

Out of the Ordinary[®]

 **Investec**

Specialist Bank



Investec plc

The information in this presentation relates to the year ended 31 March 2019,
unless otherwise indicated.

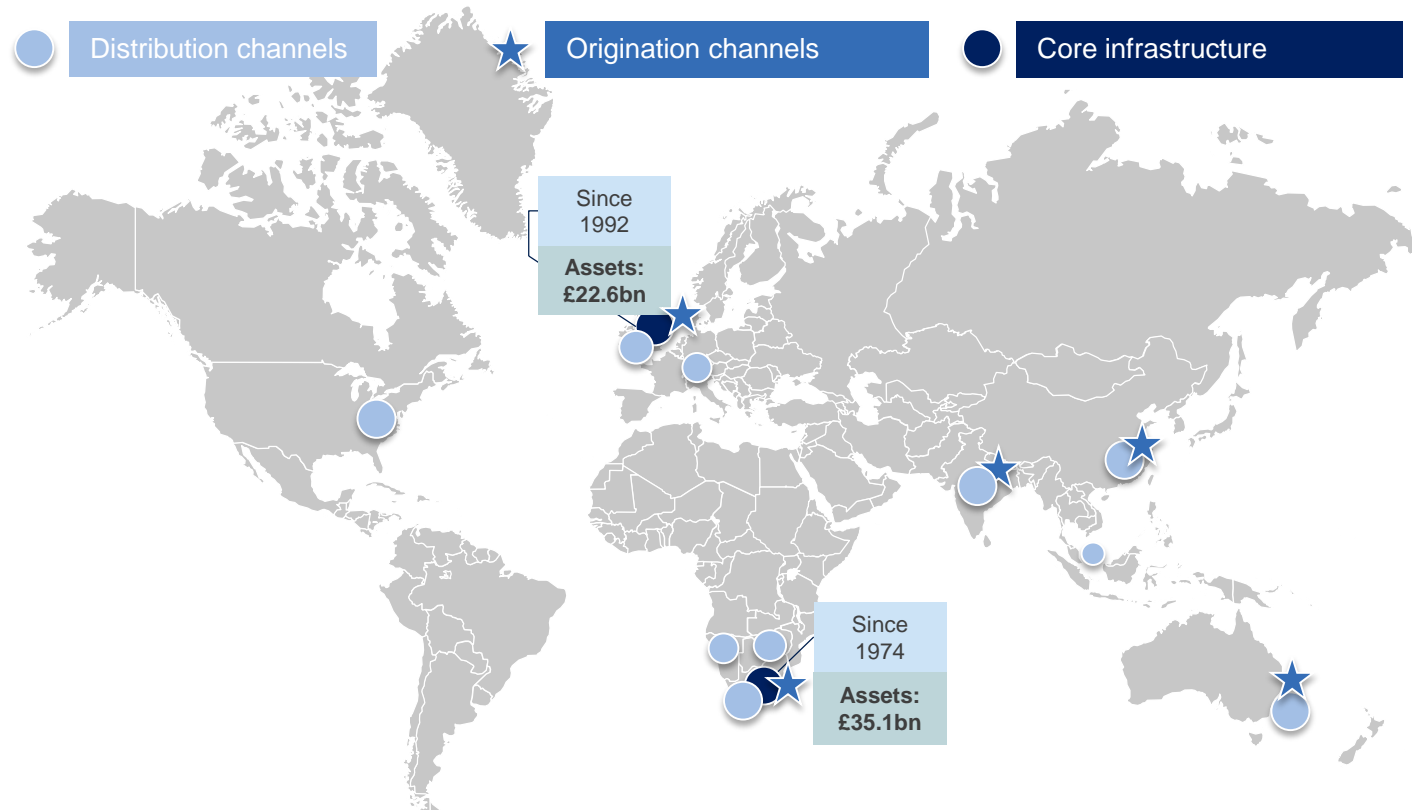


An overview of the Investec Group

Investec: a distinctive specialist bank and asset manager

Facilitating the creation of wealth and management of wealth

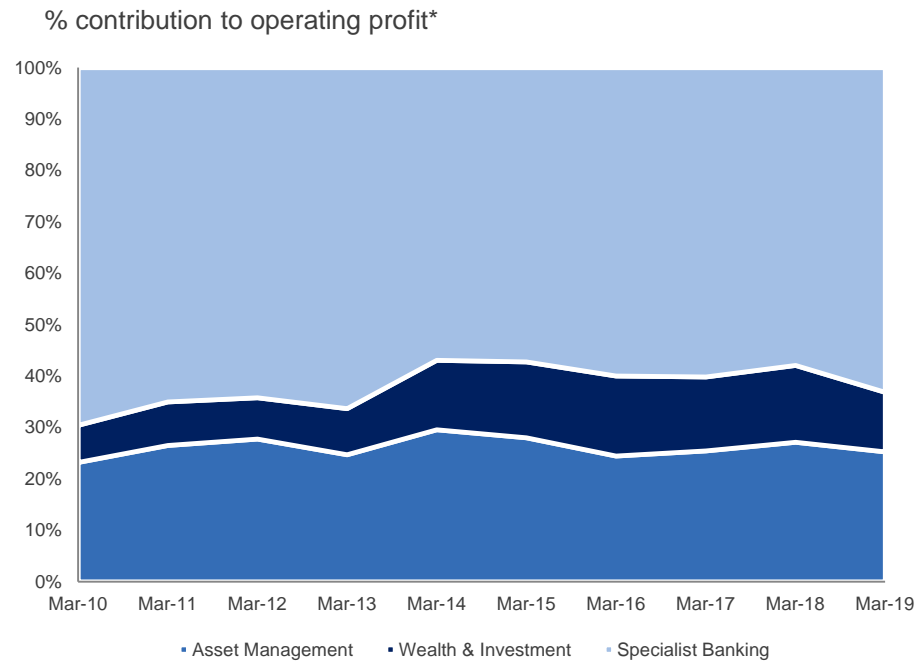
- Established in 1974
- Today, efficient integrated international business platform employing approximately **10 500*** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of £57.7bn; total equity £5.3bn; total FUM £167.2bn



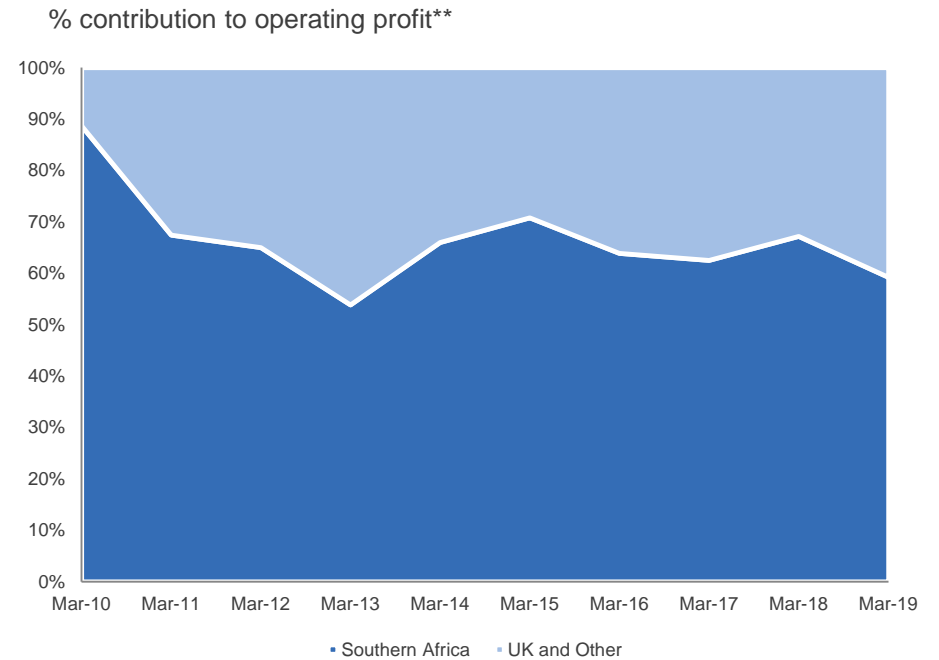
*Including temporary employees and contractors

Solid recurring income base supported by a diversified portfolio

Across businesses



Across geographies



*Operating profit before taxation, goodwill, acquired intangibles, non-operating items, group costs and Asset Management non-controlling interests but after other non-controlling interests. **Operating profit before taxation, goodwill, acquired intangibles, non-operating items and Asset Management non-controlling interests but after other non-controlling interests.

Strategic focus

Our strategic goals and objectives are based on our aspiration to be recognised as a **distinctive specialist bank and asset manager**

The Investec distinction

Client focused approach

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

Specialised strategy

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

Sustainable business

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

Strong culture

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

Our strategy

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

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

Group strategic focus

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

Divisional strategic focus

Asset Management

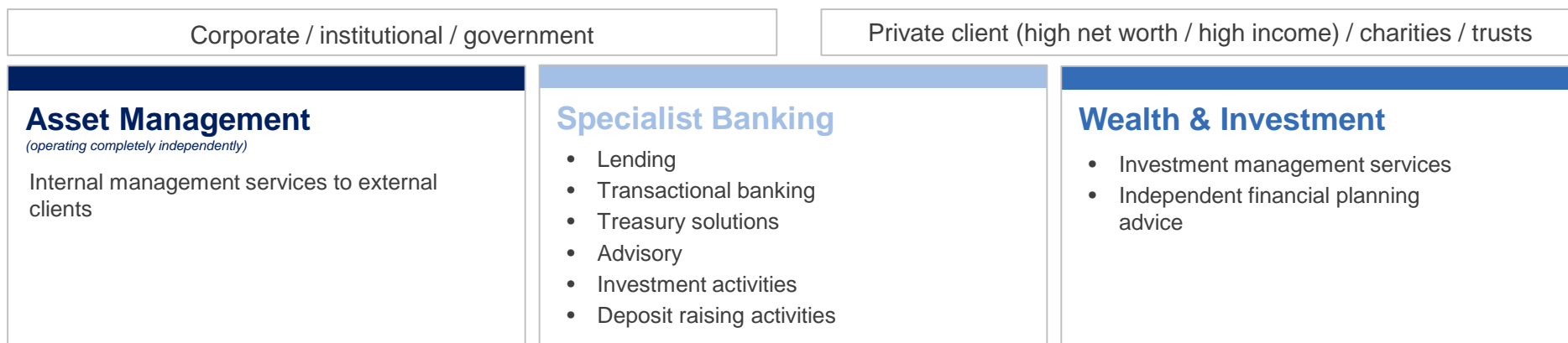
- Grow our advisor business
- Grow our North America institutional business
- Continue to invest across our investment platforms, especially Multi-asset and China
- Ensure sustainability is at the core of our business
- Achieve a successful demerger and listing

Bank and Wealth

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

Balanced business model supporting our long-term strategy

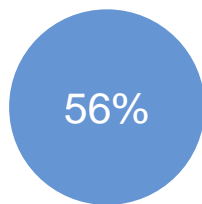
Three distinct business activities focused on well defined target clients



As announced on 14 September 2018 following a strategic review, the group made a decision to demerge and separately list the Investec Asset Management business. The demerger and the listing of Investec Asset Management is subject to regulatory and shareholder approvals, and is expected to be completed during the second half of calendar year 2019.

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

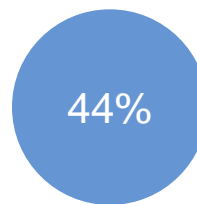
Capital light activities



Contributed to group income

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

Capital intensive activities



Contributed to group income

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

Fee and commission income



Types of income



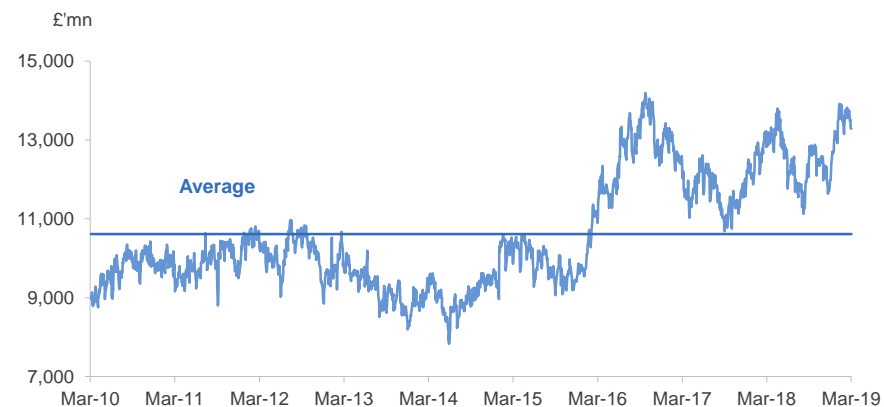
Net interest, investment, associate and trading income

We continue to have a sound balance sheet

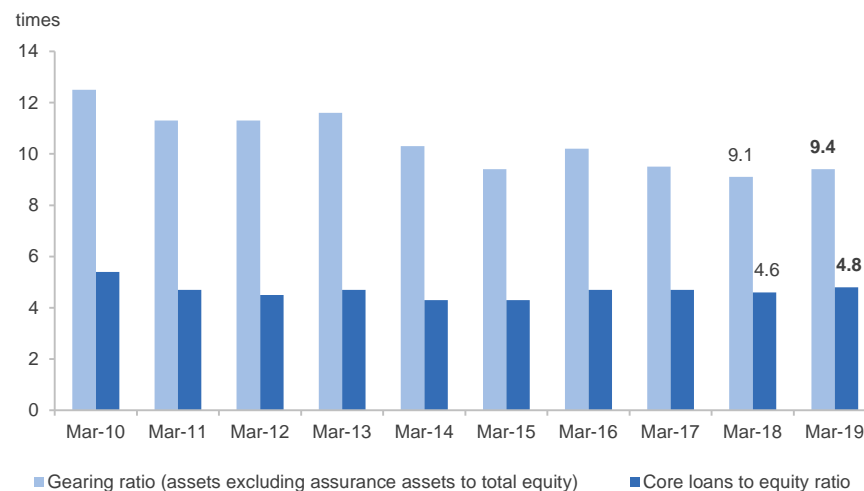
Key operating fundamentals

- Senior management “hands-on” culture
- A high level of readily available, **high quality liquid assets**: targeting > 25% our liability base. Cash and near cash balances amounted to £13.3 billion at year end, representing 42.4% of customer deposits.
- No reliance on wholesale funding
- Solid leverage ratios: always held **capital in excess of regulatory requirements** and the group intends to perpetuate this philosophy. Target common equity tier 1 ratio of above 10% and total capital ratios between 14% and 17%
- **Low gearing ratio**: 9.4x with leverage ratios in excess of 7%
- Geographical and operational diversity with a **high level of recurring income** continues to support sustainability of operating profit

Cash and near cash

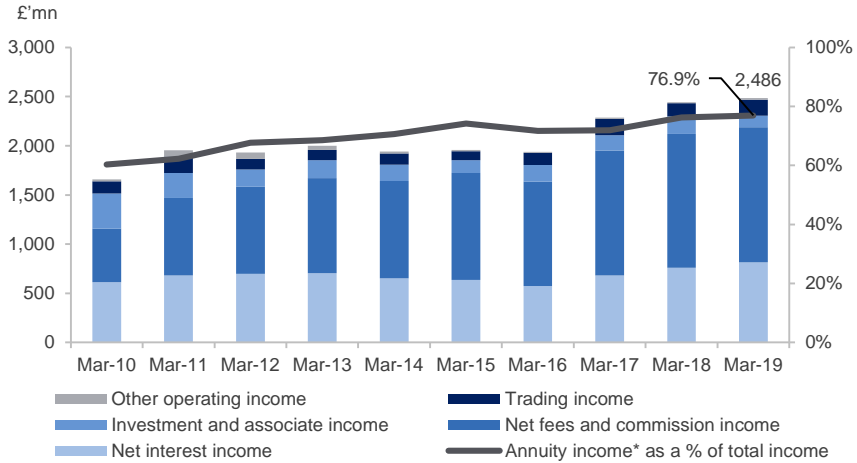


Low gearing ratios

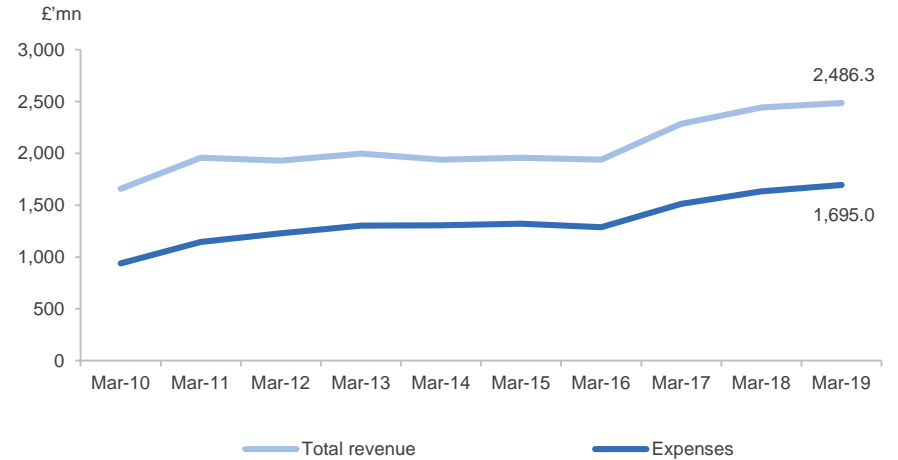


We have a sound track record

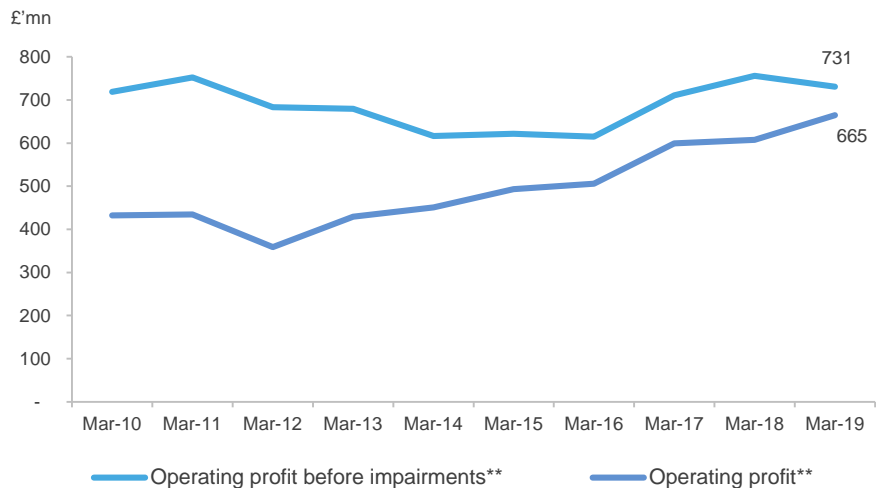
Recurring income



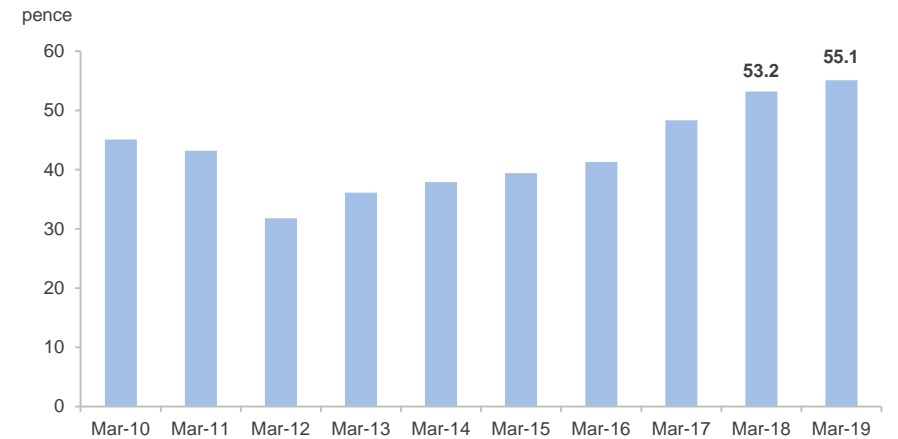
Revenue versus expenses



Operating profit** before impairments



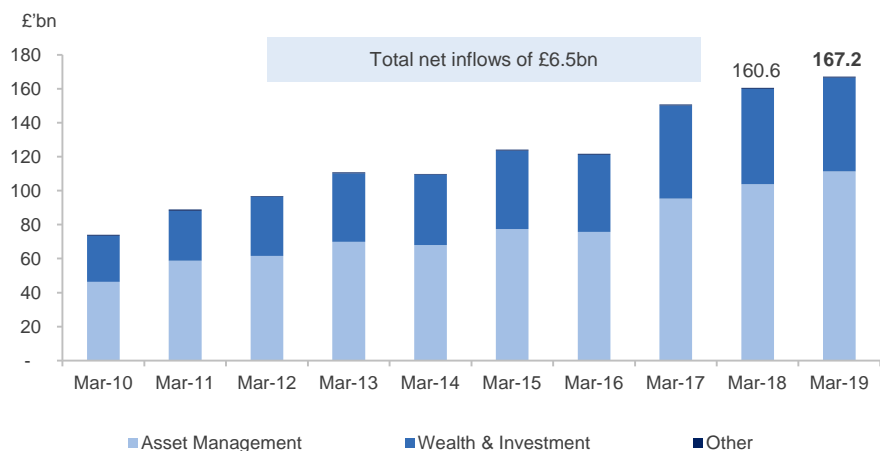
Adjusted EPS^



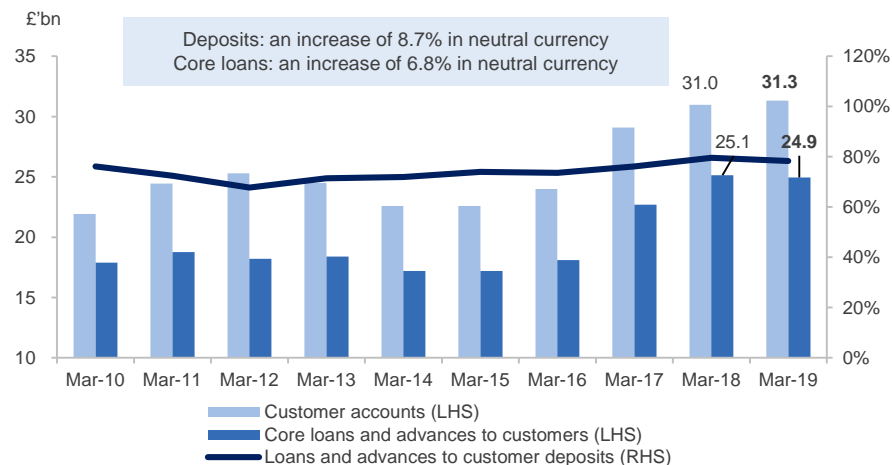
*Where annuity income is net interest income and annuity fees. **Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. ^Where adjusted EPS is earnings per share before goodwill, acquired intangibles and non-operating items and after non-controlling interests and the deduction of preference dividends.

We have a sound track record

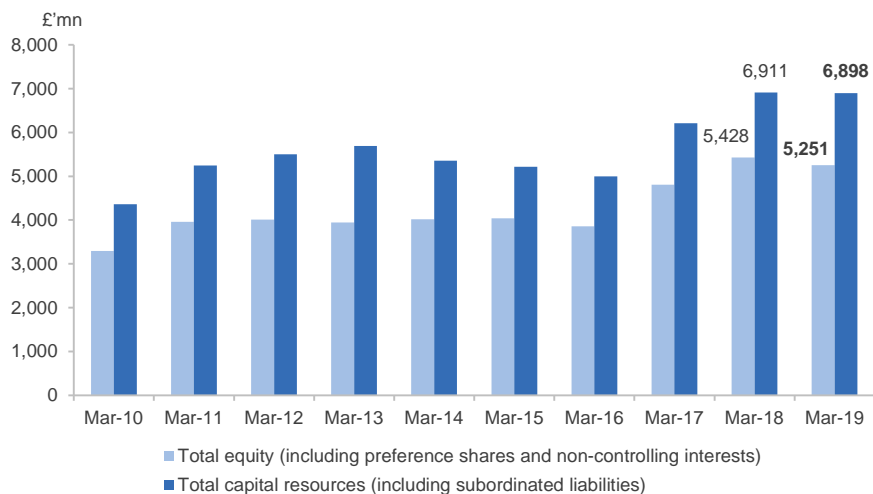
Third party assets under management



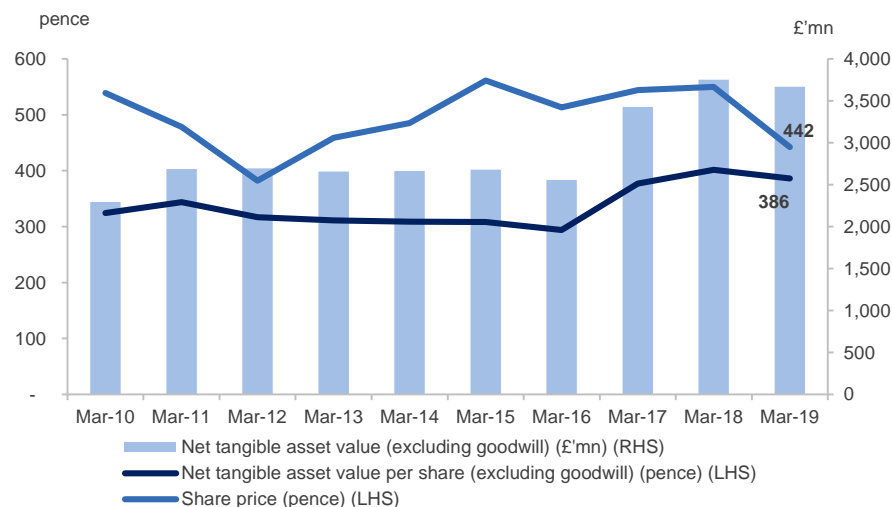
Core loans and advances and deposits



Total equity and capital resources



Net tangible asset value



We have invested in our Brand



...our Communities

...our People



... and the Planet





An overview of Investec plc

Overview of Investec plc

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

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

Asset Management, Wealth & Investment and Specialist Banking

Total
assets
£22.6bn

Net core
loans
£10.5bn

Total
equity
£2.3bn

Customer
deposits
£13.2bn

Third Party
FUM
£115.5bn

Investec plc

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

Core activities and operational foot print

Asset Management Value Proposition

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

Wealth & Investment Value Proposition

- Built via the acquisition and integration of businesses and organic growth over a long period of time
- Established platforms in the UK, Switzerland, Republic of Ireland[#] and Guernsey
- Distinct distribution channels: direct, intermediaries, charities, international and digital
- Strategy to internationalise within jurisdictions where the Investec group already has an established business
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

Specialist Banking Value Proposition

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

Where we operate

UK and Europe

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

USA

Experienced local teams with industry experience

Hong Kong

Investment banking and principal investment activities

India

Facilitates the link between India, UK and South Africa

Australia

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

Key strengths

Diversified revenue streams with high annuity base

- Balanced business model comprising three distinct business activities: **Specialist Banking, Asset Management and Wealth & Investment**
- Continued focus on growing our **capital light businesses**, now 63% of Investec plc's revenue
- High level of **annuity revenue**[^] accounting for 74.1% of total operating income
- **Strong growth in third party FUM**
- Simplification of banking business resulting in a **reduction in legacy portfolio and impairments**

Sound balance sheet

- **Never required shareholder or government support**
- **Robust capital base: 10.4% CET1 ratio** and **strong leverage ratio** of 7.7% (7.3% on a fully loaded basis) as of 31 March 2019*
- Investec plc benefits from a substantial unlevered assets, being Investec Asset Management (AUM: £76.0bn) and Wealth & Investment (AUM: £39.1bn)
- **Low gearing: 9.9x**
- **Strong liquidity ratios** with high level of readily available, high quality liquid assets representing 53% of customer deposits (cash and near cash: £7.0bn)
- **Diversified funding base** with strong retail deposit franchise and low reliance on wholesale funding

Strong culture

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

[^] Where annuity income is net interest income and annuity fees

*CET1 ratios shown on a consolidated basis as at 31 March 2019; after the deduction of foreseeable charges and dividends as required by the CRR and EBA technical standards

FUM= Third party funds under management

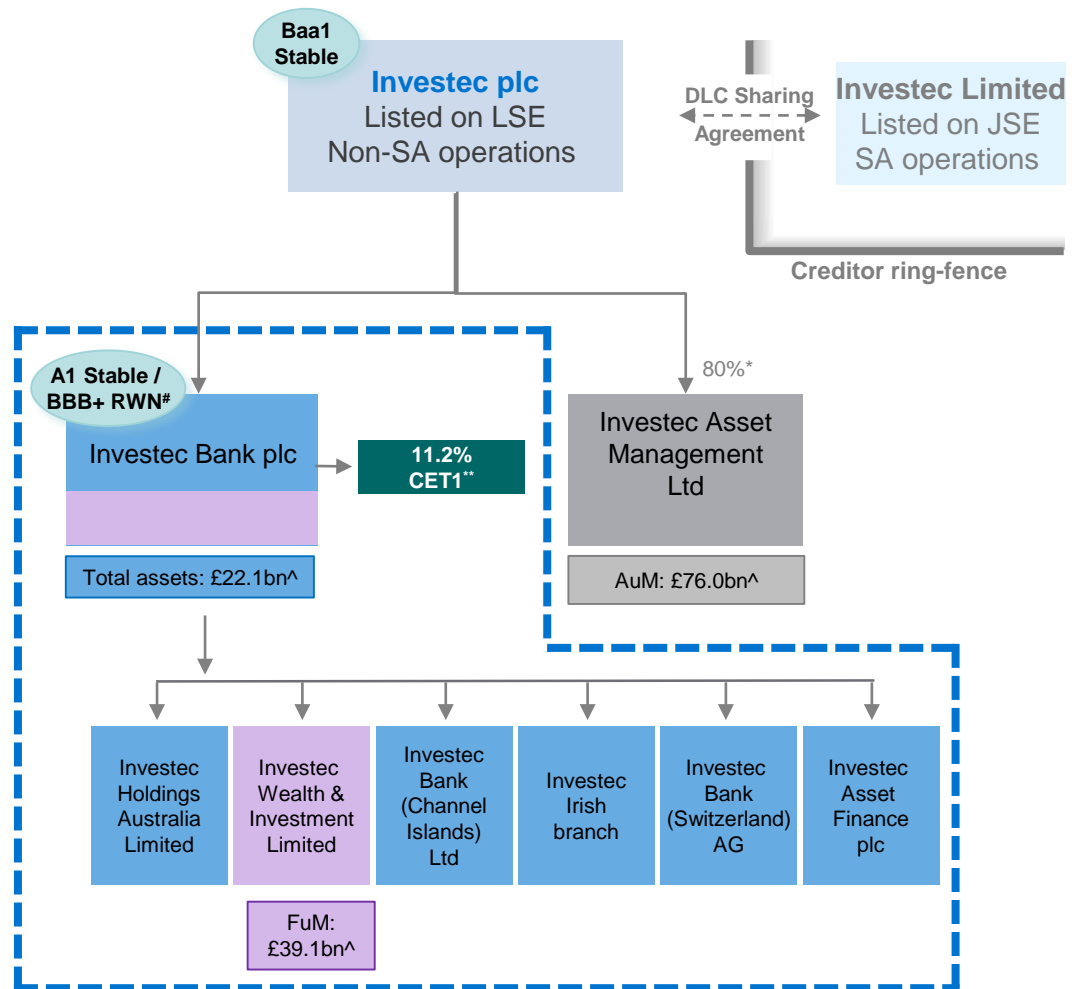
Investec plc: structure and main operating subsidiaries

Features of Investec's structure

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

Features of the Investec Group's DLC structure

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



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

- Specialist banking
- Asset Management
- Wealth & Investment

Investec plc: focusing on capital light activities

- We have realigned our business model and focused on **growing our capital light businesses**
- We have **significantly increased our third party assets under management** - a key capital light annuity income driver - in the Asset Management and Wealth & Investment businesses
- Our total capital light activities **account for 63% of Investec plc's revenue**

CAPITAL LIGHT ACTIVITIES

Third party asset management, advisory and transactional income

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

CAPITAL INTENSIVE ACTIVITIES

Net interest, customer flow trading, investment and associate income

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

CAPITAL LIGHT BUSINESSES

£903mn

63% of total revenue

Net fees and commissions of **£889mn**

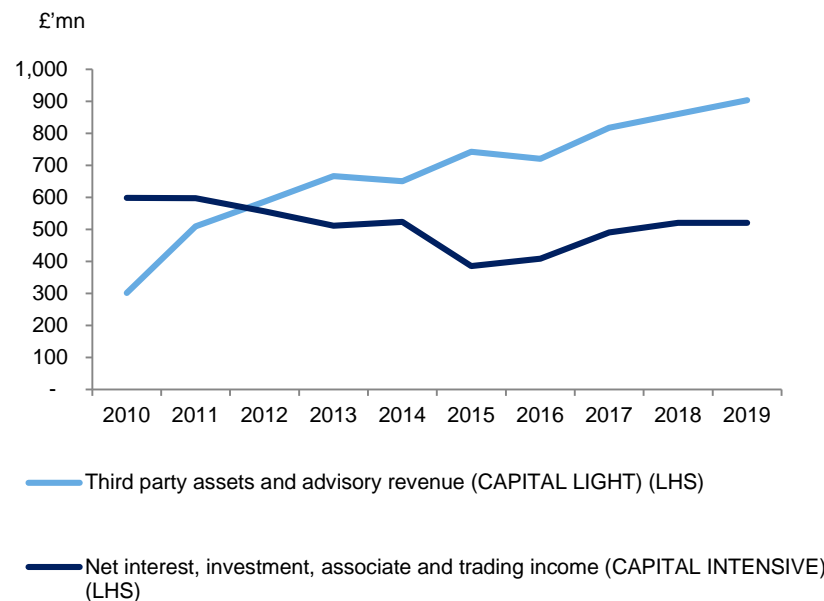
62% of total revenue

Other of

£14mn

1% of total revenue

Investec plc revenues and funds under management



CAPITAL INTENSIVE BUSINESSES

£520mn

37% of total revenue

Net interest income of **£379mn**

27% of total revenue

Customer flow and other trading income of **£105mn**

7% of total revenue

Investment and associate income of **£36mn**

3% of total revenue

Fee and commission income



Types of income



Net interest, customer flow trading, investment and associate income

Investec plc: strategic objectives

Maintain healthy capital ratios

- Always held capital in excess of regulatory requirements
- Targets:
 - Common Equity Tier 1 ratio >10% (10.4% at 31 March 2019)
 - Tier 1 ratio >11% (12.2% at 31 March 2019)
 - Total capital ratio: 14% – 17% (15.4% at 31 March 2019)
 - Leverage ratio >6% (7.7% at 31 March 2019)
- Capital strength maintained without recourse to shareholders, new investors or government assistance

Maintain robust liquidity management philosophy

- Appropriately manage our levels of surplus liquidity and cost of funding
- Maintain high level of readily available, high-quality liquid assets - minimum cash to customer deposit ratio of 25% (53.2% at 31 March 2019)
- Maintain diversified sources of funding

Perpetuate the quality of the balance sheet

Focus on revenue drivers

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

Maintain operational efficiency

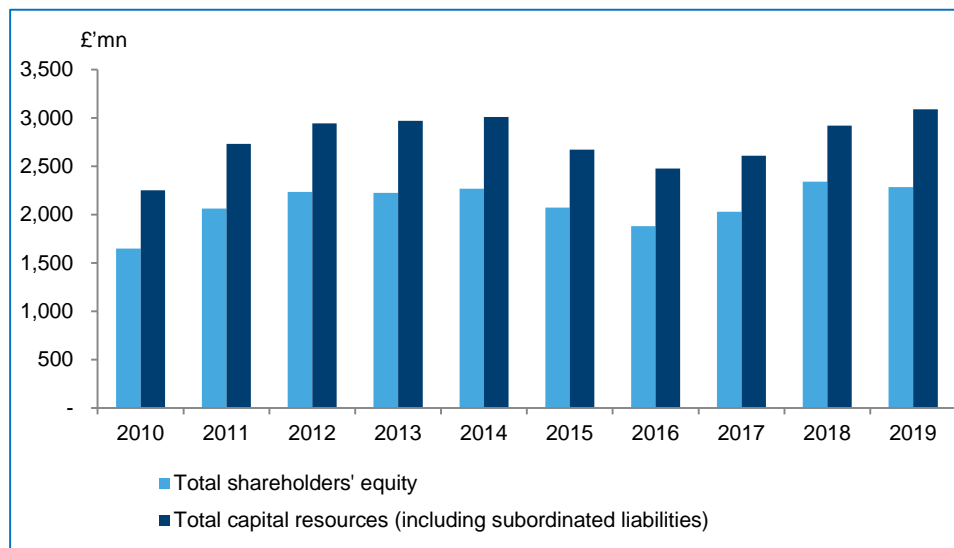
- Investec plc cost to income ratio was 79.3% at 31 March 2019
- Targeting cost to income ratio of below 70%
- Our cost to income ratio has been elevated as we have been investing in infrastructure and resources to grow the franchise, notably the build-out of the Private Bank
- With the investment in the Private Bank largely complete, management is committed to an increased focus on cost discipline
- Our solid corporate franchise should continue to support sound growth in revenue



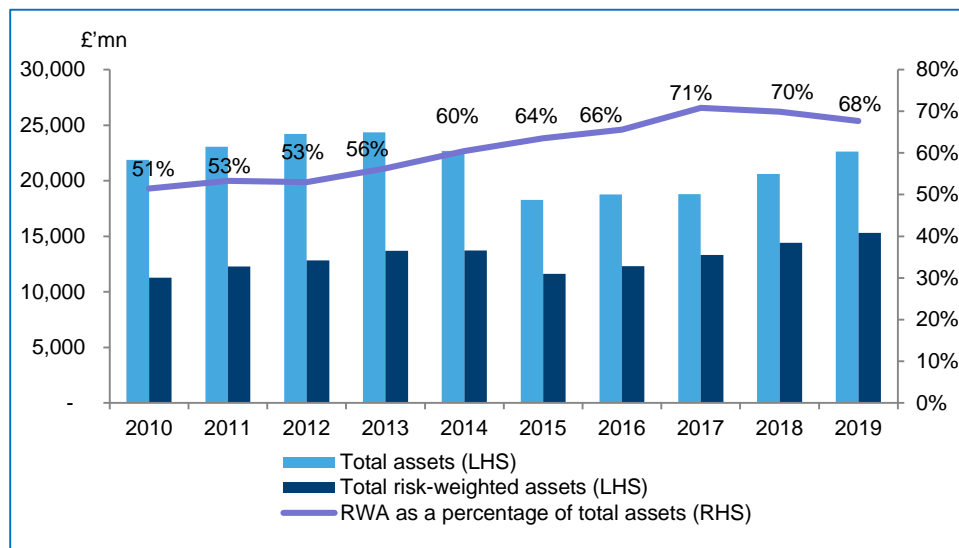
**Investec plc:
sound balance sheet and
operating fundamentals**

Investec plc: sound capital base and capital ratios

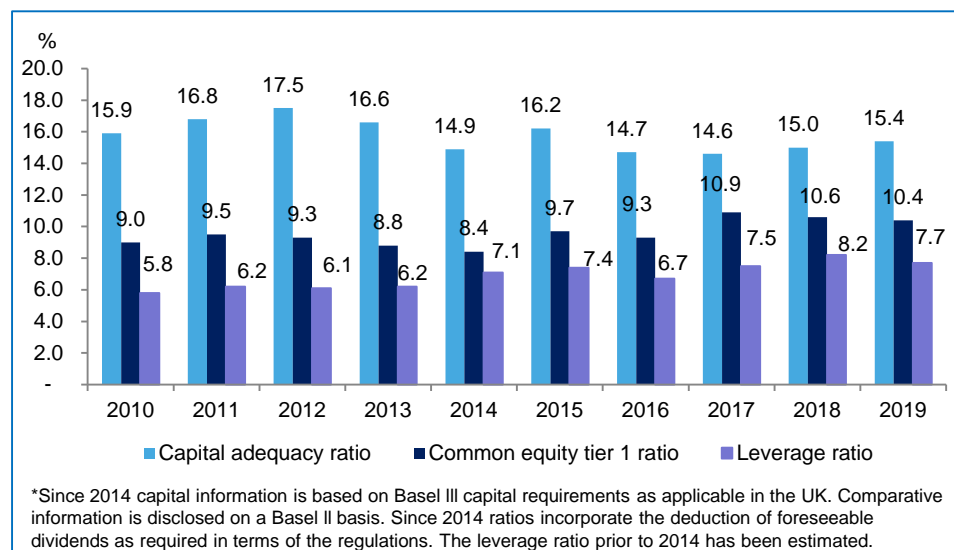
Total capital



Total risk-weighted assets



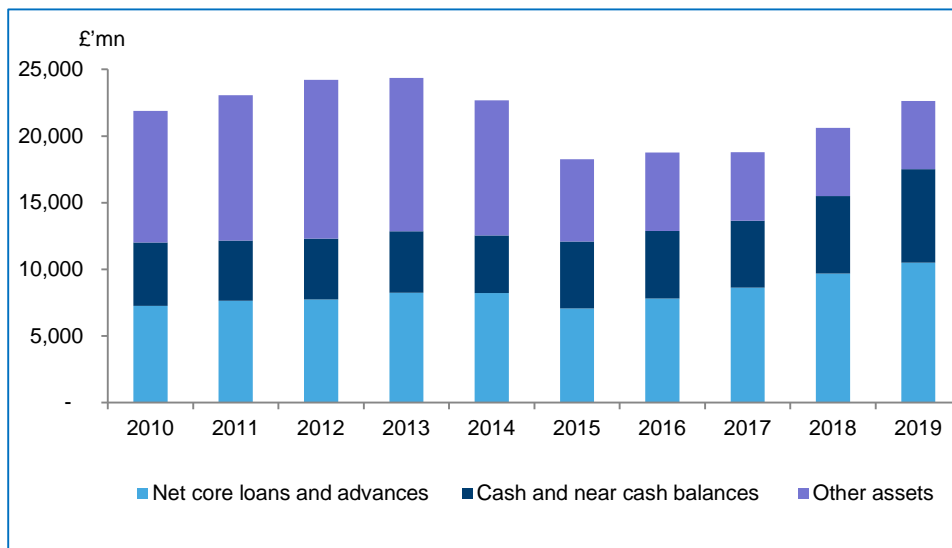
Basel capital ratios*



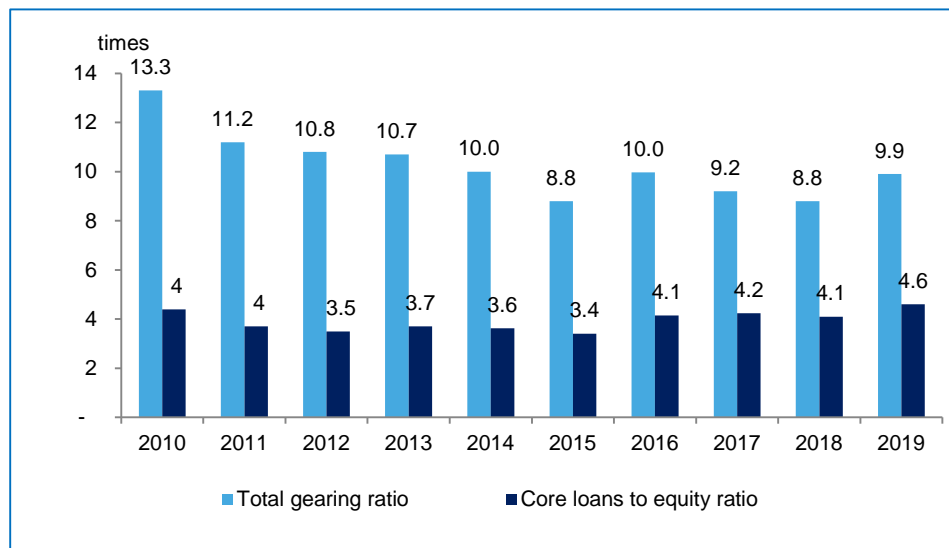
- Investec has always held capital in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised
- Capital targets:
 - Common equity tier 1 target: above 10% (31 March 2019: 10.4%)
 - Total CAR target: 14% – 17% (31 March 2019: 15.4%)
- As we are on the Standardised Approach in terms of Basel III our RWA represent a large portion of our total assets.** As a result we inherently hold more capital than our peers who are on the Advanced Approach
- We have continued to grow our capital base** throughout the crisis without recourse to government and shareholders. Our total shareholders' equity has grown by 68% since 2008 to £2.3bn at 31 March 2019
- 31 March 2019: total capital ratio of 15.4% and common equity tier 1 ratio of 10.4%** (these ratios now incorporate the deduction of foreseeable dividends as required in terms of the regulations. Excluding these adjustments the common equity tier 1 ratio would be 41bps higher)
- Our fully loaded Basel III common equity tier 1 ratio is estimated to be 9.9% and our fully loaded leverage ratio is 7.3%**

Investec plc: low gearing ratios

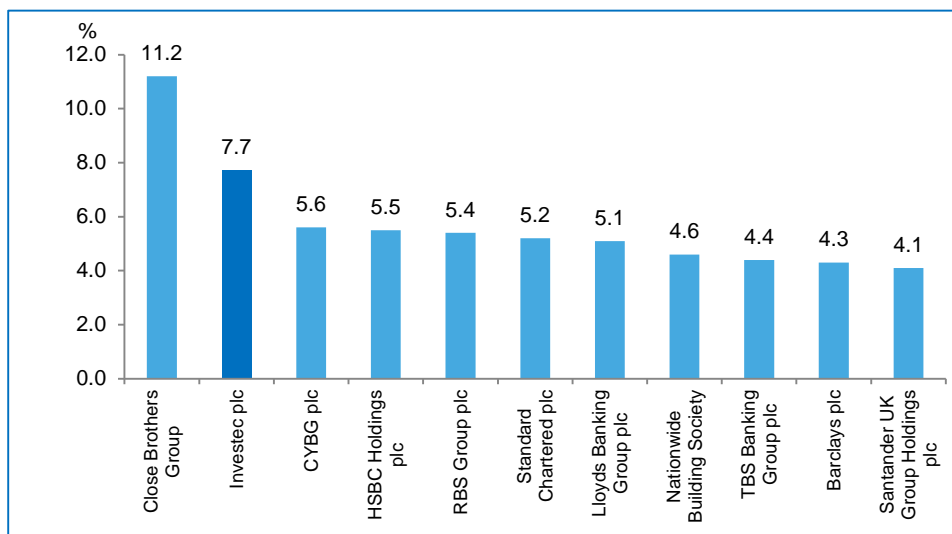
Total assets



Gearing



Regulatory leverage ratios - peer group comparisons*

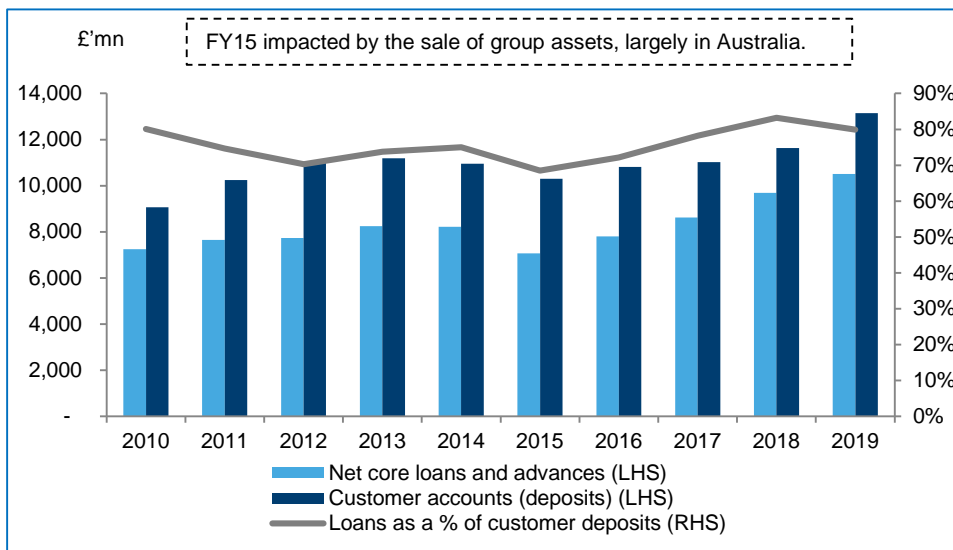


- Our core loans and advances have grown moderately over the past few years with the biggest increase in assets representing an increase in our cash and near cash balances which have grown by approximately 4.4% each year since 2010
- Total assets reduced during FY15 as a result of the group's strategic sales of certain businesses
- **We have maintained low gearing ratios with total gearing at 9.9x and an average of 10.3x since 2010**

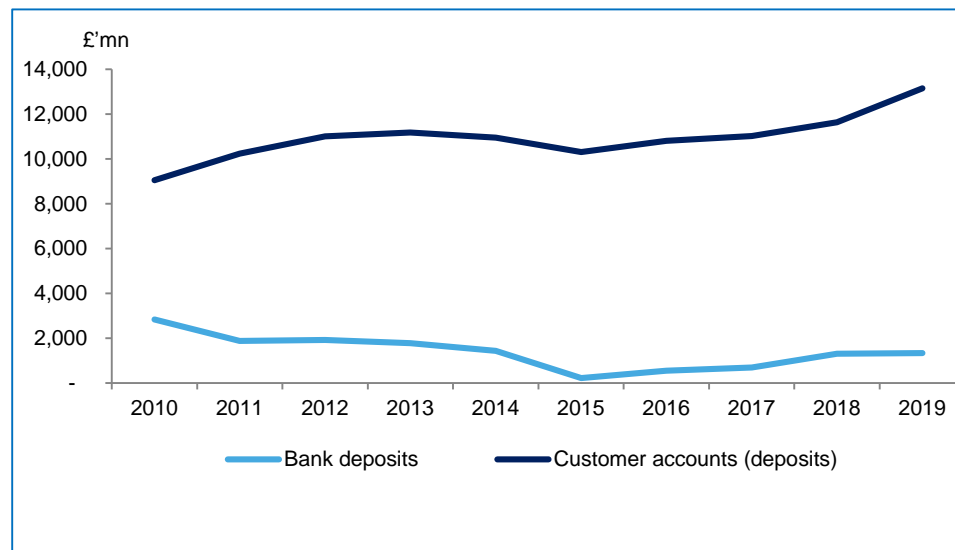
*Source: as disclosed in the latest available year-end annual financial statements (at 31 March 2019)

Investec plc: surplus liquidity

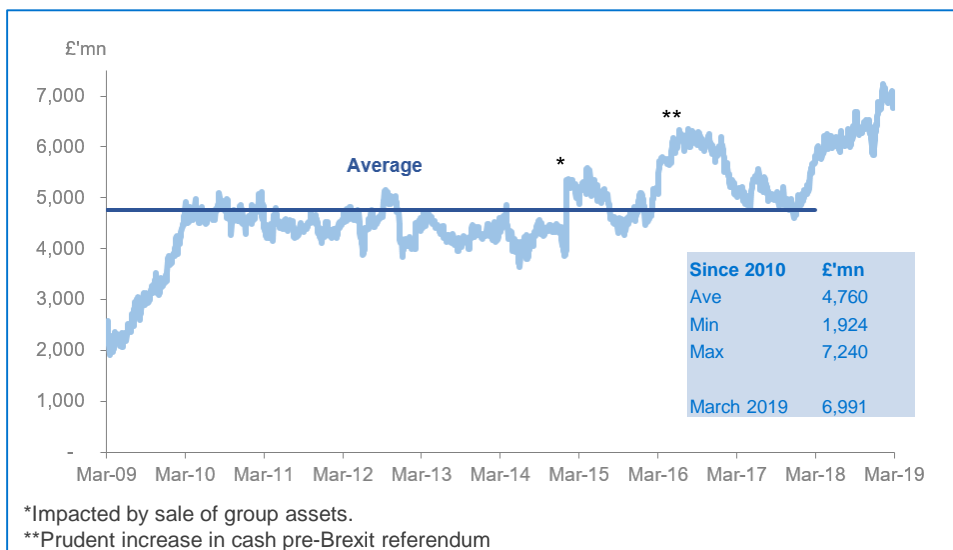
Total loans and deposits



Total deposits – increase in retail deposits



Cash and near cash balances

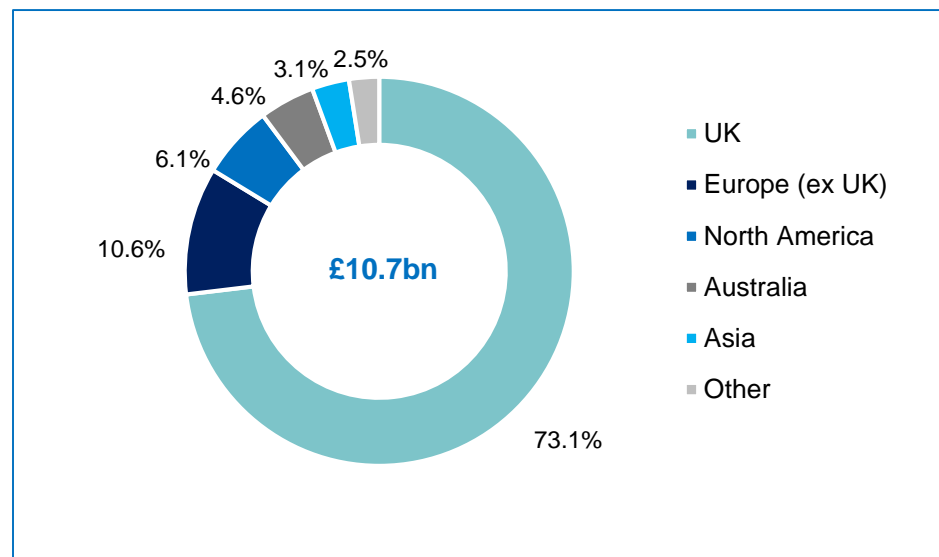


- We exceed Basel III liquidity requirements
- Customer deposits have grown by 45% (c.4% CAGR p.a.) since 2010 to £13.2bn at 31 March 2019
- We maintain a high level of readily available, high quality liquid assets – targeting a minimum cash to customer deposit ratio of 25%. These balances have increased significantly since 2010 to £7.0bn at 31 March 2019 (representing 53.2% of customer deposits)
- Advances as a percentage of customer deposits is at 80.0%
- Fixed and notice customer deposits have continued to grow with our customers display a strong 'stickiness' and willingness to reinvest in our suite of term and notice products.
- The LCR reported to the Prudential Regulatory Authority at 31 March 2019 was 313% for Investec plc (and 291% for Investec Bank plc (solo basis)).

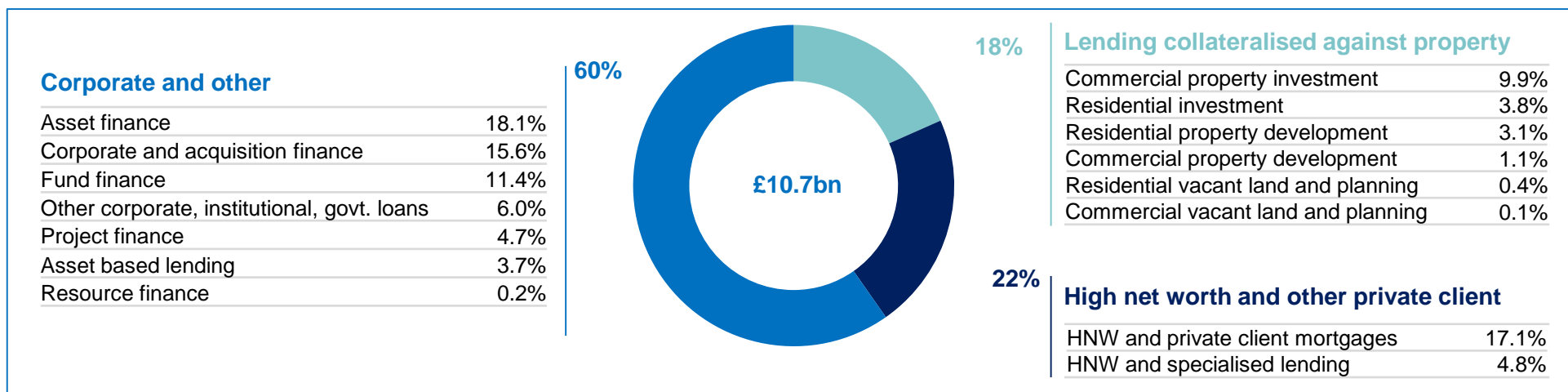
Investec plc: exposures in a select target market

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

Gross core loans by country of exposure at 31 March 2019

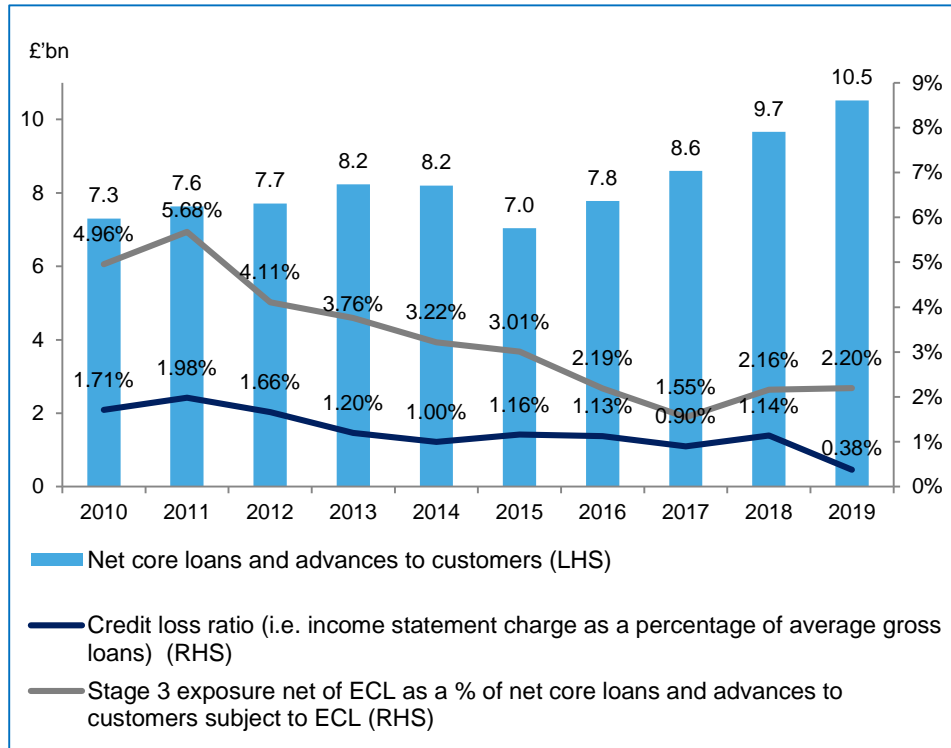


Gross core loans by risk category at 31 March 2019



Investec plc: sound and improving asset quality

Core loans and asset quality

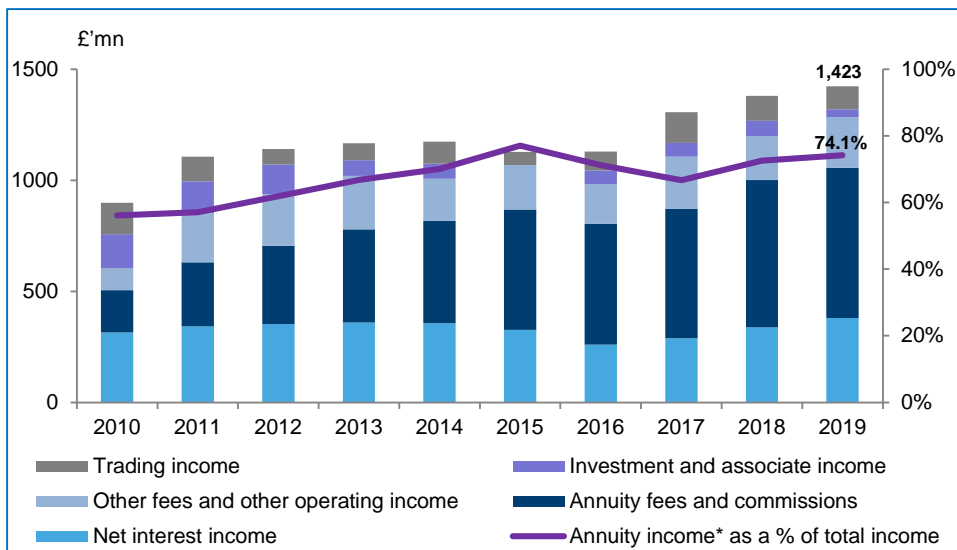


- **Credit quality on core loans and advances for the year ended 31 March 2019:**
 - **Total income statement ECL impairment charges** amounted to £24.6mn, a substantial reduction from £106.1mn in the prior period, primarily reflecting a reduction in legacy impairments
 - The **credit loss ratio[#] reduced** to a normalised level of 0.38% (31 March 2018: 1.14%), and is now within its **long term average range**
 - **Stage 3 exposures net of ECLs decreased from £372mn at 1 April 2018 to £211mn** predominantly driven by a reduction in legacy exposures
 - **Stage 3 exposure net of ECLs as a % of net core loans and advances subject to ECLs** amounted to 2.2% (1 April 2018: 4.3%)

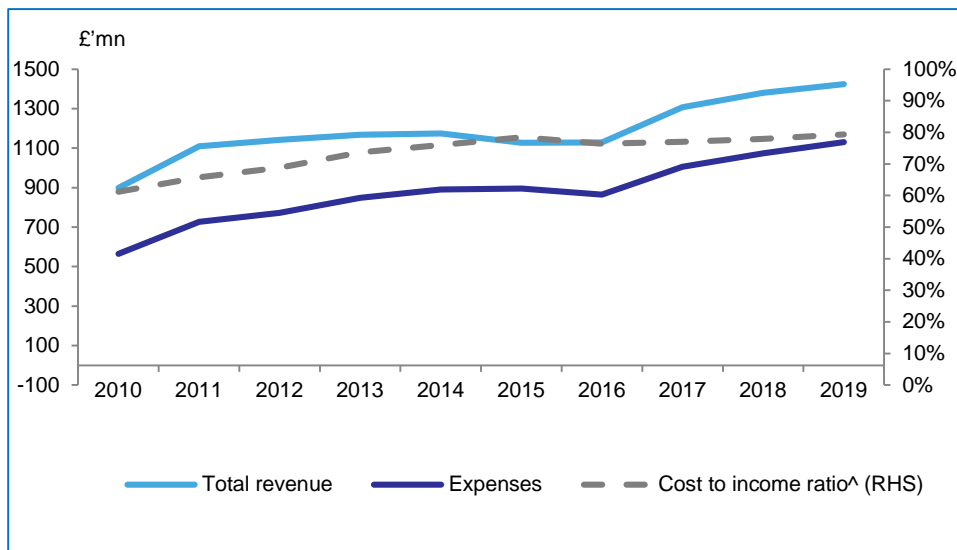
[#]Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL

Investec plc: profitability supported by diversified revenue streams

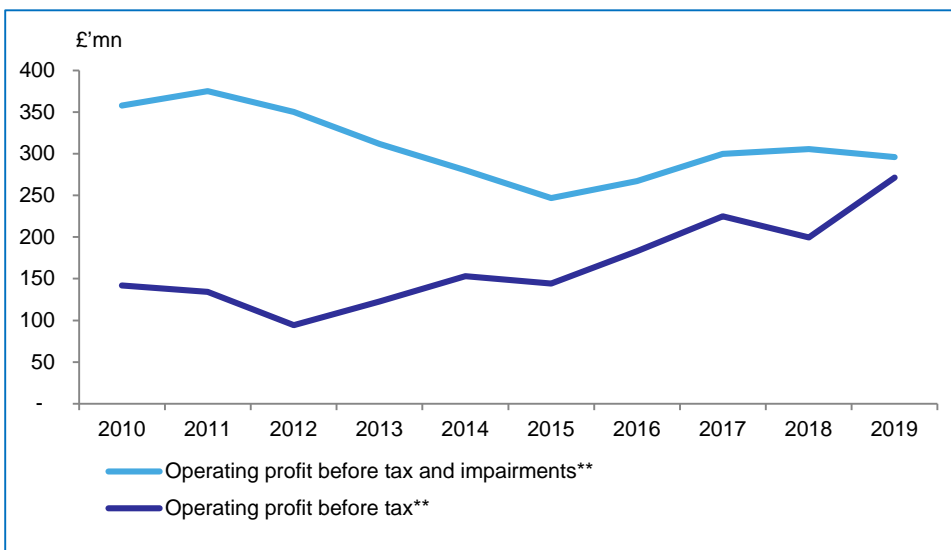
Recurring income



Revenue versus expenses



Operating profit before tax** and impairments



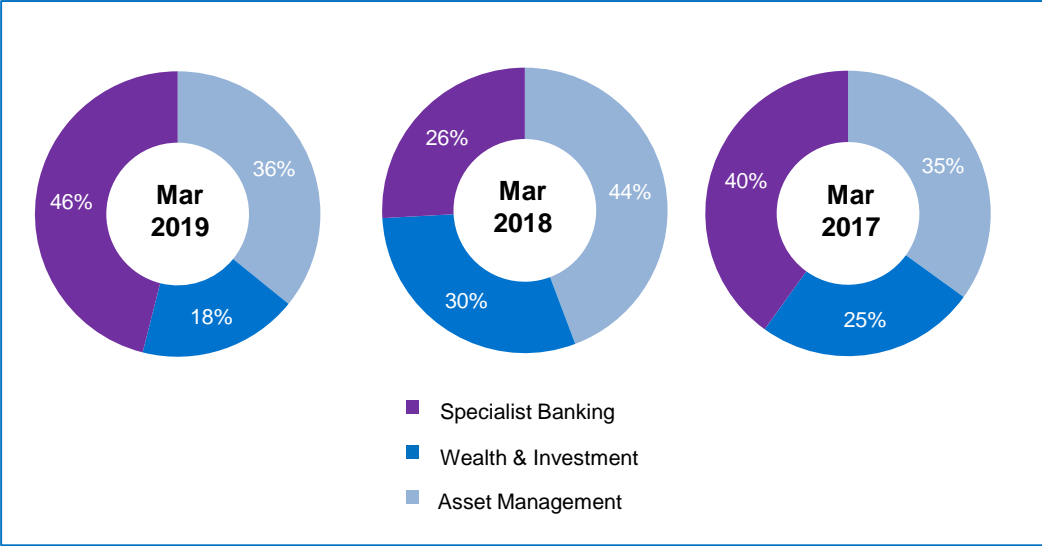
- **We have grown operating profit** (increased by £88mn over the past three years to £271mn; CAGR of 14%)
- Since 2008 results have been impacted by elevated impairments driven by the legacy portfolio. This is particularly evident in the 2018 financial year as increased impairments were recognised in anticipation of accelerated exits on certain legacy assets. This is not expected to be repeated, as evident in the 2019 financial year there was no repeat of prior substantial legacy losses
- We are focusing on **managing costs** while building for the future
- We have a **solid recurring income base** comprising net interest income and recurring fees which has been enhanced by the growth in our asset and wealth management businesses

*Where annuity income is net interest income and annuity fees. ^The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income before ECL (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests). **Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.

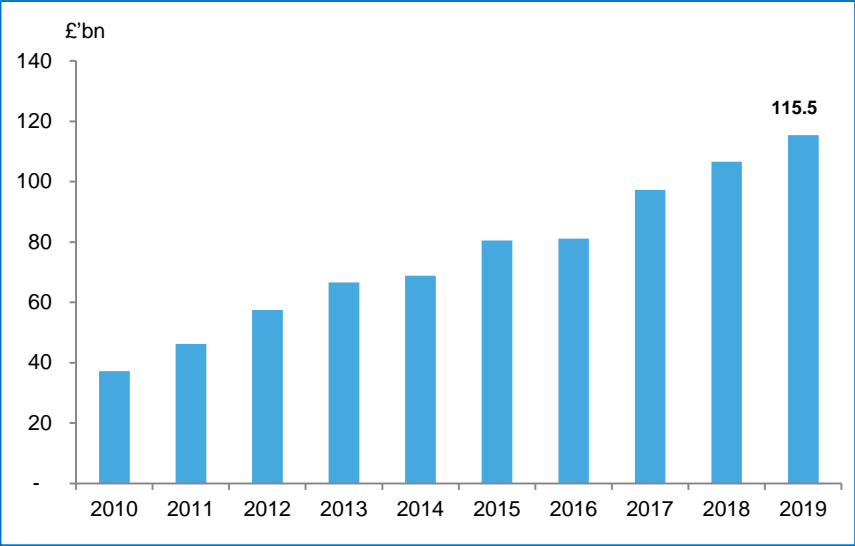
Investec plc: we have realigned the business model

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

% contribution to operating profit*



Funds under management



Results are shown for the year-ended 31 March, unless otherwise indicated.
 *Before goodwill, acquired intangibles, non-operating items, group costs and taxation and after other non-controlling interests.

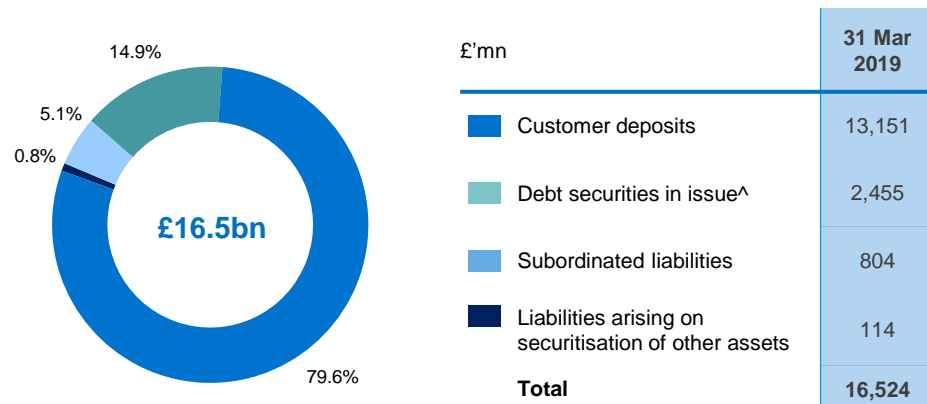
Investec plc: diversified funding strategy and credit ratings

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

Conservative and prudent funding strategy

- ➔ **Maintaining a high base of high-quality liquid assets**
- ➔ **Diversifying funding sources**
- ➔ **Limiting concentration risk**
- ➔ **Low reliance on wholesale funding**
- ➔ **Maintaining a stable retail deposit franchise**

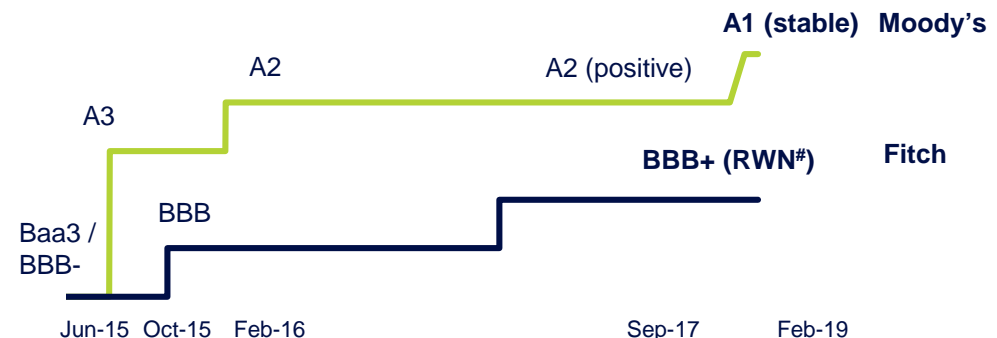
Selected funding sources



Credit ratings*

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

IBP's long-term ratings



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

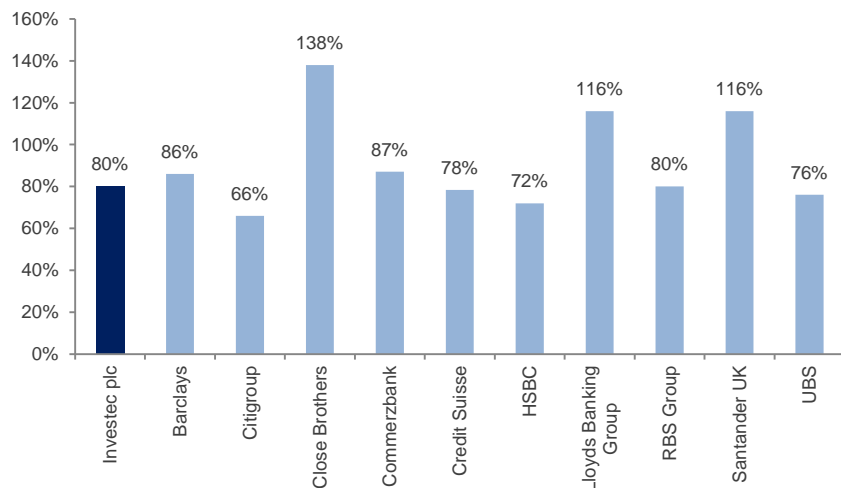
#Rating Watch Negative



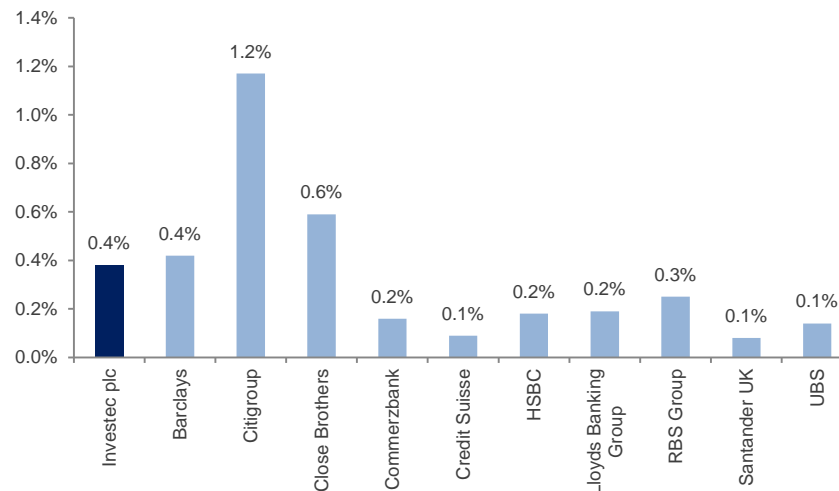
Investec plc: peer analysis

Investec plc: peer group comparisons

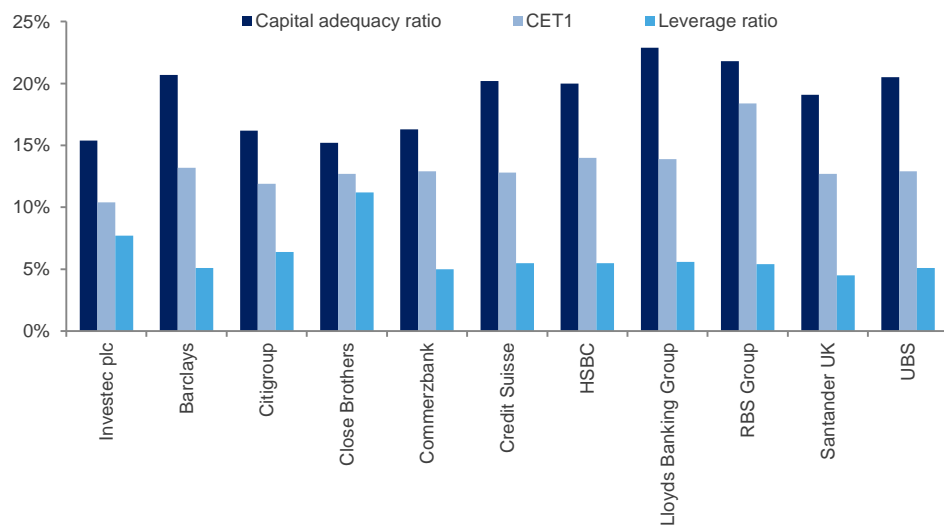
Funding: Advances to customers: customer deposits (smaller number is better)



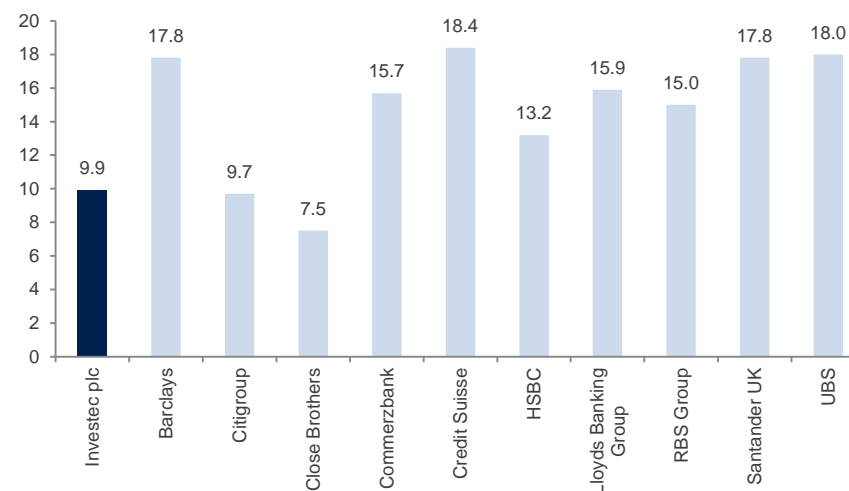
Credit loss ratio: P&L impairments as a % of average advances (smaller number is better)



Capital ratios: (larger number is better)



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



Investec plc: peer group comparisons

Definitions and/or explanations of certain ratios:

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



Investec plc - appendices

Investec plc: salient financial features

Key financial statistics	31 March 2019	31 March 2018	% change
Total operating income before expected credit losses/impairment losses (£'000)	1 423 433	1 380 220	3.1%
Operating costs (£'000)	1 129 976	1 074 112	5.2%
Operating profit before goodwill and acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	271 246	199 357	36.1%
Earnings attributable to ordinary shareholders (£'000)	189 183	135 231	39.9%
Cost to income ratio (%)	79.3%	77.9%	
Total capital resources (including subordinated liabilities) (£'000)	3 088 971	2 920 374	5.8%
Total shareholder's equity (£'000)	2 285 272	2 340 701	(2.4%)
Total assets (£'000)	22 636 653	20 611 752	9.8%
Net core loans and advances (£'000)	10 514 251	9 687 224	8.5%
Customer accounts (deposits) (£'000)	13 150 824	11 637 497	13.0%
Loans and advances to customers as a % of customer deposits	80.0%	83.2%	
Cash and near cash balances (£'000)	6 991 462	5 813 418	20.3%
Funds under management (£'mn)	115 450	106 647	8.3%
Total gearing ratio (i.e. total assets to equity)	9.9x	8.8x	

Key asset quality and capital ratios	31 March 2019	1 April 2018
Total capital ratio	15.4%	14.5%
Tier 1 ratio	12.2%	12.0%
CET 1 ratio	10.4%	10.1%
Leverage ratio – current	7.7%	8.0%
Leverage ratio – 'fully loaded'^	7.3%	7.7%
Stage 3 exposure as a % of gross core loans and advances to customers subject to ECL	3.2%	6.3%
Stage 3 exposure net of ECL as a % of net core loans and advances to customers subject to ECL	2.2%	4.3%
Credit loss ratio#	0.38%	1.14%**

^ Based on group's understanding of current regulations, 'fully loaded' is based on Capital Requirements Regulation requirements as fully phased in by 2022, including full adoption of IFRS 9

** As at 31 March 2018

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

Investec plc: income statement

£'000	31 March 2019	31 Mar 2018	% change
Interest income	728 003	599 410	21.5%
Interest expense	(348 514)	(261 830)	33.1%
Net interest income	379 489	337 580	12.4%
Fee and commission income	1 072 767	1 005 635	6.7%
Fee and commission expense	(183 536)	(155 701)	17.9%
Investment income	32 674	68 516	(52.3%)
Share of post taxation operating profit	3 100	1 436	115.9%
Trading income arising from			
- customer flow	86 766	114 402	(24.2%)
- balance sheet management and other trading activities	17 924	(2 069)	<100.0%
Other operating income	14 249	10 421	36.7%
Total operating income before expected credit losses/impairment losses	1 423 433	1 380 220	3.1%
Expected credit loss impairment charges*	(24 553)	-	
Impairment losses on loans and advances*	-	(106 085)	
Operating income	1 398 880	1 274 135	9.8%
Operating costs	(1 129 976)	(1 074 112)	5.2%
Depreciation on operating leased assets	(2 137)	(2 350)	(9.1%)
Operating profit before goodwill and acquired intangibles	266 767	197 673	35.0%
Amortisation of acquired intangibles	(12 958)	(13 273)	(2.4%)
Operating profit	253 809	184 400	37.6%
Financial impact of group restructures	(19 044)	-	
Profit before taxation	234 765	184 400	27.3%
Taxation on operating profit before goodwill and acquired intangibles	(39 102)	(38 509)	1.5%
Taxation on goodwill and acquired intangibles	4 983	2 418	106.1%
Profit after taxation	200 646	148 309	35.3%
Profit attributable to Asset Management non-controlling interests	(15 942)	(14 762)	8.0%
Loss attributable to non-controlling interests	4 479	1 684	166.0%
Earnings attributable to shareholder	189 183	135 231	39.9%

* On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.

Investec plc: balance sheet

£'000	31 March 2019	1 April 2018*	% change
Assets			
Cash and balances at central banks	4 445 431	3 487 717	27.5%
Loans and advances to banks	1 164 051	1 002 972	16.1%
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	750 102	(15.6%)
Sovereign debt securities	1 298 947	1 155 472	12.4%
Bank debt securities	52 265	113 274	(53.9%)
Other debt securities	498 265	272 064	83.1%
Derivative financial instruments	625 550	591 912	5.7%
Securities arising from trading activities	798 224	701 728	13.8%
Investment portfolio	493 268	477 919	3.2%
Loans and advances to customers	10 515 665	9 563 700	10.0%
Other loans and advances	207 863	358 864	(42.1%)
Other securitised assets	118 143	132 172	(10.6%)
Interests in associated undertakings	53 451	77 059	(30.6%)
Deferred taxation assets	148 351	162 192	(8.5%)
Other assets	1 028 611	1 169 579	(12.1%)
Property and equipment	99 796	54 493	83.1%
Investment properties	14 500	14 500	-
Goodwill	356 048	356 265	(0.1%)
Intangible assets	85 022	100 585	(15.5%)
	22 636 653	20 542 569	10.2%

* The 1 April 2018 balance sheet has been presented on an IFRS 9 basis

Investec plc: balance sheet (continued)

£'000	31 March 2019	1 April 2018*	% change
Liabilities			
Deposits by banks	1 330 843	1 308 202	1.7%
Derivative financial instruments	707 692	533 319	32.7%
Other trading liabilities	80 217	103 496	(22.5%)
Repurchase agreements and cash collateral on securities lent	314 335	168 640	86.4%
Customer accounts (deposits)	13 150 824	11 637 497	13.0%
Debt securities in issue	2 454 551	2 341 134	4.8%
Liabilities arising on securitisation of own originated loans and advances	113 711	127 853	(11.1%)
Current taxation liabilities	131 896	152 355	(13.4%)
Deferred taxation liabilities	20 704	21 892	(5.4%)
Other liabilities	1 242 909	1 302 847	(4.6%)
	19 547 682	17 697 235	10.5%
Subordinated liabilities	803 699	716 564	12.2%
	20 351 381	18 413 799	10.5%
Equity			
Ordinary share capital	200	195	2.6%
Perpetual preference share capital	29	29	-
Share premium	1 382 732	1 317 115	5.0%
Treasury shares	(113 651)	(102 876)	10.5%
Other reserves	(175 878)	(182 168)	(3.5%)
Retained income	928 753	830 725	11.8%
Shareholder's equity excluding non-controlling interests	2 022 185	1 863 020	8.5%
Additional Tier 1 securities in issue	250 000	250 000	-
Non-controlling interests in partially held subsidiaries	13 087	15 750	(16.9%)
Total equity	2 285 272	2 128 770	7.4%
Total liabilities and equity	22 636 653	20 542 569	10.2%

* The 1 April 2018 balance sheet has been presented on an IFRS 9 basis

Investec plc: segmental analysis of operating profit

For the year to 31 March 2019 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	568	9 189	369 732	-	379 489
Fee and commission income	549 113	306 165	217 489	-	1 072 767
Fee and commission expense	(170 933)	(724)	(11 879)	-	(183 536)
Investment income	-	1 185	31 489	-	32 674
Share of post tax operating profit of associates	-	-	3 100	-	3 100
Trading income arising from					
- customer flow	-	793	85 973	-	86 766
- balance sheet management and other trading activities	5 120	(1)	12 805	-	17 924
Other operating income	3 773	342	10 134	-	14 249
Total operating income before impairment losses on loans and advances	387 641	316 949	718 843	-	1 423 433
Expected credit loss charges*	7	(24)	(24 536)	-	(24 553)
Operating income	387 648	316 925	694 307	-	1 398 880
Operating costs	(279 813)	(260 562)	(558 083)	(31 518)	(1 129 976)
Depreciation on operating leased assets	-	-	(2 137)	-	(2 137)
Operating profit before goodwill and acquired intangibles	107 835	56 363	134 087	(31 518)	266 767
Operating loss attributable to other non-controlling interests	-	-	4 479	-	4 479
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	107 835	56 363	138 566	(31 518)	271 246
Operating profit attributable to Asset Management non-controlling interests	(15 942)	-	-	-	(15 942)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	91 893	56 363	138 566	(31 518)	255 304
Cost to income ratio	72.2%	82.2%	77.4%	n/a	79.3%

*On adoption of IFRS 9, there is a move from incurred loss model to an expected credit loss methodology

Investec plc: segmental analysis of operating profit

For the year to 31 March 2018 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	242	5 181	332 157	-	337 580
Fee and commission income	500 670	297 629	207 336	-	1 005 635
Fee and commission expense	(145 440)	(722)	(9 539)	-	(155 701)
Investment income	(47)	10 446	58 117	-	68 516
Share of post tax operating profit of associates	-	416	1 020	-	1 436
Trading income arising from					
- customer flow	-	1 032	113 370	-	114 402
- balance sheet management and other trading activities	(5 189)	(7)	3 127	-	(2 069)
Other operating income	2 131	235	8 055	-	10 421
Total operating income before impairment losses on loans and advances	352 367	314 210	713 643	-	1 380 220
Impairment losses on loans and advances	-	-	(106 085)	-	(106 085)
Operating income	352 367	314 210	607 558	-	1 274 135
Operating costs	(248 449)	(244 940)	(546 934)	(33 789)	(1 074 112)
Depreciation on operating leased assets	-	-	(2 350)	-	(2 350)
Operating profit before goodwill and acquired intangibles	103 918	69 270	58 274	(33 789)	197 673
Operating loss attributable to other non-controlling interests	-	-	1 684	-	1 684
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	103 918	69 270	59 958	(33 789)	199 357
Operating profit attributable to Asset Management non-controlling interests	(14 762)	-	-	-	(14 762)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	89 156	69 270	59 958	(33 789)	184 595
Cost to income ratio	70.5%	78.0%	76.7%	n/a	77.9%

Investec plc: asset quality under IFRS 9

£'million	31 March 2019	1 April 2018
Gross core loans and advances to customers subject to ECL	9 891	8 901
Stage 1	8 996	7 743
Stage 2	576	594
<i>of which past due greater than 30 days</i>	13	18
Stage 3	319	564
<i>Ongoing (excluding Legacy) stage 3*</i>	149	221
Gross core loans and advances to customers subject to ECL (%)		
Stage 1	91.0%	87.0%
Stage 2	5.8%	6.7%
Stage 3	3.2%	6.3%
<i>Ongoing (excluding Legacy) stage 3*</i>	1.5%	2.6%
Stage 3 net of ECL	211	372
<i>Of which (excluding Legacy)* stage 3 net of ECL</i>	114	176
Aggregate collateral and other credit enhancements on stage 3	228	414
Stage 3 net of ECL and collateral	-	-
Stage 3 as a % of gross core loans and advances to customers subject to ECL	3.2%	6.3%
<i>Of which (excluding Legacy)* stage 3 net of ECL</i>	1.5%	2.6%
Total ECL impairments as a % of stage 3 exposure	46.7%	44.0%
Stage 3 net of ECL as a % of net core loans and advances to customers subject to ECL	2.2%	4.3%
<i>Of which (excluding Legacy)* stage 3 net of ECL</i>	1.2%	2.0%

* Ongoing information, as separately disclosed from 2014 to 2019, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking

Investec plc: capital adequacy

£'million	31 March 2019	1 April 2018
Tier 1 capital		
Shareholders' equity	1 918	1 765
Non-controlling interests	7	12
Regulatory adjustments to the accounting basis	110	142
Deductions	(447)	(460)
Common equity tier 1 capital	1 588	1 459
Additional tier 1 capital	274	274
Tier 1 capital	1 862	1 733
Tier 2 capital	489	368
Total regulatory capital	2 351	2 101
Risk-weighted assets^^	15 313	14 444
Capital ratios^^		
Common equity tier 1 ratio	10.4%	10.1%
Tier 1 ratio	12.2%	12.0%
Total capital ratio	15.4%	14.5%

*The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating common equity tier (CET) 1 capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include the deduction for foreseeable charges and dividends when calculating CET 1 capital. Investec plc's CET 1 ratio would be 41bps (31 March 2018: 45bps) higher on this basis.

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