18 155	18 272
Issued by Investec Bank plc	607 020	579 037
Remaining maturities:		
In one year or less, or on demand	18 155	18 272
In more than one year, but not more than two years	–	–
In more than two years, but not more than five years	–	–
In more than five years	607 020	579 037
	625 175	597 309



Additional IAS 34 disclosures

(continued)

Unaudited

Offsetting

At 30 September 2016 £'000	Amounts subject to enforceable netting arrangements					Net amount
	Effects of offsetting on balance sheet		Net amounts reported on the balance sheet	Related amounts not offset		
	Gross amounts	Amounts offset		Financial instruments (including non-cash collateral)	Cash collateral	
Assets						
Cash and balances at central banks	3 780 240	–	3 780 240	–	–	3 780 240
Loans and advances to banks	1 262 188	–	1 262 188	–	(207 352)	1 054 836
Reverse repurchase agreements and cash collateral on securities borrowed	524 368	(2 617)	521 751	(127 938)	–	393 813
Sovereign debt securities	966 144	–	966 144	(1 326)	–	964 818
Bank debt securities	185 546	–	185 546	(28 450)	–	157 096
Other debt securities	436 613	–	436 613	–	–	436 613
Derivative financial instruments	979 968	–	979 968	(230 295)	(361 740)	387 933
Securities arising from trading activities	470 418	–	470 418	(347 838)	–	122 580
Investment portfolio	526 437	–	526 437	–	–	526 437
Loans and advances to customers	8 299 100	–	8 299 100	–	–	8 299 100
Other loans and advances	420 290	–	420 290	–	–	420 290
Other securitised assets	143 411	–	143 411	–	–	143 411
Other assets	1 735 218	2 617	1 737 835	–	(137 416)	1 600 419
	19 729 941	–	19 729 941	(735 847)	(706 508)	18 287 586
Liabilities						
Deposits by banks	594 024	–	594 024	–	(73 712)	520 312
Derivative financial instruments	1 116 873	–	1 116 873	(230 295)	(525 694)	360 884
Other trading liabilities	132 578	–	132 578	(127 938)	–	4 640
Repurchase agreements and cash collateral on securities lent	175 005	–	175 005	(153 682)	–	21 323
Customer accounts (deposits)	12 042 361	–	12 042 361	–	(57 775)	11 984 586
Debt securities in issue	1 926 300	–	1 926 300	(223 932)	(36 132)	1 666 236
Liabilities arising on securitisation of other assets	112 754	–	112 754	–	–	112 754
Other liabilities	1 431 973	–	1 431 973	–	–	1 431 973
Subordinated liabilities	625 175	–	625 175	–	–	625 175
	18 157 043	–	18 157 043	(735 847)	(693 313)	16 727 883

Additional IAS 34 disclosures



Unaudited

(continued)

At 31 March 2016 £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on balance sheet			Related amounts not offset		
	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	2 638 069	–	2 638 069	–	–	2 638 069
Loans and advances to banks	1 112 441	–	1 112 441	–	(159 775)	952 666
Reverse repurchase agreements and cash collateral on securities borrowed	557 110	(85)	557 025	(221 151)	(849)	335 025
Sovereign debt securities	1 252 991	–	1 252 991	(183 881)	–	1 069 110
Bank debt securities	188 397	–	188 397	(33 564)	–	154 833
Other debt securities	393 652	–	393 652	–	–	393 652
Derivative financial instruments	837 558	–	837 558	(247 749)	(267 660)	322 149
Securities arising from trading activities	524 344	–	524 344	(449 383)	–	74 961
Investment portfolio	451 000	–	451 000	–	–	451 000
Loans and advances to customers	7 844 602	(41 000)	7 803 602	–	–	7 803 602
Other loans and advances	417 205	–	417 205	–	(7 933)	409 272
Other securitised assets	150 565	–	150 565	–	–	150 565
Other assets	1 705 319	(116)	1 705 203	–	(183 115)	1 522 088
	18 073 253	(41 201)	18 032 052	(1 135 728)	(619 332)	16 276 992
Liabilities						
Deposits by banks	544 210	–	544 210	–	(69 276)	474 934
Derivative financial instruments	964 362	–	964 362	(247 749)	(518 932)	197 681
Other trading liabilities	226 598	–	226 598	(221 151)	–	5 447
Repurchase agreements and cash collateral on securities lent	281 260	–	281 260	(280 806)	(454)	–
Customer accounts (deposits)	10 849 980	(41 000)	10 808 980	–	(16 118)	10 792 862
Debt securities in issue	1 828 819	–	1 828 819	(386 022)	(1 057)	1 441 740
Liabilities arising on securitisation of other assets	120 617	–	120 617	–	–	120 617
Other liabilities	1 329 033	(201)	1 328 832	–	–	1 328 832
Subordinated liabilities	597 309	–	597 309	–	–	597 309
	16 742 188	(41 201)	16 700 987	(1 135 728)	(605 837)	14 959 422



Consolidated summarised ongoing income statement

£'000	For the six months to 30 Sept 2016	For the six months to 30 Sept 2015	Variance	% change
Net interest income	133 332	128 858	4 474	3.5%
Net fee and commission income	389 542	351 141	38 401	10.9%
Investment income	18 527	44 225	(25 698)	(58.1%)
Share of post tax operating profit of associates	1 016	944	72	7.6%
Trading income arising from				
– customer flow	64 954	45 900	19 054	41.5%
– balance sheet management and other trading activities	12 269	(2 895)	15 164	(523.8%)
Other operating (loss)/income	5 330	2 765	2 565	92.8%
Total operating income before impairment losses on loans and advances	624 970	570 938	54 032	9.5%
Impairment losses on loans and advances	(1 491)	(2 914)	1 423	(48.8%)
Operating income	623 479	568 024	55 455	9.8%
Operating costs	(471 598)	(421 243)	(50 355)	12.0%
Depreciation on operating leased assets	–	(216)	216	(100.0%)
Operating profit before goodwill, acquired intangibles and non-operating items	151 881	146 565	5 316	3.6%
Profit attributable to other non-controlling interests	(2 119)	1 207	(1 207)	(275%)
Profit attributable to Asset Management non-controlling interests	(5 756)	(5 357)	(399)	7.4%
Operating profit before taxation	144 006	142 415	1 591	1.1%
Taxation	(28 278)	(30 800)	2 522	(8.2%)
Adjusted earnings before goodwill, acquired intangibles and non-operating items	115 728	111 615	4 113	3.7%

Reconciliation from statutory summarised income statement to ongoing summarised income statement



For the six months to 30 September 2016 £'000	Removal of:**		
	Statutory as disclosed	UK legacy business excluding sale assets	Ongoing business
Net interest income	132 646	(686)	133 332
Net fee and commission income	389 466	(76)	389 542
Investment income	18 751	224	18 527
Share of post tax operating profit of associates	1 016	–	1 016
Trading income arising from			
– customer flow	64 913	(41)	64 954
– balance sheet management and other trading activities	12 269	–	12 269
Other operating income	5 330	–	5 330
Total operating income before impairment losses on loans and advances	624 391	(579)	624 970
Impairment losses on loans and advances	(30 078)	(28 587)	(1 491)
Operating income	594 313	(29 166)	623 479
Operating costs	(475 477)	(3 879)	(471 598)
Depreciation on operating leased assets	–	–	–
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	118 836	(33 045)	151 881
Profit attributable to other non-controlling interests	(2 119)	–	(2 119)
Profit attributable to Asset Management non-controlling interests	(5 756)	–	(5 756)
Operating profit/(loss) before taxation	110 961	(33 045)	144 006
Taxation*	(21 789)	6 489	(28 278)
Adjusted earnings before goodwill, acquired intangibles and non-operating items	89 172	(26 556)	115 728
Cost to income ratio	76.2%		75.5%

* Applying the group's effective statutory taxation rate of 19.6%.

** Where:

- The UK legacy business is as described further on.



Reconciliation from statutory summarised income statement to ongoing summarised income statement

(continued)

For the six months to 30 September 2015 £'000	Removal of:**		
	Statutory as disclosed	UK legacy business excluding sale assets	Ongoing business
Net interest income	130 217	1 359	128 858
Net fee and commission income	354 457	3 316	351 141
Investment income	44 239	14	44 225
Share of post tax operating profit of associates	944	–	944
Trading income arising from			
– customer flow	45 477	(423)	45 900
– balance sheet management and other trading activities	(3 195)	(300)	(2 895)
Other operating income	2 765	–	2 765
Total operating income before impairment losses on loans and advances	574 904	3 966	570 938
Impairment losses on loans and advances	(31 313)	(28 399)	(2 914)
Operating income	543 591	(24 433)	568 024
Operating costs	(432 332)	(11 089)	(421 243)
Depreciation on operating leased assets	(216)	–	(216)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	111 043	(35 522)	146 565
Loss attributable to other non-controlling interests	1 207	–	1 207
Profit attributable to Asset Management non-controlling interests	(5 357)	–	(5 357)
Operating profit/(loss) before taxation	106 893	(35 522)	142 415
Taxation*	(23 118)	7 682	(30 800)
Adjusted earnings before goodwill, acquired intangibles and non-operating items	83 775	(27 840)	111 615
Cost to income ratio	75.2%	(27 840)	73.8%

* Applying the group's effective statutory taxation rate of 21.6%.

** Where:

- The UK legacy business is as described further on.

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



For the six months to 30 September 2016 £'000	Removal of:**		
	UK and Other Specialist Banking statutory as disclosed	UK legacy business excluding sale assets	UK and Other Specialist Banking ongoing business
Net interest income	130 432	(686)	131 118
Net fee and commission income	114 297	(76)	114 373
Investment income	17 385	224	17 161
Share of post tax operating profit of associates	314	–	314
Trading income arising from			
– customer flow	64 667	(41)	64 708
– balance sheet management and other trading activities	10 747	–	10 747
Other operating income	3 858	–	3 858
Total operating income before impairment losses on loans and advances	341 700	(579)	342 279
Impairment losses on loans and advances	(30 078)	(28 587)	(1 491)
Operating income	311 622	(29 166)	340 788
Operating costs	(247 334)	(3 879)	(243 455)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	64 288	(33 045)	97 333
Profit attributable to other non-controlling interests	(2 119)	–	(2 119)
Operating profit/(loss) before taxation	62 169	(33 045)	95 214

For the six months to 30 September 2015 £'000	Removal of:**		
	UK and Other Specialist Banking statutory as disclosed	UK legacy business excluding sale assets	UK and Other Specialist Banking ongoing business
Net interest income	128 072	1 359	126 713
Net fee and commission income	92 546	3 316	89 230
Investment income	44 469	14	44 455
Share of post tax operating profit of associates	249	–	249
Trading income arising from			
– customer flow	44 945	(423)	45 368
– balance sheet management and other trading activities	(2 113)	(300)	(1 813)
Other operating income	2 600	–	2 600
Total operating income before impairment losses on loans and advances	310 768	3 966	306 802
Impairment losses on loans and advances	(31 313)	(28 399)	(2 914)
Operating income	279 455	(24 433)	303 888
Operating costs	(217 184)	(11 089)	(206 095)
Depreciation on operating leased assets	(216)	–	(216)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	62 055	(35 522)	97 577
Loss attributable to other non-controlling interests	1 207	–	1 207
Operating profit/(loss) before taxation	63 262	(35 522)	98 784

** Where:

- The UK legacy business is as described further on.



Ongoing segmental information

SEGMENTAL GEOGRAPHICAL AND BUSINESS ANALYSIS OF OPERATING PROFIT BEFORE GOODWILL, ACQUIRED INTANGIBLES, NON-OPERATING ITEMS, TAXATION AND AFTER OTHER NON-CONTROLLING INTERESTS – ONGOING BUSINESS

For the six months to 30 September 2016 £'000	30 Sept 2016	30 Sept 2015	% Change
Asset Management	43 115	40 128	7.4%
Wealth & Investment	29 191	25 896	12.7%
Specialist Banking	95 214	98 784	(3.6%)
	167 520	164 808	1.6%
Group costs	(17 758)	(17 036)	4.2%
Total group	149 762	147 772	1.3%

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

For the six months to 30 September 2016 £'000	30 Sept 2016	30 Sept 2015	% Change
Total ongoing UK and Other Specialist Banking per above	95 214	98 784	(3.6%)
UK legacy remaining	(33 045)	(35 522)	(7.0%)
Total UK and Other Specialist Banking per statutory accounts	62 169	63 262	(1.7%)

*Ongoing segmental business
analysis – summarised income statement*



For the six months to 30 September 2016 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	90	2 124	131 118	–	133 332
Net fee and commission income	146 378	128 791	114 373	–	389 542
Investment income	–	1 366	17 161	–	18 527
Share of post tax operating profit of associates	–	702	314	–	1 016
Trading income arising from					
– customer flow	–	246	64 708	–	64 954
– balance sheet management and other trading activities	1 337	185	10 747	–	12 269
Other operating income	1 472	–	3 858	–	5 330
Total operating income before impairment losses on loans and advances	149 277	133 414	342 279	–	624 970
Impairment losses on loans and advances	–	–	(1 491)	–	(1 491)
Operating income	149 277	133 414	340 788	–	623 479
Operating costs	(106 162)	(104 223)	(243 455)	(17 758)	(471 598)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	43 115	29 191	97 333	(17 758)	151 881
Profit attributable to other non-controlling interests	–	–	(2 119)	–	(2 119)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after non-controlling interests	43 115	29 191	95 214	(17 758)	149 762
Profit attributable to other non-controlling interests	(5 756)	–	–	–	(5 756)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after non-controlling interests	37 359	29 191	95 214	(17 758)	144 006
Selected returns and key statistics					
Cost to income ratio	71.1%	78.1%	71.1%	n/a	75.5%



Ongoing segmental business analysis – summarised income statement

(continued)

For the six months to 30 September 2015 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	123	2 022	126 713	–	128 858
Net fee and commission income	139 842	122 069	89 230	–	351 141
Investment income	–	(230)	44 455	–	44 225
Share of post tax operating profit of associates	–	695	249	–	944
Trading income arising from					
– customer flow	–	532	45 368	–	45 900
– balance sheet management and other trading activities	(1 164)	82	(1 813)	–	(2 895)
Other operating income	165	–	2 600	–	2 765
Total operating income before impairment losses on loans and advances	138 966	125 170	306 802	–	570 938
Impairment losses on loans and advances	–	–	(2 914)	–	(2 914)
Operating income	138 966	125 170	303 888	–	568 024
Operating costs	(98 838)	(99 274)	(206 095)	(17 036)	(421 243)
Depreciation on operating leased assets	–	–	(216)	–	(216)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	40 128	25 896	97 577	(17 036)	146 565
Loss attributable to other non-controlling interests	–	–	1 207	–	1 207
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after non-controlling interests	40 128	25 896	98 784	(17 036)	147 772
Profit attributable to other non-controlling interests	(5 357)	–	–	–	(5 357)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items and after non-controlling interests	34 771	25 896	98 784	(17 036)	142 415
Selected returns and key statistics					
Cost to income ratio	71.1%	79.3%	67.2%	n/a	73.8%



(continued)

Legacy business in the UK Specialist Bank

The legacy business in the UK Specialist Bank comprises:

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

Legacy business – overview of results

Since 31 March 2016 the group's legacy portfolio in the UK has continued to be actively managed down from £583 million to £535 million largely through asset sales, redemptions and write-offs. The total legacy business over the period reported a loss before taxation of £33.0 million (2015: £35.5 million). The remaining legacy portfolio will continue to be managed down. Given the uncertainty in the UK following the EU referendum, the legacy book could take longer to wind down than management's original expectation of two to four years. Total net defaults in the legacy book amount to £126 million (31 March 2016: £143 million).

AN ANALYSIS OF ASSETS OF WITHIN THE LEGACY BUSINESS

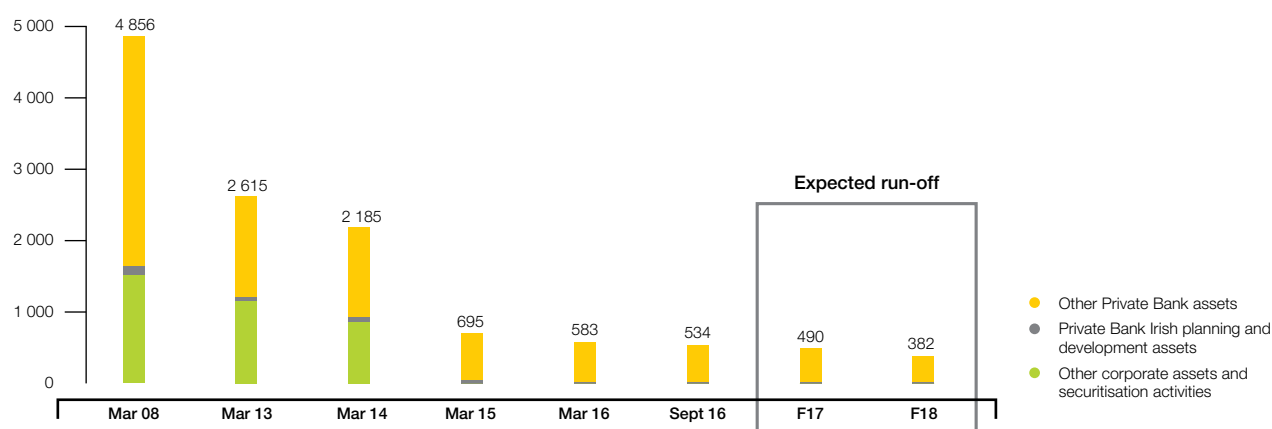
£'million	30 Sept 2016		31 March 2016	
	Total net assets (after impairments)	Total balance sheet impairment	Total net assets (after impairments)	Total balance sheet impairment
Private Bank Irish planning and development assets	24	14	23	14
Other Private Bank assets	510	120	560	107
Total other legacy assets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

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

EXPECTED RUN-OFF OF LEGACY ASSETS

Total remaining UK legacy assets

£'million





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

£'000	30 Sept 2016	31 March 2016
Gross core loans and advances to customers	7 787 871	7 242 345
Total impairments	(23 461)	(21 838)
Specific impairments	(22 461)	(20 838)
Portfolio impairments	(1 000)	(1 000)
Net core loans and advances to customers	7 764 410	7 220 507
Average gross core loans and advances to customers	7 515 108	6 810 208
Total income statement charge for impairments on core loans and advances	(1 553)	(17 806)
Gross default loans and advances to customers	51 817	49 795
Specific impairments	(22 461)	(20 838)
Portfolio impairments	(1 000)	(1 000)
Defaults net of impairments before collateral held	28 356	27 957
Collateral and other credit enhancements	43 299	34 777
Net default loans and advances to customers (limited to zero)	-	-
Ratios:		
Total impairments as a % of gross core loans and advances to customers	0.30%	0.30%
Total impairments as a % of gross default loans	45.28%	43.86%
Gross defaults as a % of gross core loans and advances to customers	0.67%	0.69%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.37%	0.39%
Net defaults as a % of net core loans and advances to customers	-	-
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.04%	0.26%

A reconciliation of core loans and advances: statutory basis and ongoing basis

	Statutory as disclosed	Removal of: UK legacy business excluding sale assets	Ongoing business
30 September 2016 (£'000)			
Gross core loans and advances to customers	8 456 665	668 794	7 787 871
Total impairments	(157 565)	(134 104)	(23 461)
Specific impairments	(125 654)	(103 193)	(22 461)
Portfolio impairments	(31 911)	(30 911)	(1 000)
Net core loans and advances to customers	8 299 100	534 690	7 764 410
31 March 2016 (£'000)			
Gross core loans and advances to customers	7 946 793	704 448	7 242 345
Total impairments	(143 191)	(121 353)	(21 838)
Specific impairments	(121 791)	(100 953)	(20 838)
Portfolio impairments	(21 400)	(20 400)	(1 000)
Net core loans and advances to customers	7 803 602	583 095	7 220 507



CAPITAL STRUCTURE AND CAPITAL ADEQUACY

£'million	30 Sept 2016	31 March 2016
Tier 1 capital		
Shareholders' equity	1 909	1 652
Shareholders' equity per balance sheet	2 018	1 867
Foreseeable dividends	(64)	(46)
Perpetual preference share capital and share premium	(27)	(150)
Deconsolidation of special purpose entities	(18)	(19)
Non-controlling interests	12	10
Non-controlling interests per balance sheet	16	13
Non-controlling interests transferred to tier 1	–	–
Surplus non-controlling interest disallowed in common equity tier 1	(4)	(3)
Regulatory adjustments to the accounting basis	(44)	(43)
Defined benefit pension fund adjustment	(39)	(37)
Additional value adjustments	(5)	(6)
Deductions	(474)	(478)
Goodwill and intangible assets net of deferred taxation	(463)	(466)
Deferred taxation assets that rely on future profitability excluding those arising from temporary differences	(4)	(8)
Securitisation positions	(4)	(4)
Debt Valuation adjustment	(3)	–
Common equity tier 1 capital	1 403	1 141
Additional tier 1 capital	25	130
Additional tier 1 instruments	25	130
Phase out of non-qualifying additional tier 1 instruments	–	–
Total tier 1 capital	1 428	1 271
Tier 2 capital	525	535
Tier 2 instruments	593	610
Non-qualifying surplus capital attributable to non-controlling interests	(68)	(75)
Total regulatory capital	1 953	1 806
Risk-weighted assets	13 408	12 297
Capital ratios		
Common equity tier 1 ratio	10.5%	9.3%
Tier 1 ratio	10.7%	10.3%
Total capital ratio	14.6%	14.7%



Capital adequacy

(continued) Unaudited

CAPITAL REQUIREMENTS

£'million	30 Sept 2016	31 March 2016
Capital requirements	1 073	984
Credit risk – prescribed standardised exposure classes	785	711
Corporates	417	341
Secured on real estate property	154	150
Retail	41	44
Institutions	33	32
Other exposure classes	129	135
Securitisation exposures	11	9
Equity risk – standardised approach	8	8
Listed equities	1	3
Unlisted equities	7	5
Counterparty credit risk	49	41
Credit valuation adjustment risk	6	5
Market risk	73	76
Interest rate	29	27
Foreign exchange	20	23
Equities	17	16
Options	7	10
Operational risk – standardised approach	152	143
Risk-weighted assets (banking and trading)	13 408	12 297
Credit risk – prescribed standardised exposure classes	9 799	8 883
Corporates	5 215	4 260
Secured on real estate property	1 924	1 876
Retail	508	550
Institutions	407	397
Other exposure classes	1 602	1 693
Securitisation exposures	143	107
Equity risk – standardised approach	100	103
Listed equities	11	43
Unlisted equities	89	60
Counterparty credit risk	616	515
Credit valuation adjustment risk	77	57
Market risk	911	955
Interest rate	358	332
Foreign Exchange	253	292
Equities	209	201
Options	85	130
Underwriting	6	–
Operational risk – standardised approach	1 905	1 784



LEVERAGE

	30 Sept 2016	31 March 2016
Tier 1 Capital	1 428	1 271
Total exposure	20 942	18 831
Leverage ratio	6.8%	6.7%

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

	30 Sept 2016*	31 March 2016*
Common equity tier 1 (as reported)	10.5%	9.3%
Common equity tier 1 ("fully loaded")^^	10.5%	9.3%
Tier 1 (as reported)	10.7%	10.3%
Total capital adequacy ratio (as reported)	14.6%	14.7%
Leverage ratio** – permanent capital	6.8%	6.7%
Leverage ratio** – current	6.8%	6.7%
Leverage ratio** – ("fully loaded")^^	6.7%	6.1%
Leverage ratio** – current UK leverage ratio framework^^^	8.3%	n/a

* The capital adequacy disclosures for Investec 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 plc's CET1 ratio would be 48bps (31 March 2016: 40bps) 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.

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

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.

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

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

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

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

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

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 increased by 11.0% to £18.9 billion since 31 March 2016. Cash and near cash balances increased by 21.7% to £6.2 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 2016	31 March 2016	% change	Average*
Cash and balances at central banks	3 778 499	2 636 837	43.3%	3 207 668
Loans and advances to banks	1 262 188	1 112 441	13.5%	1 187 315
Reverse repurchase agreements and cash collateral on securities borrowed	521 751	557 025	(6.3%)	539 388
Sovereign debt securities	966 144	1 252 991	(22.9%)	1 109 568
Bank debt securities	185 546	188 397	(1.5%)	186 972
Other debt securities (gross)	440 685	393 652	11.9%	417 169
Derivative financial instruments	735 286	572 324	28.5%	653 805
Securities arising from trading activities	327 526	393 964	(16.9%)	360 745
Loans and advances to customers (gross)	8 456 665	7 946 793	6.4%	8 201 729
Other loans and advances (gross)	378 976	331 617	14.3%	355 297
Other securitised assets (gross)	13 721	11 341	21.0%	12 531
Other assets	317 878	397 409	(20.0%)	357 644
Total on-balance sheet exposures	17 384 865	15 794 791	10.1%	16 589 828
Guarantees ^	21 642	68 938	(68.6%)	45 290
Contingent liabilities, committed facilities and other	1 540 087	1 209 486	27.3%	1 374 787
Total off-balance sheet exposures	1 561 729	1 278 424	22.2%	1 420 077
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	18 946 594	17 073 215	11.0%	18 009 905

* Where the average is based on a straight-line average.

^ 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 2016				
Cash and balances at central banks	3 778 499	1 741		3 780 240
Loans and advances to banks	1 262 188	-		1 262 188
Reverse repurchase agreements and cash collateral on securities borrowed	521 751	-		521 751
Sovereign debt securities	966 144	-		966 144
Bank debt securities	185 546	-		185 546
Other debt securities	440 685	(4 072)	2	436 613
Derivative financial instruments	735 286	244 682		979 968
Securities arising from trading activities	327 526	142 892		470 418
Investment portfolio	-	526 437	1	526 437
Loans and advances to customers	8 456 665	(157 565)	2	8 299 100
Other loans and advances	378 976	41 314		420 290
Other securitised assets	13 721	129 690	3	143 411
Interest in associated undertakings	-	30 310		30 310
Deferred taxation assets	-	71 795		71 795
Other assets	317 878	1 419 957	4	1 737 835
Property and equipment	-	58 026		58 026
Investment properties	-	-		-
Goodwill	-	358 141		358 141
Intangible assets	-	117 702		117 702
Total on-balance sheet exposures	17 384 865	2 981 050		20 365 915
At 31 March 2016				
Cash and balances at central banks	2 636 837	1 232		2 638 069
Loans and advances to banks	1 112 441	-		1 112 441
Reverse repurchase agreements and cash collateral on securities borrowed	557 025	-		557 025
Sovereign debt securities	1 252 991	-		1 252 991
Bank debt securities	188 397	-		188 397
Other debt securities	393 652	-		393 652
Derivative financial instruments	572 324	265 234		837 558
Securities arising from trading activities	393 964	130 380		524 344
Investment portfolio	-	451 000	1	451 000
Loans and advances to customers	7 946 793	(143 191)	2	7 803 602
Other loans and advances	331 617	85 588		417 205
Other securitised assets	11 341	139 224	3	150 565
Interest in associated undertakings	-	23 587		23 587
Deferred taxation assets	-	85 050		85 050
Other assets	397 409	1 307 794	4	1 705 203
Property and equipment	-	56 374		56 374
Investment properties	-	79 051		79 051
Goodwill	-	356 994		356 994
Intangible assets	-	123 480		123 480
Total on-balance sheet exposures	15 794 791	2 961 797		18 756 588

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

2. Largely relates to impairments.

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

4. Other assets include settlement debtors less than 2 days 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 2016

£'000	Six						Total
	Up to three months	Three to six months	months to one year	One to five years	Five to 10 years	>10 years	
Cash and balances at central banks	3 778 499	-	-	-	-	-	3 778 499
Loans and advances to banks	1 258 815	3 130	227	16	-	-	1 262 188
Reverse repurchase agreements and cash collateral on securities borrowed	521 751	-	-	-	-	-	521 751
Sovereign debt securities	660 147	150 316	8 836	-	-	146 845	966 144
Bank debt securities	45	9 389	20 000	156 112	-	-	185 546
Other debt securities (gross)	3 099	448	11 929	108 771	57 709	258 729	440 685
Derivative financial instruments	137 453	70 071	110 592	158 345	161 054	97 771	735 286
Securities arising from trading activities	17 831	-	9 555	106 370	84 275	109 495	327 526
Loans and advances to customers (gross)	1 350 059	852 753	999 733	3 921 278	933 694	399 148	8 456 665
Other loans and advances (gross)	1 777	263	3 110	40 145	48 852	284 829	378 976
Other securitised assets (gross)	-	-	-	-	-	13 721	13 721
Other assets	317 878	-	-	-	-	-	317 878
Total on-balance sheet exposures	8 047 354	1 086 370	1 163 982	4 491 037	1 285 584	1 310 538	17 384 865
Guarantees [^]	16 751	2 468	214	2 209	-	-	21 642
Contingent liabilities, committed facilities and other	377 743	202 620	215 108	680 597	56 645	7 374	1 540 087
Total off-balance sheet exposures	394 494	205 088	215 322	682 806	56 645	7 374	1 561 729
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	8 441 848	1 291 458	1 379 304	5 173 843	1 342 229	1 317 912	18 946 594

[^] 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

Corporate client loans account for 57.3% of total core loans and advances and are well diversified across 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.

	Gross core loans and advances		Other credit and counterparty exposures		Total	
	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016	30 Sept 2016	31 March 2016
£'000						
High net worth and professional individuals	1 557 067	1 458 552	185 309	146 028	1 742 376	1 604 580
Lending collateralised by property - largely to private clients	2 053 019	2 179 999	270 142	245 020	2 323 161	2 425 019
Agriculture	3 636	3 234	499	53	4 135	3 287
Electricity, gas and water (utility services)	606 339	440 728	397 958	340 167	1 004 297	780 895
Public and non-business services	175 014	134 917	4 928 656	4 120 421	5 103 670	4 255 338
Business services	489 547	415 673	111 033	102 227	600 580	517 900
Finance and insurance	1 123 732	971 773	3 476 621	3 232 185	4 600 353	4 203 958
Retailers and wholesalers	390 607	398 288	118 228	130 328	508 835	528 616
Manufacturing and commerce	540 221	497 214	170 999	121 571	711 220	618 785
Construction	46 048	41,049	1 890	1 803	47 938	42 852
Corporate commercial real estate	118 893	115 241	45 836	36 469	164 729	151 710
Other residential mortgages	-	-	365 170	318 167	365 170	318 167
Mining and resources	115 314	139 621	168 946	160 615	284 260	300 236
Leisure, entertainment and tourism	267 494	227 573	32 979	35 738	300 473	263 311
Transport	793 061	762 899	174 059	104 676	967 120	867 575
Communication	176 673	160 032	41 604	30 954	218 277	190 986
Total	8 456 665	7 946 793	10 489 929	9 126 422	18 946 594	17 073 215

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
At 30 September 2016								
Cash and balances at central banks	-	-	-	-	3 778 499	-	-	-
Loans and advances to banks	-	-	-	-	-	-	1 262 188	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	521 751	-
Sovereign debt securities	-	-	-	-	966 144	-	-	-
Bank debt securities	-	-	-	-	-	-	185 546	-
Other debt securities (gross)	-	-	-	38 313	6 980	3 597	116 243	-
Derivative financial instruments	12 529	-	499	65 542	239	38 688	468 180	23 876
Securities arising from trading activities	-	-	-	33 747	100 388	-	173 974	39
Loans and advances to customers (gross)	1 557 067	2 053 019	3 636	606 339	175 014	489 547	1 123 732	390 607
Other loans and advances (gross)	-	-	-	-	-	-	152 488	-
Other securitised assets (gross)	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	317 878	-
Total on-balance sheet exposures	1 569 596	2 053 019	4 135	743 941	5 027 264	531 832	4 321 980	414 522
Guarantees [^]	18 960	-	-	-	-	-	-	605
Contingent liabilities, committed facilities and other	153 820	270 142	-	260 356	76 406	68 748	278 373	93 708
Total off-balance sheet exposures	172 780	270 142	-	260 356	76 406	68 748	278 373	94 313
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 742 376	2 323 161	4 135	1 004 297	5 103 670	600 580	4 600 353	508 835

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

£'000	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
At 30 September 2016									
Cash and balances at central banks	-	-	-	-	-	-	-	-	3 778 499
Loans and advances to banks	-	-	-	-	-	-	-	-	1 262 188
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	-	-	521 751
Sovereign debt securities	-	-	-	-	-	-	-	-	966 144
Bank debt securities	-	-	-	-	-	-	-	-	185 546
Other debt securities (gross)	42 702	-	-	125 048	54 942	4 372	39 206	9 282	440 685
Derivative financial instruments	66 206	1 890	1 899	-	24 270	12 927	14 369	4 172	735 286
Securities arising from trading activities	1 793	-	882	-	761	172	2	15 768	327 526
Loans and advances to customers (gross)	540 221	46 048	118 893	-	115 314	267 494	793 061	176 673	8 456 665
Other loans and advances (gross)	-	-	87	226 401	-	-	-	-	378 976
Other securitised assets (gross)	-	-	-	13 721	-	-	-	-	13 721
Other assets	-	-	-	-	-	-	-	-	317 878
Total on-balance sheet exposures	650 922	47 938	121 761	365 170	195 287	284 965	846 638	205 895	17 384 865
Guarantees [^]	-	-	-	-	1 863	-	-	214	21 642
Contingent liabilities, committed facilities and other	60 298	-	42 968	-	87 110	15 508	120 482	12 168	1 540 087
Total off-balance sheet exposures	60 298	-	42 968	-	88 973	15 508	120 482	12 382	1 561 729
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	711 220	47 938	164 729	365 170	284 260	300 473	967 120	218 277	18 946 594

[^] 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
At 31 March 2016								
Cash and balances at central banks	-	-	-	-	2 636 837	-	-	-
Loans and advances to banks	-	-	-	-	-	-	1 112 441	-
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	557 025	-
Sovereign debt securities	-	-	-	-	1 252 991	-	-	-
Bank debt securities	-	-	-	-	-	-	188 397	-
Other debt securities (gross)	-	-	-	36 787	6 429	3 382	101 474	-
Derivative financial instruments	53	-	53	45 174	19 947	63 632	317 338	26 033
Securities arising from trading activities	-	-	-	24 606	198 181	-	156 639	35
Loans and advances to customers (gross)	1 458 552	2 179 999	3 234	440 728	134 917	415 673	971 773	398 288
Other loans and advances (gross)	-	-	-	-	-	-	130 952	-
Other securitised assets (gross)	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	397 409	-
Total on-balance sheet exposures	1 458 605	2 179 999	3 287	547 295	4 249 302	482 687	3 933 448	424 356
Guarantees ^a	36 494	-	-	-	-	-	30 155	605
Contingent liabilities, committed facilities and other	109 481	245 020	-	233 600	6 036	35 213	240 355	103 655
Total off-balance sheet exposures	145 975	245 020	-	233 600	6 036	35 213	270 510	104 260
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 604 580	2 425 019	3 287	780 895	4 255 338	517 900	4 203 958	528 616

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

£'000	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
At 31 March 2016									
Cash and balances at central banks	-	-	-	-	-	-	-	-	2 636 837
Loans and advances to banks	-	-	-	-	-	-	-	-	1 112 441
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	-	-	557 025
Sovereign debt securities	-	-	-	-	-	-	-	-	1 252 991
Bank debt securities	-	-	-	-	-	-	-	-	188 397
Other debt securities (gross)	29 581	-	-	106 246	65 939	4 017	26 914	12 883	393 652
Derivative financial instruments	49 147	1 803	1 489	-	9 474	16 424	18 682	3 075	572 324
Securities arising from trading activities	1 738	-	781	-	-	1 093	2	10 889	393 964
Loans and advances to customers (gross)	497 214	41 049	115 241	-	139 621	227 573	762 899	160 032	7 946 793
Other loans and advances (gross)	-	-	85	200 580	-	-	-	-	331 617
Other securitised assets (gross)	-	-	-	11 341	-	-	-	-	11 341
Other assets	-	-	-	-	-	-	-	-	397 409
Total on-balance sheet exposures	577 680	42 852	117 596	318 167	215 034	249 107	808 497	186 879	15 794 791
Guarantees ^a	-	-	-	-	1 684	-	-	-	68 938
Contingent liabilities, committed facilities and other	41 105	-	34 114	-	83 518	14 204	59 078	4 107	1 209 486
Total off-balance sheet exposures	41 105	-	34 114	-	85 202	14 204	59 078	4 107	1 278 424
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	618 785	42 852	151 710	318 167	300 236	263 311	867 575	190 986	17 073 215

^a 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 2016	31 March 2016
Gross core loans and advances to customers	8 456 665	7 946 793
Total impairments	(157 565)	(143 191)
Specific impairments	(125 654)	(121 791)
Portfolio impairments	(31 911)	(21 400)
Net core loans and advances to customers	8 299 100	7 803 602
Average gross core loans and advances to customers	8 201 729	7 598 177
Current loans and advances to customers	8 089 845	7 561 596
Past due loans and advances to customers (1 - 60 days)	39 615	65 909
Special mention loans and advances to customers	14 985	5 354
Default loans and advances to customers	312 220	313 934
Gross core loans and advances to customers	8 456 665	7 946 793
Current loans and advances to customers	8 089 845	7 561 596
Default loans that are current and not impaired	15 070	29 639
Gross core loans and advances to customers that are past due but not impaired	83 571	99 383
Gross core loans and advances to customers that are impaired	268 179	256 175
Gross core loans and advances to customers	8 456 665	7 946 793
Total income statement charge for impairments on core loans and advances	(30 140)	(85 954)
Gross default loans and advances to customers	312 220	313 934
Specific impairments	(125 654)	(121 791)
Portfolio impairments	(31 911)	(21 400)
Defaults net of impairments	154 655	170 743
Aggregate collateral and other credit enhancements on defaults	203 052	202 524
Net default loans and advances to customers (limited to zero)	-	-
Ratios		
Total impairments as a % of gross core loans and advances to customers	1.86%	1.80%
Total impairments as a % of gross default loans	50.47%	45.61%
Gross defaults as a % of gross core loans and advances to customers	3.69%	3.95%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.86%	2.19%
Net defaults as a % of net core loans and advances to customers	-	-
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.73%	1.13%

Risk management

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

£'000	30 Sept 2016	31 March 2016
Default loans that are current	117 758	138 988
1 - 60 days	61 774	80 758
61 - 90 days	14 329	16 118
91 - 180 days	49 944	43 284
181 - 365 days	42 251	22 539
> 365 days	80 764	83 510
Past due and default core loans and advances to customers (actual capital exposure)	366 820	385 197
1 - 60 days	1 792	3 062
61 - 90 days	904	210
91 - 180 days	2 217	3 277
181 - 365 days	8 095	7 859
> 365 days	75 805	74 064
Past due and default core loans and advances to customers (actual amount in arrears)	88 813	88 472

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

£'000	Current watchlist					Total
	loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	
At 30 September 2016						
Default loans that are current and not impaired						
Total capital exposure	15 070	-	-	-	-	15 070
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	-	61 719	3 613	7 543	1 063	83 571
Amount in arrears	-	1 737	639	475	316	12 678
Gross core loans and advances to customers that are impaired						
Total capital exposure	102 688	55	10 716	42 401	41 188	268 179
Amount in arrears	-	55	265	1 742	7 779	76 135
At 31 March 2016						
Default loans that are current and not impaired						
Total capital exposure	29 639	-	-	-	-	29 639
Gross core loans and advances to customers that are past due but not impaired						
Total capital exposure	-	71 106	526	16 210	1 139	99 383
Amount in arrears	-	2 994	49	1 333	171	12 394
Gross core loans and advances to customers that are impaired						
Total capital exposure	109 349	9 652	15 592	27 074	21 400	256 175
Amount in arrears	-	68	161	1 944	7 688	76 078

Risk management

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

£'000	Current watchlist						Total
	loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	
Past due (1 - 60 days)	-	39 615	-	-	-	-	39 615
Special mention	-	11 372	3 613	-	-	-	14 985
Special mention (1 - 90 days)	-	11 372	2 481	-	-	-	13 853
Special mention (61 - 90 days and item well secured)	-	-	1 132	-	-	-	1 132
Default	117 758	10 787	10 716	49 944	42 251	80 764	312 220
Sub-standard	59 164	10 787	10 495	27 100	12 490	55 788	175 824
Doubtful	53 006	-	33	21 768	28 408	5 986	109 201
Loss	5 588	-	188	1 076	1 353	18 990	27 195
Total	117 758	61 774	14 329	49 944	42 251	80 764	366 820

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

£'000	Current watchlist						Total
	loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	
Past due (1 - 60 days)	-	832	-	-	-	-	832
Special mention	-	840	640	-	-	-	1 480
Special mention (1 - 90 days)	-	840	570	-	-	-	1 410
Special mention (61 - 90 days and item well secured)	-	-	70	-	-	-	70
Default	-	120	264	2 217	8 095	75 805	86 501
Sub-standard	-	120	43	602	3 969	50 841	55 575
Doubtful	-	-	33	540	2 773	5 986	9 332
Loss	-	-	188	1 075	1 353	18 978	21 594
Total	-	1 792	904	2 217	8 095	75 805	88 813

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

£'000	Current watchlist						Total
	loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	
Past due (1 - 60 days)	-	65 909	-	-	-	-	65 909
Special mention	-	4 828	526	-	-	-	5 354
Special mention (1 - 90 days)	-	4 828	-	-	-	-	4 828
Special mention (61 - 90 days and item well secured)	-	-	526	-	-	-	526
Default	138 988	10 021	15 592	43 284	22 539	83 510	313 934
Sub-standard	72 254	369	3 828	23 327	6 361	58 079	164 218
Doubtful	65 328	9 652	11 755	18 950	15 413	4 352	125 450
Loss	1 406	-	9	1 007	765	21 079	24 266
Total	138 988	80 758	16 118	43 284	22 539	83 510	385 197

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

£'000	Current watchlist						Total
	loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	
Past due (1 - 60 days)	-	2 988	-	-	-	-	2 988
Special mention	-	6	49	-	-	-	55
Special mention (1 - 90 days)	-	6	-	-	-	-	6
Special mention (61 - 90 days and item well secured)	-	-	49	-	-	-	49
Default	-	68	161	3 277	7 859	74 064	85 429
Sub-standard	-	1	39	1 383	3 343	48 662	53 428
Doubtful	-	67	114	887	3 751	4 352	9 171
Loss	-	-	8	1 007	765	21 050	22 830
Total	-	3 062	210	3 277	7 859	74 064	88 472

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 2016								
Current core loans and advances	8 089 845	-	-	8 089 845	-	(31 911)	8 057 934	-
Past due (1 - 60 days)	-	39 615	-	39 615	-	-	39 615	832
Special mention	-	14 985	-	14 985	-	-	14 985	1 480
Special mention (1 - 90 days)	-	13 853	-	13 853	-	-	13 853	1 410
Special mention (61 - 90 days and item well secured)	-	1 132	-	1 132	-	-	1 132	70
Default	15 070	28 971	268 179	312 220	(125 654)	-	186 566	86 501
Sub-standard	15 070	28 971	131 783	175 824	(42 406)	-	133 418	55 575
Doubtful	-	-	109 201	109 201	(60 432)	-	48 769	9 332
Loss	-	-	27 195	27 195	(22 816)	-	4 379	21 594
Total	8 104 915	83 571	268 179	8 456 665	(125 654)	(31 911)	8 299 100	88 813
At 31 March 2016								
Current core loans and advances	7 561 596	-	-	7 561 596	-	(21 400)	7 540 196	-
Past due (1 - 60 days)	-	65 909	-	65 909	-	-	65 909	2 988
Special mention	-	5 354	-	5 354	-	-	5 354	55
Special mention (1 - 90 days)	-	4 828	-	4 828	-	-	4 828	6
Special mention (61 - 90 days and item well secured)	-	526	-	526	-	-	526	49
Default	29 639	28 120	256 175	313 934	(121 791)	-	192 143	85 429
Sub-standard	29 639	28 120	106 459	164 218	(32 379)	-	131 839	53 428
Doubtful	-	-	125 450	125 450	(69 827)	-	55 623	9 171
Loss	-	-	24 266	24 266	(19 585)	-	4 681	22 830
Total	7 591 235	99 383	256 175	7 946 793	(121 791)	(21 400)	7 803 602	88 472

Risk management

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

£'000	Private client, professional and high net worth individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 30 September 2016						
Current core loans and advances	3 280 759	3 483 996	1 123 167	172 795	29 128	8 089 845
Past due (1 - 60 days)	34 683	3 456	367	1 109	-	39 615
Special mention	14 375	460	-	150	-	14 985
Special mention (1 - 90 days)	13 853	-	-	-	-	13 853
Special mention (61 - 90 days and item well secured)	522	460	-	150	-	1 132
Default	280 269	30 793	198	960	-	312 220
Sub-standard	154 801	20 757	-	266	-	175 824
Doubtful	102 151	6 772	123	155	-	109 201
Loss	23 317	3 264	75	539	-	27 195
Total gross core loans and advances to customers	3 610 086	3 518 705	1 123 732	175 014	29 128	8 456 665
Total impairments	(139 620)	(17 153)	(136)	(656)	-	(157 565)
Specific impairments	(107 709)	(17 153)	(136)	(656)	-	(125 654)
Portfolio impairments	(31 911)	-	-	-	-	(31 911)
Net core loans and advances to customers	3 470 466	3 501 552	1 123 596	174 358	29 128	8 299 100
At 31 March 2016						
Current core loans and advances	3 296 034	3 140 362	971 565	131 448	22 187	7 561 596
Past due (1 - 60 days)	53 707	10 833	41	1 299	29	65 909
Special mention	4 995	211	2	146	-	5 354
Special mention (1 - 90 days)	4 828	-	-	-	-	4 828
Special mention (61 - 90 days and item well secured)	167	211	2	146	-	526
Default	283 815	27 930	165	2 024	-	313 934
Sub-standard	144 030	18 786	2	1 400	-	164 218
Doubtful	118 168	6 910	122	250	-	125 450
Loss	21 617	2 234	41	374	-	24 266
Total gross core loans and advances to customers	3 638 551	3 179 336	971 773	134 917	22 216	7 946 793
Total impairments	(128 224)	(14 357)	(102)	(508)	-	(143 191)
Specific impairments	(106 824)	(14 357)	(102)	(508)	-	(121 791)
Portfolio impairments	(21 400)	-	-	-	-	(21 400)
Net core loans and advances to customers	3 510 327	3 164 979	971 671	134 409	22 216	7 803 602

Risk management

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

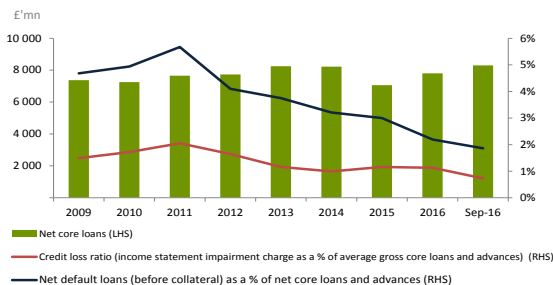
£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments [^]
Lending collateralised by property	2 053 019	254 709	154 689	(101 353)	(17 902)
Commercial real estate	1 210 805	101 938	58 845	(43 308)	(8 406)
Commercial real estate - investment	977 476	53 763	36 449	(17 344)	(8 556)
Commercial real estate - development	127 547	11 252	3 762	(7 491)	(5)
Commercial vacant land and planning	105 782	36 923	18 634	(18 473)	155
Residential real estate	842 214	152 771	95 844	(58 045)	(9 496)
Residential real estate - investment	295 929	69 139	45 767	(23 401)	(7 987)
Residential real estate - development	496 845	55 115	29 162	(25 953)	(1 203)
Residential vacant land and planning	49 440	28 517	20 915	(8 691)	(306)
High net worth and other private client lending	1 557 067	25 560	34 357	(6 356)	21
Mortgages	1 161 400	10 440	23 598	(658)	(59)
High net worth and specialised lending	395 667	15 120	10 759	(5 698)	80
Corporate and other lending	4 846 579	31 951	14 006	(17 945)	(1 834)
Acquisition finance	1 068 688	-	-	-	943
Asset-based lending	320 598	-	-	-	-
Fund finance	752 077	-	-	-	-
Other corporate and financial institutions and governments	696 278	-	-	-	-
Asset finance	1 358 657	12 351	4 492	(7 859)	(2 683)
Small ticket asset finance	1 012 057	12 351	4 492	(7 859)	(2 683)
Large ticket asset finance	346 600	-	-	-	-
Project finance	629 907	3 801	3 707	(94)	(94)
Resource finance	20 374	15 799	5 807	(9 992)	-
Portfolio impairments				(31 911)	(10 425)
Total	8 456 665	312 220	203 052	(157 565)	(30 140)

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

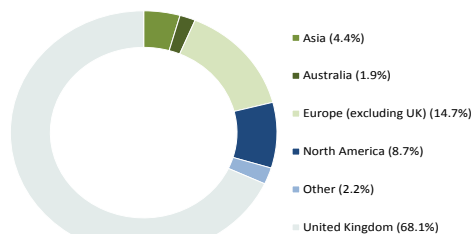
£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments [^]
Lending collateralised by property	2 179 999	264 283	168 722	(101 064)	(75 732)
Commercial real estate	1 314 745	108 746	64 068	(45 030)	(32 441)
Commercial real estate - investment	1 096 376	61 090	43 958	(17 151)	(21 155)
Commercial real estate - development	109 086	11 138	3 647	(7 491)	(634)
Commercial vacant land and planning	109 283	36 518	16 463	(20 388)	(10 652)
Residential real estate	865 254	155 537	104 654	(56 034)	(43 291)
Residential real estate - investment	298 740	72 449	55 151	(20 907)	(13 353)
Residential real estate - development	516 352	56 651	30 390	(26 854)	(24 747)
Residential vacant land and planning	50 162	26 437	19 113	(8 273)	(5 191)
High net worth and other private client lending	1 458 552	19 532	18 650	(5 760)	(8 194)
Mortgages	1 146 241	4 307	7 489	(600)	(49)
High net worth and specialised lending	312 311	15 225	11 161	(5 160)	(8 145)
Corporate and other lending	4 308 242	30 119	15 152	(14 967)	(14 810)
Acquisition finance	899 190	-	-	-	(1 284)
Asset-based lending	296 389	-	-	-	-
Fund finance	673 379	-	-	-	-
Other corporate and financial institutions and governments	766 815	-	-	-	-
Asset finance	1 205 400	11 891	5 961	(5 930)	(4 223)
Small ticket asset finance	932 865	11 891	5 961	(5 930)	(4 223)
Large ticket asset finance	272 535	-	-	-	-
Project finance	449 266	3 708	3 708	-	(2699)
Resource finance	17 803	14 520	5 483	(9 037)	(6 604)
Portfolio impairments				(21 400)	12 782
Total	7 946 793	313 934	202 524	(143 191)	(85 954)

[^] 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 2016			
Eligible financial collateral	455 581	618 919	1 074 500
Listed shares	393 768	83 968	477 736
Cash	61 813	144 682	206 495
Debt securities issued by sovereigns	-	390 269	390 269
Property charge	5 040 583	200 509	5 241 092
Residential property	2 504 133	200 509	2 704 642
Residential development	880 985	-	880 985
Commercial property developments	275 643	-	275 643
Commercial property investments	1 379 822	-	1 379 822
Other collateral	4 740 638	153 846	4 894 484
Unlisted shares	674 610	-	674 610
Charges other than property	41 044	153 846	194 890
Debtors, stock and other corporate assets	3 128 150	-	3 128 150
Guarantees	675 075	-	675 075
Other	221 759	-	221 759
Total collateral	10 236 802	973 274	11 210 076
At 31 March 2016			
Eligible financial collateral	313 156	399 786	712 942
Listed shares	242 551	76 126	318 677
Cash	70 605	109 180	179 785
Debt securities issued by sovereigns	-	214 480	214 480
Property charge	4 940 344	209 478	5 149 822
Residential property	2 457 252	209 478	2 666 730
Residential development	780 534	-	780 534
Commercial property developments	187 484	-	187 484
Commercial property investments	1 515 074	-	1 515 074
Other collateral	4 269 427	135 508	4 404 935
Unlisted shares	682 021	-	682 021
Charges other than property	34 404	135 508	169 912
Debtors, stock and other corporate assets	2 727 354	-	2 727 354
Guarantees	650 988	-	650 988
Other	174 660	-	174 660
Total collateral	9 522 927	744 772	10 267 699

* 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

Investment risk in the banking book

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

- **Principal Investments:** investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. Investments in listed shares may arise on the IPO of one of our investments. Additionally, listed investments may be considered where we believe that the market is mispricing the underlying security or where there is an opportunity 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.

Category £'000	Income/(loss) (pre funding costs)				Fair value through equity
	Unrealised*	Realised*	Dividends	Total	
For the six months to 30 September 2016					
Unlisted investments	11 121	10 470	7 281	28 872	408
Listed equities	(13 926)	-	1 272	(12 654)	(1 198)
Investment and trading properties	(12 578)	18 616	-	6 038	-
Warrants, profit shares and other embedded derivatives	(3 994)	-	-	(3 994)	-
Total	(19 377)	29 086	8 553	18 262	(790)
For the year ended 31 March 2016					
Unlisted investments	15 674	14 099	15 419	45 192	12
Listed equities	2 340	(7 249)	-	(4 909)	1 499
Investment and trading properties	(3 145)	2 364	-	(781)	-
Warrants, profit shares and other embedded derivatives	(2 452)	3 469	-	1 017	-
Total	12 417	12 683	15 419	40 519	1 511

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

Unrealised revaluation gains, recognised in the profit and loss account, are included in common equity tier 1 capital. In line with the Capital Requirements Regulation, for the period ended 30 September 2016, Investec plc did not recognise equity revaluation gains directly to equity, in regulatory capital.



Risk management

Summary of investments held and stress-testing analyses

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

Category £'000	On-balance sheet value of investments 30 Sept 2016	Valuation change stress test 30 Sept 2016*	On-balance sheet value of investments 31 March 2016	Valuation change stress test 31 March 2016*
Unlisted investments	445 319	66 798	363 060	54 459
Listed equities	81 118	20 280	87 940	21 985
Total investment portfolio	526 437	87 078	451 000	76 444
Investment and trading properties	124 769	24 954	183 073	28 709
Warrants, profit shares and other embedded derivatives	24 900	8 715	32 902	11 516
Total	676 106	120 747	666 975	116 669

* 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%

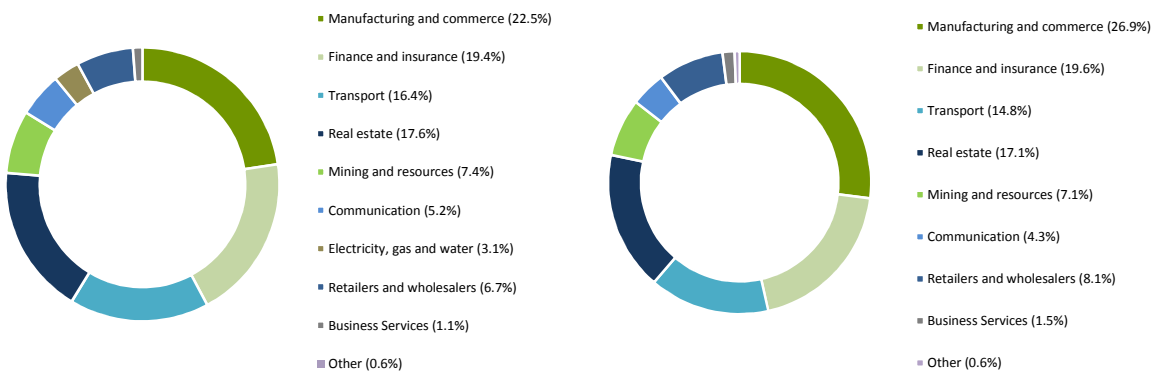
Stress testing summary

Based on the information at 30 September 2016, as reflected above, we could have a £121 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 2016 (£551 million)

31 March 2016 (£484 million)



Risk management

Securitisation/structured credit activities exposures

During the six months to September 2016 we did not undertake any new securitisation transactions. The primary focus for new securitisation transactions remains to provide a cost effective, alternative source of financing to the bank. For regulatory purposes, structured entities are not consolidated where significant risk in the structured entities has been transferred to third parties. The positions we continue to hold in these securitisations will either be risk-weighted and/or deducted from capital. We hold rated structured credit instruments (including resecuritisation exposures) of £439 million at 30 September 2016 (31 March 2016: £343 million). These exposures are largely AAA and AA rated exposures in the UK and US.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.

Nature of exposure/activity	Exposure at	Exposure at	Balance sheet and credit risk classification
	30 Sept 2016 £'million	31 March 2016 £'million	
Structured credit (gross exposure)*	450	355	Other debt securities and other loans and advances
Rated	439	343	
Unrated	11	12	
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	148	154	Other loans and advances

* Analysed further below.

£'million	30 September 2016			31 March 2016		
	Rated**	Unrated	Total	Rated**	Unrated	Total
US corporate loans	175	-	175	152	-	152
UK and European RMBS	206	11	217	151	12	163
UK and European ABS	4	-	4	-	-	-
UK and European corporate loans	54	-	54	40	-	40
Total	439	11	450	343	12	355

**A further analysis of rated structured credit at 30 September 2016

£'million	30 September 2016						CCC and below	Total
	AAA	AA	A	BBB	BB	B		
US corporate loans	101	40	34	-	-	-	-	175
UK and European RMBS	59	115	30	-	-	2	-	206
UK and European ABS	-	-	-	4	-	-	-	4
UK and European corporate loans	17	21	15	1	-	-	-	54
Total at 30 September 2016	177	176	79	5	-	2	-	439
Total at 31 March 2016	148	122	65	6	-	2	-	343

Risk management

Market risk in the trading book

Traded Market Risk description

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

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

Management and measurement of traded market risk

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

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

VaR numbers are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case scenarios that are not necessarily as plausible.

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

The market risk capital requirement is calculated using the standardised approach. For certain options, the group has obtained permission from the PRA to use an internal model to calculate the delta for these positions.

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

VaR

£'000	30 September 2016				31 March 2016			
	Period end	Average	High	Low	Year end	Average	High	Low
(using 95% VaR)								
Equities	503	561	1,317	340	515	557	699	412
Foreign exchange	16	47	158	6	37	32	101	12
Interest rates	217	218	287	136	202	195	505	128
Consolidated*	508	606	1,364	415	529	589	723	488

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

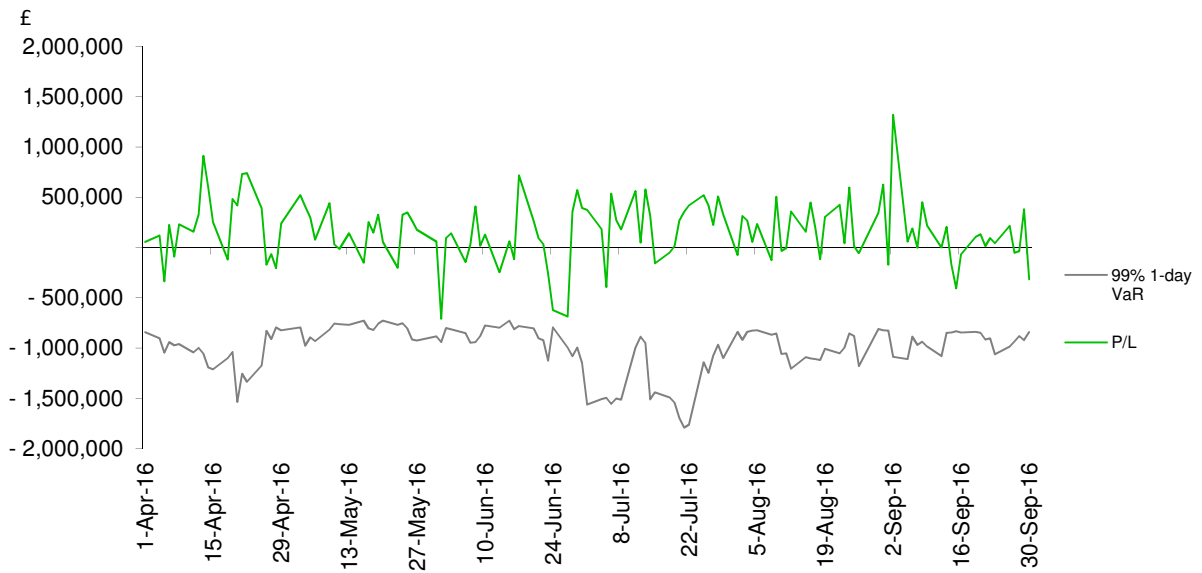


Risk management

Traded market risk management

99% one-day VaR backtesting

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



Risk management

ETL

95% (one-day) £'000	30 Sept 2016	31 March 2016
Equities	750	662
Foreign exchange	31	53
Interest rates	274	257
Consolidated*	848	783

* 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 2016				31 March 2016 Year end
	Period end	Average	High	Low	
(using 99% EVT)					
Equities	1 692	1 822	3 825	767	1 549
Foreign exchange	84	216	619	49	122
Interest rates	486	577	868	386	470
Consolidated**	2 082	2 319	3 735	1 404	1 772

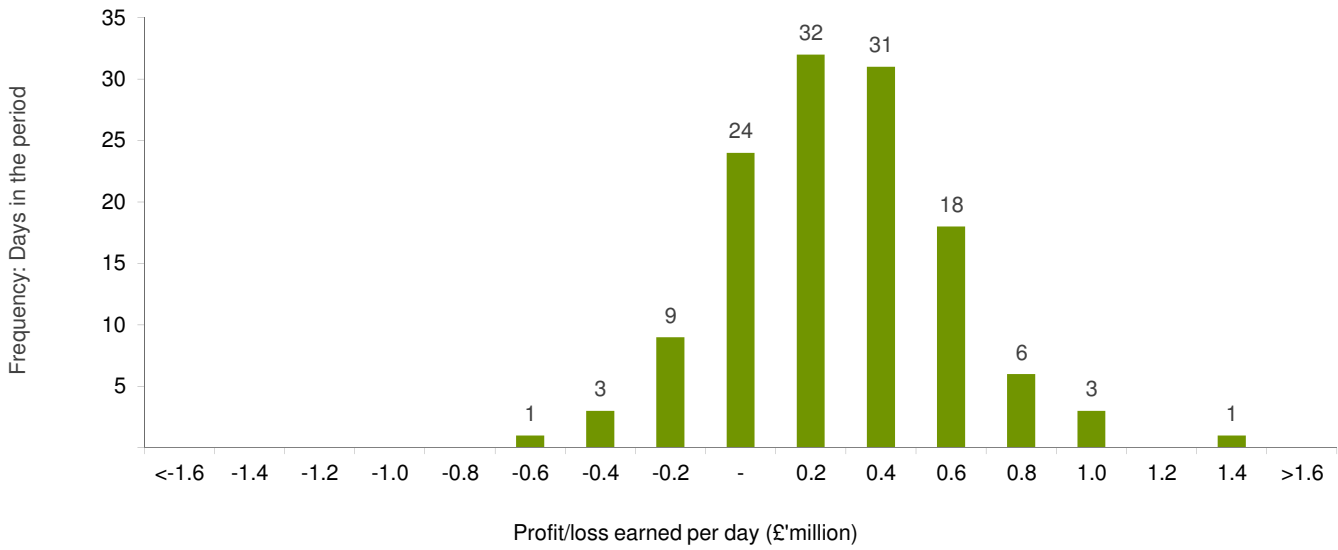
** The consolidated stress test numbers are lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).



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 91 days out of a total of 128 days in the trading business for the six months to 30 September 2016. The average daily trading revenue generated for the six months to 30 September 2016 was £182 714 (year to 31 March 2016: £124 250).





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, encumbrance and leverage risks on the balance sheet.

Non-trading interest rate risk description

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

Sources of interest rate risk include:

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

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 2016. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

£'million	Sensitivity to interest rate changes					Non-rate	Total non-trading
	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years		
Cash and short-term funds - banks	5 042	-	-	-	-	-	5 042
Investment/trading assets and statutory liquids	1 294	52	80	367	443	-	2 236
Securitised assets	143	-	-	-	-	-	143
Advances	5 990	1 318	314	867	230	-	8 719
Non-rate assets	-	-	-	-	-	2 345	2 345
Assets	12 469	1 370	394	1 234	673	2 345	18 485
Deposits - banks	(593)	-	-	-	-	-	(593)
Deposits - non-banks	(9 456)	(679)	(687)	(992)	(228)	-	(12 042)
Negotiable paper	(1 171)	-	(67)	(269)	(323)	-	(1 830)
Securitised liabilities	(113)	-	-	-	-	-	(113)
Subordinated liabilities	-	(18)	-	-	(575)	(32)	(625)
Other liabilities	-	-	-	-	-	(1 248)	(1 248)
Liabilities	(11 333)	(697)	(754)	(1 261)	(1 126)	(1 280)	(16 451)
Shareholders' funds	-	-	-	-	-	(2 034)	(2 034)
Balance sheet	1 136	673	(360)	(27)	(453)	(969)	-
Off-balance sheet	445	(356)	(43)	(88)	42	-	-
Repricing gap	1 581	317	(403)	(115)	(411)	(969)	-
Cumulative repricing gap	1 581	1 898	1 495	1 380	969	-	-

Economic value sensitivity at 30 September 2016

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	(34.2)	(2.9)	(7.4)	0.4	-	0.1	(46.4)
200bps up	46.4	3.4	7.3	(0.4)	-	(0.1)	59.1



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.

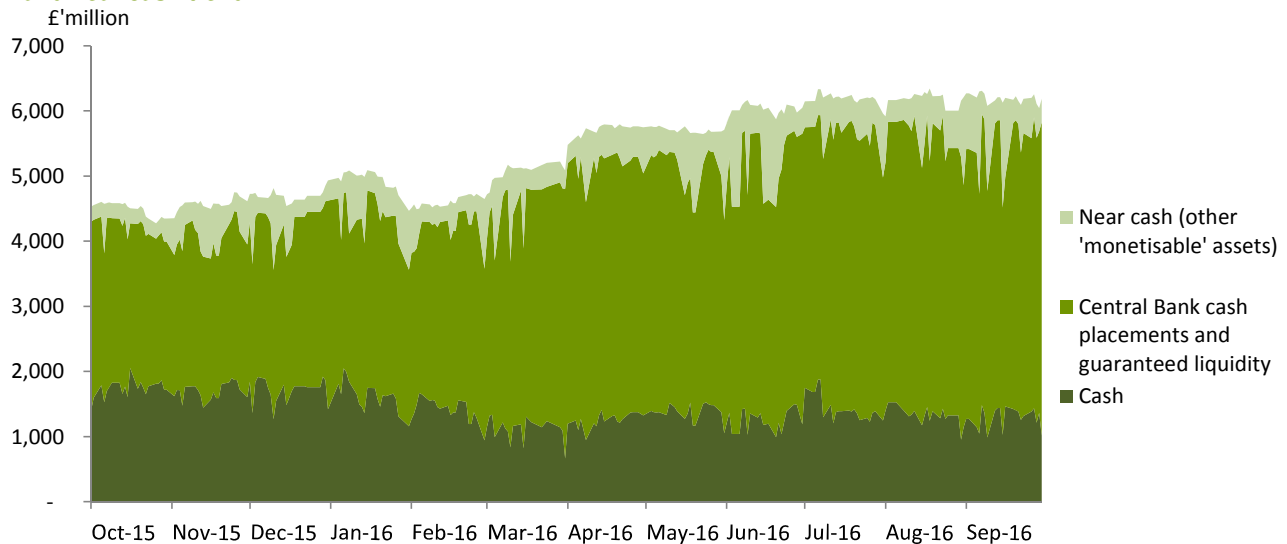
Liquidity risk is further broken down into:

- **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

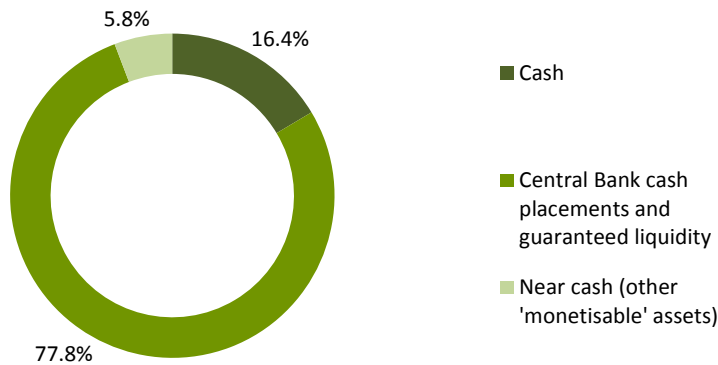




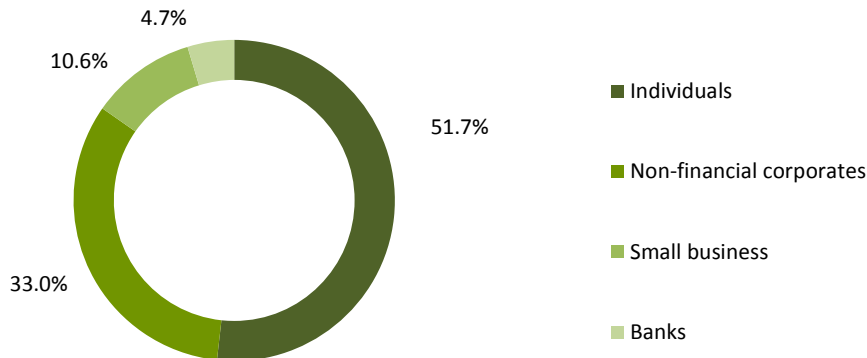
Risk management

Balance sheet risk management (continued)

An analysis of cash and near cash at 30 September 2016 (£6 187 million)



Bank and non-bank depositor concentration by type at 30 September 2016 (£12 636 million)



Liquidity coverage ratio

On 1 October 2015 under European Commission Delegated Regulation 2015/61, the LCR became the PRA's primary regulatory reporting standard for liquidity. The LCR is a Pillar 1 metric to which the PRA apply Pillar 2 add-ons. The LCR is being introduced on a phased basis, and the PRA has opted to impose higher liquidity coverage requirements during the phased-in period than the minimum required by CRD IV. UK banks are currently required to maintain a minimum of 80%, rising to 90% on 1 January 2017 and 100% on 1 January 2018. The published LCR excludes Pillar 2 add-ons.

For Investec plc, the LCR is calculated using our own interpretations of the EU Delegated Act. The reported LCR may change over time with regulatory developments.

The LCR reported to the PRA at 30 September 2016 was 819% for Investec plc.

Risk management

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch.

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

The table reflects that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all 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 2016

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short term funds - banks	4 195	531	297	-	13	3	3	5 042
Investment/trading assets	259	865	364	220	194	998	1 217	4 117
Securitised assets	-	5	2	1	1	6	128	143
Advances	189	414	672	780	1 005	4 007	1 652	8 719
Other assets	70	1 397	111	11	13	251	492	2 345
Assets	4 713	3 212	1 446	1 012	1 226	5 265	3 492	20 366
Deposits - banks	(45)	(139)	-	-	-	(319)	(91)	(594)
Deposits - non-banks	(2 051)	(2 360)	(2 059)	(1 859)	(1 046)	(2 525)	(142)	(12 042)
Negotiable paper	(11)	(196)	(22)	(41)	(74)	(1 343)	(414)	(2 101)
Securitised liabilities	-	-	(4)	(3)	(4)	(44)	(58)	(113)
Investment/trading liabilities	(2)	(38)	(73)	(94)	(261)	(305)	(476)	(1 249)
Subordinated liabilities	-	-	-	-	(23)	-	(602)	(625)
Other liabilities	(114)	(988)	(59)	(63)	(215)	(138)	(31)	(1 608)
Liabilities	(2 223)	(3 721)	(2 217)	(2 060)	(1 623)	(4 674)	(1 814)	(18 332)
Shareholders' funds	-	-	-	-	-	-	(2 034)	(2 034)
Contractual liquidity gap	2 490	(509)	(771)	(1 048)	(397)	591	(356)	-
Cumulative liquidity gap	2 490	1 981	1 210	162	(235)	356	-	-

Behavioural liquidity

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	4 134	(257)	1 137	(1 048)	(397)	(3 066)	(503)	-
Cumulative	4 134	3 877	5 014	3 966	3 569	503	-	-