INTERIM REPORT 2019

for the six months ended 30 September 2019

Investec

Cross reference tools

ALTERNATIVE PERFORMANCE MEASURES

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information. These measures are highlighted with the symbol

The description of alternative performance measures and their calculation is provided in the alternative performance measures section.

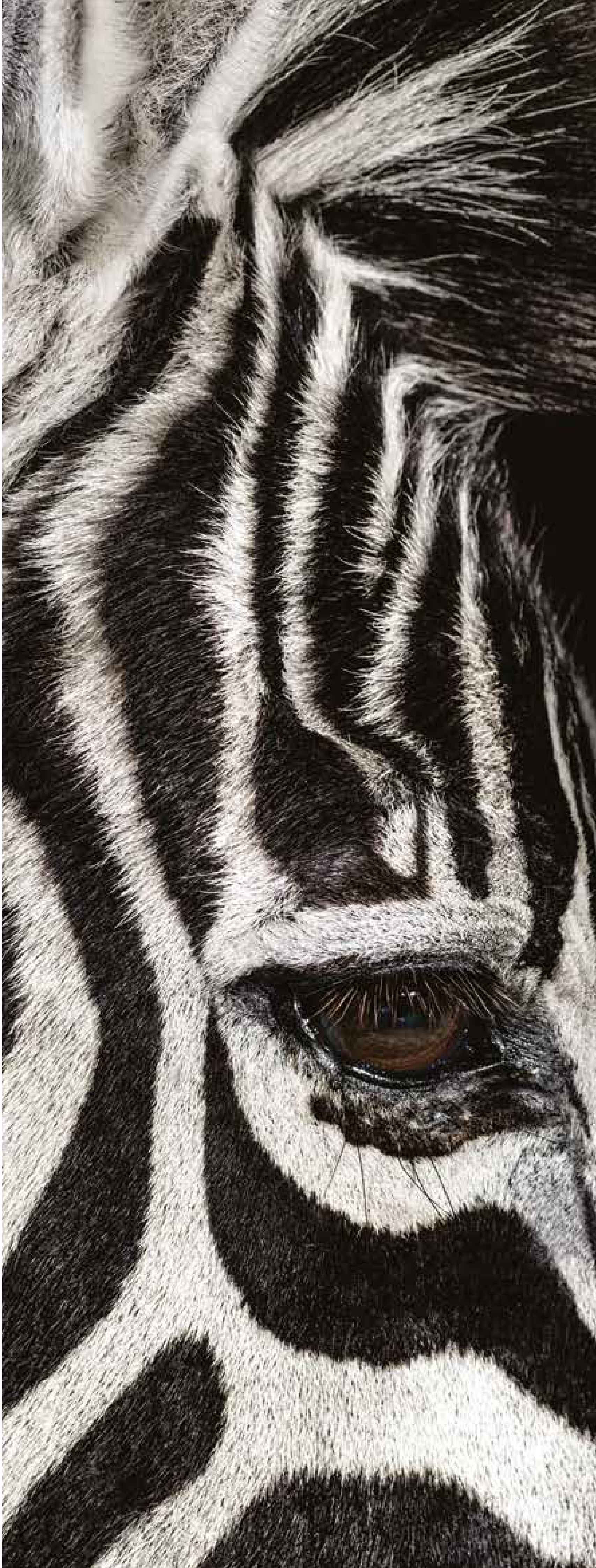
PAGE REFERENCES

Refers readers to information elsewhere in this report

WEBSITE

www

Indicates that additional information is available on our website: www.investec.com



CONTENTS

Our strategy

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

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

Our 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.

The Investec distinction

CLIENT FOCUSED APPROACH

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High-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 operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

STRONG CULTURE

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

Divisional strategic focus

Asset Management

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

Bank and Wealth

- Enhance 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
- Expand connectivity across the organisation
- Bolster digital capabilities

Strategic review and demerger of the Investec Asset Management business

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

Our diversified and balanced business model supporting long-term strategy

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

Asset Management	Specialist Banking	Wealth & Investment
Operating completely independently		
Corporate / institutional / government		Private client (high net worth / high income) / charities / trusts
• Investment management services to external clients	• Lending • Transactional banking • Treasury solutions • Advisory • Investment activities • Deposit raising activities	• Investment management services • Independent financial planning advice

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

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

CAPITAL LIGHT ACTIVITIES

55%

Contributed to group income

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

BALANCE SHEET DRIVEN ACTIVITIES

45%

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**

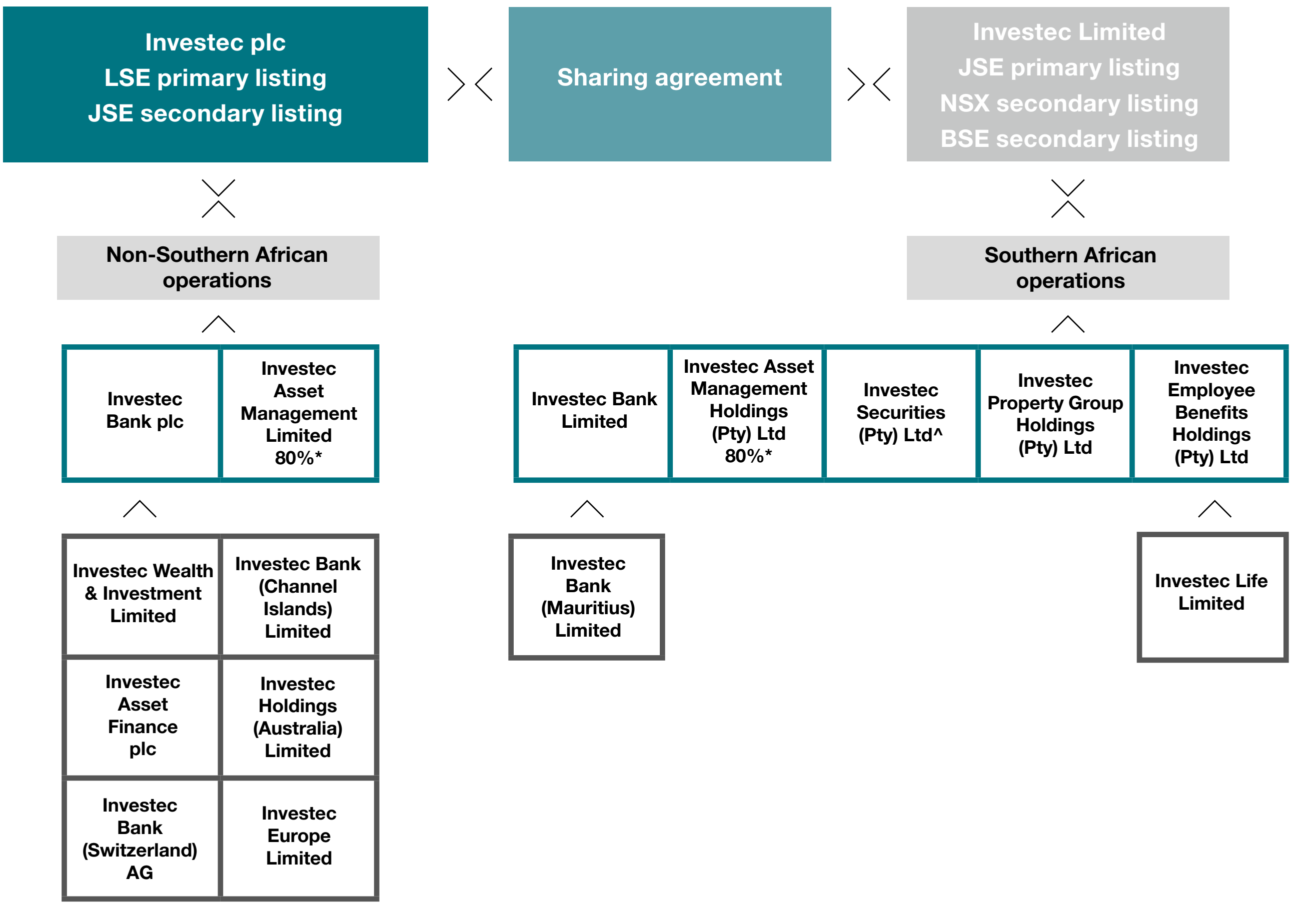
Operating structure

During July 2002, Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

In terms of our DLC structure, Investec Limited is the holding company of our businesses in Southern Africa and Mauritius, and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec plc on the LSE (since 2002).

www ***A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.***

Our DLC structure and main operating subsidiaries at 30 September 2019



All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

* *Senior management in the company hold 20% minus one share (31 March 2019: 20% minus one share).*

^ *Houses the Wealth & Investment business.*

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

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OVERVIEW OF RESULTS

Basis of presentation

This overview covers the statutory results of the Investec group for the six months ended 30 September 2019 (1H20). The financial impact of strategic actions undertaken to simplify and focus the group has been separately disclosed from adjusted operating profit. These actions include the closure, sale and restructure of certain businesses. The prior period has been restated to reflect a like-for-like basis. Unless stated otherwise, comparatives relate to the restated six month period ended 30 September 2018 (1H19). Further information can be found on pages 46 and 47.

Solid performance against challenging market conditions

- The Group has delivered a solid operational performance with results in line with the pre-close trading update.
- Group adjusted operating profit of £373.6 million was broadly consistent with the prior period (1.7% behind prior period and in line on a neutral currency basis).
- Asset Management generated strong net inflows of £3.2 billion, which, together with supportive markets, boosted average assets under management (AUM) and increased adjusted operating profit by 6.3%.
- The Specialist Banking business had a sound performance from its lending franchises. The South African Specialist Bank's adjusted operating profit increased by 6.7% (8.5% in Rands). The UK Specialist Bank demonstrated cost discipline, achieving a reduction of 9.1% (£25 million) in operating costs. The decrease in the UK Specialist Bank's adjusted operating profit of 18.9% reflects lower investment banking fees in weak market conditions and base effects of a liability management exercise to restructure subordinated debt in the prior period, which boosted prior year adjusted operating profit.
- Wealth & Investment generated positive net inflows with growth in AUM supporting higher revenue. An increase in technology spend to support growth over the longer term, as well as higher than expected regulatory levies in the UK, resulted in a decrease in adjusted operating profit of 10.8%.
- Group net asset value per share increased 3.3% since 31 March 2019.
- Group return on equity (ROE) is 13.1% (2018: 14.2%). The group contained costs in a challenging environment and maintained the cost to income ratio at 67.3%. We are committed to improving these ratios.
- The Bank and Wealth business remains fully committed to delivering its 2022 financial year targets.
- The Group declared an interim dividend of 11p per share, in line with the prior period.

Financial highlights[1]	**1H20**	1H19[2]	% change	Neutral currency % change
Adjusted operating profit (£'m)	**373.6**	379.9	(1.7%)	0.0%
Adjusted earnings attributable to shareholders (£'m)	**273.6**	282.1	(3.0%)	(1.4%)
Adjusted basic earnings per share (pence)	**28.9**	30.1	(4.0%)	(2.7%)
Basic earnings per share (pence)	**24.7**	27.6	(10.5%)	(9.1%)
Headline earnings per share (pence)	**22.7**	27.4	(17.2%)	(15.7%)
Dividend per share (pence)	**11.0**	11.0		
Dividend cover (times)	**2.6**	2.7		
Annualised credit loss ratio	**0.23%**	0.34%		
Cost to income ratio	**67.3%**	67.2%		
ROE	**13.1%**	14.2%		

[1] *Refer to definitions on pages 157 to 159.*
[2] *Restated. Refer to page 46 for further detail.*

	30 September 2019	31 March 2019	% change	Neutral currency % change
Third party assets under management (£'bn)	**177.9**	167.2	6.4%	6.2%
Customer accounts (deposits) (£'bn)	**32.0**	31.3	2.3%	2.0%
Core loans and advances (£'bn)	**25.4**	24.9	2.0%	1.7%
Common equity tier 1 ratio - Investec Limited	**11.6%**	10.5%[3]		
Common equity tier 1 ratio - Investec plc	**10.7%**	10.8%		
Leverage ratio[4] - Investec Limited	**7.3%**	7.6%		
Leverage ratio[4] - Investec plc	**7.8%**	7.9%		
Net asset value per share (pence)	**448.3**	434.1	3.3%	2.5%

[3] *Investec Limited adopted the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019, resulting in a pro-forma CET1 ratio of 11.6% had the FIRB approach been applied as of 31 March 2019.*

[4] *Current Leverage ratios calculated on an end quarter basis.*

Strategic and operational highlights

- We remain committed to our objective of simplifying and focusing the business in pursuit of growth over the long term.
- The proposed demerger and separate listing of Investec Asset Management is on track, with key regulatory approvals received and publication of the related Shareholder Circular expected around the end of this month.
- We are growing our client base across the businesses, evidenced by an increase in assets under management, customer deposits and the loan book.
- We have continued to grow the client base in the Private Banking business in both the UK and South Africa and have made good progress in implementing our business banking offerings. Collaborative initiatives across the Bank and Wealth business, including our digital private client investment management platform in South Africa and our newly launched intermediary offerings in both geographies, should further extend the client base.
- We have taken decisive action to further focus the Bank and Wealth business (closure of the Click & Invest operations, closure and rundown of the Hong Kong direct investments business, sale of the Irish Wealth & Investment business, restructure of the Irish branch, sale of the UK Property Fund). This will continue where necessary.
- The cost of these strategic actions, including the costs incurred in relation to the proposed demerger, of £45.3 million (2018: £20.7 million) have been disclosed separately from adjusted operating profit.
- We remain focused on cost containment. The Bank and Wealth business has identified executable central Group cost savings of approximately £10 million and infrastructure rationalisation opportunities of approximately £7.5 million by the end of the 2021 financial year and will continue to review the cost base.
- Strategies to reduce the equity investment portfolio over the medium term are progressing. We will aim for optimal timing and intend to maximize value. Implementation of these strategies is expected to result in an approximate R2.5 billion reduction in required capital.
- We have successfully converted to the Foundation Internal Ratings Based (FIRB) measurement of credit capital in South Africa, resulting in a 1.1% uplift to the Investec Limited CET1 ratio, effective 1 April 2019. Application has been made to adopt the Advanced Internal Ratings Based (AIRB) approach in South Africa, with an estimated R3 billion to R4 billion reduction in required capital (circa 1% CET1 ratio uplift) expected in the medium term.

Business unit review

Asset Management

	Global		
Asset Management	**1H20 £'m**	variance vs 1H19 £'m	change % vs 1H19
Operating income	**308.6**	17.3	5.9%
Operating costs	**(211.3)**	(11.5)	5.8%
Adjusted operating profit	**97.3**	**5.8**	**6.3%**

Totals and variance determined in £'000.

Asset Management adjusted operating profit increased by 6.3% to £97.3 million (2018: £91.5 million). Substantial net inflows of £3.2 billion, together with supportive markets, generated growth in total assets under management to £120.8 billion (31 March 2019: £111.4 billion). Flows were well spread across client regions and investment strategies. Net inflows and market and currency movements supported an increase in revenue. Operating costs increased above inflation primarily due to double rent costs relating to the move to the new London premises. This has resulted in the business maintaining its operating margin at 31.5% (2018: 31.4%).

The business continues to generate competitive long-term investment performance. The business strategy is unchanged, with the focus being on scaling existing strategies, continuing to grow our Advisor and Institutional client base and continuing to invest in growth initiatives.

Bank and Wealth – Specialist Banking

	UK & Other			Southern Africa			
Specialist Banking	**1H20 £'m**	variance vs 1H19 £'m	% change vs 1H19	**1H20 £'m**	variance vs 1H19 £'m	% change vs 1H19	% change vs 1H19 in Rands
Operating income	**347.1**	(33.6)	(8.8%)	**406.5**	(9.8)	(2.4%)	(0.2%)
ECL impairment charges	**(16.1)**	(6.1)	61.3%	**(14.9)**	6.1	(28.9%)	(28.1%)
Operating costs (including depreciation on operating leased assets)	**(251.6)**	25.3	(9.1%)	**(187.0)**	2.6	(1.4%)	1.6%
(Profit)/loss attributable to other NCI	**0.1**	(4.1)	(98.1%)	**(28.9)**	12.1	(29.5%)	(28.4%)
Adjusted operating profit	**79.4**	**(18.5)**	**(18.9%)**	**175.6**	**11.0**	**6.7%**	**8.5%**

Totals and variance determined in £'000.

Southern Africa Specialist Banking

The South African business reported an increase in adjusted operating profit in Rands of 8.5%. Earnings were supported by growth in private client interest and fee income, low impairments and well-contained costs. This was partially offset by large translation gains on foreign currency equity investments in the prior period and lower associate income in the period under review. The cost to income ratio of 49.5% (2018: 50.5%) is within the medium-term target range of 49%-52%.

Net core loans increased 0.9% in the first half to R273.7 billion (31 March 2019: R271.2 billion), with growth in private client lending offset by net repayments in the corporate book. The annualised credit loss ratio amounted to 0.18% (2018: 0.30%), below its long-term average, reflecting resilient asset quality as well as recoveries in the current period.

The business continues to focus on capital optimisation and growth initiatives to improve its ROE from 12.6% (2018: 12.8%) to within its medium-term target range of 14%-16%. We have made good progress in implementing a number of our growth initiatives in the period, including the launch of our transactional business banking offering, expansion of our private client base through our Young Professionals strategy, and the further build-out of our digital private client investment management platform. In addition, we are seeing client traction in our Investec Life and Investec for Business propositions. Strategies to reduce the equity investment portfolio are underway and will be evolved, monitored and executed to ensure timing is optimal and value is maximised.

UK & Other Specialist Banking

The UK & Other business reported a decrease in adjusted operating profit of 18.9%. Earnings have been primarily impacted by lower trading income following gains in the prior period, mainly as a result of the restructure of subordinated debt. Net core loans grew 2.7% in the first half to £10.8 billion (31 March 2019: £10.5 billion). Our lending franchises have performed well, considering the prevailing macroeconomic environment. The Corporate Banking and Specialist International Lending franchises saw reasonable levels of origination and sell-down activity with good fee generation. This offset the slowdown in Investment Banking fees from persistent market uncertainty. The Private Banking business had good traction in target client acquisition, retail funding and mortgage book growth (up 12.1% since 31 March 2019). The annualised credit loss ratio amounted to 0.28% (2018: 0.41%), reflecting resilient credit performance across our diversified lending portfolios.

Operating costs reduced by £25.3 million (a 9.1% decrease), reflecting normalised premises charges and an increased focus on cost discipline in line with our strategic objectives. The cost to income ratio of 72.4% (2018: 71.9%) was impacted by lower revenues. We remain committed to bringing it below 65% by the 2022 financial year. We expect the continued growth of the Private Banking business together with growth initiatives in the Corporate and Investment Bank and further cost efficiencies to improve the ROE from 8.1% (2018: 9.3%) to within its medium-term target of 10%-13%.

Bank and Wealth - Wealth & Investment

	UK & Other			Southern Africa			
Wealth & Investment	**1H20 £'m**	variance vs 1H19 £'m	% change vs 1H19	**1H20 £'m**	variance vs 1H19 £'m	% change vs 1H19	% change vs 1H19 in Rands
Operating income	**162.3**	2.3	1.4%	**43.4**	0.8	1.9%	4.7%
Operating costs	**(131.8)**	(8.2)	6.6%	**(29.4)**	(0.3)	1.1%	3.9%
Adjusted operating profit	**30.5**	**(5.9)**	**(16.2%)**	**14.1**	**0.5**	**3.8%**	**6.6%**

Totals and variance determined in £'000.

Overall assets under management in the first half increased by 2.3% to £56.4 billion (31 March 2019: £55.1 billion).

The South African business performed well against a tough backdrop, with adjusted operating profit up 6.6% in Rands. Revenue was supported by our offshore offering as clients continued to seek international investment opportunities. Costs were maintained at inflationary levels, with the cost to income ratio of 67.7% (2018: 68.2%) in line with our medium-term target of less than 70%.

The UK & Other business achieved positive net organic growth in assets under management, particularly in our core discretionary managed services, supporting an increase in operating income of 1.4%. This is despite challenging industry trading conditions in the UK, where clients have continued to exercise caution resulting in lower rates of growth in net new funds across the industry. We are making some discretionary technology investment and have absorbed higher regulatory levies, resulting in an increase in operating costs of 6.6%. Overall, the UK & Other businesses reported a 16.2% decrease in adjusted operating profit. In light of the operating environment, the need to continue to balance effective management of costs alongside investing for the future, is key. The business is committed to maintaining this balance and has put programmes in place to deliver on both objectives, thus ensuring a focus on improving the cost to income ratio of 81.2% (2018: 77.3%) to within its medium-term target of 73%-77%.

Group costs

Group costs decreased by 3.2% to £23.3 million (2018: £24.0 million). Management is committed to bringing these costs down further over time, with reductions of approximately £10 million expected by the end of the 2021 financial year.

Bank and Wealth – combined

Taken together, the adjusted operating profit of the combined Bank and Wealth business (including Group costs) decreased by 4.2% to £276.3 million (2018: £288.4 million). The businesses have performed well in challenging market conditions, with revenue predominantly impacted by the base effects of prior period gains relating to the restructure of subordinated debt in the UK and translation gains in South Africa. Costs have been well contained reducing 3.1% on the prior period. Growth remains a priority. We have grown the loan book and client base in the Private Banking business in both the UK and South Africa and have made good progress in implementing our business banking offerings. Collaborative initiatives across the business, including our digital private client investment management platform in South Africa and our newly launched intermediary offerings in both geographies, should further extend the client base. The Bank and Wealth business generated an ROE of 10.7% (2018: 11.7%), and a cost to income ratio of 66.9% (2018: 66.8%). As outlined in the preceding business unit reviews, the Bank and Wealth business remains fully committed to delivering its 2022 financial year targets of a 12%-16% ROE and a cost to income ratio of less than 63%.

Further information on key developments within each of the business units is provided in the Group Interim Report published on the group's website: http://www.investec.com.

Financial statement analysis

Total operating income

Total operating income before expected credit loss impairment charges decreased by 1.8% to £1,267.9 million (2018: £1,290.8 million).

Net interest income increased by 4.5% to £426.6 million (2018: £408.3 million), supported by private client activity and loan book growth.

Net fee and commission income increased by 1.3% to £695.1 million (2018: £686.3 million). Growth in annuity fees from the Asset Management and Wealth Management businesses were partly offset by lower Specialist Banking fees impacted by a challenging macroeconomic environment in both South Africa and the UK.

Investment income amounted to £56.9 million (2018: £64.7 million) reflecting lower gains from the investment portfolio.

Share of post taxation profit of associates of £17.8 million (2018: £20.7 million) reflects earnings in relation to the group's investment in the IEP Group.

Trading income arising from customer flow amounted to £62.8 million (2018: £65.1 million) reflecting reasonable activity levels given the macroeconomic backdrop.

Trading income from balance sheet management and other trading activities decreased significantly to £1.6 million (2018: £39.4 million). The decrease is largely as a result of translation gains on foreign currency equity investments in South Africa in the prior period as well as the prior period gain on the restructure of subordinated debt in the UK.

Expected credit loss (ECL) impairment charges

The total ECL impairment charges amounted to £31.0 million, in line with the prior period. The group's annualised credit loss ratio was 0.23% (2018: 0.34%), below its long-term average range. Since 31 March 2019 gross core loan Stage 3 assets have reduced by £18 million to £503.0 million. Net Stage 3 exposures as a percentage of net core loans subject to ECL was 1.4% (31 March 2019: 1.3%).

Operating costs

Operating costs decreased 1.0% to £833.5 million (2018: £841.8 million) driven by cost containment across the business and normalised premises costs. The cost to income ratio (net of non-controlling interests) was in line with the prior period at 67.3% (2018: 67.2%).

Taxation

The tax charge on adjusted operating profit was £62.4 million (2018: £62.6 million), resulting in an effective tax rate of 16.2% (2018: 15.8%).

Financial impact of group restructures and closure and rundown of the Hong Kong direct investments business

In pursuit of the group's objective to simplify, focus and grow the business, a number of strategic actions have been effected, namely; closure of the Click & Invest operations, sale of the Irish Wealth & Investment business, restructure of the Irish branch, sale of the UK Property Fund, and the closure and rundown of the Hong Kong direct investments business. These strategic actions, as well as costs incurred in relation to the proposed demerger of the Asset Management business, negatively impacted profit before taxation by £45.3 million (2018: £20.7 million). See Notes for detailed breakdown.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests mainly comprises:

- £15.2 million (2018: £12.8 million) profit attributable to non-controlling interests in the Asset Management business.
- £28.9 million (2018: £36.4 million) profit attributable to non-controlling interests in the Investec Property Fund.

Balance sheet analysis

Since 31 March 2019:

- Shareholders equity increased by 2.4% to £4.4 billion mainly due to an increase in retained earnings.
- Net asset value per share increased 3.3% to 448.3 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased 4.0% to 401.5 pence, primarily as a result of an increase in retained earnings.
- The ROE decreased from 14.2% to 13.1%.

Liquidity and funding

As at 30 September 2019 the group held £13.0 billion in cash and near cash balances (£6.6 billion in Investec plc and R120.0 billion in Investec Limited) which amounted to 40.7% of customer deposits. Average cash balances increased in the UK largely driven by prefunding in relation to the restructure of the Irish branch. As a result of Brexit, deposit raising in our Irish business is no longer being undertaken and existing deposits are being unwound. The group continues to maintain a conservative liquidity and funding profile. Loans and advances to customers as a percentage of customer deposits amounted to 78.2% (31 March 2019: 78.4%). The group comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Investec Bank Limited (solo basis) ended the period to 30 September 2019 with the three-month average of its LCR at 132.4% and an NSFR of 114.6%. Further detail with respect to the bank's LCR and NSFR in South Africa is provided on the website. For Investec plc and Investec Bank plc (solo basis) the LCR and NSFR are calculated using the relevant EU regulation, applying our own interpretations where required. The LCR reported to the PRA at 30 September 2019 was 309% for Investec plc and 329% for Investec Bank plc (solo basis). The internally calculated NSFR was 126% for Investec plc and 126% for Investec Bank plc (solo basis) at 30 September 2019. The reported NSFR and LCR may change over time with regulatory developments and guidance.

Capital adequacy and leverage ratios

The group maintained a sound capital position with a CET1 ratio of 10.7% for Investec plc (standardised approach) and 11.6% for Investec Limited (FIRB approach). Investec Limited adopted the FIRB approach effective 1 April 2019.

Leverage ratios are robust and remain comfortably ahead of the group's target of 6%.

Outlook

In the second half we plan to conclude the demerger of the Asset Management business (subject to Investec shareholder and other customary approvals) and deliver the benefits of focus and simplicity. Despite the challenging economic environment, we remain committed to revenue growth, cost containment and improving long-term shareholder returns.

On behalf of the boards of Investec plc and Investec Limited

PKO Crosthwaite.

Perry Crosthwaite
Chairman

Fani Titi
Joint Chief Executive Officer

Hendrik du Toit
Joint Chief Executive Officer

20 November 2019

Accounting policies, significant judgements and disclosures

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

The accounting policies applied in the preparation of the results for the for the period to 30 September 2019 are consistent with those adopted in the financial statements for the year ended 31 March 2019 except as noted below.

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases. The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will, with some limited exemptions, apply to all leases and result in bringing them on balance sheet. The impact on adoption was the recognition of Right of Use assets of £233 million, finance lease receivables of £330 million relating to certain subleases, and lease liabilities of £597 million, with no impact on retained income.

The group remains committed to its objective to simplify and focus the business in pursuit of disciplined growth over the long term. In this regard the following strategic actions have been effected: Proposed demerger of the asset management business, closure of the Click & Invest operations which formed part of the UK wealth management business, sale of the Irish Wealth & Investment business, restructure of the Irish branch, sale of the UK Property Fund, closure and rundown of the Hong Kong direct investments business.

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

In addition, from 1 April 2019, as a result of amendments to IAS 12 Income Taxes, tax relief on payments in relation to Other Additional Tier 1 securities has been recognised as a reduction in taxation on operating profit before goodwill, acquired intangibles and strategic actions, whereas it was previously recorded directly in retained income. Prior period comparatives have been restated, increasing the profit after taxation for the six months to 30 September 2018 by £1.6 million and for the year to 31 March016 2019 by £3.2 million.

These reclassifications in the income statement for the prior reported periods and the consequential restated comparatives have been shown in the Restatements table in this announcement. The net effect on restated earnings attributable to shareholders relates solely to the tax previously included directly in equity which is now being reported in the income statement. The net effect on restated adjusted earnings per share relates to:

- the inclusion of the tax relief previously recorded directly in equity which is now being recognised in the income statement; and
- the exclusion of the financial impact of the strategic actions, which were included in adjusted operating profit in prior periods.

There has been no impact to Earnings per share or Headline earnings per share.

The group's planned demerger of Investec Asset Management from the Investec group leads to significant judgement on the presentation and disclosure implications for the current period. The main consideration is whether the current progress on the demerger requires the Investec Asset Management business to be classified as a disposal group and discontinued operation. The group has considered the requirements of IFRS 5 'Non-current Assets Held For Sale and Discontinued Operations', where the key tests for this classification are that a business must be available for immediate sale in its present condition and that the transaction should be highly probable. The group considers that the former test is met as the Investec Asset Management business functions in a relatively standalone way with only those shared services which would be normal in a demerger or similar transaction. However, given that the transaction is still subject to shareholder and other customary approvals, and that at the reporting date there was not sufficient certainty of the outcome of these approval processes, we were unable to conclude that this transaction is highly probable. The group's conclusion is therefore that the demerger cannot be classified as a disposal group and discontinued operation at 30 September 2019.

The financial results have been prepared under the supervision of Nishlan Samujh, the Group Finance Director. The financial statements for the six months to 30 September 2019 are available on the group's website: http://www.investec.com. www

Proviso

- Please note that matters discussed in this commentary may contain forward looking statements which are subject to various risks and uncertainties and other factors, including, but not limited to:
  - changes in the political and/or economic environment that would materially affect the Investec group
  - changes in legislation or regulation impacting the Investec group's operations or its accounting policies
  - changes in business conditions that will have a significant impact on the Investec group's operations
  - changes in exchange rates and/or tax rates from the prevailing rates outlined in this announcement
  - changes in the structure of the markets, client demand or the competitive environment.
- A number of these factors are beyond the group's control.
- These factors may cause the group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed or implied.
- Any forward looking statements made are based on the knowledge of the group at 20 November 2019.
- The information in the group's interim results announcement for the six months ended 30 September 2019, which was approved by the board of directors on 20 November 2019, does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. The 31 March 2019 financial statements were filed with the registrar and were unqualified with the audit report containing no statements in respect of sections 498(2) or 498(3) of the UK Companies Act.
- A full version of the group's announcement is available on the group's website: http://www.investec.com. www

Financial assistance

Shareholders are referred to Special Resolution number 3, which was approved at the annual general meeting held on 8 August 2019, relating to the provision of direct or indirect financial assistance in terms of Section 45 of the South African Companies Act, No 71 of 2008 to related or inter-related companies. Shareholders are hereby notified that in terms of S45(5)(a) of the South African Companies Act, the boards of directors of Investec Limited and Investec Bank Limited provided such financial assistance during the period 1 April 2019 to 30 September 2019 to various group subsidiaries.

Basis of presentation

In light of the group's DLC structure as outlined on page 4, the directors of Investec Limited and Investec plc consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both Investec Limited and Investec plc. Accordingly, these interim results reflect the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS), denominated in Pounds Sterling.

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

Exchange rates

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

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

	30 Sept 2019		31 March 2019		30 Sept 2018	
Currency per £1.00	**Closing**	**Average**	Closing	Average	Closing	Average
South African Rand	18.69	18.28	18.80	18.04	18.44	17.76
Australian Dollar	1.82	1.82	1.83	1.80	1.80	1.79
Euro	1.13	1.13	1.16	1.13	1.12	1.13
US Dollar	1.23	1.26	1.30	1.31	1.30	1.33

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pound Sterling exchange rate over the period has depreciated by 2.9% against the comparative six month period ended 30 September 2018, and the closing rate has appreciated by 0.6% since 31 March 2019.

	30 Sept 2019	30 Sept 2018*	% change Sept 2019 vs Sept 2018*	31 March 2019*
Income statement and selected returns				
Adjusted earnings attributable to ordinary shareholders (£'000)	273 612	282 070	(3.0%)	573 896
Headline earnings (£'000)	215 043	256 599	(16.2%)	495 616
Adjusted operating profit (£'000)	373 622	379 942	(1.7%)	731 858
Cost to income ratio	67.3%	67.2%		67.6%
Staff compensation to operating income ratio	46.4%	45.8%		46.3%
Annualised return on average shareholders' equity (post-tax)	13.1%	14.2%		14.2%
Annualised return on average tangible shareholders' equity (post-tax)	14.7%	16.1%		16.1%
Annualised return on average risk-weighted assets	1.67%	1.64%		1.71%
Net interest income as a % of operating income	33.7%	31.6%		32.5%
Non-interest income as a % of operating income	66.3%	68.4%		67.5%
Annuity income as a % of total operating income	77.6%	73.9%		76.2%
Effective operational tax rate	16.2%	15.8%		12.2%
Balance sheet				
Total assets (£'million)	59 727	56 137	6.4%	57 724
Net core loans and advances (£'million)	25 442	24 190	5.2%	24 941
Cash and near cash balances (£'million)	13 040	12 467	4.6%	13 288
Customer accounts (deposits) (£'million)	32 039	30 349	5.6%	31 307
Third party assets under management (£'million)	177 943	166 512	6.9%	167 172
Gearing ratio (assets excluding assurance assets to total equity)	9.5x	9.4x		9.4x
Core loans to equity ratio	4.7x	4.7x		4.8x
Loans and advances to customers as a % of customer deposits	78.2%	78.2%		78.4%
Annualised credit loss ratio	0.23%	0.34%		0.31%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	1.4%	1.7%		1.3%
Share statistics				
Adjusted earnings per share (pence)	28.9	30.1	(4.0%)	60.9
Headline earnings per share (pence)	22.7	27.4	(17.2%)	52.6
Basic earnings per share (pence)	24.7	27.6	(10.5%)	52.0
Diluted earnings per share (pence)	23.8	26.8	(11.2%)	50.9
Dividends per share (pence)	11.0	11.0	0.0%	24.5
Dividend cover (times)	2.6	2.7		2.5
Net asset value per share (pence)	448.3	422.0	6.2%	434.1
Net tangible asset value per share (pence)	401.5	372.7	7.7%	386.0
Weighted number of ordinary shares in issue (million)	948.3	937.2	1.2%	942.2
Total number of shares in issue (million)	1015.0	1000.0	1.5%	1001.0
Capital ratios^				
Investec plc				
Total capital ratio	15.4%	15.4%		15.7%
Common equity tier 1 ratio	10.7%	10.4%		10.8%
Leverage ratio	7.8%	7.7%		7.9%
Investec Limited				
Total capital adequacy ratio	15.9%	14.7%		14.9%
Common equity tier 1 ratio	11.6%	10.3%		10.5%
Leverage ratio	7.3%	7.5%		7.6%

Refer to alternative performance measures and definitions sections found on pages 157 to 159

* *Restated as detailed on page 46.*

^ *The group's expected Basel III 'fully loaded' numbers are provided on page 151.*

As noted on page 13 exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pound Sterling exchange rate over the period has depreciated by 2.9% against the comparative six month period ended 30 September 2018 and the closing rate has appreciated by 0.6% since 31 March 2019. The following tables provide an analysis of the impact of the Rand on our reported numbers.

	Results in Pounds Sterling					Results in Rands		
	Six months to 30 Sept 2019	Six months to 30 Sept 2018*	% change	**Neutral currency^ Six months to 30 Sept 2019**	Neutral currency % change	**Six months to 30 Sept 2019**	Six months to 30 Sept 2018*	% change
Adjusted operating profit before taxation (million)	£374	£380	(1.7%)	£380	0.0%	R6 823	R6 782	0.6%
Earnings attributable to shareholders (million)	£256	£281	(9.0%)	£261	(7.3%)	R4 678	R5 011	(6.6%)
Adjusted earnings attributable to shareholders (million)	£274	£282	(3.0%)	£278	(1.4%)	R4 997	R5 022	(0.5%)
Adjusted earnings per share	28.9p	30.1p	(4.0%)	29.3p	(2.7%)	527c	536c	(1.7%)
Basic earnings per share	24.7p	27.6p	(10.5%)	25.1p	(9.1%)	450c	492c	(8.5%)
Headline earnings per share	22.7p	27.4p	(17.2%)	23.1p	(15.7%)	486c	519c	(6.4%)
Dividends per share	11.0p	11.0p	0.0%	n/a	n/a	211c	206c	2.4%

* *Restated as detailed on page 46.*

^ *For income statement items we have used the average Rand: Pound Sterling exchange rate that was applied in the prior period, i.e. 17.76.*

	Results in Pounds Sterling					Results in Rands		
	At 30 Sept 2019	At 31 March 2019	% change	**Neutral currency^^ At 30 Sept 2019**	Neutral currency % change	**At 30 Sept 2019**	At 31 March 2019	% change
Net asset value per share	448.3p	434.1p	3.3%	445.1p	2.5%	8 377c	8 159c	2.7%
Net tangible asset value per share	401.5p	386.0p	4.0%	398.5p	3.2%	7 503c	7 256c	3.4%
Total equity (million)	£5 370	£5 251	2.3%	£5 353	1.9%	R100 359	R98 911	1.5%
Total assets (million)	£59 727	£57 724	3.5%	£59 513	3.1%	R1 116 142	R1 085 125	2.9%
Core loans and advances (million)	£25 442	£24 941	2.0%	£25 355	1.7%	R475 486	R468 882	1.4%
Cash and near cash balances (million)	£13 040	£13 288	(1.9%)	£13 001	(2.2%)	R243 685	R249 793	(2.4%)
Customer deposits (million)	£32 039	£31 307	2.3%	£31 929	2.0%	R598 733	R588 525	1.7%
Third party assets under management (million)	£177 943	£167 172	6.4%	£177 617	6.2%	R3 319 212	R3 142 833	5.6%

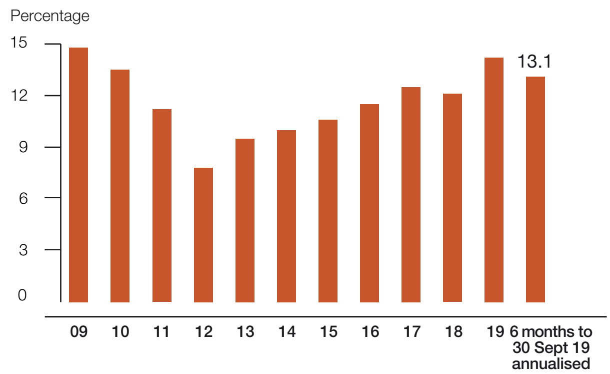
^^ *For balance sheet items we have assumed that the Rand: Pound Sterling closing exchange rate has remained neutral since 31 March 2019.*

Investec group existing targets

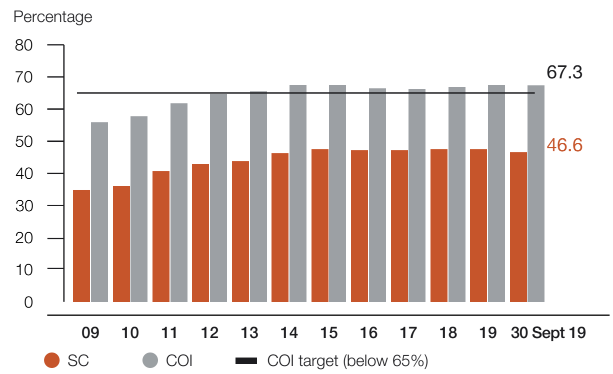
ROE TARGET	Group ROE: 12% to 16% in Pounds Sterling

COST TO INCOME TARGET	Group cost to income ratio: less than 65% in Pounds Sterling

ROE*



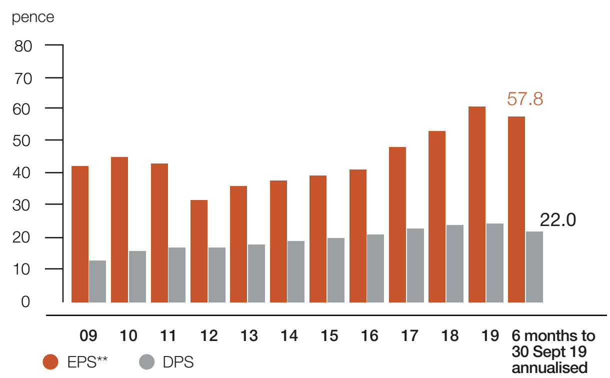
Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



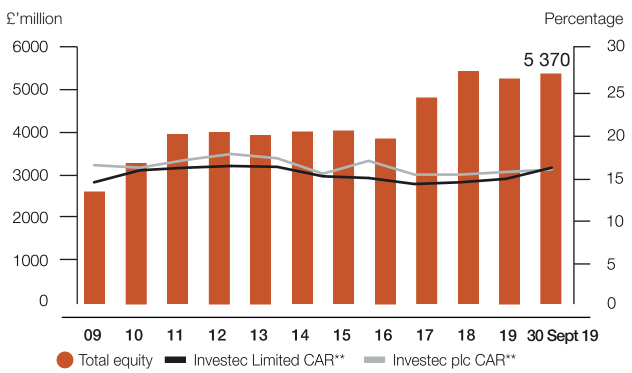
DIVIDEND COVER TARGET	We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on adjusted earnings per share, denominated in Pounds Sterling

CAPITAL ADEQUACY TARGETS	We intend to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long term. We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited, and we target a minimum tier 1 ratio of 11% and a common equity tier 1 ratio above 10%. We also target a leverage ratio above 6.0%

Adjusted earnings per share (EPS) and dividends per share (DPS)



Total equity and total capital adequacy ratios (CAR)



* *ROE is post-tax return on average ordinary shareholders' equity as calculated on pages 48 to 51.*

** *Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014. Investec Limited adopted FIRB approach effective 1 April 2019, Investec plc remains on the standardised approach.*

Note: The numbers shown in the financial targets graphs on this page are for years ended 31 March, unless otherwise stated. The 2019 financial year information has been restated to exclude the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures (as detailed on page 46) in order to ensure a like-for-like basis with the first half 2020 financial year information. All other prior years have not been restated.

CONDENSED COMBINED CONSOLIDATED INCOME STATEMENT

1

£'000	Note**	Six months to 30 Sept 2019	Six months to 30 Sept 2018*	Year to 31 March 2019*
Interest income	2	1 382 062	1 285 926	2 641 923
Interest expense	2	(955 418)	(877 609)	(1 819 591)
Net interest income	2	**426 644**	**408 317**	**822 332**
Fee and commission income	3	818 827	787 707	1 563 064
Fee and commission expense	3	(123 727)	(101 400)	(213 505)
Investment income	4	56 929	64 747	107 844
Share of post taxation profit of associates and joint venture holdings	5	17 754	20 688	68 167
Trading income arising from				
– customer flow	6	62 771	65 078	120 662
– balance sheet management and other trading activities	6	1 641	39 447	41 887
Other operating income		7 015	6 238	16 431
Total operating income before expected credit loss impairment charges	1	**1 267 854**	**1 290 822**	**2 526 882**
Expected credit loss impairment charges	7	(31 021)	(31 022)	(66 452)
Operating income		**1 236 833**	**1 259 800**	**2 460 430**
Operating costs	8	(833 503)	(841 805)	(1 668 223)
Depreciation on operating leased assets		(845)	(1 207)	(2 157)
Operating profit before goodwill, acquired intangibles and strategic actions		**402 485**	**416 788**	**790 050**
Impairment of goodwill		–	–	(155)
Amortisation of acquired intangibles	9	(7 954)	(7 861)	(15 816)
Closure and rundown of the Hong Kong direct investments business	11	(49 469)	(26 909)	(65 593)
Operating profit		**345 062**	**382 018**	**708 486**
Financial impact of group restructures	11	4 178	6 234	(21 281)
Profit before taxation		**349 240**	**388 252**	**687 205**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	10	(62 374)	(62 625)	(87 780)
Taxation on goodwill, acquired intangibles and strategic actions		13 328	5 505	18 756
Profit after taxation		**300 194**	**331 132**	**618 181**
Profit attributable to other non-controlling interests		(28 863)	(36 846)	(58 192)
Profit attributable to Asset Management non-controlling interests		(15 172)	(12 828)	(25 658)
Earnings attributable to shareholders		**256 159**	**281 458**	**534 331**

* *Restated as detailed on page 46.*

** *Refer to financial review section for Notes.*

COMBINED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

£'000	Six months to 30 Sept 2019	Six months to 30 Sept 2018*	Year to 31 March 2019*
Profit after taxation	300 194	331 132	618 181
Other comprehensive income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income^	(22 259)	(788)	1 797
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income^	(1 901)	(12 023)	(12 918)
Loss/(gain) on realisation of debt instruments at FVOCI recycled to the income statement^	9 502	(1 999)	(7 116)
Foreign currency adjustments on translating foreign operations	40 285	(249 312)	(302 598)
Items that will never be reclassified to the income statement			
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	(503)	–	(1 572)
Re-measurement of net defined benefit pension liability/asset	(1 197)	69	(1 924)
Net gain attributable to own credit risk	1 451	10 318	8 887
Total comprehensive income	**325 572**	**77 397**	**302 737**
Total comprehensive income attributable to ordinary shareholders	256 145	70 757	252 677
Total comprehensive income/(loss) attributable to non-controlling interests	47 074	(16 050)	5 293
Total comprehensive income attributable to perpetual preference shareholders and Other Additional Tier 1 security holders	22 353	22 690	44 767
Total comprehensive income	**325 572**	**77 397**	**302 737**

^ *Net of taxation of £1.5 million [Six months to 30 September 2018: (£2.1 million); year to 31 March 2019: £27.4 million].*

* *Restated as detailed on page 46.*

At £'000	30 Sept 2019	31 March 2019	30 Sept 2018
Assets			
Cash and balances at central banks	3 988 832	4 992 820	4 402 571
Loans and advances to banks	2 242 874	2 322 821	2 194 184
Non-sovereign and non-bank cash placements	678 717	648 547	566 221
Reverse repurchase agreements and cash collateral on securities borrowed	1 621 424	1 768 748	1 641 435
Sovereign debt securities	5 987 916	4 538 223	4 483 385
Bank debt securities	619 328	717 313	609 522
Other debt securities	1 234 781	1 220 651	1 109 942
Derivative financial instruments	1 256 794	1 034 166	1 098 812
Securities arising from trading activities	1 762 831	1 859 254	1 921 010
Investment portfolio	946 499	1 028 976	950 455
Loans and advances to customers	25 065 947	24 534 753	23 739 734
Own originated loans and advances to customers securitised	378 171	407 869	452 341
Other loans and advances	145 034	195 693	207 251
Other securitised assets	133 523	133 804	142 884
Interests in associated undertakings and joint venture holdings	407 743	387 750	421 139
Deferred taxation assets	260 766	248 893	215 388
Other assets	2 393 348	1 735 956	2 006 480
Property and equipment	484 359	261 650	269 174
Investment properties	1 000 603	994 645	1 041 323
Goodwill	360 128	366 870	367 480
Intangible assets	99 266	107 237	120 333
	51 068 884	**49 506 639**	**47 961 064**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	8 657 879	8 217 573	8 176 040
	59 726 763	**57 724 212**	**56 137 104**
Liabilities			
Deposits by banks	2 929 180	3 016 306	3 011 094
Derivative financial instruments	1 729 053	1 277 233	1 402 260
Other trading liabilities	700 611	672 405	1 006 572
Repurchase agreements and cash collateral on securities lent	983 895	1 105 063	488 271
Customer accounts (deposits)	32 039 291	31 307 107	30 348 761
Debt securities in issue	2 936 491	3 073 320	2 734 128
Liabilities arising on securitisation of own originated loans and advances	79 667	91 522	120 161
Liabilities arising on securitisation of other assets	116 544	113 711	121 161
Current taxation liabilities	166 482	162 448	170 794
Deferred taxation liabilities	23 194	23 590	30 507
Other liabilities	2 399 113	1 765 649	1 812 573
	44 103 521	**42 608 354**	**41 246 282**
Liabilities to customers under investment contracts	8 650 085	8 214 634	8 172 496
Insurance liabilities, including unit-linked liabilities	7 794	2 939	3 544
	52 761 400	**50 825 927**	**49 422 322**
Subordinated liabilities	1 594 961	1 647 271	1 596 958
	54 356 361	**52 473 198**	**51 019 280**
Equity			
Ordinary share capital	247	245	245
Perpetual preference share capital	31	31	31
Share premium	2 531 324	2 471 506	2 490 403
Treasury shares	(284 430)	(189 134)	(210 912)
Other reserves	(557 009)	(577 491)	(530 880)
Retained income	2 730 044	2 611 256	2 430 803
Shareholders' equity excluding non-controlling interests	**4 420 207**	**4 316 413**	**4 179 690**
Other Additional Tier 1 securities in issue	304 047	303 728	298 808
Non-controlling interests	646 148	630 873	639 326
– Perpetual preferred securities issued by subsidiaries	82 101	81 616	83 204
– Non-controlling interests in partially held subsidiaries	564 047	549 257	556 122
Total equity	**5 370 402**	**5 251 014**	**5 117 824**
Total liabilities and equity	**59 726 763**	**57 724 212**	**56 137 104**

COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
At 1 April 2018	**240**	**31**	**2 416 736**	**(160 132)**
Movement in reserves 1 April 2018 - 30 September 2018				
Profit after taxation*	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–	–
Gain on realisation of debt instruments at FVOCI recycled to the income statement	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(18 893)	–
Re-measurement of net defined benefit pension asset	–	–	–	–
Net gain attributable to own credit risk	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**(18 893)**	**–**
Share-based payment adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders*	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders*	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	5	–	103 136	–
Net equity impact on non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(10 576)	(64 123)
Net equity movements of interests in associate undertakings	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share based payment reserve to treasury shares	–	–	–	13 343
Transfer from own credit reserve on sale of subordinated liabilities	–	–	–	–
At 30 September 2018	**245**	**31**	**2 490 403**	**(210 912)**
Movement in reserves 1 October 2018 - 31 March 2019				
Profit after taxation*	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–	–
Gain on realisation of debt instruments at FVOCI recycled to the income statement	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	(3 294)	–
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	–	–	–	–
Re-measurement of net defined benefit pension liability	–	–	–	–
Net loss attributable to own credit risk	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**(3 294)**	**–**

* *Restated as detailed on page 46.*

COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

1

Other reserves										
Capital reserve account	Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
10 447	**18 123**	**37 868**	**(60 637)**	**(358 862)**	**(53 657)**	**2 326 212**	**4 176 369**	**304 150**	**682 064**	**5 162 583**
–	–	–	–	–	–	281 458	281 458	–	49 674	331 132
–	–	–	(788)	–	–	–	(788)	–	–	(788)
–	(12 023)	–	–	–	–	–	(12 023)	–	–	(12 023)
–	(1 999)	–	–	–	–	–	(1 999)	–	–	(1 999)
–	1	(9)	–	(157 721)	–	(1 624)	(178 246)	(5 342)	(65 724)	(249 312)
–	–	–	–	–	–	69	69	–	–	69
–	–	–	–	–	10 318	–	10 318	–	–	10 318
–	**(14 021)**	**(9)**	**(788)**	**(157 721)**	**10 318**	**279 903**	**98 789**	**(5 342)**	**(16 050)**	**77 397**
–	–	–	–	–	–	33 084	33 084	–	–	33 084
–	–	–	–	–	–	(127 943)	(127 943)	–	–	(127 943)
–	–	–	–	–	–	(22 690)	(22 690)	9 837	3 721	(9 132)
–	–	–	–	–	–	–	–	(9 837)	(3 721)	(13 558)
–	–	–	–	–	–	–	–	–	(27 378)	(27 378)
–	–	–	–	–	–	–	103 141	–	–	103 141
–	–	–	–	–	–	(690)	(690)	–	690	–
–	–	–	–	–	–	–	(74 699)	–	–	(74 699)
–	–	–	–	–	–	(5 671)	(5 671)	–	–	(5 671)
–	–	4 110	–	–	–	(4 110)	–	–	–	–
–	–	–	–	–	–	(13 343)	–	–	–	–
–	–	–	–	–	33 949	(33 949)	–	–	–	–
10 447	**4 102**	**41 969**	**(61 425)**	**(516 583)**	**(9 390)**	**2 430 803**	**4 179 690**	**298 808**	**639 326**	**5 117 824**
–	–	–	–	–		252 873	252 873	–	34 176	287 049
–	–	–	2 585	–	–	–	2 585	–	–	2 585
–	(895)	–	–	–	–	–	(895)	–	–	(895)
–	(5 117)	–	–	–	–	–	(5 117)	–	–	(5 117)
–	–	9	–	(36 127)	–	(109)	(39 521)	(932)	(12 833)	(53 286)
–	(47)	–	–	–	(817)	(708)	(1 572)	–	–	(1 572)
–	–	–	–	–	–	(1 993)	(1 993)	–	–	(1 993)
–	–	–	–	–	(1 431)	–	(1 431)	–	–	(1 431)
–	**(6 059)**	**9**	**2 585**	**(36 127)**	**(2 248)**	**250 063**	**204 929**	**(932)**	**21 343**	**225 340**

COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

£'000	Ordinary share capital	Perpetual preference share capital	Share premium	Treasury shares
Share-based payment adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders*	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders*	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	–	–	5 273	–
Issue of Other Additional Tier 1 security instruments	–	–	–	–
Issue of equity by subsidiaries	–	–	–	–
Transfer from retained income to non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(20 876)	(8 266)
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	30 044
Transfer from own credit reserve on sale of subordinated liabilities	–	–	–	–
At 31 March 2019	**245**	**31**	**2 471 506**	**(189 134)**
Movement in reserves 1 April 2019 - 30 September 2019				
Profit after taxation	–	–	–	–
Fair value movements on cash flow hedges taken directly to other comprehensive income	–	–	–	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	–	–	–	–
Loss on realisation of debt instruments at FVOCI recycled to the income statement	–	–	–	–
Foreign currency adjustments on translating foreign operations	–	–	1 005	–
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	–	–	–	–
Re-measurement of net defined benefit pension asset	–	–	–	–
Net gain attributable to own credit risk	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**1 005**	**–**
Share-based payment adjustments	–	–	–	–
Dividends paid to ordinary shareholders	–	–	–	–
Dividends declared to perpetual preference shareholders and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to perpetual preference shareholders included in non-controlling interests and Other Additional Tier 1 security holders	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–
Issue of ordinary shares	2	–	64 639	–
Net equity impact on non-controlling interests	–	–	–	–
Transfer from retained income to non-controlling interests	–	–	–	–
Movement of treasury shares	–	–	(5 826)	(103 214)
Net equity movements of interests in associate undertakings	–	–	–	–
Transfer to regulatory general risk reserve	–	–	–	–
Transfer from share-based payment reserve to treasury shares	–	–	–	7 918
At 30 September 2019	**247**	**31**	**2 531 324**	**(284 430)**

* *Restated as detailed on page 46.*

Other reserves										
Capital reserve account	Fair value reserve	Regulatory general risk reserve	Cash flow hedge reserve	Foreign currency reserves	Own credit reserve	Retained income	**Shareholder's equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
–	–	–	–	–		39 630	39 630	–	–	39 630
–	–	–	–	–		(110 129)	(110 129)	–	–	(110 129)
–	–	–	–	–	–	(22 077)	(22 077)	9 683	3 577	(8 817)
–	–	–	–	–	–	–	–	(9 683)	(3 577)	(13 260)
–	–	–	–	–	–	–	–	–	(36 519)	(36 519)
–	–	–	–	–	–	–	5 273	–	–	5 273
–	–	–	–	–	–	–	–	5 852	–	5 852
–	–	–	–	–	–	–	–	–	4 319	4 319
–	–	–	–	–	–	48 239	48 239	–	2 404	50 643
–	–	–	–	–	–	–	(29 142)	–	–	(29 142)
–	–	3 454	–	–	–	(3 454)	–	–	–	–
–	–	–	–	–	–	(30 044)	–	–	–	–
–	–	–	–	–	(8 225)	8 225	–	–	–	–
10 447	**(1 957)**	**45 432**	**(58 840)**	**(552 710)**	**(19 863)**	**2 611 256**	**4 316 413**	**303 728**	**630 873**	**5 251 014**
–	–	–	–	–	–	256 159	256 159	–	44 035	300 194
–	–	–	(22 259)	–	–	–	(22 259)	–	–	(22 259)
–	(1 901)	–	–	–	–	–	(1 901)	–	–	(1 901)
–	9 502	–	–	–	–	–	9 502	–	–	9 502
–	–	–	–	35 922	–	–	36 927	319	3 039	40 285
–	(24)	–	–	–	(479)	–	(503)	–	–	(503)
–	–	–	–	–	–	(1 197)	(1 197)	–	–	(1 197)
–	–	–	–	–	1 451	–	1 451	–	–	1 451
–	**7 577**	**–**	**(22 259)**	**35 922**	**972**	**254 962**	**278 179**	**319**	**47 074**	**325 572**
–	–	–	–	–	–	29 770	29 770	–	–	29 770
–	–	–	–	–	–	(134 778)	(134 778)	–	–	(134 778)
–	–	–	–	–	–	(22 353)	(22 353)	11 304	3 538	(7 511)
–	–	–	–	–	–	–	–	(11 304)	(3 538)	(14 842)
–	–	–	–	–	–	–	–	–	(34 003)	(34 003)
–	–	–	–	–	–	–	64 641	–	–	64 641
–	–	–	–	–	–	–	–	–	1 966	1 966
–	–	–	–	–	–	(238)	(238)	–	238	–
–	–	–	–	–	–	–	(109 040)	–	–	(109 040)
–	–	–	–	–	–	(2 387)	(2 387)	–	–	(2 387)
–	–	(1 730)	–	–	–	1 730	–	–	–	–
–	–	–	–	–	–	(7 918)	–	–	–	–
10 447	**5 620**	**43 702**	**(81 099)**	**(516 788)**	**(18 891)**	**2 730 044**	**4 420 207**	**304 047**	**646 148**	**5 370 402**

CONDENSED COMBINED CONSOLIDATED CASH FLOW STATEMENT

£'000	**Six months to 30 Sept 2019**	Six months to 30 Sept 2018	Year to 31 March 2019
Cash inflows from operations	376 031	404 278	697 877
Increase in operating assets	(2 328 228)	(1 926 505)	(3 283 153)
Increase in operating liabilities	1 553 483	1 845 075	3 990 382
Net cash (outflow)/inflow from operating activities	**(398 714)**	**322 848**	**1 405 106**
Net cash (outflow)/inflow from investing activities	(20 885)	58 190	(65 425)
Net cash outflow from financing activities	(367 773)	(203 047)	(218 027)
Effects of exchange rate changes on cash and cash equivalents	22 834	(106 538)	(136 927)
Net (decrease)/increase in cash and cash equivalents	**(764 538)**	**71 453**	**984 727**
Cash and cash equivalents at the beginning of the period	7 115 106	6 130 379	6 130 379
Cash and cash equivalents at the end of the period	**6 350 568**	**6 201 832**	**7 115 106**

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

	30 Sept 2019	30 Sept 2018*
Earnings	**£'000**	£'000
Earnings attributable to shareholders	256 159	281 458
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(22 353)	(22 690)
Earnings and diluted earnings attributable to ordinary shareholders	**233 806**	**258 768**
Earnings attributable to shareholders	256 159	281 458
Amortisation of acquired intangibles	7 954	7 861
Closure and rundown of the Hong Kong direct investments business	49 469	26 909
Financial impact of group restructures	(4 178)	(6 234)
Taxation on goodwill, acquired intangibles and strategic actions	(13 328)	(5 505)
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(22 353)	(22 690)
Accrual adjustment on earnings attributable to other equity holders^	(111)	271
Adjusted earnings attributable to ordinary shareholders	**273 612**	**282 070**
Headline earnings		
Earnings attributable to shareholders	256 159	281 458
Financial impact of group disposal	(18 959)	–
Dividends payable to perpetual preference shareholders and Other Additional Tier 1 security holders (other equity holders)	(22 353)	(22 690)
Property revaluation, net of taxation and non-controlling interests^^	196	(2 169)
Headline earnings attributable to ordinary shareholders^^^	**215 043**	**256 599**
Weighted number of shares in issue		
Weighted total average number of shares in issue during the year	1 009 418 023	990 843 014
Weighted average number of treasury shares	(61 131 988)	(53 658 595)
Weighted average number of shares in issue during the year	948 286 035	937 184 419
Weighted average number of shares resulting from future dilutive potential shares	35 635 380	27 537 894
Adjusted weighted number of shares potentially in issue	**983 921 415**	**964 722 313**
Earnings per share – pence	24.7	27.6
Diluted earnings per share – pence	23.8	26.8
Adjusted earnings per share – pence	28.9	30.1
Diluted adjusted earnings per share – pence	27.8	29.2
Headline earnings per share – pence^^^	22.7	27.4
Diluted headline earnings per share – pence	21.9	26.6

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

^^ *Taxation on headline earnings adjustments amounted to £nil (2018: £0.9 million) with an impact of £0.5 million (2018: £2.2 million) on earnings attributable to non-controlling interests.*

^^^ *Headline earnings per share has been calculated and is disclosed in accordance with the JSE listing requirements, and in terms of circular 4/2018 issued by the South African Institute of Chartered Accountants.*

* *Restated as detailed on page 46.*

SEGMENTAL INCOME STATEMENT – GEOGRAPHIC ANALYSIS

For the six months to 30 September 2019 £'000	UK and Other	Southern Africa	Total group
Net interest income	193 022	233 622	426 644
Net fee and commission income	456 633	238 467	695 100
Investment income	17 188	39 741	56 929
Share of post taxation profit of associates and joint venture holdings	3 595	14 159	17 754
Trading income arising from			
– customer flow	45 736	17 035	62 771
– balance sheet management and other trading activities	(2 336)	3 977	1 641
Other operating income	6 406	609	7 015
Total operating income before expected credit loss impairment charges	**720 244**	**547 610**	**1 267 854**
Expected credit loss impairment charges	(16 087)	(14 934)	(31 021)
Operating income	**704 157**	**532 676**	**1 236 833**
Operating costs	(550 353)	(283 150)	(833 503)
Depreciation on operating leased assets	(845)	–	(845)
Operating profit before goodwill, acquired intangibles and strategic actions	**152 959**	**249 526**	**402 485**
Loss/(profit) attributable to other non-controlling interests	79	(28 942)	(28 863)
Adjusted operating profit	**153 038**	**220 584**	**373 622**
Profit attributable to Asset Management non-controlling interests	(9 743)	(5 429)	(15 172)
Operating profit before goodwill, acquired intangibles and strategic actions and after non-controlling interests	**143 295**	**215 155**	**358 450**
Amortisation of acquired intangibles	(6 548)	(1 406)	(7 954)
Closure and rundown of the Hong Kong direct investments business	(49 469)	–	(49 469)
Financial impact of group restructures	8 632	(4 454)	4 178
Earnings attributable to shareholders before taxation	**95 910**	**209 295**	**305 205**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(25 517)	(36 857)	(62 374)
Taxation on goodwill, acquired intangibles and strategic actions	12 353	975	13 328
Earnings attributable to shareholders	**82 746**	**173 413**	**256 159**
Selected returns and key statistics			
ROE (post-tax)^	10.8%	15.2%	13.1%
Return on tangible equity (post-tax)^	13.8%	15.4%	14.7%
Cost to income ratio	76.5%	54.6%	67.3%
Staff compensation to operating income	54.8%	35.4%	46.4%
Operating profit per employee (£'000)	33.0	37.6	35.5
Effective operational tax rate	17.1%	15.7%	16.2%
Total assets (£'million)	23 459	36 268	59 727

^ *Annualised.*

For the six months to 30 September 2018* £'000	UK and Other	Southern Africa	Total group
Net interest income	192 161	216 156	408 317
Net fee and commission income	446 331	239 976	686 307
Investment income	28 684	36 063	64 747
Share of post taxation profit of associates and joint venture holdings	–	20 688	20 688
Trading income arising from			
– customer flow	48 420	16 658	65 078
– balance sheet management and other trading activities	17 553	21 894	39 447
Other operating income	5 682	556	6 238
Total operating income before expected credit loss impairment charges	**738 831**	**551 991**	**1 290 822**
Expected credit loss impairment charges	(10 005)	(21 017)	(31 022)
Operating income	**728 826**	**530 974**	**1 259 800**
Operating costs	(557 956)	(283 849)	(841 805)
Depreciation on operating leased assets	(1 167)	(40)	(1 207)
Operating profit before goodwill, acquired intangibles and strategic actions	**169 703**	**247 085**	**416 788**
Loss/(profit) attributable to other non-controlling interests	4 205	(41 051)	(36 846)
Adjusted operating profit	**173 908**	**206 034**	**379 942**
Profit attributable to Asset Management non-controlling interests	(8 310)	(4 518)	(12 828)
Operating profit before goodwill, acquired intangibles and strategic actions and after non-controlling interests	**165 598**	**201 516**	**367 114**
Amortisation of acquired intangibles	(6 408)	(1 453)	(7 861)
Closure and rundown of the Hong Kong direct investments business	(26 909)	–	(26 909)
Financial impact of group restructures	6 234	–	6 234
Earnings attributable to shareholders before taxation	**138 515**	**200 063**	**338 578**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(23 822)	(38 803)	(62 625)
Taxation on goodwill, acquired intangibles and strategic actions	5 098	407	5 505
Earnings attributable to shareholders	**119 791**	**161 667**	**281 458**
Selected returns and key statistics			
ROE (post-tax)^	14.1%	14.3%	14.2%
Return on tangible equity (post-tax)^	18.5%	14.5%	16.1%
Cost to income ratio	75.2%	55.6%	67.2%
Staff compensation to operating income	53.7%	35.2%	45.8%
Operating profit per employee (£'000)	38.6	35.9	37.1
Effective operational tax rate	14.0%	17.1%	15.8%
Total assets (£'million)	21 594	34 543	56 137

* *Restated as detailed on page 46.*

^ *Annualised.*

	Asset Management			Wealth & Investment		
For the six months to 30 September 2019 £'000	UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**
Net interest income/(expense)	(1 207)	2 202	995	6 694	2 760	9 454
Net fee and commission income	204 392	94 983	299 375	155 468	40 716	196 184
Investment income/(loss)	(158)	8	(150)	(372)	46	(326)
Share of post taxation profit of associates and joint venture holdings	–	–	–	–	–	–
Trading income/(loss) arising from						
– customer flow	–	–	–	483	(110)	373
– balance sheet management and other trading activities	4 054	(95)	3 959	17	33	50
Other operating income	3 822	584	4 406	–	–	–
Total operating income before expected credit loss impairment charges	**210 903**	**97 682**	**308 585**	**162 290**	**43 445**	**205 735**
Expected credit loss impairment charges	–	–	–	1	–	1
Operating income	**210 903**	**97 682**	**308 585**	**162 291**	**43 445**	**205 736**
Operating costs	(151 929)	(59 327)	(211 256)	(131 836)	(29 392)	(161 228)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before Other items	**58 974**	**38 355**	**97 329**	**30 455**	**14 053**	**44 508**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Adjuted operating profit	**58 974**	**38 355**	**97 329**	**30 455**	**14 053**	**44 508**
Profit attributable to Asset Management non-controlling interests	(9 743)	(5 429)	(15 172)	–	–	–
Operating profit before goodwill, acquired intangibles and strategic actions and after non-controlling interests	**49 231**	**32 926**	**82 157**	**30 455**	**14 053**	**44 508**
Selected returns and key statistics						
ROE (pre-tax)^	72.5%	169.1%	93.8%	26.6%	116.7%	36.0%
Return on tangible equity (pre-tax)^	159.3%	169.1%	163.0%	91.7%	126.2%	101.1%
Cost to income ratio	72.0%	60.7%	68.5%	81.2%	67.7%	78.4%
Staff compensation to operating income	49.4%	35.1%	44.8%	57.8%	41.5%	54.4%
Operating profit per employee (£'000)	105.5	35.8	59.7	20.1	34.4	23.1
Total assets (£'million)	589	8 731	9 320	921	590	1 511

^ *Annualised.*

Specialist Banking			Group costs			Total		
UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**	**UK and Other**	**Southern Africa**	**Total group**
187 535	228 660	416 195	–	–	–	193 022	233 622	426 644
96 773	102 768	199 541	–	–	–	456 633	238 467	695 100
17 718	39 687	57 405	–	–	–	17 188	39 741	56 929
3 595	14 159	17 754	–	–	–	3 595	14 159	17 754
45 253	17 145	62 398	–	–	–	45 736	17 035	62 771
(6 407)	4 039	(2 368)	–	–	–	(2 336)	3 977	1 641
2 584	25	2 609	–	–	–	6 406	609	7 015
347 051	**406 483**	**753 534**	**–**	**–**	**–**	**720 244**	**547 610**	**1 267 854**
(16 088)	(14 934)	(31 022)	–	–	–	(16 087)	(14 934)	(31 021)
330 963	**391 549**	**722 512**	**–**	**–**	**–**	**704 157**	**532 676**	**1 236 833**
(250 749)	(186 998)	(437 747)	(15 839)	(7 433)	(23 272)	(550 353)	(283 150)	(833 503)
(845)	–	(845)	–	–	–	(845)	–	(845)
79 369	**204 551**	**283 920**	**(15 839)**	**(7 433)**	**(23 272)**	**152 959**	**249 526**	**402 485**
79	(28 942)	(28 863)	–	–	–	79	(28 942)	(28 863)
79 448	**175 609**	**255 057**	**(15 839)**	**(7 433)**	**(23 272)**	**153 038**	**220 584**	**373 622**
–	–	–	–	–	–	(9 743)	(5 429)	(15 172)
79 448	**175 609**	**255 057**	**(15 839)**	**(7 433)**	**(23 272)**	**143 295**	**215 155**	**358 450**
9.8%	15.4%	13.1%				13.4%	18.6%	16.1%
10.0%	15.5%	13.2%				17.0%	18.8%	18.0%
72.4%	49.5%	49.4%				76.5%	54.6%	67.3%
53.6%	34.8%	43.5%				54.8%	35.4%	46.4%
31.0	40.0	36.7				33.0	37.6	35.5
21 949	26 947	48 896				23 459	36 268	59 727

SEGMENTAL INCOME STATEMENT – BUSINESS AND GEOGRAPHIC ANALYSIS

(continued)

	Asset Management			Wealth & Investment		
For the six months to 30 September 2018* £'000	UK and Other	Southern Africa	**Total**	UK and Other	Southern Africa	**Total**
Net interest income	305	2 485	2 790	4 046	2 125	6 171
Net fee and commission income	190 704	89 232	279 936	155 522	40 147	195 669
Investment income	–	17	17	47	286	333
Share of post taxation profit of associates and joint venture holdings	–	–	–	–	–	–
Trading income arising from						
– customer flow	–	–	–	393	37	430
– balance sheet management and other trading activities	4 471	66	4 537	3	25	28
Other operating income/(loss)	2 700	1 299	3 999	–	–	–
Total operating income before expected credit loss impairment charges	**198 180**	**93 099**	**291 279**	**160 011**	**42 620**	**202 631**
Expected credit loss impairment charges	(2)	–	(2)	(27)	–	(27)
Operating income	**198 178**	**93 099**	**291 277**	**159 984**	**42 620**	**202 604**
Operating costs	(141 338)	(58 413)	(199 751)	(123 637)	(29 076)	(152 713)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before Other items	**56 840**	**34 686**	**91 526**	**36 347**	**13 544**	**49 891**
(Profit)/loss attributable to other non-controlling interests	–	–	–	–	–	–
Adjusted operating profit	**56 840**	**34 686**	**91 526**	**36 347**	**13 544**	**49 891**
Profit attributable to Asset Management non-controlling interests	(8 310)	(4 518)	(12 828)	–	–	–
Operating profit before goodwill, acquired intangibles and strategic actions and after non-controlling interests	**48 530**	**30 168**	**78 698**	**36 347**	**13 544**	**49 891**
Selected returns and key statistics						
ROE (pre-tax)^	77.4%	135.3%	92.4%	30.4%	134.9%	39.3%
Return on tangible equity (pre-tax)^	196.0%	135.3%	167.5%	140.5%	149.9%	143.2%
Cost to income ratio	71.3%	62.7%	68.6%	77.3%	68.2%	75.4%
Staff compensation to operating income	49.3%	35.9%	45.1%	57.7%	43.2%	54.7%
Operating profit per employee (£'000)	108.3	32.4	57.3	24.9	34.7	26.9
Total assets (£'million)	581	8 251	8 832	906	961	1 867

* *Restated as detailed on page 46.*

^ *Annualised.*

Specialist Banking			Group costs			Total		
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	**UK and Other**	**Southern Africa**	**Total group**
187 810	211 546	399 356	–	–	–	192 161	216 156	408 317
100 105	110 597	210 702	–	–	–	446 331	239 976	686 307
28 637	35 760	64 397	–	–	–	28 684	36 063	64 747
–	20 688	20 688	–	–	–	–	20 688	20 688
48 027	16 621	64 648	–	–	–	48 420	16 658	65 078
13 079	21 803	34 882	–	–	–	17 553	21 894	39 447
2 982	(743)	2 239	–	–	–	5 682	556	6 238
380 640	**416 272**	**796 912**	–	–	–	**738 831**	**551 991**	**1 290 822**
(9 976)	(21 017)	(30 993)	–	–	–	(10 005)	(21 017)	(31 022)
370 664	**395 255**	**765 919**	**–**	**–**	**–**	**728 826**	**530 974**	**1 259 800**
(275 754)	(189 539)	(465 293)	(17 227)	(6 821)	(24 048)	(557 956)	(283 849)	(841 805)
(1 167)	(40)	(1 207)	–	–	–	(1 167)	(40)	(1 207)
93 743	**205 676**	**299 419**	**(17 227)**	**(6 821)**	**(24 048)**	**169 703**	**247 085**	**416 788**
4 205	(41 051)	(36 846)	–	–	–	4 205	(41 051)	(36 846)
97 948	**164 625**	**262 573**	**(17 227)**	**(6 821)**	**(24 048)**	**173 908**	**206 034**	**379 942**
–	–	–	–	–	–	(8 310)	(4 518)	(12 828)
97 948	**164 625**	**262 573**	**(17 227)**	**(6 821)**	**(24 048)**	**165 598**	**201 516**	**367 114**
13.6%	15.0%	14.4%				16.6%	18.0%	17.4%
13.8%	15.2%	14.6%				21.8%	18.2%	19.7%
71.9%	50.5%	61.3%				75.2%	55.6%	67.2%
51.3%	34.2%	42.5%				53.7%	35.2%	45.8%
38.9	38.5	38.7				38.6	35.9	37.1
20 107	25 331	45 438				21 594	34 543	56 137

SEGMENTAL BALANCE SHEET ASSETS AND LIABILITIES – GEOGRAPHIC ANALYSIS

At 30 September 2019 £'000	UK and Other	Southern Africa	Total group
Assets			
Cash and balances at central banks	3 331 166	657 666	3 988 832
Loans and advances to banks	1 104 665	1 138 209	2 242 874
Non-sovereign and non-bank cash placements	–	678 717	678 717
Reverse repurchase agreements and cash collateral on securities borrowed	913 588	707 836	1 621 424
Sovereign debt securities	2 148 108	3 839 808	5 987 916
Bank debt securities	52 460	566 868	619 328
Other debt securities	464 627	770 154	1 234 781
Derivative financial instruments	725 927	530 867	1 256 794
Securities arising from trading activities	773 307	989 524	1 762 831
Investment portfolio	374 788	571 711	946 499
Loans and advances to customers	10 796 848	14 269 099	25 065 947
Own originated loans and advances to customers securitised	–	378 171	378 171
Other loans and advances	131 001	14 033	145 034
Other securitised assets	119 065	14 458	133 523
Interests in associated undertakings and joint venture holdings	56 397	351 346	407 743
Deferred taxation assets	138 409	122 357	260 766
Other assets	1 573 118	820 230	2 393 348
Property and equipment	311 993	172 366	484 359
Investment properties	14 500	986 103	1 000 603
Goodwill	349 239	10 889	360 128
Intangible assets	79 284	19 982	99 266
	23 458 490	**27 610 394**	**51 068 884**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	8 657 879	8 657 879
	23 458 490	**36 268 273**	**59 726 763**
Liabilities			
Deposits by banks	1 359 154	1 570 026	2 929 180
Derivative financial instruments	941 373	787 680	1 729 053
Other trading liabilities	87 457	613 154	700 611
Repurchase agreements and cash collateral on securities lent	218 662	765 233	983 895
Customer accounts (deposits)	13 354 483	18 684 808	32 039 291
Debt securities in issue	2 277 595	658 896	2 936 491
Liabilities arising on securitisation of own originated loans and advances	–	79 667	79 667
Liabilities arising on securitisation of other assets	116 544	–	116 544
Current taxation liabilities	115 233	51 249	166 482
Deferred taxation liabilities	19 069	4 125	23 194
Other liabilities	1 798 750	600 363	2 399 113
	20 288 320	**23 815 201**	**44 103 521**
Liabilities to customers under investment contracts	–	8 650 085	8 650 085
Insurance liabilities, including unit-linked liabilities	–	7 794	7 794
	20 288 320	**32 473 080**	**52 761 400**
Subordinated liabilities	811 584	783 377	1 594 961
	21 099 904	**33 256 457**	**54 356 361**

SEGMENTAL BALANCE SHEET ASSETS AND LIABILITIES – GEOGRAPHIC ANALYSIS

(continued)

1

At 31 March 2019 £'000	UK and Other	Southern Africa	Total group
Assets			
Cash and balances at central banks	4 445 431	547 389	4 992 820
Loans and advances to banks	1 145 838	1 176 983	2 322 821
Non-sovereign and non-bank cash placements	–	648 547	648 547
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	1 135 546	1 768 748
Sovereign debt securities	1 298 947	3 239 276	4 538 223
Bank debt securities	52 265	665 048	717 313
Other debt securities	498 265	722 386	1 220 651
Derivative financial instruments	622 397	411 769	1 034 166
Securities arising from trading activities	791 107	1 068 147	1 859 254
Investment portfolio	493 268	535 708	1 028 976
Loans and advances to customers	10 515 665	14 019 088	24 534 753
Own originated loans and advances to customers securitised	–	407 869	407 869
Other loans and advances	178 196	17 497	195 693
Other securitised assets	118 169	15 635	133 804
Interests in associated undertakings and joint venture holdings	53 451	334 299	387 750
Deferred taxation assets	148 351	100 542	248 893
Other assets	1 014 659	721 297	1 735 956
Property and equipment	99 796	161 854	261 650
Investment properties	14 500	980 145	994 645
Goodwill	356 048	10 822	366 870
Intangible assets	85 022	22 215	107 237
	22 564 577	**26 942 062**	**49 506 639**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	8 217 573	8 217 573
	22 564 577	**35 159 635**	**57 724 212**
Liabilities			
Deposits by banks	1 328 120	1 688 186	3 016 306
Derivative financial instruments	686 160	591 073	1 277 233
Other trading liabilities	80 217	592 188	672 405
Repurchase agreements and cash collateral on securities lent	294 675	810 388	1 105 063
Customer accounts (deposits)	13 136 539	18 170 568	31 307 107
Debt securities in issue	2 417 602	655 718	3 073 320
Liabilities arising on securitisation of own originated loans and advances	–	91 522	91 522
Liabilities arising on securitisation of other assets	113 711	–	113 711
Current taxation liabilities	131 896	30 552	162 448
Deferred taxation liabilities	20 706	2 884	23 590
Other liabilities	1 220 643	545 006	1 765 649
	19 430 269	**23 178 085**	**42 608 354**
Liabilities to customers under investment contracts	–	8 214 634	8 214 634
Insurance liabilities, including unit-linked liabilities	–	2 939	2 939
	19 430 269	**31 395 658**	**50 825 927**
Subordinated liabilities	803 699	843 572	1 647 271
	20 233 968	**32 239 230**	**52 473 198**

SEGMENTAL BALANCE SHEET ASSETS AND LIABILITIES – GEOGRAPHIC ANALYSIS

(continued)

At 30 September 2018 £'000	UK and Other	Southern Africa	**Total group**
Assets			
Cash and balances at central banks	3 882 704	519 867	4 402 571
Loans and advances to banks	1 069 927	1 124 257	2 194 184
Non-sovereign and non-bank cash placements	–	566 221	566 221
Reverse repurchase agreements and cash collateral on securities borrowed	681 276	960 159	1 641 435
Sovereign debt securities	1 287 931	3 195 454	4 483 385
Bank debt securities	54 619	554 903	609 522
Other debt securities	356 598	753 344	1 109 942
Derivative financial instruments	582 813	515 999	1 098 812
Securities arising from trading activities	776 093	1 144 917	1 921 010
Investment portfolio	472 601	477 854	950 455
Loans and advances to customers	10 057 631	13 682 103	23 739 734
Own originated loans and advances to customers securitised	–	452 341	452 341
Other loans and advances	187 778	19 473	207 251
Other securitised assets	125 814	17 070	142 884
Interests in associated undertakings	51 327	369 812	421 139
Deferred taxation assets	157 556	57 832	215 388
Other assets	1 282 161	724 319	2 006 480
Property and equipment	100 705	168 469	269 174
Investment properties	14 500	1 026 823	1 041 323
Goodwill	356 445	11 035	367 480
Intangible assets	95 339	24 994	120 333
	21 593 818	**26 367 246**	**47 961 064**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	8 176 040	8 176 040
	21 593 818	**34 543 286**	**56 137 104**
Liabilities			
Deposits by banks	1 400 465	1 610 629	3 011 094
Derivative financial instruments	615 531	786 729	1 402 260
Other trading liabilities	85 079	921 493	1 006 572
Repurchase agreements and cash collateral on securities lent	135 763	352 508	488 271
Customer accounts (deposits)	12 361 952	17 986 809	30 348 761
Debt securities in issue	2 316 115	418 013	2 734 128
Liabilities arising on securitisation of own originated loans and advances	–	120 161	120 161
Liabilities arising on securitisation of other assets	121 161	–	121 161
Current taxation liabilities	152 433	18 361	170 794
Deferred taxation liabilities	20 274	10 233	30 507
Other liabilities	1 307 615	504 958	1 812 573
	18 516 388	**22 729 894**	**41 246 282**
Liabilities to customers under investment contracts	–	8 172 496	8 172 496
Insurance liabilities, including unit-linked liabilities	–	3 544	3 544
	18 516 388	**30 905 934**	**49 422 322**
Subordinated liabilities	803 888	793 070	1 596 958
	19 320 276	**31 699 004**	**51 019 280**

2

FINANCIAL REVIEW

Income statement analysis

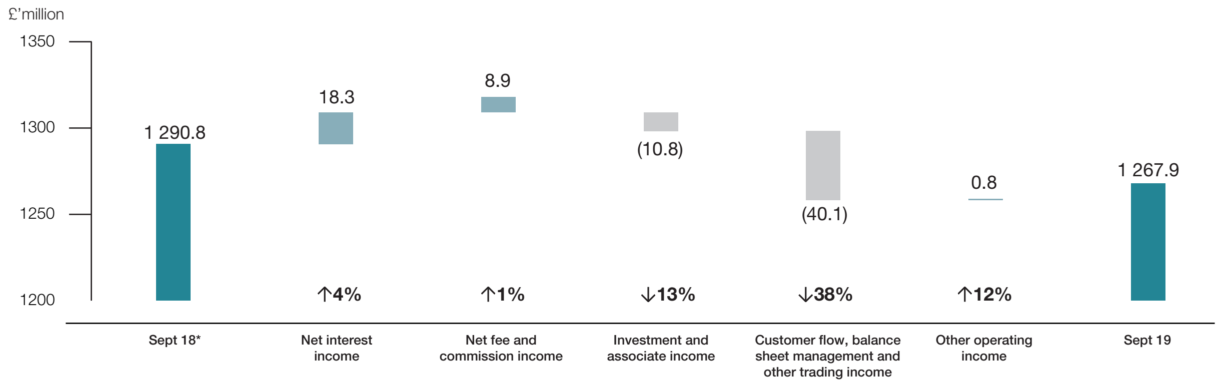
The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the period under review.

Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 54 to 88.

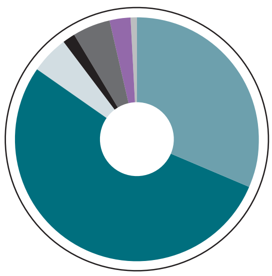
1. Total operating income before expected credit loss impairment charges

Total operating income before expected credit loss impairment charges decreased by 1.8% to £1 267.9 million (2018*: £1 290.8 million).

A breakdown of total operating income before expected credit loss impairment charges by geography and division for the period under review can be found in our segmental disclosures on pages 26 to 34.

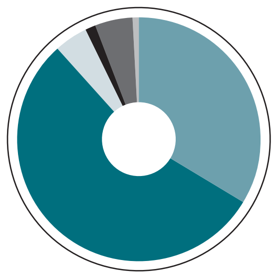


% of total operating income before expected credit loss impairment charges



30 SEPTEMBER 2018*
£1 290.8 million total operating income before expected credit losses

31.6%	Net interest income
53.2%	Net fee and commission income
5.0%	Investment income
1.6%	Share of post taxation operating profit of associates
5.0%	Trading income arising from customer flow
3.0%	Trading income arising from balance sheet management and other trading activities
0.6%	Other operating income



30 SEPTEMBER 2019
£1 267.9 million total operating income before expected credit losses

33.7%	Net interest income
54.8%	Net fee and commission income
4.5%	Investment income
1.4%	Share of post taxation operating profit of associates
4.9%	Trading income arising from customer flow
0.1%	Trading income arising from balance sheet management and other trading activities
0.6%	Other operating income

* *Restated as detailed on page 46.*

2. Net interest income

Net interest income increased by 4.5% to £426.6 million (2018*: £408.3 million) supported by private client activity and loan book growth.

£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
Asset Management	995	2 790	(1 795)	(64.3%)
Wealth & Investment	9 454	6 171	3 283	53.2%
Specialist Banking	416 195	399 356	16 839	4.2%
Net interest income	**426 644**	**408 317**	**18 327**	**4.5%**

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

		UK and Other		**Southern Africa**		**Total group**	
For the six months to 30 September 2019 £'000		Balance sheet value	Interest income	Balance sheet value	Interest income	**Balance sheet value**	**Interest income**
Cash, near cash and bank debt and sovereign debt securities	1	7 549 987	41 078	7 589 104	235 208	15 139 091	276 286
Core loans and advances	2	10 796 848	293 451	14 647 270	718 275	25 444 118	1 011 726
Private Client		4 494 748	91 154	10 196 528	499 612	14 691 276	590 766
Corporate, institutional and other clients		6 302 100	202 297	4 450 742	218 663	10 752 842	420 960
Other debt securities and other loans and advances^		595 628	49 434	784 187	19 929	1 379 815	69 363
Other interest earning assets	3	–	–	153 876	15 760	153 876	15 760
Finance lease receivables***		335 355	8 927	–	–	335 355	8 927
Total interest earning assets		**19 277 818**	**392 890**	**23 174 437**	**989 172**	**42 452 255**	**1 382 062**

		UK and Other		**Southern Africa**		**Total group**	
For the six months to 30 September 2019 £'000		Balance sheet value	Interest expense	Balance sheet value	Interest expense	**Balance sheet value**	**Interest expense**
Deposits by banks and other debt related securities^	4	3 855 411	(80 400)	2 994 155	(69 605)	6 849 566	(150 005)
Customer accounts (deposits)		13 354 483	(85 266)	18 684 808	(643 513)	32 039 291	(728 779)
Other interest bearing liabilities	5	–	–	79 667	(7 598)	79 667	(7 598)
Subordinated liabilities		811 584	(24 172)	783 377	(34 305)	1 594 961	(58 477)
Lease liabilities***		583 383	(10 030)	15 275	(529)	598 658	(10 559)
Total interest bearing liabilities		**18 604 861**	**(199 868)**	**22 557 282**	**(755 550)**	**41 162 143**	**(955 418)**
Net interest income			**193 022**		**233 622**		**426 644**
Net annualised interest margin (local currency)			**2.02%**		**1.99%****		

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

* *Restated as detailed on page 46.*

** *Impacted by debt funding issued by the Investec Property Fund in which the group has a 26.57% interest (2018: 26.57%). Excluding this debt funding cost, the net interest margin amounted to 2.11% (2018: 2.05%).*

*** *The group has adopted IFRS 16 from 1 April 2019. The impact has been to recognise interest income and interest expense on the unwind of finance lease receivables and lease liabilities respectively. The prior period comparatives has not been restated.*

^ *Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.*

		UK and Other*		Southern Africa		Total group*	
For the six months to 30 September 2018 £'000		Balance sheet value	Interest income	Balance sheet value	Interest income	**Balance sheet value**	**Interest income**
Cash, near cash and bank debt and sovereign debt securities	1	6 976 457	26 903	6 920 861	210 260	13 897 318	237 163
Core loans and advances	2	10 057 631	286 489	14 134 444	676 940	24 192 075	963 429
Private Client		3 692 360	83 095	9 719 739	467 123	13 412 099	550 218
Corporate, institutional and other clients		6 365 271	203 394	4 414 705	209 817	10 779 976	413 211
Other debt securities and other loans and advances^		544 376	36 621	772 817	24 484	1 317 193	61 105
Other interest earning assets	3	-	-	178 003	24 229	178 003	24 229
Total interest earning assets		**17 578 464**	**350 013**	**22 006 125**	**935 913**	**39 584 589**	**1 285 926**

		UK and Other*		Southern Africa		Total group*	
For the six months to 30 September 2018 £'000		Balance sheet value	Interest expense	Balance sheet value	Interest expense	**Balance sheet value**	**Interest expense**
Deposits by banks and other debt related securities^	4	3 852 343	(61 944)	2 381 150	(66 889)	6 233 493	(128 833)
Customer accounts (deposits)		12 361 952	(69 601)	17 986 809	(608 097)	30 348 761	(677 698)
Other interest bearing liabilities	5	–	–	120 161	(12 871)	120 161	(12 871)
Subordinated liabilities		803 888	(26 307)	793 070	(31 900)	1 596 958	(58 207)
Total interest bearing liabilities		**17 018 183**	**(157 852)**	**21 281 190**	**(719 757)**	**38 299 373**	**(877 609)**
Net interest income			**192 161**		**216 156**		**408 317**
Net annualised interest margin (local currency)			**2.23%**		**1.90%****		

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

* *Restated as detailed on page 46.*

** *Impacted by debt funding issued by the Investec Property Fund in which the group had a 26.57% interest in 2018. Excluding this debt funding cost, the net interest margin amounted to 2.05%.*

^ *Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.*

3. Net fee and commission income

Net fee and commission income increased by 1.3% to £695.1 million (2018*: £686.3 million). Growth in annuity fees from the Asset Management and Wealth Management businesses were partly offset by lower Specialist Banking fees impacted by the challenging macroeconomic environment in both South Africa and the UK.

£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
Asset Management	299 375	279 936	19 439	6.9%
Wealth & Investment	196 184	195 669	515	0.3%
Specialist Banking	199 541	210 702	(11 161)	(5.3%)
Net fee and commission income	**695 100**	**686 307**	**8 793**	**1.3%**

Included in Specialist Banking corporate and institutional and advisory services is net fee income of £36.2 million (2018: £37.5 million) for operating lease income which is out of the scope of IFRS 15 – Revenue from contracts with customers.

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

For the six months to 30 September 2019 £'000	**UK and Other**	**Southern Africa**	**Total Group**
Asset management and wealth management businesses net fee and commission income	**359 860**	**135 699**	**495 559**
Fund management fees/fees for assets under management	433 591	120 337	553 928
Private client transactional fees	21 496	18 546	40 042
Fee and commission expense	(95 227)	(3 184)	(98 411)
Specialist Banking net fee and commission income	**96 773**	**102 768**	**199 541**
Corporate and institutional transactional and advisory services	95 930	85 690	181 620
Private client transactional fees	5 671	37 566	43 237
Fee and commission expense	(4 828)	(20 488)	(25 316)
Net fee and commission income	**456 633**	**238 467**	**695 100**
Annuity fees (net of fees payable)	347 776	209 569	557 345
Deal fees	108 857	28 898	137 755

For the six months to 30 September 2018 £'000	UK and Other*	Southern Africa	**Total Group**
Asset management and wealth management businesses net fee and commission income	**346 226**	**129 379**	**475 605**
Fund management fees/fees for assets under management	405 733	112 943	518 676
Private client transactional fees	24 302	18 338	42 640
Fee and commission expense	(83 809)	(1 902)	(85 711)
Specialist Banking net fee and commission income	**100 105**	**110 597**	**210 702**
Corporate and institutional transactional and advisory services	101 059	96 526	197 585
Private client transactional fees	5 109	23 697	28 806
Fee and commission expense	(6 063)	(9 626)	(15 689)
Net fee and commission income	**446 331**	**239 976**	**686 307**
Annuity fees (net of fees payable)	332 976	212 444	545 420
Deal fees	113 355	27 532	140 887

* *Restated as detailed on page 46.*

4. Investment income

Investment income decreased to £56.9 million (2018*: £64.7 million) reflecting lower gains from the investment portfolio.

£'000	30 Sept 2019	30 Sept 2018	Variance	% change
Asset Management	(150)	17	(167)	(>100.0%)
Wealth & Investment	(326)	333	(659)	(>100.0%)
Specialist Banking	57 405	64 397	(6 992)	(10.9%)
Investment income	**56 929**	**64 747**	**(7 818)**	**(12.1%)**

For the six months to 30 September 2019 £'000	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	Investment Portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
UK and Other									
Realised	(471)	46 501	–	14 661	60 691	3 707	(1 921)	(584)	61 893
Unrealised	(1 073)	(35 558)	–	(6 726)	(43 357)	73	1 293	(4 392)	(46 383)
Dividend income	1	631	–	–	632	–	–	–	632
Funding and other net related income	–	–	–	–	–	–	1 046	–	1 046
	(1 543)	**11 574**	**–**	**7 935**	**17 966**	**3 780**	**418**	**(4 976)**	**17 188**
Southern Africa									
Realised	3 516	3 855	–	1 912	9 283	2 640	(391)	(124)	11 408
Unrealised	15 019	(2 808)	8 261	(466)	20 006	1 845	(835)	(2 223)	18 793
Dividend income	7 033	3 429	–	–	10 462	–	–	21	10 483
Funding and other net related income/(costs)	–	(1 042)	–	–	(1 042)	–	99	–	(943)
	25 568	**3 434**	**8 261**	**1 446**	**38 709**	**4 485**	**(1 127)**	**(2 326)**	**39 741**
Investment income	**24 025**	**15 008**	**8 261**	**9 381**	**56 675**	**8 265**	**(709)**	**(7 302)**	**56 929**

For the six months to 30 September 2018* £'000	Listed equities	Unlisted equities	Fair value loan investments	Warrants and profit shares	Investment Portfolio	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	Total
UK and Other*									
Realised	1 068	14 170	–	17 124	32 362	2 667	–	(9 788)	25 241
Unrealised	(15 209)	10 700	–	(4 884)	(9 393)	1 160	(3 505)	8 507	(3 231)
Dividend income	95	2 285	–	–	2 380	–	–	–	2 380
Funding and other net related income	–	–	–	–	–	–	4 294	–	4 294
	(14 046)	**27 155**	**–**	**12 240**	**25 349**	**3 827**	**789**	**(1 281)**	**28 684**
Southern Africa									
Realised	23 609	5 609	–	3 142	32 360	3 223	30 785	(44)	66 324
Unrealised	(20 234)	(3 472)	8 469	782	(14 455)	2 981	(29 653)	6 094	(35 033)
Dividend income	5 092	1 764	–	–	6 856	–	–	31	6 887
Funding and other net related (costs)/income	–	(1 427)	–	–	(1 427)	–	–	(688)	(2 115)
	8 467	**2 474**	**8 469**	**3 924**	**23 334**	**6 204**	**1 132**	**5 393**	**36 063**
Investment income	**(5 579)**	**29 629**	**8 469**	**16 164**	**48 683**	**10 031**	**1 921**	**4 112**	**64 747**

* *Restated as detailed on page 46.*

5. Share of post taxation profit of associates

Share of post taxation profit of associates of £17.8 million (2018*: £20.7 million) reflects earnings in relation to the group's investment in the IEP Group.

6. Trading income

Trading income arising from customer flow decreased by 3.5% to £62.8 million (2018*: £65.1 million) reflecting reasonable activity levels given the macroeconomic backdrop.

Trading income from balance sheet management and other trading activities decreased significantly to £1.6 million (2018*: £39.4 million). The decrease is largely as a result of translation gains on foreign currency equity investments in South Africa in the prior period as well as the prior period gain on the restructure of subordinated debt in the UK.

Arising from customer flow

£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
Wealth & Investment	373	430	(57)	(13.3%)
Specialist Banking	62 398	64 648	(2 250)	(3.5%)
Trading income arising from customer flow	**62 771**	**65 078**	**(2 307)**	**(3.5%)**

Arising from balance sheet management and other trading activities

£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
Asset Management^	3 959	4 537	(578)	(12.7%)
Wealth & Investment	50	28	22	78.6%
Specialist Banking	(2 368)	34 882	(37 250)	(>100.0%)
Trading income arising from balance sheet management and other trading activities	**1 641**	**39 447**	**(37 806)**	**(95.8%)**

^ *Trading income arising from balance sheet management and other trading activities for Asset Management represents net foreign exchange movements on non-Sterling assets and liabilities on Asset Management's balance sheet.*

7. Expected credit loss (ECL) impairment charges

The total ECL impairment charges amounted to £31.0 million in line with the prior period. The group's annualised credit loss ratio was 0.23% (2018: 0.34%) below its long-term average range. Since 31 March 2019 gross core loan Stage 3 assets have reduced by £18 million to £503.0 million. Net Stage 3 exposures as a percentage of net core loans subject to ECL was 1.4% (31 March 2019: 1.3%).

£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
UK and Other	(16 087)	(10 005)	(6 082)	60.8%
Southern Africa	(14 934)	(21 017)	6 083	(28.9%)
ECL impairment charges	**(31 021)**	**(31 022)**	**1**	**0.0%**
ECL impairment charges in home currency				
Southern Africa (R'million)	**(270)**	**(378)**	**108**	**(28.6%)**

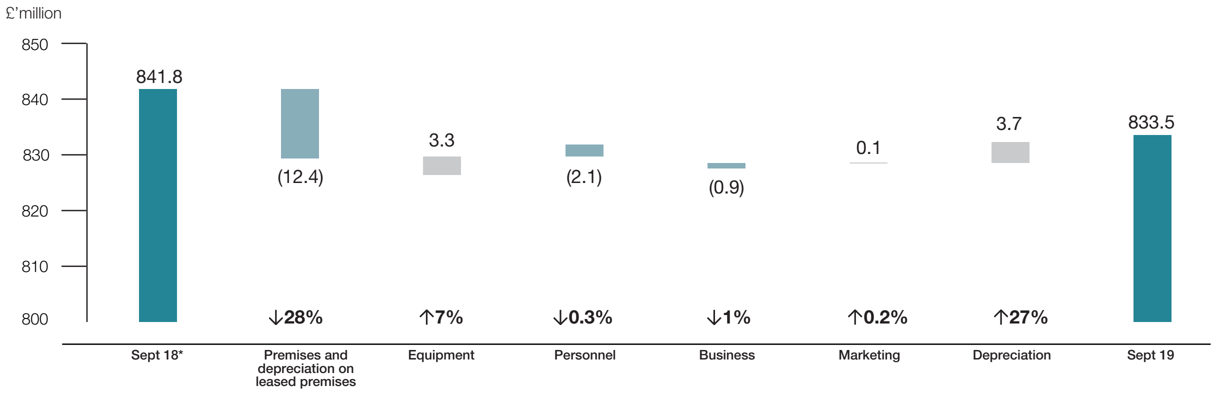
£'000	30 Sept 2019	30 Sept 2018*
ECL impairment charges are recognised on the following assets:		
Loans and advances to customers	(27 325)	(40 071)
Own originated loans and advances to customers securitised	(622)	146
Core loans and advances	**(27 947)**	**(39 925)**
Other loans and advances	28	–
Other balance sheet assets	(1 784)	8 291
Off balance sheet commitments and guarantees	(1 318)	612
Total ECL impairment charges	**(31 021)**	**(31 022)**

* *Restated as detailed on page 46.*

8. Operating costs

Operating costs decreased 1.0% to £833.5 million (2018*: £841.8 million) primarily driven by normalised premises costs and cost containment across the business. The cost to income ratio (net of non-controlling interests) was in line with the prior period at 67.3% (2018*: 67.2%).

Operating costs



£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
Asset Management	(211 256)	(199 751)	(11 505)	5.8%
Wealth & Investment	(161 228)	(152 713)	(8 515)	5.6%
Specialist Banking	(437 747)	(465 293)	27 546	(5.9%)
Group costs	(23 272)	(24 048)	776	(3.2%)
Total operating costs	**(833 503)**	**(841 805)**	**8 302**	**(1.0%)**

The following tables set out information on total operating costs by business and geography for the period under review.

£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
UK and Other	(550 353)	(557 956)	7 603	(1.4%)
Southern Africa	(283 150)	(283 849)	699	(0.2%)
Total operating costs	**(833 503)**	**(841 805)**	**8 302**	**(1.0%)**

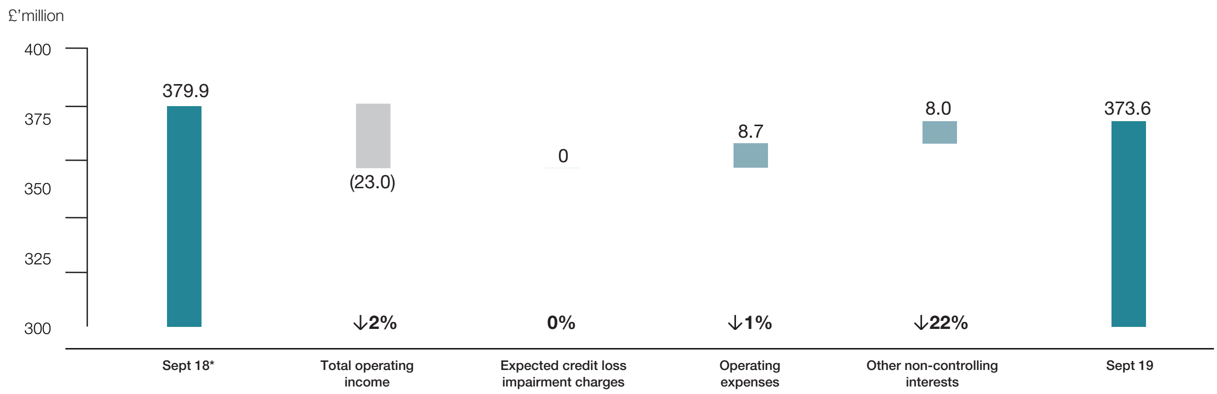
£'000	30 Sept 2019	% of total operating costs	30 Sept 2018*	% of total operating costs	% change
Staff costs	(605 266)	72.6%	(607 327)	72.1%	(0.3%)
– fixed	(409 012)	49.1%	(402 247)	47.8%	1.7%
– variable	(196 254)	23.5%	(205 080)	24.4%	(4.3%)
Business expenses	(100 728)	12.1%	(101 611)	12.1%	(0.9%)
Equipment expenses (excluding depreciation)	(48 812)	5.9%	(45 466)	5.4%	7.4%
Premises expenses^	(31 965)	3.8%	(44 394)	5.3%	(28.0%)
Premises expenses (excluding depreciation)^	(13 784)	1.7%	(41 251)	4.9%	(66.6%)
Premises depreciation^	(18 181)	2.2%	(3 143)	0.4%	>100.0%
Marketing expenses	(29 317)	3.5%	(29 264)	3.5%	0.2%
Depreciation, amortisation and impairment on property, equipment and intangibles	(17 415)	2.1%	(13 743)	1.6%	>100.0%
Total operating costs	**(833 503)**	**100.0%**	**(841 805)**	**100.0%**	**(1.0%)**

* *Restated as detailed on page 46.*

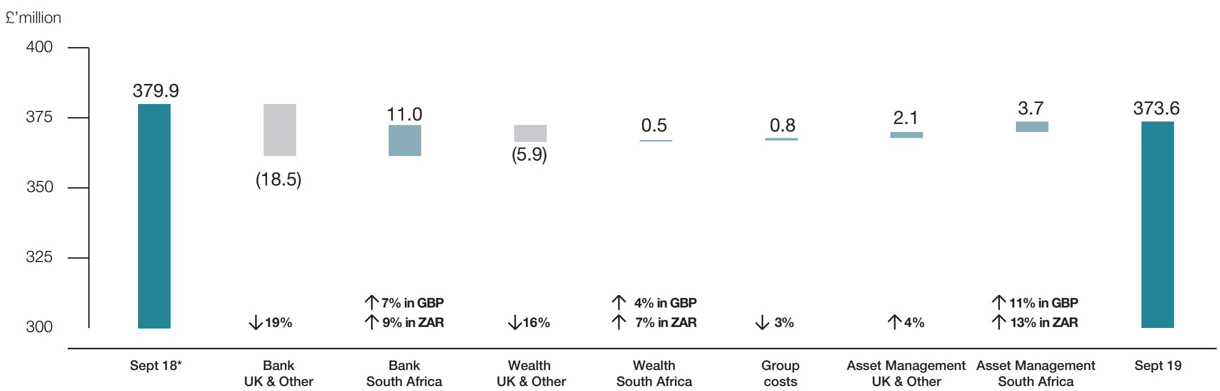
^ *The group adopted IFRS 16 from 1 April 2019. The impact has been an increase in the depreciation charge by £14.8 million as a result of recognising a right-of-use asset and a reduction in the premises expense in the six months to 30 September 2019. The prior period comparatives have not been restated. Depreciation on premises is now being shown next to other premises expenses to aid comparability.*

Adjusted operating profit

As a result of the foregoing factors, our adjusted operating profit decreased by 1.7% from £379.9 million to £373.6 million.



Growth in adjusted operating profit



* Restated as detailed on page 46.

Adjusted operating profit

The following tables set out information on adjusted operating profit by geography and by division for the year under review.

For the six months to 30 September 2019 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Wealth & Investment	30 455	14 053	44 508	(10.8%)	11.9%
Specialist Banking	79 448	175 609	255 057	(2.9%)	68.2%
Group costs	(15 839)	(7 433)	(23 272)	(3.2%)	(6.2%)
Bank and Wealth	**94 064**	**182 229**	**276 293**	**(4.2%)**	**73.9%**
Asset Management	58 974	38 355	97 329	6.3%	26.1%
Adjusted operating profit	**153 038**	**220 584**	**373 622**	**(1.7%)**	**100.0%**
Other non-controlling interests^			28 863		
Operating profit before non-controlling interests			**402 485**		
% change	**(12.0%)**	**7.1%**	**(1.7%)**		
% of total	**41.0%**	**59.0%**	**100.0%**		

For the six months to 30 September 2018* £'000	UK and Other	Southern Africa	Total group	% of total
Wealth & Investment	36 347	13 544	49 891	13.1%
Specialist Banking	97 948	164 625	262 573	69.1%
Group costs	(17 227)	(6 821)	(24 048)	(6.3%)
Bank and Wealth	**117 068**	**171 348**	**288 416**	**75.9%**
Asset Management	56 840	34 686	91 526	24.1%
Adjusted operating profit	**173 908**	**206 034**	**379 942**	**100.0%**
Other non-controlling interests^			36 846	
Operating profit before non-controlling interests			**416 788**	
% of total	**45.8%**	**54.2%**	**100.0%**	

* *Restated as detailed on page 46.*

^ *Profit attributable to other non-controlling interests predominantly relates to the Investec Property Fund Limited.*

9. Impairment of goodwill and amortisation of acquired intangibles

Amortisaton of acquired intangibles of £8.0 million (2018: £7.9 million) largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

Goodwill and intangible assets analysis by geography and line of business

£'000	30 Sept 2019	31 March 2019	30 Sept 2018
UK and Other	**349 239**	**356 048**	**356 445**
Asset Management	88 045	88 045	88 045
Wealth & Investment	236 318	243 228	243 463
Specialist Banking	24 876	24 775	24 937
South Africa	**10 889**	**10 822**	**11 035**
Wealth & Investment	1 933	1 922	1 959
Specialist Banking	8 956	8 900	9 076
Intangible assets	**99 266**	**107 237**	**120 333**
Wealth & Investment	75 969	82 306	92 541
Specialist Banking	23 297	24 931	27 792
Total group	**459 394**	**474 107**	**487 813**

10. Taxation

The tax charge on adjusted operating profit was £62.4 million (2018*: £62.6 million), resulting in an effective tax rate of 16.2% (2018*: 15.8%).

	Effective tax rates				
	30 Sept 2019	30 Sept 2018*	**30 Sept 2019 £'000**	30 Sept 2018* £'000	% change
UK and Other	17.1%	14.0%	(25 517)	(23 822)	7.1%
Southern Africa	15.7%	17.1%	(36 857)	(38 803)	(5.0%)
Tax	**16.2%**	**15.8%**	**(62 374)**	**(62 625)**	**(0.4%)**

* *Restated as detailed on page 46.*

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

In this regard the following strategic actions have been effected:

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

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

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

These reclassifications in the income statement for the prior reported periods and the consequential restated comparatives have been shown on page 47.

The net effect on restated earnings attributable to shareholders relates solely to the tax previously included directly in equity which is now being reported in the income statement.

The net effect on restated adjusted earnings per share relates to:

- the inclusion of the tax relief previously recorded directly in equity which is now being recognised in the income statement; and
- the exclusion of the financial impact of the strategic actions which were included in adjusted operating profit in prior periods. Refer to page 157 for the calculation of adjusted operating profit and page 25 for the calculation of adjusted earnings attributable to ordinary shareholders.

There has been no impact to Earnings per share or Headline earnings per share.

11. Financial impact of strategic actions

£'000	**Six months to 30 Sept 2019**	Six months to 30 Sept 2018	Year to 31 March 2019
Closure and rundown of the Hong Kong direct investments business*	(49 469)	(26 909)	(65 593)
Financial impact of group restructures	4 178	6 234	(21 281)
Costs incurred in relation to proposed Asset Management demerger	(8 579)	-	(6 690)
Closure of Click & Invest	(4 020)	(3 483)	(14 265)
Sale of the Irish Wealth & Investment business	18 959	-	-
Restructure of the Irish branch	(1 265)	9 717	(326)
Sale of UK Property Fund	(917)	-	-
Financial impact of strategic actions	**(45 291)**	**(20 675)**	**(86 874)**

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

£'000	Six months to 30 Sept 2018 as previously reported	Reclassification	**Six months to 30 Sept 2018 restated**	Year to 31 March 2019 as previously reported	Reclassification	**Year to 31 March 2019 restated**
Interest income	1 285 916	10	1 285 926	2 641 920	3	2 641 923
Interest expense	(880 902)	3 293	(877 609)	(1 826 493)	6 902	(1 819 591)
Net interest income	**405 014**	**3 303**	**408 317**	**815 427**	**6 905**	**822 332**
Fee and commission income	804 249	(16 542)	787 707	1 590 004	(26 940)	1 563 064
Fee and commission expense	(100 540)	(860)	(101 400)	(216 452)	2 947	(213 505)
Investment income	41 472	23 275	64 747	49 985	57 859	107 844
Share of post taxation profit of associates and joint venture holdings	20 782	(94)	20 688	68 317	(150)	68 167
Trading income arising from						
- customer flow	65 078	–	65 078	120 662	–	120 662
- balance sheet management and other trading activities	39 031	416	39 447	41 966	(79)	41 887
Other operating income	6 238	–	6 238	16 431	–	16 431
Total operating income before expected credit loss impairment charges	**1 281 324**	**9 498**	**1 290 822**	**2 486 340**	**40 542**	**2 526 882**
Expected credit loss impairment charges	(31 022)	–	(31 022)	(66 452)	–	(66 452)
Operating income	**1 250 302**	**9 498**	**1 259 800**	**2 419 888**	**40 542**	**2 460 430**
Operating costs	(852 982)	11 177	(841 805)	(1 695 012)	26 789	(1 668 223)
Depreciation on operating leased assets	(1 207)	–	(1 207)	(2 157)	–	(2 157)
Operating profit before goodwill, acquired intangibles and strategic actions	**396 113**	**20 675**	**416 788**	**722 719**	**67 331**	**790 050**
Impairment of goodwill	–	–	–	(155)	–	(155)
Amortisation of acquired intangibles	(7 861)	–	(7 861)	(15 816)	–	(15 816)
Closure and rundown of the Hong Kong direct investments business	–	(26 909)	(26 909)	–	(65 593)	(65 593)
Operating profit	**388 252**	**(6 234)**	**382 018**	**706 748**	**1 738**	**708 486**
Financial impact of group restructures	-	6 234	6 234	(19 543)	(1 738)	(21 281)
Profit before taxation	**388 252**	**–**	**388 252**	**687 205**	**–**	**687 205**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(60 301)	(2 324)	(62 625)	(78 210)	(9 570)	(87 780)
Taxation on goodwill, acquired intangibles and strategic actions	1 577	3 928	5 505	5 979	12 777	18 756
Profit after taxation	**329 528**	**1 604**	**331 132**	**614 974**	**3 207**	**618 181**
Profit attributable to other non-controlling interests	(36 846)	–	(36 846)	(58 192)	–	(58 192)
Profit attributable to Asset Management non-controlling interests	(12 828)	–	(12 828)	(25 658)	–	(25 658)
Earnings attributable to shareholders	**279 854**	**1 604**	**281 458**	**531 124**	**3 207**	**534 331**
Earnings per share (pence)						
-Basic	27.6		27.6	52.0		52.0
-Diluted	26.8		26.8	50.9		50.9
Adjusted earnings per share (pence)						
-Basic	28.3		30.1	55.1		60.9
-Diluted	27.5		29.2	54.0		59.7
Headline earnings per share (pence)						
-Basic	27.4		27.4	52.6		52.6
-Diluted	26.6		26.6	51.5		51.5

Net asset value per share

Net asset value per share increased 3.3% to 448.3 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased 4.0% to 401.5 pence.

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

£'000	30 Sept 2019	31 March 2019	30 Sept 2018
Shareholders' equity	4 420 207	4 316 413	4 179 690
Less: perpetual preference shares issued by holding companies	(195 162)	(194 156)	(197 452)
Ordinary shareholders' equity/net asset value	**4 225 045**	**4 122 257**	**3 982 238**
Less: goodwill and intangible assets (excluding software)	(440 927)	(456 397)	(465 216)
Tangible ordinary shareholders' equity/net tangible asset value	**3 784 118**	**3 665 860**	**3 517 022**
Number of shares in issue (million)	1 015.0	1 001.0	1 000.0
Treasury shares (million)	(72.5)	(51.3)	(56.3)
Number of shares in issue in this calculation (million)	**942.5**	**949.7**	**943.7**
Net asset value per share (pence)	**448.3**	**434.1**	**422.0**
Net tangible asset value per share (pence)	**401.5**	**386.0**	**372.7**

Return on equity

£'000	30 Sept 2019	31 March 2019	Average	30 Sept 2018	1 April 2018	Average
Ordinary shareholders' equity	**4 225 045**	**4 122 257**	**4 173 651**	**3 982 238**	**3 960 026**	**3 971 132**
Goodwill and intangible assets (excluding software)	(440 927)	(456 397)	(448 662)	(465 216)	(475 922)	(470 569)
Tangible ordinary shareholders' equity	**3 784 118**	**3 665 860**	**3 724 989**	**3 517 022**	**3 484 104**	**3 500 563**

£'000	30 Sept 2019	30 Sept 2018*	31 March 2019*
Operating profit before goodwill, acquired intangibles and strategic actions	402 485	416 788	790 050
Non-controlling interests	(44 035)	(49 674)	(83 850)
Earnings attributable to perpetual preference and Other Additional Tier 1 security holders	(22 464)	(22 419)	(44 524)
Adjusted earnings (pre-tax)	**335 986**	**344 695**	**661 676**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(62 374)	(62 625)	(87 780)
Adjusted earnings attributable to ordinary shareholders	**273 612**	**282 070**	**573 896**
Pre-tax return on average shareholders' equity	16.1%	17.4%	16.4%
Post-tax return on average shareholders' equity	13.1%	14.2%	14.2%
Pre-tax return on average tangible shareholders' equity	18.0%	19.7%	18.5%
Post-tax return on average tangible shareholders' equity	14.7%	16.1%	16.1%

* *Restated as detailed on page 46.*

Return on equity by geography

£'000	UK and Other	Southern Africa	Total group
Operating profit before goodwill, acquired intangibles and strategic actions	152 959	249 526	402 485
Non-controlling interests	(9 664)	(34 371)	(44 035)
Earnings attributable to perpetual preference and Other Additional Tier 1 security holders	(8 716)	(13 748)	(22 464)
Adjusted earnings (pre-tax)	**134 579**	**201 407**	**335 986**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	(25 517)	(36 857)	(62 374)
Adjusted earnings attributable to ordinary shareholders – 30 September 2019	**109 062**	**164 550**	**273 612**
Adjusted earnings attributable to ordinary shareholders – 30 September 2018*	133 101	148 969	282 070
Ordinary shareholders' equity – 30 September 2019	**2 027 648**	**2 197 397**	**4 225 045**
Goodwill and intangible assets (excluding software)	(419 717)	(21 210)	(440 927)
Tangible ordinary shareholders' equity – 30 September 2019	**1 607 931**	**2 176 187**	**3 784 118**
Ordinary shareholders' equity – 31 March 2019	**1 997 415**	**2 124 842**	**4 122 257**
Goodwill and intangible assets (excluding software)	(433 946)	(22 451)	(456 397)
Tangible ordinary shareholders' equity – 31 March 2019	**1 563 469**	**2 102 391**	**3 665 860**
Ordinary shareholders' equity – 30 September 2018	**1 935 035**	**2 047 203**	**3 982 238**
Goodwill and intangible assets (excluding software)	(440 931)	(24 285)	(465 216)
Tangible ordinary shareholders' equity – 30 September 2018	**1 494 104**	**2 022 918**	**3 517 022**
Average ordinary shareholders' equity – 30 September 2019	**2 012 532**	**2 161 119**	**4 173 651**
Average ordinary shareholders' equity – 30 September 2018	1 886 616	2 084 516	3 971 132
Average tangible ordinary shareholders' equity – 30 September 2019	**1 585 700**	**2 139 289**	**3 724 989**
Average tangible ordinary shareholders' equity – 30 September 2018*	1 442 583	2 057 980	3 500 563
Post-tax return on average ordinary shareholders' equity – 30 September 2019	**10.8%**	**15.2%**	**13.1%**
Post-tax return on average ordinary shareholders' equity – 30 September 2018	14.1%	14.3%	14.2%
Post-tax return on average tangible ordinary shareholders' equity – 30 September 2019	**13.8%**	**15.4%**	**14.7%**
Post-tax return on average tangible ordinary shareholders' equity – 30 September 2018*	18.5%	14.5%	16.1%
Pre-tax return on average ordinary shareholders' equity – 30 September 2019	**13.4%**	**18.6%**	**16.1%**
Pre-tax return on average ordinary shareholders' equity – 30 September 2018*	16.6%	18.0%	17.4%
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2019	**17.0%**	**18.8%**	**18.0%**
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2018*	21.8%	18.2%	19.7%

* *Restated as detailed on page 46.*

£'000	Asset Management UK and Other	Asset Management Southern Africa	Asset Management Total	Wealth & Investment^ UK and Other	Wealth & Investment^ Southern Africa	Wealth & Investment^ Total
Adjusted operating profit	**58 974**	**38 355**	**97 329**	**30 455**	**14 053**	**44 508**
Notional return on regulatory capital	887	1 686	2 573	1 984	1 250	3 234
Notional cost of statutory capital	(465)	(952)	(1 417)	(2 490)	–	(2 490)
Cost of subordinated debt	(504)	(257)	(761)	(412)	(174)	(586)
Earnings attributable to perpetual preference and Other Additional Tier 1 security holders	(326)	(218)	(544)	(267)	(147)	(414)
Adjusted earnings before Asset Management non-controlling interests (pre-tax)	**58 566**	**38 614**	**97 180**	**29 270**	**14 982**	**44 252**
Profit attributable to Asset Management non-controlling interests	(9 743)	(5 429)	(15 172)	–	–	–
Adjusted earnings (pre-tax) – 30 September 2019	**48 823**	**33 185**	**82 008**	**29 270**	**14 982**	**44 252**
Tax on operating profit before goodwill, acquired intangibles and strategic actions	**–**	**–**	**–**	**–**	**–**	**–**
Adjusted earnings attributable to ordinary shareholders* – (post-tax) 30 September 2019	**48 823**	**33 185**	**82 008**	**29 270**	**14 982**	**44 252**
Ordinary shareholders' equity – 30 September 2019	**168 873**	**41 368**	**210 241**	**218 825**	**30 675**	**249 500**
Goodwill and intangible assets (excluding software)	(88 045)	–	(88 045)	(147 746)	(1 933)	(149 679)
Tangible ordinary shareholders' equity – 30 September 2019	**80 828**	**41 368**	**122 196**	**71 079**	**28 742**	**99 821**
Ordinary shareholders' equity – 31 March 2019	**154 319**	**49 978**	**204 297**	**220 998**	**20 663**	**241 661**
Goodwill and intangible assets (excluding software)	(88 045)	–	(88 045)	(164 410)	(1 922)	(166 332)
Tangible ordinary shareholders' equity – 31 March 2019	**66 274**	**49 978**	**116 252**	**56 588**	**18 741**	**75 329**
Average ordinary shareholders' equity – 30 September 2019	**161 596**	**45 673**	**207 269**	**219 912**	**25 669**	**245 581**
Average tangible ordinary shareholders' equity – 30 September 2019	**73 551**	**45 673**	**119 224**	**63 833**	**23 742**	**87 575**
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2019	**72.5%**	**169.1%**	**93.8%**	**26.6%**	**116.7%**	**36.0%**
Pre-tax return on adjusted average ordinary shareholders' equity – 30 September 2018**	77.4%	135.3%	92.4%	30.4%	134.9%	39.3%
Post-tax return on adjusted average ordinary shareholders' equity – 30 September 2019						
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2019	**159.3%**	**169.1%**	**163.0%**	**91.7%**	**126.2%**	**101.1%**
Pre-tax return on average tangible ordinary shareholders' equity – 30 September 2018**	196.0%	135.3%	167.5%	140.5%	149.9%	143.2%
Post-tax return on average tangible ordinary shareholders' equity – 30 September 2019						

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

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

* *The group considers it appropriate to reduce ordinary shareholders' funds and goodwill as detailed in the note above. Reflected on this basis would result in the following post-tax ROEs: UK and Other :11.8% Group: 13.6%.*

** *Restated as detailed on page 46.*

Refer to page 59 for post-tax ROEs for the Specialist Banking division.

Specialist Bank			Group costs			Wealth & Investment goodwill adjustment^			Total group		
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	**UK and Other**	**Southern Africa**	**Total**
79 448	175 609	255 057	(15 839)	(7 433)	(23 272)	–	–	–	153 038	220 584	373 622
(2 871)	(2 936)	(5 807)	–	–	–	–	–	–	–	–	–
2 955	952	3 907	–	–	–	–	–	–	–	–	–
916	431	1 347	–	–	–	–	–	–	–	–	–
(8 123)	(13 383)	(21 506)	–	–	–	–	–	–	(8 716)	(13 748)	(22 464)
72 325	160 673	232 998	(15 839)	(7 433)	(23 272)	–	–	–	144 322	206 836	351 158
–	–	–	–	–	–	–	–	–	(9 743)	(5 429)	(15 172)
72 325	160 673	232 998	(15 839)	(7 433)	(23 272)	–	–	–	134 579	201 407	335 986
–	(25 708)	(25 708)	–	–		–	–		(25 517)	(36 857)	(62 374)
72 325	134 965	207 290	(15 839)	(7 433)	(23 272)	–	–	–	109 062	164 550	273 612
1 480 900	2 125 354	3 606 254	–	–	–	159 050	–	159 050	2 027 648	2 197 397	4 225 045
(24 876)	(19 277)	(44 153)	–	–	–	(159 050)	–	(159 050)	(419 717)	(21 210)	(440 927)
1 456 024	2 106 077	3 562 101	–	–	–	–	–	–	1 607 931	2 176 187	3 784 118
1 463 049	2 054 200	3 517 249	–	–	–	159 050		159 050	1 997 416	2 124 841	4 122 257
(22 441)	(20 529)	(42 970)	–	–	–	(159 050)		(159 050)	(433 946)	(22 451)	(456 397)
1 440 608	2 033 671	3 474 279	–	–	–	–	–	–	1 563 470	2 102 390	3 665 860
1 471 974	2 089 777	3 561 752	–	–	–	159 050	–	159 050	2 012 532	2 161 119	4 173 651
1 448 316	2 069 873	3 518 190	–	–	–	–	–	–	1 585 700	2 139 288	3 724 988
9.8%	15.4%	13.1%							13.4%	18.6%	16.1%
13.6%	15.0%	14.4%							16.6%	18.0%	17.4%
									10.8%*	15.2%	13.1%*
10.0%	15.5%	13.2%							17.0%	18.8%	18.0%
13.8%	15.2%	14.6%							21.8%	18.2%	19.7%
									13.8%	15.4%	14.7%

Return on risk-weighted assets

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

	30 Sept 2019	31 March 2019*	Average	30 Sept 2018*	31 March 2018	Average
Adjusted earnings attributable to ordinary shareholders (£'000)	**273 612**	**573 896**		**282 070**		
Investec plc risk-weighted assets (£'million)	15 712	15 313	15 513	15 111	14 411	14 761
Investec Limited risk-weighted assets (£'million)	17 423	16 945	17 184	18 933	20 366	19 650
Total risk-weighted assets (£'million)	**33 135**	**32 258**	**32 696**	**34 044**	**34 777**	**34 411**
Annualised return on risk-weighted assets	**1.67%**	**1.71%**		**1.64%**	**1.45%**	
Investec Limited risk-weighted assets (R'million)	325 595	318 533	322 064	349 130	338 484	343 807

* *Restated as detailed on page 46.*

3

DIVISIONAL
REVIEW

Asset Management

What we do — **Active investment management for third parties**

Where we operate
- Africa
- Americas
- Asia Pacific
- UK
- Europe

Bank and Wealth

Wealth & Investment

What we do —
- **Discretionary wealth management**
- **Investment advisory services**
- **Financial planning**
- **Stockbroking/ execution only**

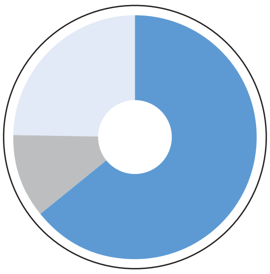
Where we operate
- South Africa
- UK
- Europe
- Mauritius

Specialist Banking

What we do —
- **Private Banking**
- **Corporate, Business and Institutional Banking**
- **Investment activities**

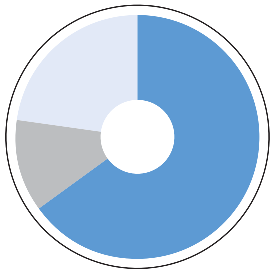
Where we operate
- South Africa
- UK
- Europe
- Australia
- Mauritius
- Hong Kong
- India
- USA

Contribution to adjusted operating profit (excluding group costs)



30 September 2019

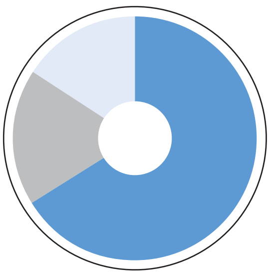
64.3%	Specialist Banking
11.2%	Wealth & Investment
24.5%	Asset management



30 September 2018*

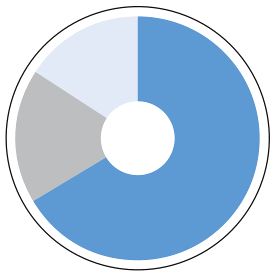
65.0%	Specialist Banking
12.3%	Wealth & Investment
22.7%	Asset management

Permanent employees



30 September 2019

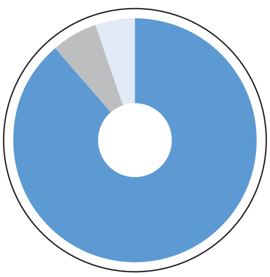
66.2%	Specialist Banking
18.1%	Wealth & Investment
15.7%	Asset management



30 September 2018

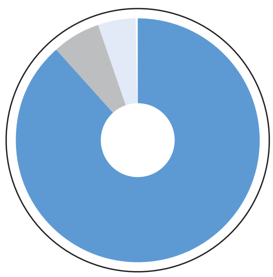
66.4%	Specialist Banking
17.9%	Wealth & Investment
15.7%	Asset management

Ordinary shareholders' equity^



30 September 2019

85.4%	Specialist Banking
5.9%	Wealth & Investment
5.0%	Asset management



30 September 2018

84.9%	Specialist Banking
6.3%	Wealth & Investment
4.9%	Asset management

* *Restated as detailed on page 46.*

^ *Excluding Wealth & Investment goodwill of £159.1 million, refer to pages 50 and 51.*

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

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

Asset Management

Key income drivers

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

Income impacted primarily by

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

Income statement – primarily reflected as

- Fees and commissions.

Wealth & Investment

Key income drivers

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

Income impacted primarily by

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

Income statement – primarily reflected as

- Fees and commissions.

Specialist Banking

Key income drivers	Income impacted primarily by	Income statement – primarily reflected as
• Lending activities.	• Size of loan portfolio • Clients' capital and infrastructural investments • Client activity • Credit spreads • Interest rate environment.	• Net interest income • Fees and commissions • Investment income.
• Cash and near cash balances.	• Capital employed in the business and capital adequacy targets • Asset and liability management policies and risk appetite • Regulatory requirements • Credit spreads • Interest rate environment.	• Net interest income • Trading income arising from balance sheet management activities.
• Deposit and product structuring and distribution.	• Distribution channels • Client numbers • Ability to create innovative products • Regulatory requirements • Credit spreads • Interest rate environment.	• Net interest income • Fees and commissions.
• Investments made (including listed and unlisted equities; debt securities; investment properties) • Gains or losses on investments • Dividends received.	• Macro- and micro-economic market conditions • Availability of profitable exit routes • Whether appropriate market conditions exist to maximise gains on sale • Attractive investment opportunities • Credit spreads • Interest rate environment.	• Net interest income • Investment income • Share of post taxation profit of associates.
• Advisory services.	• The demand for our specialised advisory services, which, in turn, is affected by applicable, regulatory and other macro- and micro-economic fundamentals.	• Fees and commissions.
• Derivative sales, trading and hedging.	• Client activity, including lending activity • Client numbers • Market conditions/volatility • Asset and liability creation • Product innovation.	• Fees and commissions • Trading income arising from customer flow.
• Transactional banking services.	• Levels of activity • Ability to create innovative products • Appropriate systems infrastructure • Interest rate environment.	• Net interest income • Fees and commissions.

Key income drivers in our core businesses

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

Asset Management

Global business (in Pounds Sterling)	30 Sept 2019	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Operating margin	31.5%	31.3%	33.0%	33.1%	32.0%	34.2%	34.7%
Net flows in assets under management as a % of opening assets under management	5.8%	5.9%	5.6%	(0.8%)	4.1%	4.6%	3.7%
Average income yield earned on assets under management^	0.53%	0.53%	0.54%	0.58%	0.55%	0.60%	0.62%

Wealth & Investment

Global business (in Pounds Sterling)	30 Sept 2019	31 March 2019**	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Operating margin	21.6%	24.1%	24.3%	25.9%	26.4%	25.2%	22.9%
Net flows in funds under management as a % of opening funds under management	0.9%	0.7%	3.6%	2.7%	4.5%	6.6%	3.5%
Average income yield earned on funds under management^	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
UK and Other^^ (in Pounds Sterling)							
Operating margin	18.8%	22.3%	22.0%	23.5%	24.6%	22.7%	20.1%
Net flows in funds under management as a % of opening funds under management	1.9%	0.4%	5.0%	4.2%	4.5%	7.1%	5.1%
Average income yield earned on funds under management^	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
Southern Africa (in Rands)							
Operating margin	32.3%	31.1%	32.3%	33.8%	33.1%	35.1%	33.9%
Net organic growth in discretionary funds under management as a % of opening funds under management	7.3%	4.0%	4.6%	8.1%	10.4%	8.5%	13.6%
Average income yield earned on funds under management^*	0.54%	0.49%	0.49%	0.47%	0.45%	0.41%	0.41%

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

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

^^ *'Other' comprises the Wealth operations in Switzerland, the Republic of Ireland, the Channel Islands, and Hong Kong. Excluding 'Other' as well as Click & Invest, Investec Wealth & Investment UK has an operating margin of 22.9% (31 March 2019: 26.3%) and achieved net organic growth in discretionary funds under management as a % of opening discretionary funds under management of 2.7%.*

** *Restated as detailed on page 46.*

Specialist Banking

Global business (in Pounds Sterling)	30 Sept 2019	31 March 2019**	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Cost to income ratio	60.5%	61.9%	63.4%	63.3%	61.9%	63.8%	63.7%
ROE post-tax^	11.0%~	11.9%	9.2%	10.5%	10.1%	8.6%	7.9%
ROE post-tax^ (ongoing business)	n/a	n/a	11.7%	12.6%	13.0%	12.8%	11.9%
Growth in net core loans	2.0%	(0.8%)	10.7%	25.3%	5.4%	0.2%^^	(6.8%)
Currency neutral growth in net core loans	1.7%	6.8%	5.3%	7.6%	–	–	–
Growth in risk-weighted assets	(3.3%)	(0.7%)	5.6%	22.2%	2.2%	(4.9%)^^	(6.0%)
Stage 3/defaults net of ECL as a % of net core loans and advances subject to ECL*	1.4%	1.3%	1.17%	1.22%	1.54%	2.07%	2.30%
Credit loss ratio on core loans	0.23%~	0.31%	0.61%	0.54%	0.62%	0.68%	0.68%
UK and Other^^ (in Pounds Sterling)							
Cost to income ratio	72.4%	71.6%	76.7%	74.8%	72.9%	76.8%	72.2%
ROE post-tax^	8.1%~	11.2%	3.2%	7.0%	5.5%	2.1%	3.6%
ROE post-tax^ (ongoing business)^	n/a	n/a	8.5%	11.5%	11.4%	9.6%	10.9%
Growth in net core loans	2.7%	8.5%	12.4%	10.5%	10.5%	(14.1%)^^	(0.3%)
Growth in risk-weighted assets	1.4%	6.2%	8.2%	8.4%	6.7%	(15.5%)^^	0.4%
Stage 3/defaults net of ECL as a % of net core loans and advances subject to ECL*	2.2%	2.2%	2.16%	1.55%	2.19%	3.00%	3.21%
Credit loss ratio on core loans	0.28%~	0.38%	1.14%	0.90%	1.13%	1.16%	0.99%
Southern Africa (in Rands)							
Cost to income ratio	49.5%	51.7%	50.6%	51.1%	49.9%	49.7%	52.9%
ROE post-tax^	12.6%~	12.8%	14.6%	12.7%	15.1%	15.2%	12.5%
Growth in net core loans	0.9%	5.6%	8.7%	8.4%	19.7%	16.1%	10.6%
Growth in risk-weighted assets	(7.3%)°	7.2%	3.0%	6.2%	15.1%	8.3%	11.0%
Stage 3/defaults net of ECL as a % of net core loans and advances subject to ECL*	0.8%	0.8%	0.56%	1.02%	1.05%	1.43%	1.46%
Credit loss ratio on core loans	0.18%~	0.28%	0.28%	0.29%	0.26%	0.28%	0.42%

^ *Divisional ROEs are reported on a pre-tax basis. For the purpose of this calculation we have applied the group's effective tax rate in its respective geographies as disclosed on page 45 to derive post-tax numbers. Capital as at 30 September 2019 was c.£1.5 billion in the UK and c.R40 billion in South Africa.*

^^ *Impacted by sale of assets.*

* *All information post 1 April 2018 has been presented on an IFRS 9 basis. Adoption of IFRS 9 required a move from an incurred loss model to an expected credit loss methodology. Comparative information has been presented on an IAS 39 basis.*

Refer to pages 81 to 82 for further information on the group's investment activities in South Africa.

** *Restated as detailed on page 46.*

~ *Annualised.*

° *Investec Limited adopted the Foundation Internal Ratings Based (FIRB) approach for the measurement of credit capital effective 1 April 2019. Risk weighted assets in prior periods were calculated using the Standardised approach.*

At Investec Asset Management, we believe in investing for a better tomorrow. We want to assist people around the globe to retire with dignity or meet their financial objectives by offering specialist, active investment expertise. We take a patient, long-term approach to organically developing and delivering capabilities, solutions and outcomes through active segregated mandates and mutual funds. Our overarching aim is to deliver an out of the ordinary investment and service experience to our clients. Our clients include some of the world's largest pension funds, financial institutions, corporates, public bodies and intermediaries serving individual investors.

At 30 September 2019

Executive committee

Co-chief executive officers
John Green
Domenico (Mimi) Ferrini

Finance director
Kim McFarland

Co-chief investment officers
Domenico (Mimi) Ferrini
John McNab

Managing director, South Africa
Thabo Khojane

Managing director, North America
Philip Anker

Global head of product and strategic change
Khadeeja Bassier

Global head of human capital
Duncan Coombe

Founded in 1991 with roots in emerging markets, we have grown to be a well established and trusted global investment manager. Driven by our founder culture, we are building an enduring inter-generational business, which offers stability and a long-term investment outlook for our clients. To achieve this, we believe diversity of thought, perspective, background and life experience is essential.

Our investment team of over 200 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our clients around the globe. These teams are supported by our global investment and operational platforms.

Interim highlights

Net inflows of
£3.2 billion
(2018: £4.1 billion)

Assets under management
£120.8 billion
(2018: £109.2 billion)

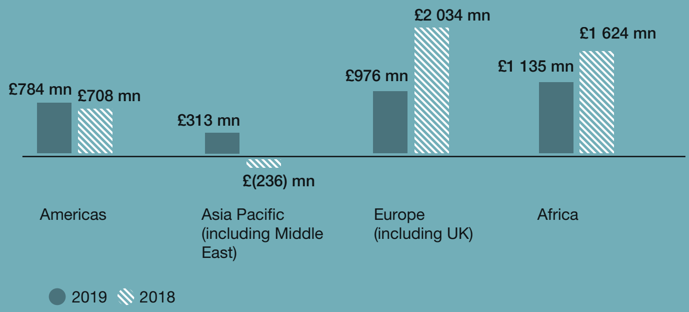
Operating margin
31.5%
(2018: 31.4%)

Adjusted operating profit increased by 6% to
£97.3 million

Our 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.

Where we operate



Net flows by geography

For the six months to 30 September 2019 and 30 September 2018
Note: The net flows exclude a historic low value cash plus account which is subject to volatile net flows.

What we do

Organisational structure

Investments

Equities
- Long-only equity (global and regional)

Fixed Income
- Credit
- Sovereign
- Money market

Multi-asset
- Growth solutions
- Income solutions

Alternatives
- Natural resources
- Private equity
- Real estate
- Infrastructure debt

Client groups

United Kingdom | Africa | Americas | Asia Pacific | Europe

Global operations platform

Income statement analysis

£'000	30 Sept 2019	30 Sept 2018	Variance	% change
Net interest income	995	2 790	(1 795)	(64.3%)
Net fee and commission income	299 375	279 936	19 439	6.9%
Investment (loss)/ income	(150)	17	(167)	(>100.0%)
Trading income arising from balance sheet management and other trading activities#	3 959	4 537	(578)	(12.7%)
Other operating income	4 406	3 999	407	10.2%
Total operating income before expected credit losses	**308 585**	**291 279**	**17 306**	**5.9%**
Expected credit loss impairment charges	–	(2)	2	(100.0%)
Operating income	**308 585**	**291 277**	**17 308**	**5.9%**
Operating costs	(211 256)	(199 751)	(11 505)	5.8%
Adjusted operating profit	**97 329**	**91 526**	**5 803**	**6.3%**
Profit attributable to Asset Management non-controlling interests**	(15 172)	(12 828)	(2 344)	18.3%
Operating profit before goodwill, acquired intangibles, strategic actions, taxation and after non-controlling interests	**82 157**	**78 698**	**3 459**	**4.4%**
UK and Other	49 231	48 530	701	1.4%
Southern Africa	32 926	30 168	2 758	9.1%
Operating profit before goodwill, acquired intangibles, strategic actions, taxation and after non-controlling interests	**82 157**	**78 698**	**3 459**	**4.4%**
Selected returns and key statistics				
Ordinary shareholders' equity*	210 241	193 462	16 779	8.7%
ROE (pre-tax)*	93.8%	92.4%		
Return on tangible equity (pre-tax)*	163.0%	167.5%		
Operating margin	31.5%	31.4%		
Operating profit per employee (£'000)*^	84.4	84.6		

* *As calculated on pages 50 to 51 and 90, based on regulatory capital requirements.*

** *Earnings after tax attributable to non-controlling interests includes the portion of earnings attributable to the 20% less one share shareholding in the business by employees (31 March 2019: 20% less one share).*

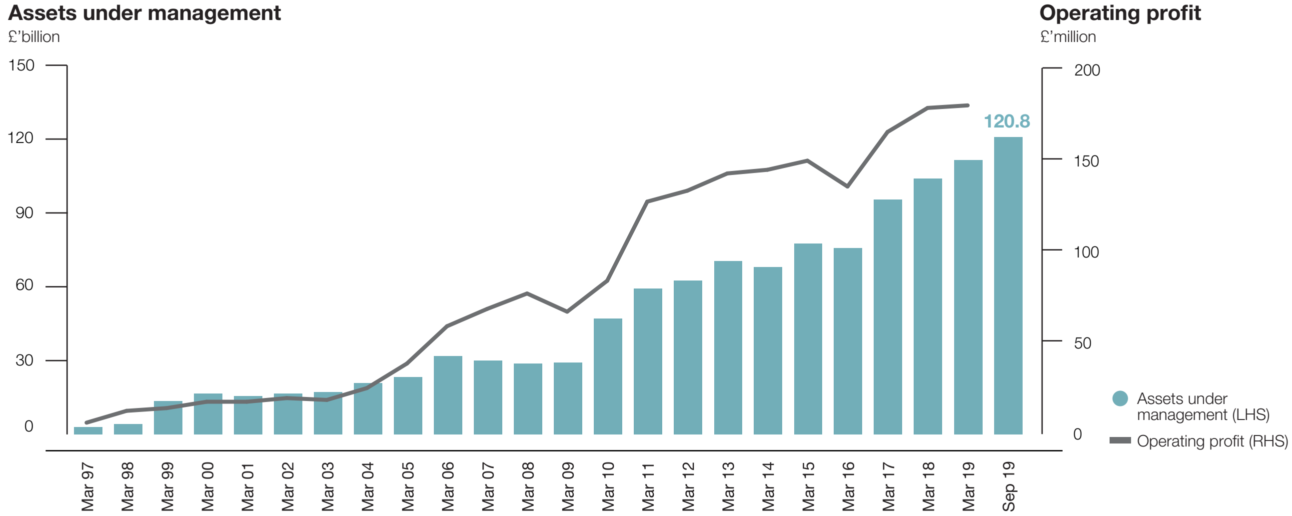
^ *Operating profit per employee excludes Silica, our third party administration business.*

\# *Trading income arising from balance sheet management and other trading activities for Asset Management represents net foreign exchange movements on non-Sterling assets and liabilities on Asset Management's balance sheet.*

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

- Income was supported by substantial net inflows of £3.2 billion, supportive markets and currency movements, and higher average assets under management.
- Operating costs increased above inflation primarily due to new London premises costs.
- Against this backdrop, operating profit before non-controlling interests increased 6.3%.

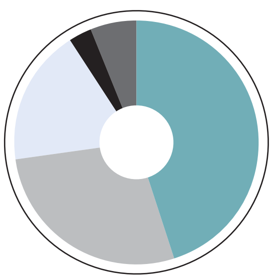
Historical financial performance



Assets under management and flows

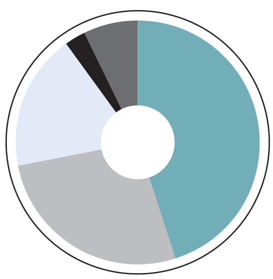
£'million	AUM 30 Sept 2019	Net flows	Markets/ foreign exchange movements	AUM 31 March 2019
Equities	53 995	636	2 825	50 534
Fixed income	33 938	1 856	2 300	29 782
Multi-asset	21 840	586	750	20 504
Alternatives	3 505	16	217	3 272
Third party funds on advisory platform	7 539	114	98	7 327
Total	**120 817**	**3 208**	**6 190**	**111 419**

Assets under management by asset class



30 SEPTEMBER 2019

45%	Equities
28%	Fixed Income
18%	Multi-asset
3%	Alternatives
6%	Third party funds on advisory platform



31 MARCH 2019

45%	Equities
27%	Fixed Income
18%	Multi-asset
3%	Alternatives
7%	Third party funds on advisory platform

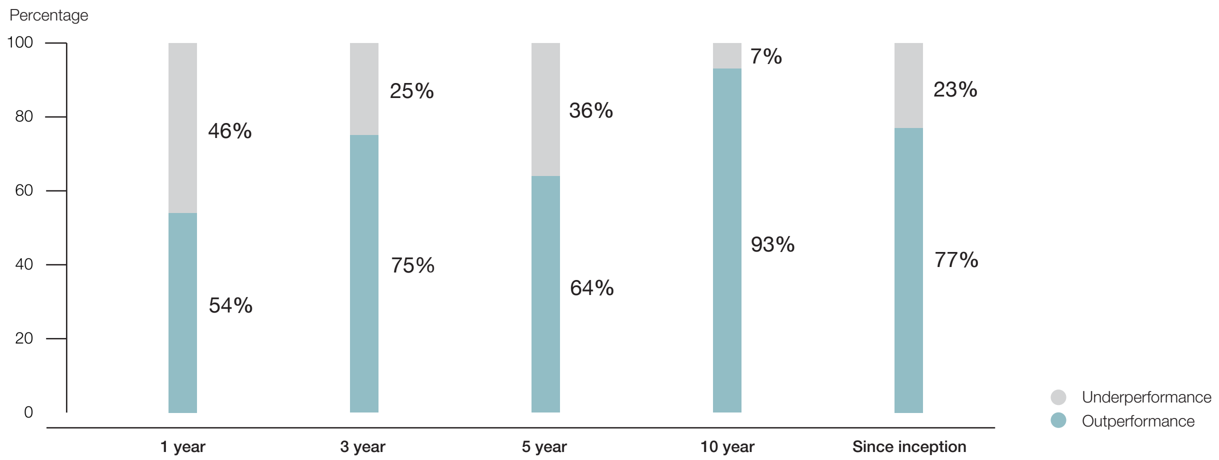
Note: The assets under management and flows exclude a historic low value cash plus account that is subject to volatile flows.

Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients' expectations around agreed, well defined return and risk parameters.

We measure our investment performance relative to peer groups and against benchmarks over one, three, five and ten-year periods, and since inception. Our long-term track record remains competitive.

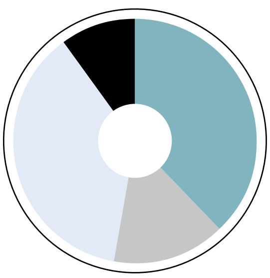
Overall firm investment performance



Source: Calculated by Investec Asset Management, returns from StatPro. Performance to 30 September 2019.

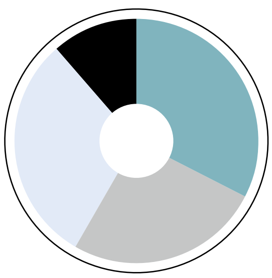
Note: Outperformance (underperformance) is calculated as the sum of the total market values for individual portfolios that have positive active returns (negative active returns) expressed as a percentage of total assets under management. Total assets under management exclude double counting of pooled products and third party assets administered on our South African platform. Benchmarks used for the above analysis include cash, peer group averages, inflation and market indices as specified in client mandates or fund prospectuses. For all periods shown, market values are as at the period end date.

Mutual funds investment performance



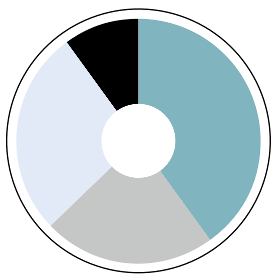
ONE YEAR

38%	First quartile
15%	Second quartile
37%	Third quartile
10%	Fourth quartile



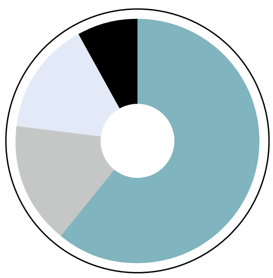
THREE YEAR

29%	First quartile
43%	Second quartile
16%	Third quartile
12%	Fourth quartile



FIVE YEAR

40%	First quartile
23%	Second quartile
27%	Third quartile
10%	Fourth quartile



TEN YEAR

61%	First quartile
16%	Second quartile
15%	Third quartile
8%	Fourth quartile

Independent recognition

- Winner of Environmental Finance Sustainable Investment Awards 2019: Best initiative for ESG investment process
- Winner of IJ Global Awards 2018: African fundraising deal of the year
- Winner of Africa Private Equity's Credit House of the Year and Philanthropy Award
- Raging Bull Awards for Best Offshore Global Asset Allocation Fund on a Risk-Adjusted Basis
- Winner of Professional Pensions Investment Awards 2018 Emerging Market Debt Manager of the Year

Q&A

John Green and Mimi Ferrini

Co-chief executive officers

How has the operating environment impacted your business over the past six months?

The industry continues to face a challenging operating environment, with sustained downward fee pressure, uncertain geopolitics, and the shift from active management to passive. There also remains a risk of a market correction, all of which have contributed to heightened competition in the asset management industry. Despite this, the long-term growth prospects for asset managers remain positive.

It is expected that emerging market economies will continue to attract capital over the next market cycle. Sustainability is becoming a core part of investment decision-making as more asset owners become aware of the risks and opportunities that climate change and the renewable energy revolution bring. We have taken, and will continue to take, steps to ensure we are well-positioned to both serve and benefit from these growth trends.

What have been the key developments in your business over the past six months?

Net inflows of £3.2 billion over the last 6 months have proved a positive start to our financial year. These inflows were the result of continued support from existing clients and regions, and deepening our presence in newer markets, proving the relevance of our investment offerings. These net flows were diverse both geographically and in terms of our investment capabilities, but the largest contributions came from our fixed income range of strategies.

We have continued to invest across our capabilities, with strong talent added in areas where we see potential and increasing client demand.

What have been the key challenges in your business over the past six months?

Within a highly competitive industry environment, our business has also faced challenges. Economic uncertainty, a defensive approach from clients, fee pressure and the search for yield have shaped this environment. On top of this, certain elements of the media have promoted an extremely negative industry narrative. We have been proactive in demonstrating our value as a specialist, active asset manager, in a competitive playing field. Despite our recent successes, we remain humble and we strive endlessly to differentiate and improve our business and our offerings for our clients.

Across our multiple jurisdictions we have seen heightened regulations and have taken the appropriate steps to not only meet them, but manifest them and exhibit behaviours and conduct above and beyond what is required of us.

The challenges we face ensure we are consistently looking for and finding fresh approaches and ideas from our people, and we are confident in our ability to face them and execute our business with the same level of excellence as we always have.

What are your strategic objectives over the next six months?

In September 2018, we announced that Investec Asset Management would demerge from Investec group. Upon completion of the demerger, Hendrik du Toit will return to his role as CEO, and we will form a team of Deputy CEOs, dedicated to shaping an exciting future for this business. Investec Asset Management has remained focused during this period of transition and this is largely attributable to the continuity of leadership that will remain after the demerger. Within the coming months, we will be completing the demerger of Investec Asset Management from Investec group. This will enable even better alignment with our clients.

We are a long-term focused business allocating capital on a global basis to meet the future needs of society. The single greatest challenge for humanity is sustainable development, which means the simultaneous achievement of economic growth, social inclusion and environmental sustainability.

What is your outlook over the next six months?

Our fundamental strategic objectives and principles remain unchanged: we want to assist people around the globe to retire with dignity or to meet their financial objectives. We engage our investors through five geographically defined client groups. We operate in both the Institutional and Advisor channels. Our ultimate aim is to manage our clients' money to the highest possible standards and in line with their expectations and product and strategy specifications.

At Investec Asset Management, we always think about the long term. Our outlook continues to be focused on building a long-term intergenerational business. Notwithstanding the industry challenges and the increasing risk of market corrections, we believe that the opportunity for growth in our industry over the next five to ten years is substantial. Our momentum is positive and we are excited about the future as an independent, pure-play asset manager.

Bank and wealth is a domestically relevant, internationally connected specialist banking and wealth management group

2
principal geographies

2
core areas of activity

8 000+
employees

£25.4 billion
net core loans and advances

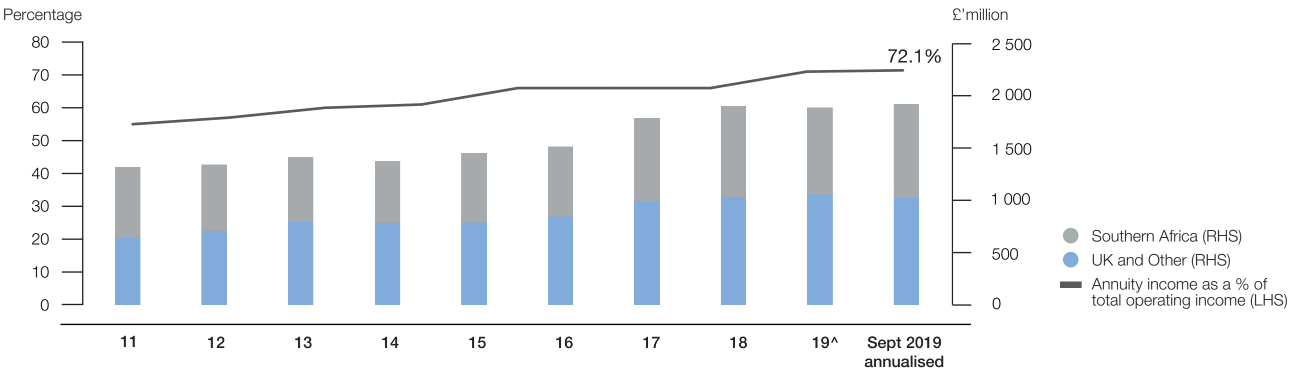
£32.0 billion
customer deposits

£57.1 billion
assets under management

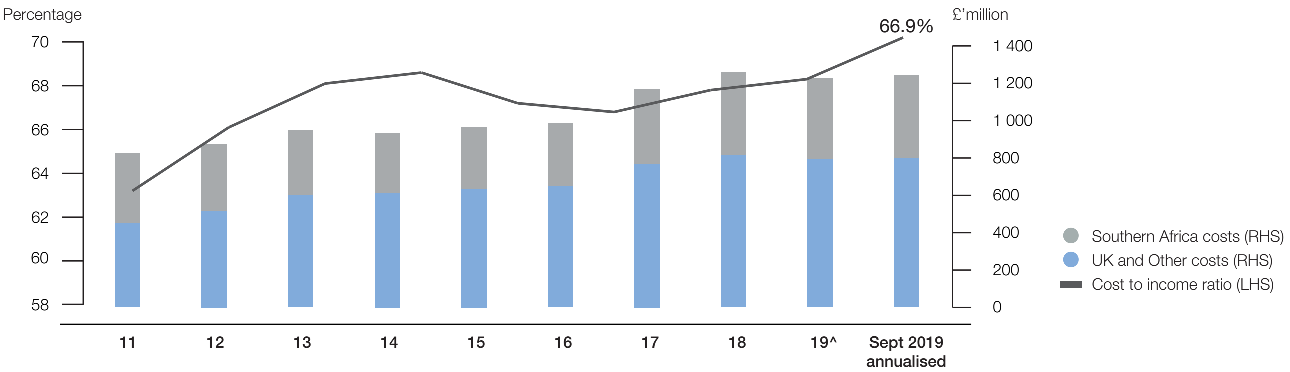
Corporate / Institutional / Government / Intermediary	Private client (HNW / high income) / charities / trusts
Specialist Banking	**Wealth & Investment**
Lending	Discretionary wealth management
Transactional banking	Investment advisory services
Treasury solutions	Financial planning
Advisory	Stockbroking / execution only
Investment activities	
Deposit raising activities	

Bank and Wealth ongoing trends over time

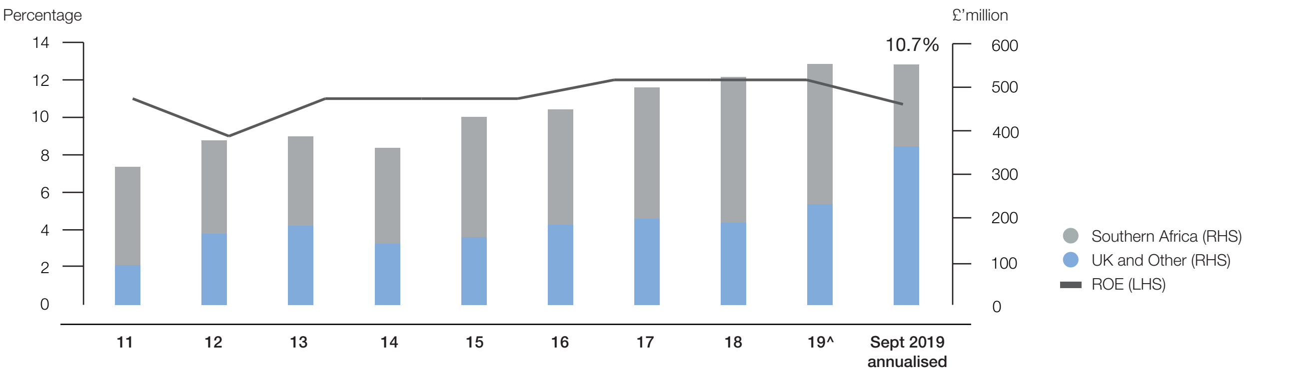
Operating income and annuity income %



Costs and cost to income %



Adjusted operating profit and ROE



March 2019 and September 2019 information is based on statutory results of the Bank and Wealth business including Group costs and excluding the Asset management business. Historical information is based on the results of the ongoing Bank and Wealth (excluding UK Specialist Bank legacy assets and business sold).

^ *The 2019 financial year information has been restated to exclude the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures (as detailed on page 46) in order to ensure a like-for-like basis with the first half 2020 financial year information. All other prior years have not been restated.*

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

At 30 September 2019

Global head
Steve Elliott^

UK head
Jonathan Wragg

South Africa head
Henry Blumenthal

Switzerland head
Peter Gyger

Ireland head
Eddie Clarke

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

Investec Wealth & Investment is one of the UK's leading private client investment managers, and the largest in South Africa.

* *Restated as detailed on page 46.*

^ *Steve Elliott retired as the global head of Investec Wealth & Investment on 1 October 2019*

Interim highlights

Net inflows of
£0.2 billion
(2018: £0.7 billion)

Assets under management
£56.4 billion
(2018: £56.7 billion)

Operating margin
21.6%
(2018*: 24.6%)

Adjusted operating profit amounted to
£44.5 million
(2018*: £49.9 million)

Our value proposition

- Investec Wealth & Investment has been built via the acquisition and integration of businesses and organic growth over a long period of time.
- Well-established platforms in the UK, South Africa, Switzerland, and Guernsey.
- The business has four distinct channels: direct, intermediaries, charities, and international.
- Strategy to enhance our range of services for the benefit of our clients.
- Focus is on organic growth in our key markets, and by acquisition where there is a good strategic and cultural fit.

Where we operate

UK and Other

One of the UK's leading private client investment managers

Brand well recognised

Established platforms and distribution in the UK, Switzerland, and Guernsey

Proven ability to attract and recruit investment managers

£41.0 billion FUM

Southern Africa and Mauritius

Strong brand and positioning

Largest player in the South African market

Developing Wealth & Investment capability in Mauritius

R286.3 billion FUM

What we do

UK and Europe

Investment and savings

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

Pensions and retirement

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

Financial planning

- Retirement planning
- Succession planning
- Bespoke advice and independent financial reviews.

Southern Africa

Investec Wealth & Investment operates from eight offices across South Africa and provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts.

Income statement analysis

£'000	30 Sept 2019	30 Sept 2018^	Variance	% change
Net interest income	9 454	6 171	3 283	53.2%
Net fee and commission income	196 184	195 669	515	0.3%
Investment income	(326)	333	(659)	(>100.0%)
Trading income arising from				
– customer flow	373	430	(57)	(13.3%)
– balance sheet management and other trading activities	50	28	22	78.6%
Total operating income before expected credit losses	205 735	202 631	3 104	1.5%
Expected credit loss impairment charges	1	(27)	28	(>100.0%)
Operating income	205 736	202 604	3 132	1.5%
Operating costs	(161 228)	(152 713)	(8 515)	5.6%
Adjusted operating profit	**44 508**	**49 891**	**(5 383)**	**(10.8%)**
UK and Other	30 455	36 347	(5 892)	(16.2%)
Southern Africa	14 053	13 544	509	3.8%
Adjusted operating profit	**44 508**	**49 891**	**(5 383)**	**(10.8%)**
Selected returns and key statistics				
Ordinary shareholders' equity*	249 500	250 259	(759)	(0.3%)
ROE (pre-tax)*	36.0%	39.3%		
Return on tangible equity (pre-tax)*	101.1%	143.2%		
Operating margin	21.6%	24.6%		
Operating profit per employee (£'000)*	23.1	26.9		

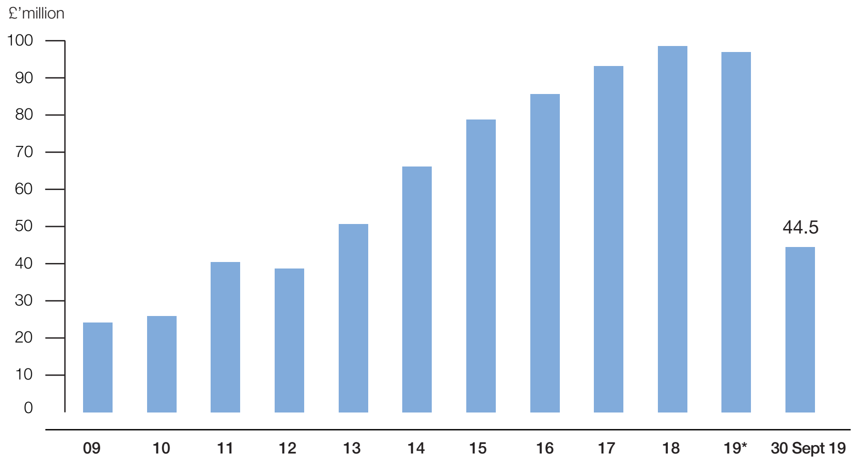
* *As calculated on pages 50 to 51 and 90, based on regulatory capital requirements.*

^ *Restated as detailed on page 46.*

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

- The UK and Other business achieved growth in assets under management and net inflows, supporting an increase in operating income of 1.4%; despite a challenging macroeconomic backdrop. We are making some discretionary technology investment and have absorbed higher regulatory levies, resulting in an increase in operating costs of 6.6%. Overall, adjusted operating profit decreased 16.2% to £30.5 million.
- The South African business performed well against a tough backdrop, with adjusted operating profit up 6.6% in Rands. Operating income increased 4.7%, supported by growth in our offshore offering as clients continued to seek international investment opportunities. Costs were maintained at inflationary levels, increasing 3.9%.

Adjusted operating profit — track record^



^ *Trend reflects numbers as at the year ended 31 March. Amounts are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

* *The 2019 financial year information has been restated to exclude the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures (as detailed on page 46) in order to ensure a like-for-like basis with the first half 2020 financial year information. All other prior years have not been restated.*

Analysis of key earnings drivers (funds under management)

£'million	30 Sept 2019	31 March 2019	% change	30 Sept 2018	31 March 2018	% change
UK and Other	**41 044**	**39 118**	**4.9%**	**39 355**	**36 923**	**6.6%**
Discretionary	32 586	30 810	5.8%	31 108	28 638	8.6%
Non-discretionary and other	8 458	8 308	1.8%	8 247	8 285	(0.5%)
Southern Africa	**15 320**	**16 003**	**(4.3%)**	**17 332**	**19 125**	**(9.4%)**
Discretionary and annuity assets	7 503	6 999	7.2%	6 989	6 936	0.8%
Non-discretionary and other	7 817	9 004	(13.2%)	10 343	12 189	(15.1%)
Total	**56 364**	**55 121**	**2.3%**	**56 687**	**56 048**	**1.1%**

UK and Other: analysis of key drivers (funds under management and flows)

Funds under management

£'million	30 Sept 2019	31 March 2019	% change	30 Sept 2018	31 March 2018	% change
Investec Wealth & Investment Limited (UK)	**37 080**	**35 300**	**5.0%**	**35 492**	**33 206**	**6.9%**
Discretionary	31 168	29 415	6.0%	29 747	27 346	8.8%
Non-discretionary	5 912	5 885	0.5%	5 745	5 860	(2.0%)
Other	**3 964**	**3 818**	**3.8%**	**3 863**	**3 717**	**3.9%**
Discretionary	1 418	1 395	1.6%	1 361	1 292	5.3%
Non-discretionary	2 546	2 423	5.1%	2 502	2 425	3.2%
Total	**41 044**	**39 118**	**4.9%**	**39 355**	**36 923**	**6.6%**

Net inflows at cost over the year

£'million	30 Sept 2019	31 March 2019	30 Sept 2018	31 March 2018
Discretionary	400	731	626	1 926
Non-discretionary	(36)	(593)	(165)	(154)
Total	**364**	**138**	**461**	**1 772**

Southern Africa: analysis of key drivers (funds under management and flows)

Funds under management

R'million	30 Sept 2019	31 March 2019	% change	30 Sept 2018	31 March 2018	% change
Discretionary and annuity assets	140 219	131 564	6.6%	128 875	115 287	11.8%
Non-discretionary	146 072	169 263	(13.7%)	190 739	202 589	(5.8%)
Total	**286 291**	**300 827**	**(4.8%)**	**319 614**	**317 876**	**0.5%**

Net inflows at cost over the year

R'million	30 Sept 2019	31 March 2019	30 Sept 2018	31 March 2018
Discretionary and annuity assets	4 800	4 659	2 496	5 020
Non-discretionary	(7 000)*	(550)	855	(1 640)
Total	**(2 200)**	**4 109**	**3 351**	**3 380**

* *Includes an outflow of R7 billion of assets transferred to our specialised securities division not included in Wealth & Investment assets.*

Q&A

Henry Blumenthal
SA Business leader

Jonathan Wragg
UK Business leader

How has the operating environment impacted your business over the past six months?

The past six months have been characterised by broad concerns around global trade, growing evidence of a deceleration in global growth, and consequently a more uncertain economic outlook.

A lack of confidence in South African markets continued in the midst of a weakened Rand and negative returns from South African equities. Concerns about fiscal deterioration have contributed to the widening of domestic bond yield spreads relative to emerging market and developed market peers. Our South African clients remain cautious and continue to seek international investment opportunities. This was evidenced by record net inflows into our international investment suite.

UK equity indices exhibited a degree of volatility during the period, rising through the summer before falling back to approximately the starting point level. Uncertainty continued over the outcome of Brexit discussions and the heightened level of geo-political risks. Given this backdrop, UK private clients and intermediaries have continued to exercise caution, resulting in lower rates of growth in net new funds across the industry. Our business has nevertheless achieved positive net organic growth in funds under management in the UK for the period, particularly in our core discretionary managed services.

What progress has been made in respect of the Bank and Wealth's five key strategic objectives?

Over the past six months, we have focused on the Bank and Wealth's key strategic commitments to ensure progress and delivery of our three-year targets – which remain unchanged:

Capital allocation

We remain disciplined in our approach to capital allocation – the decision to close Click & Invest demonstrates our commitment to this objective. In light of changes to Investec's Irish business model brought about by Brexit planning and as part of consolidation taking place in wealth management in Ireland, we sold our Irish wealth management business during the period.

Growth initiatives

In South Africa, we continue to grow our international offering as clients look to externalise their assets. We have expanded our fiduciary and estate planning capabilities, and this service is offered to the High Net Worth clients across both Wealth & Investment and the Private Bank. Furthermore, the strategic alignment between the Bank and Wealth businesses continues to progress, enabling us to enhance the client experience.

In the UK, we have enhanced our digital portal, improved our offering for intermediaries and prioritised resources, skills and training within our Sales and Business Development Teams.

Cost management

In light of the operating environment, management had to strike a balance between effective cost management and the need to invest in the business for the future. We are committed to maintaining this balance and have put programmes in place to deliver on both objectives.

Connectivity

Connectivity between the Bank and Wealth businesses remains a key focus and we have identified specific client segments where we will prioritise collaboration. We are working with the Private Bank business to enhance our Private Client value proposition across One Place in South Africa. We have also made progress in endeavouring to ensure all services of the Investec group are readily available to all our clients.

Between the UK and South African businesses, our Global Investment Strategy integrates our investment process across the regions, thus leveraging our expertise in South Africa and the UK. In addition, we have strengthened our ESG research process, in line with a greater consciousness for ethical, sustainable and sound governance-based investments.

Digitalisation

In South Africa, an investment management application was developed and is now being used by Investment Managers to service their clients more effectively.

In the UK, we continued to invest in our critical technology and digital programmes, despite the decision to discontinue the Click & Invest online service. As part of this objective, we have established a strategic transformation unit to drive faster implementation of strategic initiatives and we have invested in client focused digital innovation.

In September, we launched a new platform to streamline and enhance client documentation and investment proposals. A further development has been to reduce the amount of paperwork for clients, as a result of an increased number of clients subscribing to our online services. We also completed the migration to the new Investec online service and the roll out of our upgraded electronic filing systems.

What have been the key challenges in your business over the past six months?

In South Africa, the key challenges have been poor economic performance and a lack of investor confidence in the country. Our international offering has meant we have been well placed to continue to provide relevant services to our clients through a tough domestic period.

Likewise, in the UK, the main challenges have been the operating environment and managing the uncertainty. Our priority has been to ensure that our clients are well serviced and well prepared. While net organic growth has been lower than our longer term target, we are encouraged that the core discretionary business has shown resilience and reasonable levels of growth during this period.

What are your strategic objectives over the next six months?

In South Africa, our key strategic drivers include:

- Optimising our international footprint and global investment offering;
- Ensuring our resources are utilised effectively to deliver an exceptional client experience;
- Continuing to adapt our value proposition in line with the diversity of clients' needs – including enhancing our alternative investment offering;
- Focusing on enhancing our fiduciary and estate planning services;
- Deepening our client relationships through high-touch engagements while achieving efficiencies and bolstering investment opportunities through our digital platform;
- Strengthening our One Place offering and uniquely positioning our business as the first choice for private clients;
- Focusing on the diversity and sustainability of our business by investing in leadership and culture development; and
- Implementing our multi-currency, multi-asset class platform to enhance client reporting.

In the UK, our strategic objectives remain unchanged:

- We are focused on maintaining the delivery of excellent client service and, in early 2020, we plan to increase the scope of our offering for intermediary clients, which should accelerate our growth in this segment;
- Digital and technology enhancements will continue to be a priority in order to ensure that we are fit for the future, not just the present;
- We will further develop our Financial Planning and Advice capabilities as the demand for wider advice continues to grow; and
- We are committed to delivering 'One Investec' through enhanced collaboration across the global Wealth & Investment business as well as with the wider Investec group.

What is your outlook over the next six months?

In South Africa, concerns about emerging market performance and subdued investor confidence are likely to persist, yielding modest growth. However, if "green shoots" emerge, a cyclical recovery is likely. It is possible that we will find ourselves in a downward interest rate environment, in which South African risk assets typically perform well.

Economic growth in the UK is low, but generally still positive. Central banks have stepped up their monetary stimulus, employment levels are high, and corporate balance sheets and profitability are robust. However, the uncertainty around Brexit which has unsettled investors in recent years is expected to continue for the remainder of the financial year. Post Brexit, we expect to see further volatility in portfolio investment outcomes. Our focus will be on helping our clients to navigate through this period.

Together, our global business will rely on the strength of our investment process and research capability to continue to guide our clients and achieve investment returns. Our clients are at the core of our business and we remain committed to deliver an exceptional service and maintain high client engagement. We will continue to provide opportunities, including alternative investments that limit downside risk, and enhance returns to suit our clients' needs.

Specialist expertise delivered with dedication and energy

At 30 September 2019

UK head
Ruth Leas

South Africa head
Richard Wainwright

The specialist teams are well positioned to provide solutions to meet private, business, corporate and institutional clients' needs.

Interim highlights

Net core loans and advances
£25.4 billion

Adjusted operating profit amounted to
£255.1 million
(2018: £262.6 million)*

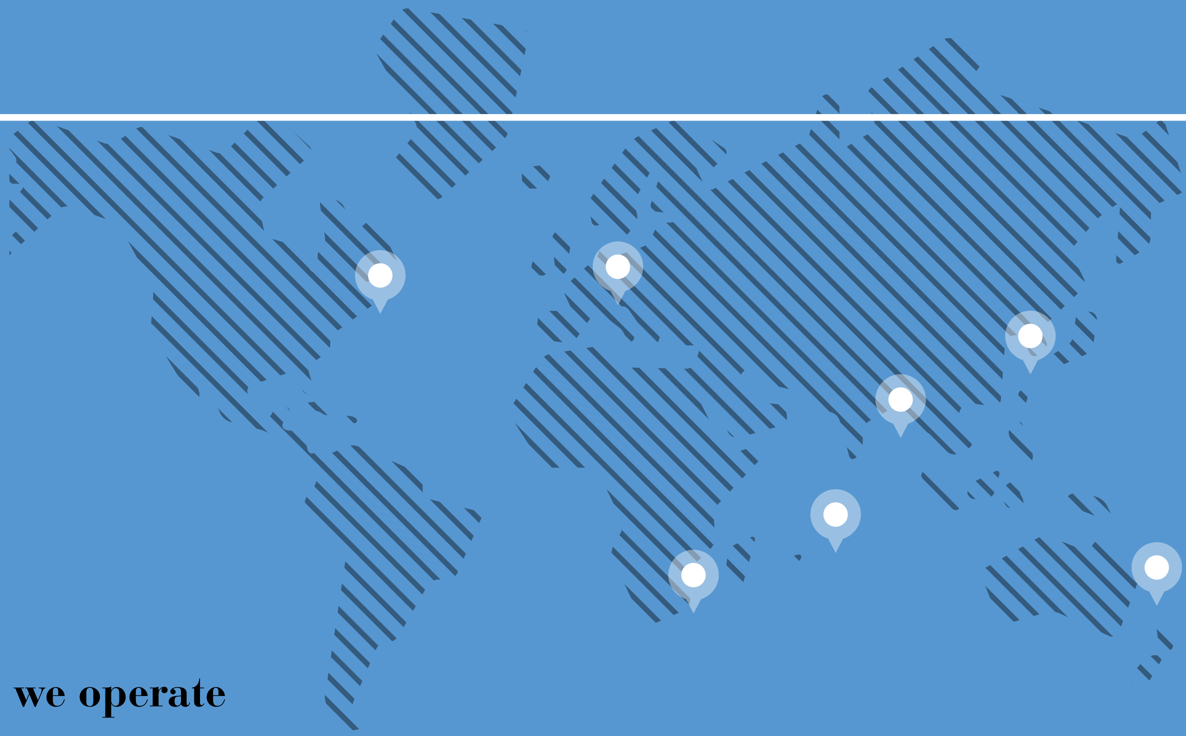
ROE (post-tax)
11.0%
(2018*: 12.1%)

Customer deposits
£32.0 billion

Our value proposition

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

* *Restated as detailed on page 46.*



Where we operate

USA	India	UK and Europe	Hong Kong	South Africa	Mauritius	Australia
Experienced local teams in place with industry expertise	Established a presence in 2010 Facilitates the link between India, UK and South Africa	Brand well established Sustainable business on the back of client activity	Private equity fund solutions	Strong brand and positioning Leading in corporate institutional and private client banking activities	Established in 1997 Leading in corporate institutional and private client banking activities	Experienced local teams in place with industry expertise Focus is on entrenching position as a boutique operation

What we do

High income and high net worth private clients

Private Banking

Lending

Transactional banking

Savings

Foreign exchange

Southern Africa
UK and Europe

Corporates / government / institutional clients

Corporate, Business and Institutional Banking

Lending

Treasury and trading solutions

Advisory

Institutional research, sales and trading

Australia
Hong Kong
India
Southern Africa
UK and Europe
USA

Investment activities

Principal investments

Property investment and fund management

Australia
Hong Kong
Southern Africa
UK and Europe

Income statement analysis

£'000	30 Sept 2019	30 Sept 2018*	Variance	% change
Net interest income	416 195	399 356	16 839	4.2%
Net fee and commission income	199 541	210 702	(11 161)	(5.3%)
Investment income	57 405	64 397	(6 992)	(10.9%)
Share of post taxation profit of associates	17 754	20 688	(2 934)	(14.2%)
Trading income/(loss) arising from				
– customer flow	62 398	64 648	(2 250)	(3.5%)
– balance sheet management and other trading activities	(2 368)	34 882	(37 250)	(106.8%)
Other operating income	2 609	2 239	370	16.5%
Total operating income before expected credit losses	**753 534**	**796 912**	**(43 378)**	**(5.4%)**
Expected credit loss impairment charges	(31 022)	(30 993)	(29)	0.1%
Operating income	**722 512**	**765 919**	**(43 407)**	**(5.7%)**
Operating costs	(437 747)	(465 293)	27 546	(5.9%)
Depreciation on operating leased assets	(845)	(1 207)	362	(30.0%)
Operating profit before goodwill, acquired intangibles and strategic actions	**283 920**	**299 419**	**(15 499)**	**(5.2%)**
Profit attributable to non-controlling interests	(28 863)	(36 846)	7 983	(21.7%)
Adjusted operating profit	**255 057**	**262 573**	**(7 516)**	**(2.9%)**
UK and Other	79 448	97 948	(18 500)	(18.9%)
Southern Africa	175 609	164 625	10 984	6.7%
Adjusted operating profit	**255 057**	**262 573**	**(7 516)**	**(2.9%)**
Selected returns and key statistics				
Ordinary shareholders' equity^	3 606 254	3 379 468	226 786	6.7%
Southern Africa	2 125 354	1 965 949	159 405	8.1%
UK & Other	1 480 900	1 413 519	67 381	4.8%
ROE (pre-tax)^	13.1%	14.4%		
Southern Africa	15.4%	15.0%		
UK and Other	9.8%	13.6%		
Cost to income ratio	60.5%	61.3%		
Operating profit per employee (£'000)*	36.7	38.7		

^ *As calculated on pages 50 to 51 and 90 based on regulatory capital requirements.*

* *Restated as detailed on page 46.*

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

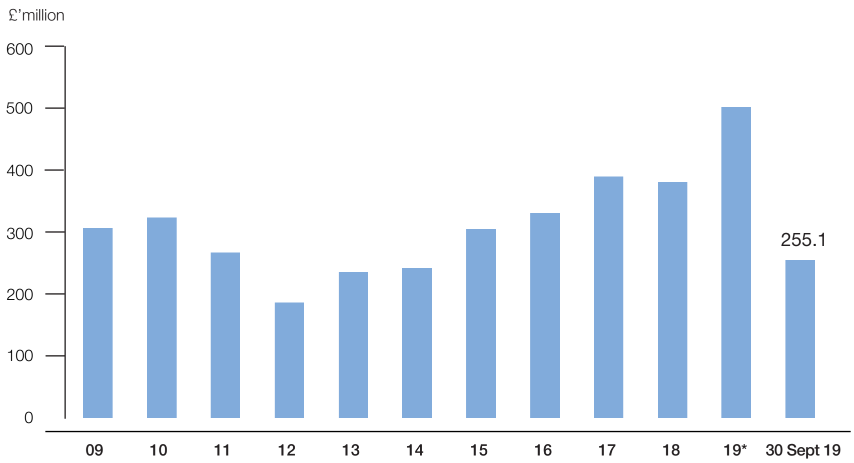
- Net interest income remained broadly flat period on period despite loan book growth, mainly impacted by higher liquidity.
- Net fee and commission income decreased 3.3%. The Corporate Banking and Specialist International Lending franchises saw reasonable levels of origination and sell-down activity with good fee generation. This was offset by a slowdown in Investment Banking fees in light of persistent market uncertainty.
- Investment income decreased to £17.7 million (2018*: £28.6 million) reflecting lower gains from the investment portfolio.
- Trading income from customer flow decreased to £45.3 million (2018*:£48.0 million) reflecting reasonable activity levels given the macroeconomic backdrop.
- Trading income from balance sheet management and other trading activities decreased significantly following gains in the prior period, mainly as a result of the restructure of subordinated debt.
- As a result of the foregoing factors, total operating income before ECL decreased 8.8%.
- ECL impairment charges for the period increased to £16.1 million (2018: £10.0 million), however, the annualised credit loss ratio reduced to 0.28% (2018: 0.41%) reflecting resilient performance across our diversified lending portfolios. Net Stage 3 exposures as a percentage of net core loans subject to ECL was 2.2% (31 March 2019: 2.2%).
- Operating costs decreased 9.1% reflecting normalised premises charges and an increased focus on cost discipline. The cost to income ratio of 72.4% (2018*: 71.9%) was impacted by lower revenues. We remain committed to bringing it below 65% by the 2022 financial year.

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

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

- The Specialist Banking division reported adjusted operating profit before taxation of R 3 205 million (2018: R 2 954 million).
- Net interest income increased by 11.1% supported by private client activity and higher net interest margins.
- Net fee and commission income decreased by 4.4%. Good growth and activity levels from our private client base was offset by lower fees from the Investec Property Fund and the property business.
- Investment income increased 6.4% reflecting higher income from the listed and unlisted investment portfolio.
- Share of post-taxation profit of associates reflects earnings in relation to the group's investment in the IEP Group.
- Total trading income decreased significantly as a result of translation gains on foreign currency equity investments recognised in the prior period.
- As a result of the foregoing factors, total operating income before ECL decreased 0.2%.
- ECL impairment charges for the period amounted to R272 million (2018: R378 million). The annualised credit loss ratio is 0.18%, below its long-term average (2018: 0.30%). Since 31 March 2019 gross core loan Stage 3 assets have reduced by R 312 million to R 3 482 million. Net Stage 3 exposures as a percentage of net core loans subject to ECL was 0.8% (31 March 2019: 0.8%).
- Operating costs were well contained, increasing by 1.6%. The cost to income ratio of 49.5% (2018: 50.5%) is within the medium-term target range of 49%-52%.

Adjusted operating profit^ – track record (statutory)



^ *Trend reflects numbers as at the year ended 31 March. Amounts are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

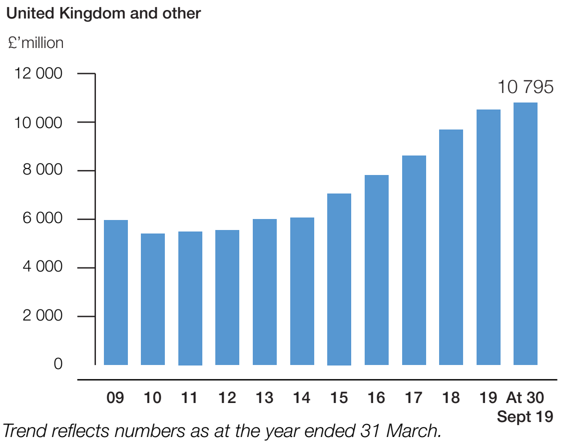
* *The 2019 financial year information has been restated to exclude the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures (as detailed on page 46) in order to ensure a like-for-like basis with the first half 2020 financial year information. All other prior years have not been restated.*

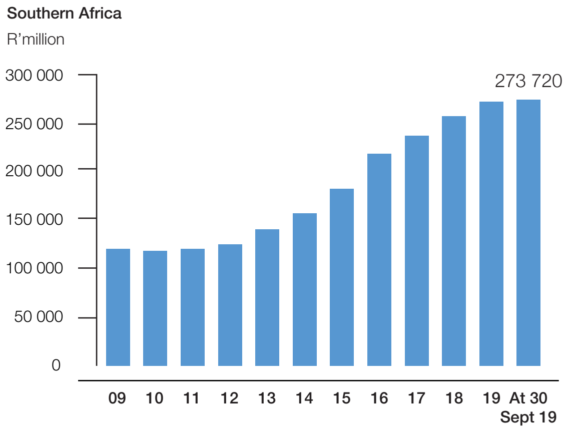
Analysis of key earnings drivers

Net core loans and advances

	£'million			Home currency (million)		
	30 Sept 2019	31 March 2019	% change	**30 Sept 2019**	31 March 2019	% change
UK and Other	10 795	10 514	2.7%	10 795	10 514	2.7%
Southern Africa	14 647	14 427	1.5%	273 720	271 204	0.9%
Total	**25 442**	**24 941**	**2.0%**			

Net core loans and advances



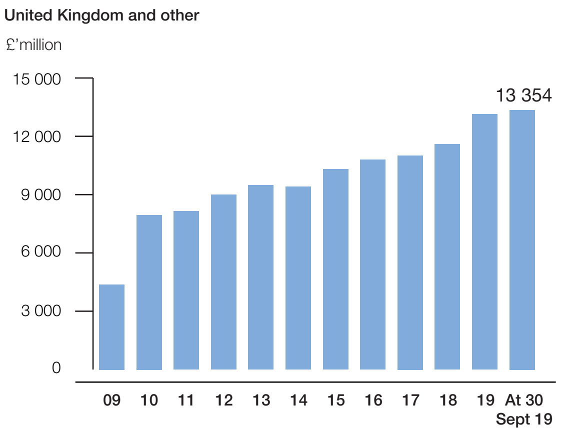


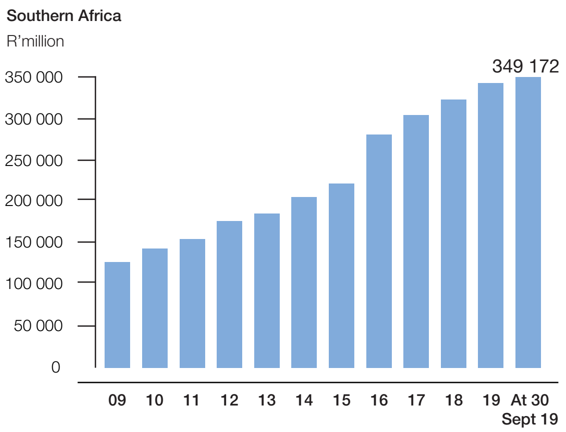
Trend reflects numbers as at the year ended 31 March.

Total deposits

	£'million			Home currency (million)		
	30 Sept 2019	31 March 2019	% change	**30 Sept 2019**	31 March 2019	% change
UK and Other	13 354	13 137	1.7%	13 354	13 137	1.7%
Southern Africa	18 685	18 170	2.8%	349 172	341 578	2.2%
Total	**32 039**	**31 307**	**2.3%**			

Total deposits





Trend reflects numbers as at the year ended 31 March.

An analysis of net core loans and advances over the period

Refer to further information on pages 122 to 129.

Net core loans and advances – Southern Africa

R'million	30 Sept 2019	31 March 2019	% change
Lending collateralised by property	**49 086**	**46 321**	**6.0%**
Commercial real estate	**45 780**	**42 876**	**6.8%**
Commercial real estate – investment	40 101	37 419	7.2%
Commercial real estate – development	4 899	4 873	0.5%
Commercial vacant land and planning	780	584	33.6%
Residential real estate	**3 306**	**3 445**	**(4.0%)**
Residential real estate – development	2 631	2 822	(6.8%)
Residential real estate – vacant land and planning	675	623	8.3%
High net worth and other private client lending	**141 460**	**138 612**	**2.1%**
Mortgages	75 712	73 321	3.3%
High net worth and specialised lending	65 748	65 291	0.7%
Corporate and other lending	**83 174**	**86 271**	**(3.6%)**
Corporate and acquisition finance	11 759	13 157	(10.6%)
Asset-based lending	8 506	5 748	48.0%
Fund finance	5 545	5 082	9.1%
Other corporates and financial institutions and governments	47 711	51 018	(6.5%)
Asset finance	3 015	3 864	(22.0%)
Small ticket asset finance	1 874	1 986	(5.6%)
Large ticket asset finance	1 141	1 878	(39.2%)
Project finance	6 399	6 848	(6.6%)
Resource finance	239	554	(56.9%)
Total net core loans	**273 720**	**271 204**	**0.9%**

Net core loans and advances – UK and Other

£'million	30 Sept 2019	31 March 2019	% change
Lending collateralised by property	**1 884**	**1 871**	**0.7%**
Commercial real estate	**1 148**	**1 149**	**(0.1%)**
Commercial real estate – investment	935	1 020	(8.3%)
Commercial real estate – development	208	122	70.5%
Commercial vacant land and planning	5	7	(28.6%)
Residential real estate	**736**	**722**	**1.9%**
Residential real estate – investment	395	392	0.8%
Residential real estate – development	315	306	2.9%
Residential real estate – vacant land and planning	26	24	8.3%
High net worth and other private client lending	**2 611**	**2 326**	**12.3%**
Mortgages	2 044	1 823	12.1%
High net worth and specialised lending	567	503	12.7%
Corporate and other lending	**6 300**	**6 317**	**(0.3%)**
Corporate and acquisition finance	1 643	1 657	(0.8%)
Asset-based lending	432	393	9.9%
Fund finance	1 151	1 210	(4.9%)
Other corporates and financial institutions and governments	685	640	7.0%
Asset finance	1 887	1 894	(0.4%)
Small ticket asset finance	1 608	1 538	4.6%
Large ticket asset finance	279	356	(21.6%)
Project finance	483	498	(3.0%)
Resource finance	19	25	(24.0%)
Total net core loans	**10 795**	**10 514**	**2.7%**

ADDITIONAL INFORMATION ON THE GROUP'S SOUTHERN AFRICAN INVESTMENT PORTFOLIO

30 Sept 2019	Asset analysis £'million	Income analysis £'million	Asset analysis R'million	Income analysis R'million
Investec Equity Partners (IEP)	346	15	6 472	267
Equity investments^	82	1	1 524	16
Property investments*	240	28	4 482	501
Total equity exposures	668	44	12 478	784
Associated loans and other assets	3	–	51	2
Total exposures on balance sheet	**671**	**44**	**12 529**	**786**
Debt funded	315	(25)	5 866	(473)
Equity	356		6 663	
Total capital resources and funding	**671**		**12 529**	
Operating profit before taxation**		**19**		**313**
Taxation		(6)		(100)
Operating profit after taxation		**13**		**213**
Risk-weighted assets	**2 555**		**47 753**	
Ordinary shareholders' equity held on investment portfolio – 30 September 2019	356		6 663	
Ordinary shareholders' equity held on investment portfolio – 31 March 2019	340		6 400	
Average ordinary shareholders' equity held on investment portfolio – 30 September 2019	348		6 532	
Post-tax return on adjusted average ordinary shareholders' equity – 30 September 2019		**6.5%**		

* *The group's investment holding of 26.57% in the Investec Property Fund and 11.58% in the Investec Australia Property Fund.*

^ *Does not include equity investments residing in our corporate and private client businesses.*

** *Further analysis of operating profit before taxation:*

£'million	Total
Net interest expense	(41)
Net fee and commission income	36
Investment income	36
Share of post taxation profit of associates	15
Trading and other operating profits	2
Operating profit before goodwill, acquired intangibles and non-operating items	**48**
Profit attributable to other non-controlling interests	(29)
Adjusted operating profit	**19**

Additional information on the group's Southern African investment portfolio

30 Sept 2018	Asset analysis £'million	Income analysis £'million	Asset analysis R'million	Income analysis R'million
Investec Equity Partners (IEP)	348	21	6 424	367
Equity investments^	89	(16)	1 633	(288)
Property investments*	240	23	4 426	415
Total equity exposures	677	28	12 483	494
Associated loans and other assets	19	1	356	11
Total exposures on balance sheet	**696**	**29**	**12 839**	**505**
Debt funded	345	(14)	6 362	(242)
Equity	351		6 477	
Total capital resources and funding	**696**		**12 839**	
Operating profit before taxation**		**15**		**263**
Taxation		(2)		(21)
Operating profit after taxation		**13**		**242**
Risk-weighted assets	**2 695**		**49 703**	
Ordinary shareholders' equity held on investment portfolio – 30 September 2018	351		6 477	
Ordinary shareholders' equity held on investment portfolio – 31 March 2018	416		6 909	
Average ordinary shareholders' equity held on investment portfolio – 30 September 2018	384		6 693	
Post-tax return on adjusted average ordinary shareholders' equity – 30 September 2018		**6.8%**		

* *The group's investment holding of 26.57% in the Investec Property Fund and 20.6% in the Investec Australia Property Fund.*

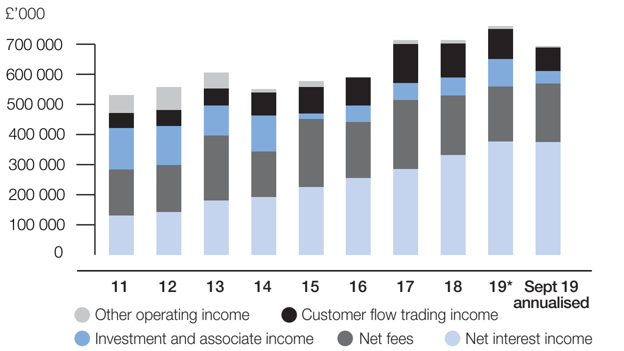
^ *Does not include equity investments residing in our corporate and private client businesses.*

** *Further analysis of operating profit before taxation:*

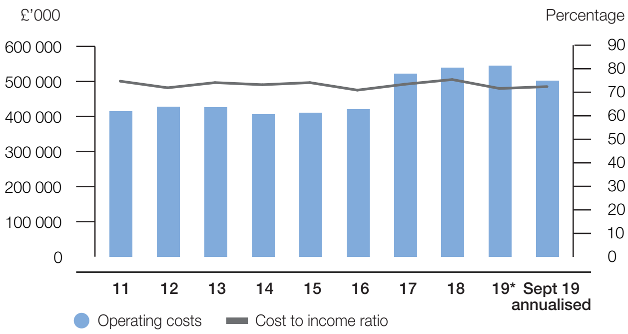
£'million	Total
Net interest expense	(30)
Net fee and commission income	40
Investment income	14
Share of post taxation profit of associates	21
Trading and other operating losses	6
Operating profit before goodwill, acquired intangibles and non-operating items	**51**
Profit attributable to other non-controlling interests	(36)
Adjusted operating profit	**15**

UK and Other Specialist Bank ongoing

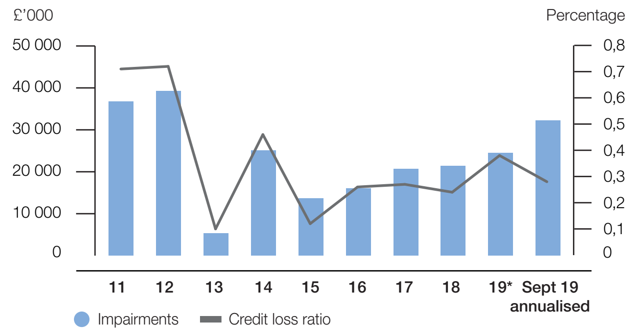
Operating income



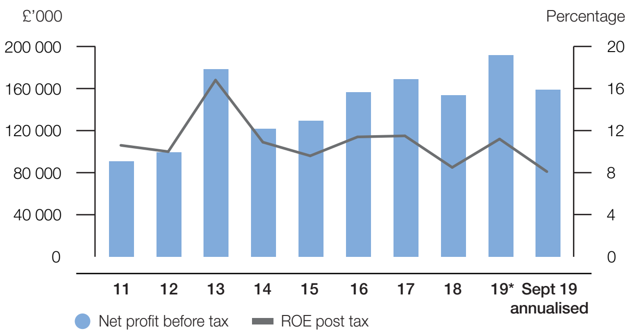
Operating costs



*Expected credit losses/impairment losses^*

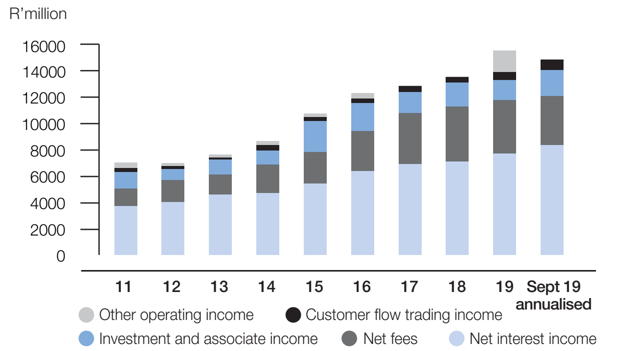


Net profit before tax and ROE

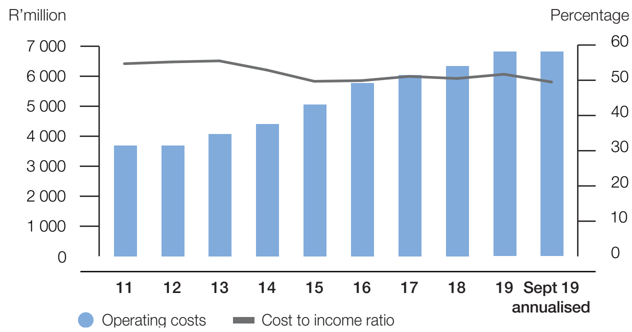


Southern Africa Specialist Bank

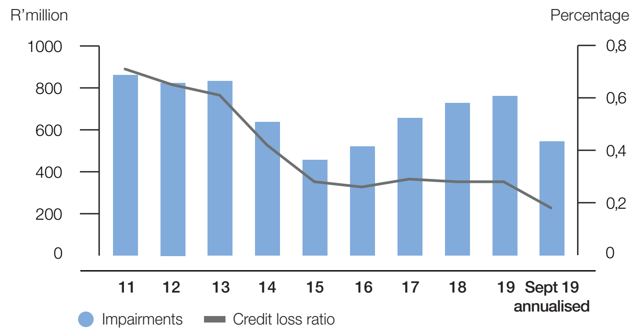
Operating income



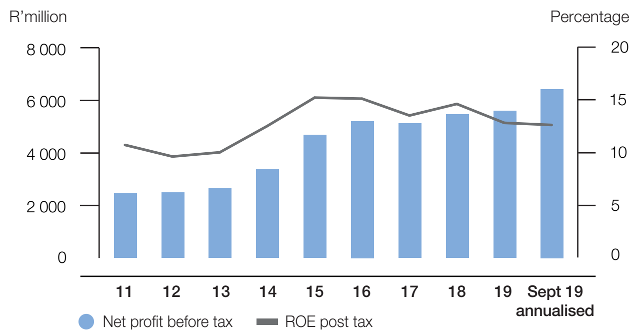
Operating costs



*Expected credit losses/impairment losses^*



Net profit before tax and ROE



Trends in the above graphs are for the year ended 31 March, and reflect the ongoing Specialist Banking business. March 2019 and September 2019 reflect specialist banking statutory results.

^ *On adoption of IFRS 9 there is a move from an incurred loss model to an expected credit loss methodology. Expected credit loss impairment charges from the year ended 31 March 2019 have been calculated on an IFRS 9 basis, comparative years have been calculated on an IAS 39 basis.*

* *The 2019 financial year information has been restated to exclude the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures (as detailed on page 46) in order to ensure a like-for-like basis with the first half 2020 financial year information. All other prior years have not been restated.*

Q&A

Ruth Leas

Geographical business leader UK and Other

How has the operating environment impacted your business over the past six months?

The operating environment in the UK has been challenging over the past six months, driven largely by heightened political uncertainty and the consequential impact on confidence levels.

This together with general geopolitical uncertainty has resulted in volatile markets across exchange rates, interest rates and equity markets. Lower interest rates and high levels of liquidity continued to reduce credit spreads as people search for yield.

Notwithstanding these factors, we have continued to focus on maintaining appropriate credit spreads and credit quality, maintaining asset margins and growing our loan book. In the Private Banking space, we have seen traction in both target client acquisition and loan book growth. Corporate and Investment Banking also saw sound activity levels across its lending franchises with a particularly strong performance from our Fund Finance and Power and Infrastructure businesses. However, we have seen a substantial slowdown in equity capital market activities with low turnover in traded equities and a significant reduction in IPO activity.

The above factors together with a growing sense that we are nearing the end of the credit cycle, has meant that we have continued to adopt a cautious approach to lending and credit discipline. Our credit portfolios have remained robust with limited direct exposure to high street retail or discretionary consumer spending.

In US and Australian markets activity levels have held up well in both lending and client related hedging activity.

We have deliberately remained long liquidity throughout the period; a defensive position against the uncertainty that prevails in the markets and in particular Brexit uncertainty. Low GDP growth has further increased the focus on managing our cost base.

What progress has been made in the past six months in respect of Bank and Wealth's key strategic objectives?

Over the past six months we have focused on Bank and Wealth's key strategic commitments. We have implemented a number of initiatives including some businesses restructures as referenced below in order to ensure good progress towards delivery of our three year targets.

Capital discipline

In Corporate and Investment Banking we have a continued focus on delivering appropriate returns on capital at a client level, and have seen pleasing returns against our objectives. Our institutional sales syndication strategy is a key part of this focus of optimising capital and balance sheet. We have also right sized our financial products business to reduce capital and costs. Looking forward, our strategy is to further develop our fund management offering, providing investors unique access to our International Specialist Sector originating expertise which will drive growth with limited additional capital requirements.

We have reduced our principal investments exposure substantially, in line with our objective of optimising capital allocation, reducing income volatility, and aligning the business with our client franchises.

We have implemented a branch structure in Australia that will drive capital, cost and funding efficiencies over time.

Growth Initiatives

We have gained good traction in Private Banking in growing our loan book, retail funding and client base in line with targets. Our mortgage book has grown 24.2% annualised since 31 March 2019 and we are ahead of our targets in respect of client acquisition in our banking proposition.

We have seen sound levels of origination and sell-down activity in our corporate lending and specialist international franchises. We are investing in our Corporate Banking franchise to expand the offering we provide to our corporate clients. The award from the Banking Competition Remedies Limited (BCR) of a £15 million grant will help fund and accelerate this strategy. In the Investment Banking business, we acquired a market-leading specialist Closed-end fund team to complement our advisory business. We have focused on growing our fund management capability, with £1.3 billion of third party assets raised year to date.

Cost Management

There has been a substantial reduction in costs year on year, driven by no repeat of double premises charges as well as a strong focus on cost discipline, particularly in light of tougher trading conditions. We have contained costs by focusing on productivity and automation across the businesses. We are building smart systems to support our growth, enabling our people to focus on driving business growth.

There has been an ongoing strategic review of business model and cost infrastructure to effect cost efficiencies.

Connectivity

The Private Banking and Wealth & Investment businesses have been working to identify areas of overlap in clients and cost synergies. Three key areas of overlap in the Mass Affluent, HNW and Intermediary sectors have been identified, each requiring a different strategy and each providing an opportunity to increase connectivity and deliver 'One Investec' to clients which will drive revenue and reduce costs over time.

There are also ongoing efforts across the international private banking collaboration to continue offering South African clients a unique international proposition.

Examples of connectivity between Corporate and Investment Banking and the Wealth & Investment business include working together to leverage the Corporate Banking platform for intermediaries in the UK.

We also continue to introduce numerous client opportunities from within Corporate and Investment banking to Wealth & Investment and Private Banking, as we continue to make strong progress with our new client centric operating model.

Digitalisation

Across our Corporate and Investment Banking and Private Banking franchises we continue to invest in our digital capability, and look to capitalise on the growing partnership ecosystem across the UK finance and fintech sector.

We have introduced a new Open Application Process Interface (API) to comply with Open Banking regulations, and also as a way to further enhance our proposition to our clients and facilitate further partnerships.

We have embarked on a strong focus to digitalise our retail deposits capability, with the launch of our award winning Notice Plus product, as well as further automation into our fixed term product suite.

Our digital corporate banking product 'Investec IX' has launched, and in beta testing with a large group of corporate clients. This proposition will continue to be enhanced through continuous feedback with our corporate banking clients.

What have been the key challenges in your business over the past six months?

The key challenges over the past six months have been presented predominantly by markets.

Performance has been confronted by market uncertainty impacting deal volumes, low interest rates and increasing competition. All growth has been made in the context of balancing the maintenance of the quality of our underlying lending book whilst retaining market share and building market presence in our chosen sectors. Careful deployment of capital given the late stage in the credit cycle has been a key focus.

In addition regulation has continued to impact the finance industry and open banking has become an increasing feature of this competitive environment. We continually evolve in response to these developments and have successfully implemented our own offering in the open banking market in order to compete effectively.

What are your strategic objectives over the next six months?

Our focus over the next six months is to drive Bank and Wealth's strategic priorities.

Corporate and Investment Banking is focused on the following strategies;

- Continuing to develop a Corporate Banking business that offers small to mid-sized companies the breadth of products and level of service that reflects their importance to the UK economy
- Converting our unique Investment Banking proposition – a full-service UK Investment Bank with international reach and a client-partnership model – into pre-eminence in the mid-market.
- Strengthening the reputation of our International Specialist Sectors by being at the cutting edge of constantly changing industries
- Creating a differentiated Fund Management Platform, giving investors unique access to our International Specialist Sector expertise

In Private Banking, our attention is on both client retention and client acquisition of target market clients. We are focused on cost containment and further enhancing both the client experience and cost efficiency by leveraging off digital capabilities.

Our ambition is to improve connectivity between the Specialist Bank and Wealth & Investment by developing a clear client approach to enhance the client's 'One Investec' experience and drive bottom line growth.

We continued to build smart digital systems to support growth.

What is your outlook over the next six months?

We remain cautious in the current economic environment, in light of political uncertainty ahead of the general election in December and the potential implications of Brexit on UK business activity.

In the short term, market volatility is expected to persist with slower global growth. A Brexit resolution in the UK would lead to increased client activity and opportunities

We are focused on achieving our three year objectives and expect markets to continue to be difficult to navigate in the short term given persistent market volatility and slower global growth. We believe we have sufficient levers and growth prospects to meet our three year targets and will continue to reshape / grow the business and build our client base to deliver in the medium term.

Q&A

Richard Wainwright

Geographical business leader Southern Africa

How has the operating environment impacted your business over the past six months?

Performance for the period under review has been achieved against a tough operating and trading environment in South Africa. The May national election was accompanied by a high level of uncertainty which resulted in businesses and investors curtailing long-term fixed investment decisions.

Lending growth has been slower across the bank as a result of subdued economic activity, particularly impacted by weak corporate activity. This weak trading environment has heightened competition between banks as credit extension throughout the industry remains low. Bank liquidity increased as corporates and financial institutions displayed a preference for deposits.

The lack of economic growth and policy uncertainty in the country has resulted in depressed equity markets and a lack of event-driven transactions. This resulted in flat valuations of our direct equity and property investments.

Despite these factors, the South African Specialist Bank has achieved reasonable growth. We continued to invest in our franchises in a challenging operating environment and we have grown our client base across all segments.

The increase in the number of clients seeking international exposure remains one of our strategic advantages and private clients remaining reasonably active through the down cycle.

Furthermore, our results have been positively impacted by lower impairment levels across our various client segments and continual focus and delivery on cost containment initiatives.

What progress has been made in respect of the group's five key strategic objectives over the past six months?

Over the past six months we have focused on Bank and Wealth's commitment to achieve positive progress towards our three-year targets which remain unchanged:

Capital discipline

Efficient capital allocation is a core focus as we attempt to reduce the existing investment exposure and invest in new opportunities alongside our clients.

Strategies to reduce the absolute equity investment exposure are underway and will be continually evolved, monitored and executed on in order to ensure timing is optimal and value is maximised.

We have restructured the direct property development business resulting in an efficient and dynamic business model going forward to cater for the changes in the evolving property market.

In addition, the implementation of the Foundation Internal Ratings-Based ('FIRB') approach from 1 April 2019 had a positive impact on our capital ratios. Having submitted our application to the SARB, we are in the process of moving to the Advanced ('AIRB') approach, from which we expect a further positive uplift to our capital ratios.

Growth Initiatives

Growing our private client base remains a priority. In this regard, we have implemented several initiatives in the Private Bank including:

- The 'Young Professionals' strategy which broadens our target market into new professional segments.
- Continued build out of 'My Investments': a digital investment & advisory platform providing investment management capability to our private clients.
- Further collaboration with Investec Wealth & Investment to provide a fiduciary and estate planning service to High Net Worth (HNW) clients.
- Expansion of our strategic presence by opening offices in Bloemfontein and expanding our presence in Stellenbosch and Pietermaritzburg.

In the Corporate and Institutional Banking division, we have similarly implemented a number of growth initiatives:

- Conclusion of a Strategic Corporate Arrangement with Goldman Sachs; an exclusive partnership which will allow us and Goldman Sachs to extend cash equity trading capabilities in South Africa and deepen links with African and international institutional clients seeking to invest in the region.
- Expansion of the Investec Life proposition. Good progress has been made in growing this client base and developing differentiated products.
- Establishment of Investec Specialist Investments (ISI), a fund manager which leverages the bank's ability to originate alternative asset classes available to institutional and private clients. New funds typically require a 3-year track record before gaining traction and we expect to see this growth in FY20/21, as our first two ISI funds approach this significant milestone.
- Launch of Investec Business Online, which is available to all corporate clients. This provides a single platform transactional banking capability for corporate and business clients. The platform is being piloted with a limited number of clients to test functionality before it is rolled out to the rest of the client base.

Cost Management

Across the South African Specialist Bank, we have demonstrated good cost control with cost growth significantly below inflation.

This has been achieved through headcount containment and through the implementation of a number of digital initiatives and Straight Through Processing.

The cost to income ratio remains within our target range of 49% to 52%.

Connectivity

Driving greater connectivity, collaboration and linkages across business divisions locally and globally has been a key focus area. The success of our One Place offering reflects the value which can be generated from effective collaboration and we continue to focus on developing new integrated initiatives.

- My Investments has been a joint effort across the Private Bank and Wealth & Investment businesses to provide an investment management solution to our entire private client base.
- Improved collaboration between the South African and UK Private Banks has seen good traction, enabling the Private Bank to enhance its offshore offering to clients.
- Within the Corporate & Institutional Bank, we have appointed a Global Head of Operations & Technology to execute alignment of processes and technology between the corporate businesses in South Africa and the UK.

Digitalisation

We continue to invest in maintaining our award-winning digital experience for our private client franchises, with a number of new innovations delivered during the period.

The success of our One Place positioning is manifested through our private client web and app experiences bringing together our Banking, Wealth and Life businesses. Work is underway to refresh our digital advisory platform known as My Investments with a re-launch expected in Q2-2020.

We have extended the strategy to create a unified digital capability for our Intermediary client segment. Investec for Intermediaries is focused on bringing together the best of our banking and wealth solutions to our advisor and intermediary clients.

Investec Business Online was launched and a number of clients have been onboarded.

Future focus areas are to incorporate new channels like AI and Intelligent voice assistants while continuing to deliver a high-touch, high-tech experience synonymous with the Investec Proposition.

What have been the key challenges in your business over the past six months?

The key challenge over the past six months has been the difficult economic environment in South Africa, resulting in subdued client activity levels and loan growth, hesitancy to invest, a tightening of margin lending spreads to investment grade corporates, and lower equity market volumes.

With subdued economic activity, we have focused on the management of costs while continuing to invest in digital and technology platforms.

What are your strategic objectives over the next six months?

Our short to medium term strategic priorities are aligned to Bank and Wealth's objectives.

- Client acquisition remains a focus across all our niches by expanding our value proposition and deepening client entrenchment and engagement. This includes our targeted 'Young Professionals' strategy within the Private Bank and using our international diversification and collaboration to attract new clients.
- Growing capital light revenue by diversifying revenue streams through 'My Investments', Investec Life, ISI and Investec for Intermediaries.
- Enlarging our retail deposit base and foreign currency and multicurrency accounts.
- Enhance focus on transformation and diversity across the organisation.
- Improved cost containment by leveraging operational efficiencies and scale, containing headcount, investing further into automation of key processes (such as onboarding and regulatory operations) and enhancing our overall digital capability.
- Increasing collaboration across the global Bank and Wealth businesses to position Investec as the primary bank for our target private client and corporate client bases, and to ensure that both our private and corporate client bases receive the holistic Investec solution and experience.

What is your outlook over the next six months?

The synchronised global economic slowdown, low expected domestic GDP growth and subdued investor confidence leads us to have a cautious outlook for the next six months.

However, given the value of our brand, market positioning and client base, we are well positioned to benefit from any turnaround in investor confidence. Our clients tend to be more resilient in a difficult operating environment and there are potential opportunities to support them both domestically, on the continent and internationally.

ADDITIONAL INFORMATION

4

Number of employees

By division – permanent employees	30 Sept 2019	31 March 2019
Asset Management		
UK and international	543	543
Southern Africa^	1 004	1 005
Total	**1 547**	**1 548**
Wealth & Investment		
UK and Other	1 414	1 411
Southern Africa	374	359
Total	**1 788**	**1 770**
Specialist Banking		
UK and Other	2 462	2 445
Southern Africa	4 065	4 121
Total	**6 527**	**6 566**
Temporary employees and contractors	588	689
Total number of employees	**10 450**	**10 573**

^ *Includes 449 and 459 Silica (its third party administration business) employees, as at 30 September 2019 and 31 March 2019 respectively.*

Adjusted operating profit per employee

By division	Asset Management		Wealth & Investment	Specialist Banking
Number of total employees – 30 September 2019	**1 632**		**1 920**	**6 898**
Number of total employees – 31 March 2019	1 629		1 931	7 013
Number of total employees – 30 September 2018	1 600		1 884	6 849
Number of total employees – 31 March 2018	1 592		1 821	6 733
Adjusted average total employees – six months to 30 September 2019	**1 631**		**1 926**	**6 956**
Adjusted average total employees – six months to 30 September 2018	1 596		1 853	6 791
Adjusted operating profit* – six months to 30 September 2019	**97 329**		**44 508**	**255 057**
Adjusted operating profit# – six months to 30 September 2018*	91 526		49 891	262 573
Adjusted operating profit per employee^ – six months to 30 September 2019 (£'000)	**59.7**	^^	**23.1**	**36.7**
Adjusted operating per employee^ – six months to 30 September 2018 (£'000)	57.3	^^	26.9	38.7

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

By geography	UK and Other	Southern Africa	Total group
Number of total employees – 30 September 2019	**4 626**	**5 824**	**10 450**
Number of total employees – 31 March 2019	4 658	5 915	10 573
Number of total employees – 30 September 2018	4 540	5 793	10 333
Number of total employees – 31 March 2018	4 472	5 674	10 146
Average total employees – six months to 30 September 2019	**4 642**	**5 870**	**10 512**
Average total employees – six months to 30 September 2018	4 506	5 734	10 240
Adjusted operating profit – six months to 30 September 2019	**153 038**	**220 584**	**373 622**
Adjusted operating profit – six months to 30 September 2018*	173 908	206 034	379 942
Adjusted operating profit per employee^ – six months to 30 September 2019 (£'000)	**33.0**	**37.6**	**35.5**
Adjusted operating profit per employee^ – six months to 30 September 2018 (£'000)	38.6	35.9	37.1

^ *Based on average number of employees over the year.*
* *Restated as detailed on page 46.*

Total third party assets under management

£'million	30 Sept 2019	31 March 2019	30 Sept 2018
Asset Management	**120 817**	**111 418**	**109 204**
UK and Other	81 743	75 968	74 978
Southern Africa	39 074	35 450	34 226
Wealth & Investment	**56 364**	**55 121**	**56 687**
UK and Other	41 044	39 118	39 355
Southern Africa	15 320	16 003	17 332
Specialist Banking	**762**	**633**	**621**
UK and Other	495	364	355
Southern Africa	267	269	266
	177 943	**167 172**	**166 512**

A further analysis of third party assets under management

At 30 September 2019 £'million	UK and Other	Southern Africa	Total
Asset Management	**81 743**	**39 074**	**120 817**
Mutual funds	32 023	17 985	50 008
Segregated mandates	49 720	21 089	70 809
Wealth & Investment	**41 044**	**15 320**	**56 364**
Discretionary	32 586	7 503	40 089
Non-discretionary	8 458	7 817	16 275
Specialist Banking	**495**	**267**	**762**
	123 282	**54 661**	**177 943**

At 31 March 2019 £'million	UK and Other	Southern Africa	Total
Asset Management	**75 968**	**35 450**	**111 418**
Mutual funds	30 374	16 337	46 711
Segregated mandates	45 594	19 113	64 707
Wealth & Investment	**39 118**	**16 003**	**55 121**
Discretionary	30 810	6 999	37 809
Non-discretionary	8 308	9 004	17 312
Specialist Banking	**364**	**269**	**633**
	115 450	**51 722**	**167 172**

ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY OF FINANCIAL INSTRUMENTS

At 30 September 2019 **£'000**	**Total instruments at fair value**	Amortised cost	Non-financial instruments or scoped out of IFRS 9	**Total**
Assets				
Cash and balances at central banks	–	3 988 832	–	3 988 832
Loans and advances to banks	–	2 242 874	–	2 242 874
Non-sovereign and non-bank cash placements	47 656	631 061	–	678 717
Reverse repurchase agreements and cash collateral on securities borrowed	456 332	1 165 092	–	1 621 424
Sovereign debt securities	5 700 864	287 052	–	5 987 916
Bank debt securities	386 890	232 438	–	619 328
Other debt securities	702 579	532 202	–	1 234 781
Derivative financial instruments	1 256 794	–	–	1 256 794
Securities arising from trading activities	1 762 831	–	–	1 762 831
Investment portfolio	946 499	–	–	946 499
Loans and advances to customers	2 290 115	22 775 832	–	25 065 947
Own originated loans and advances to customers securitised	–	378 171	–	378 171
Other loans and advances	–	145 034	–	145 034
Other securitised assets	119 065	14 458	–	133 523
Interests in associated undertakings and joint venture holdings	–	–	407 743	407 743
Deferred taxation assets	–	–	260 766	260 766
Other assets	151 360	1 225 701	1 016 287	2 393 348
Property and equipment	–	–	484 359	484 359
Investment properties	–	–	1 000 603	1 000 603
Goodwill	–	–	360 128	360 128
Intangible assets	–	–	99 266	99 266
	13 820 985	33 618 747	3 629 152	**51 068 884**
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	**8 657 879**	–	–	8 657 879
	22 478 864	33 618 747	3 629 152	**59 726 763**
Liabilities				
Deposits by banks	1 094	2 928 086	–	2 929 180
Derivative financial instruments	1 729 053	–	–	1 729 053
Other trading liabilities	700 611	–	–	700 611
Repurchase agreements and cash collateral on securities lent	338 066	645 829	–	983 895
Customer accounts (deposits)	2 416 147	29 623 144	–	32 039 291
Debt securities in issue	463 680	2 472 811	–	2 936 491
Liabilities arising on securitisation of own originated loans and advances	–	79 667	–	79 667
Liabilities arising on securitisation of other assets	116 544	–	–	116 544
Current taxation liabilities	–	–	166 482	166 482
Deferred taxation liabilities	–	–	23 194	23 194
Other liabilities	44 542	1 166 586	1 187 985	2 399 113
	5 809 737	36 916 123	1 377 661	**44 103 521**
Liabilities to customers under investment contracts	8 650 085	–	–	8 650 085
Insurance liabilities, including unit-linked liabilities	7 794	–	–	7 794
	14 467 616	36 916 123	1 377 661	**52 761 400**
Subordinated liabilities	378 414	1 216 547	–	1 594 961
	14 846 030	38 132 670	1 377 661	**54 356 361**

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)

		Fair value category		
At 30 September 2019 £'000	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	47 656	251	47 405	–
Reverse repurchase agreements and cash collateral on securities borrowed	456 332	–	456 332	–
Sovereign debt securities	5 700 864	5 700 864	–	–
Bank debt securities	386 890	216 493	170 397	–
Other debt securities	702 579	235 059	334 451	133 069
Derivative financial instruments	1 256 794	–	1 221 999	34 795
Securities arising from trading activities	1 762 831	1 714 251	41 520	7 060
Investment portfolio	946 499	147 874	8 442	790 183
Loans and advances to customers	2 290 115	–	1 064 582	1 225 533
Other securitised assets	119 065	–	4 306	114 759
Other assets	151 360	151 360	–	–
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	8 657 879	8 657 879	–	–
	22 478 864	**16 824 031**	**3 349 434**	**2 305 399**
Liabilities				
Deposits by banks	1 094	–	–	1 094
Derivative financial instruments	1 729 053	3 694	1 696 811	28 548
Other trading liabilities	700 611	531 910	168 701	–
Repurchase agreements and cash collateral on securities lent	338 066	–	338 066	–
Customer accounts (deposits)	2 416 147	–	2 416 147	–
Debt securities in issue	463 680	–	463 680	–
Liabilities arising on securitisation of other assets	116 544	–	–	116 544
Other liabilities	44 542	–	38 438	6 104
Liabilities to customers under investment contracts	8 650 085	–	8 650 085	–
Insurance liabilities, including unit-linked liabilities	7 794	–	7 794	–
Subordinated liabilities	378 414	378 414	–	–
	14 846 030	**914 018**	**13 779 722**	**152 290**
Net financial assets/(liabilities) at fair value	**7 632 834**	**15 910 013**	**(10 430 288)**	**2 153 109**

Transfers between level 1 and level 2

During the current year, there were no transfers between level 1 and level 2.

Level 2 financial assets and financial liabilities

The following table sets out the group's principal valuation techniques as at 30 September 2019 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy.

	VALUATION BASIS/TECHNIQUES	**MAIN ASSUMPTIONS**
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curves
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model, Hermite interpolation, Black-Scholes	Yield curves, discount rates, volatilities
Bank debt securities	Discounted cash flow model	Yield curves
Other debt securities	Discounted cash flow model	Yield curves, NCD curves and swap curves, discount rates, external prices, broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves, discount rates
Securities arising from trading activities	Standard industry derivative pricing model Discounted cash flow model	Interest rate curves, implied bond spreads, equity volatilities, yield curves
Investment portfolio	Discounted cash flow model, relative valuation model Comparable quoted inputs	Discount rate and fund unit price, net assets
Loans and advances to customers	Discounted cash flow model	Yield curves
Other securitised assets	Discounted cash flow model	Yield curves
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation, industry standard derivative pricing models including Black-Scholes	Yield curves, discount rates, risk free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model	Yield curves
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model, Hermite interpolation	Yield curves, discount rates
Customer accounts (deposits)	Discounted cash flow model	Yield curves, discount rates
Debt securities in issue	Discounted cash flow model	Yield curves
Other liabilities	Discounted cash flow model	Yield curves
Liabilities to customers under investment contracts	Current price of underlying unitised assets	Listed prices
Insurance liabilities, including unit-linked liabilities	Current price of underlying unitised assets	Listed prices

For the six months to 30 September 2019 £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets	Total
The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:					
Assets					
Balance at 1 April 2019	829 971	1 209 580	118 169	135 044	**2 292 764**
Total gains or losses	(680)	12 522	2 318	19 972	**34 132**
In the income statement	(680)	12 406	2 318	19 972	**34 016**
In the statement of comprehensive income	–	116	–	–	**116**
Purchases	98 921	631 848	–	39 451	**770 220**
Sales	(143 215)	(429 673)	–	–	**(572 888)**
Issues	5 036	62	–	–	**5 098**
Settlements	(10 474)	(243 157)	(5 729)	(23 593)	**(282 953)**
Transfers into level 3	1 842	50	–	–	**1 892**
Transfers out of level 3	(3 823)	–	–	–	**(3 823)**
Foreign exchange adjustments	12 605	44 301	1	4 050	**60 957**
Balance as at 30 September 2019	**790 183**	**1 225 533**	**114 759**	**174 924**	**2 305 399**

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change. For the six months to 30 September 2019, there were transfers of £3.8 million from level 3 assets into level 1 where an equity position became listed in the period. There were transfers from level 2 into level 3 of £1.8 million assets due to inputs to the model becoming unobservable in the market.

For the six months to 30 September 2019 £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities	Total
The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:			
Liabilities			
Balance at 1 April 2019	113 711	20 231	**133 942**
Total gains or losses	961	12 327	**13 288**
In the income statement	961	12 327	**13 288**
In the statement of comprehensive income	–	–	**–**
Purchases	–	2 407	**2 407**
Issues	7 306	–	**7 306**
Settlements	(5 434)	–	**(5 434)**
Transfers into level 3	–	–	**–**
Transfers out of level 3	–	–	**–**
Foreign exchange adjustments	–	781	**781**
Balance as at 30 September 2019	**116 544**	**35 746**	**152 290**

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 six months to 30 September 2019 **£'000**	**Total**	Realised	Unrealised
Total gains or (losses) included in the income statement for the period			
Net interest income	37 579	24 175	13 404
Investment income/(loss)	(21 087)	62 951	(84 038)
Trading loss arising from customer flow	(2 260)	(285)	(1 975)
Trading income arising from balance sheet management and other trading activities	6 836	–	6 836
Other operating income	(340)	(340)	–
	20 728	**86 501**	**(65 773)**
Total gains or (losses) included in other comprehensive income for the period			
Gains on realisation of debt instruments at FVOCI recycled through the income statement	1 320	1 320	–
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	116	–	116
	1 436	**1 320**	**116**

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 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	**Favourable changes £'000**	**Unfavourable changes £'000**
Assets					
Other debt securities	133 069	Potential impact on income statement		8 511	(8 323)
		Credit spreads	0.85%	32	(46)
		Discount rate	6.85%	85	(84)
		EBITDA	(5%)/5%	307	(307)
		Underlying asset value^^	^^	201	–
		Other^	^	7 886	(7 886)
Derivative financial instruments	34 795	Potential impact on income statement		8 438	(8 430)
		Volatilities	4.0% - 9.5%	127	(127)
		Discount rate	6.85%	24	(25)
		Cash flow adjustments	CPR 6.4% - 10.3%	111	(102)
		Underlying asset value^^	^^	7 653	(7 653)
		Other^	^	523	(523)
Securities arising from trading activities	7 060	Potential impact on income statement		829	(769)
		Cash flow adjustments	CPR 8.5%	829	(769)
Investment portfolio	790 183	Potential impact on income statement		125 465	(108 952)
		Price earnings multiple	3.2 x -9.7x	7 115	(6 116)
		Underlying asset value^^	^^	12 614	(10 243)
		Other^	^	46 006	(45 133)
		EBITDA	*	19 338	(16 251)
		Discount rate	(1%)/1%	8 619	(243)
		Cash flows	(25%)/25%	15 838	(14 818)
		Property values	(5%)/5%	12 624	(12 624)
		Precious and industrial metal prices	(10%)/6%	880	(1 466)
		Various	**	2 431	(2 058)
Loans and advances to customers	1 225 533	Potential impact on income statement		42 977	(51 307)
		Credit spreads	1.5% - 5.9%	1 822	(2 606)
		Price earnings multiple	4.9 x	707	(496)
		Underlying asset value^^	^^	1 828	(1 877)
		Cash flows	-	–	–
		Underlying asset value	*	343	(343)
		Property values	(5%)/5%	5	(5)
		Other^	^	38 272	(45 980)
		Potential impact on other comprehensive income		1 232	(1 754)
		Credit spreads	0.04% - 2.1%	1 232	(1 754)
Other securitised assets	114 759	Potential impact on income statement		2 797	(2 665)
		Cash flow adjustments	CPR 6.2%	2 797	(2 665)
Total level 3 assets	**2 305 399**			190 249	(182 200)

At 30 September 2019	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	Favourable changes £'000	Unfavourable changes £'000
Liabilities					
Deposits by banks	1 094	Potential impact on income statement		–	78
		Underlying asset value^^	^^	–	78
Derivative financial instruments	28 548	Potential impact on income statement		(7 866)	7 874
		Cash flow adjustments	CPR 6.4% - 10.3%	(79)	87
		Volatilities	4.0% - 9.5%	(134)	134
		Underlying asset value^^	^^	(7 653)	7 653
Liabilities arising on securitisation of other assets	116 544	Potential impact on income statement		(377)	396
		Cash flow adjustments	CPR 6.4%	(377)	396
Other liabilities	6 104	Potential impact on income statement		(642)	642
		Property values	(5%)/5%	(642)	642
Total level 3 liabilities	**152 290**			(8 885)	**8 990**

Net level 3 assets	**2 153 109**

* *The EBITDA and cash flows has been stressed on an investment-by-investment basis in order to obtain favourable and unfavourable valuations*

** *The valuation sensitivity for certain equity investments and fair value loans have been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purpose of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.*

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

^^ *Underlying asset values are calculated by reference to a tangible asset, for example property, aircraft or shares.*

Within the Hong Kong portfolio there is a connected exposure across the investment portfolio and loans and advances to customers lines with a balance sheet value of £35 million. The consideration of reasonably possible alternative assumptions with respect to the fair value of this exposure results in a favourable change of £35 million and a unfavourable change of £35 million, included within the table above

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 (including WACC) are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

Volatilities

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

Cash flows

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

EBITDA

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

Price earnings multiple

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

Property value and precious and industrial metals

The property value and price of precious and industrial metals is a key driver of future cash flows on these investments.

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value.
The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST

The following table sets out the fair value of financial instruments held at amortised cost where the carrying value is not a reasonable approximation of fair value.

At 30 September 2019

£'000	Carrying amount	Fair value
Assets		
Cash and balances at central banks	3 988 832	3 988 836
Loans and advances to banks	2 242 874	2 242 868
Non-sovereign and non-bank cash placements	631 061	631 063
Reverse repurchase agreements and cash collateral on securities borrowed	1 165 092	1 165 237
Sovereign debt securities	287 052	279 183
Bank debt securities	232 438	238 242
Other debt securities	532 202	528 166
Loans and advances to customers	22 775 832	22 785 741
Own originated loans and advances to customers securitised	378 171	378 173
Other loans and advances	145 034	143 619
Other assets	1 225 701	1 225 679
Liabilities		
Deposits by banks	2 928 086	2 958 843
Repurchase agreements and cash collateral on securities lent	645 829	644 057
Customer accounts (deposits)	29 623 144	29 742 906
Debt securities in issue	2 472 811	2 506 268
Liabilities arising on securitisation of own originated loans and advances	79 667	79 668
Other liabilities	1 166 586	1 153 063
Subordinated liabilities	1 216 547	1 280 766

ADOPTION OF IFRS 16

4

On 1 April 2019 the group adopted IFRS 16 Leases which replaced IAS 17 Leases The group's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17, apart from certain subleases which are now classified as finance lease receivables. For lessees, IFRS 16 removes the distinction between finance and operating leases and introduces a single lease accounting model that will, with some limited exemptions, apply to all leases and result in bringing them on balance sheet.

As a lessee, the group now recognises a lease liability measured at the present value of remaining cash flows and a right of use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. The lease payments are discounted using the group's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset is being amortised to the income statement over the life of the lease.

As permitted by the standard the group applied IFRS 16 on a modified retrospective basis without restating prior years.

The group has elected to take advantage of the following transition options on transition at 1 April 2019:

- applied IFRS 16 to contracts previously identified as leases by IAS 17
- calculated the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments
- used the incremental borrowing rate as the discount rate for property leases
- not applied IFRS 16 to operating leases with a remaining lease term of less than 12 months
- relied on the assessment of whether the lease contract is onerous under IAS 37 at 31 March 2019 as an alternative to performing an impairment review of the right use of assets crated on 1 April 2019. Where this is the case the carrying amount of the assets has been adjusted by the onerous lease provision.

The impact on adoption was the recognition of ROU assets of £233 million, finance lease receivables of £330 million relating to certain subleases, and lease liabilities of £597 million, with no impact on retained income.

Investec ordinary shares

As at 30 September 2019 Investec plc and Investec Limited had 696.1 million and 318.9 million ordinary shares in issue respectively.

Largest ordinary shareholders as at 30 September 2019

In accordance with the terms provided for in Section 793 of the UK Companies Act, 2006 and Section 56 of the South African Companies Act, 2008, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below.

Investec plc

	Shareholder analysis by manager group	Number of shares	% holding
1.	Allan Gray (ZA)	94 309 517	13.6%
2.	Public Investment Corporation (ZA)	52 438 731	7.5%
3.	BlackRock Inc (UK & US)	43 736 371	6.3%
4.	Prudential Group (ZA)	41 216 055	5.9%
5.	The Vanguard Group, Inc (UK & US)	24 790 105	3.6%
6.	Old Mutual Investment Group (ZA)	21 475 025	3.1%
7.	Investec Staff Share Scheme (UK)	21 591 265	3.1%
8.	State Street Corporation (UK & US)	20 255 496	2.9%
9.	T Rowe Price Associates (UK)	19 051 357	2.7%
10.	Legal & General Group (UK)	16 511 314	2.4%
	Cumulative total	**355 375 236**	**51.1%**

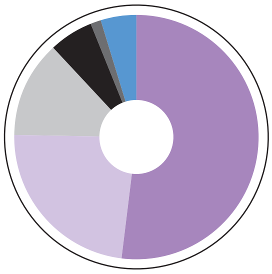
The top 10 shareholders account for 51.1% of the total shareholding in Investec plc. This information is based on a threshold of 20,000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Investec Limited

	Shareholder analysis by manager group	Number of shares	% holding
1.	Public Investment Corporation (ZA)	42 710 251	13.4%
2.	Allan Gray (ZA)	37 943 092	11.9%
3.	Investec Staff Share Scheme (ZA)	15 047 482	4.7%
4.	Old Mutual Investment Group (ZA)	14 650 518	4.6%
5.	BlackRock Inc (UK & US)	14 080 651	4.4%
6.	The Vanguard Group, Inc (UK & US)	11 788 955	3.7%
7.	Dimensional Fund Advisors (UK & US)	8 729 459	2.7%
8.	Sanlam Group (ZA)	8 388 843	2.6%
9.	Laurium Capital (ZA)	6 819 214	2.2%
10.	Standard Bank Group (ZA)	6 412 933	2.0%
	Cumulative total	**166 571 398**	**52.2%**

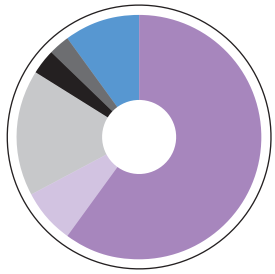
The top 10 shareholders account for 52.2% of the total shareholding in Investec Limited. This information is based on a threshold of 20,000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Geographical holding by beneficial ordinary shareholder as at 30 September 2019



Investec plc

52.2%	South Africa
23.1%	UK
12.8%	USA and Canada
5.8%	Rest of Europe
1.4%	Asia
4.7%	Other countries and unknown



Investec Limited

60.1%	South Africa
7.3%	UK
16.6%	USA and Canada
3.3%	Rest of Europe
2.7%	Asia
10.0%	Other countries and unknown

Share statistics

Investec plc

For the period ended	**30 Sept 2019**	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Closing market price per share (Pounds Sterling)							
– period end	4.18	4.42	5.496	5.44	5.13	5.61	4.85
– highest	5.19	5.95	6.49	6.19	6.47	5.75	5.08
– lowest	4.01	4.23	4.61	4.19	4.03	5.61	3.66
Number of ordinary shares in issue (million)[1]	696.1	682.1	669.8	657.1	617.4	613.6	608.8
Market capitalisation (£'million)[1]	2 910	3 015	3 681	3 575	3 167	3 442	2 953
Daily average volumes of share traded ('000)	2 035	1 904	1 807	1 618	1 474	2 170	1 985

Investec Limited

For the period ended	**30 Sept 2019**	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015	31 March 2014
Closing market price per share (Rands)							
– period end	79.85	84.34	92.28	91.46	109.91	100.51	84.84
– highest	94.60	105.31	105.62	112.11	121.90	103.15	85.04
– lowest	75.10	76.92	85.00	81.46	93.91	100.34	59
Number of ordinary shares in issue (million)[3]	318.9	318.9	310.7	301.2	291.4	285.7	282.9
Market capitalisation (R'million)[3]	81 048	84 424	90 481	87 646	99 886	90 389	75 652
Market capitalisation (£'million)[3]	4 243	4 424	5 389	5 213	4 662	5 045	4 325
Daily average volumes of share traded ('000)	1 100	860	1 031	1 149	963	739	810

1. *The LSE only include the shares in issue for Investec plc, i.e. currently 696.1 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*
2. *Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.*
3. *The JSE have agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited, in calculating market capitalisation, i.e. currently a total of 1015.0 million shares in issue.*

RISK DISCLOSURES

5

The following risk management and capital section will provide details on the quantitative disclosure required on a semi-annual basis. For additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2019.

Philosophy and approach to risk management

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

Our comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of our businesses to ensure the risk remain within the stated risk appetite.

Risk awareness, control and compliance are embedded in all our day-to-day activities. As fundamental to our values, we have a strong and embedded risk and capital management culture.

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

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

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

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

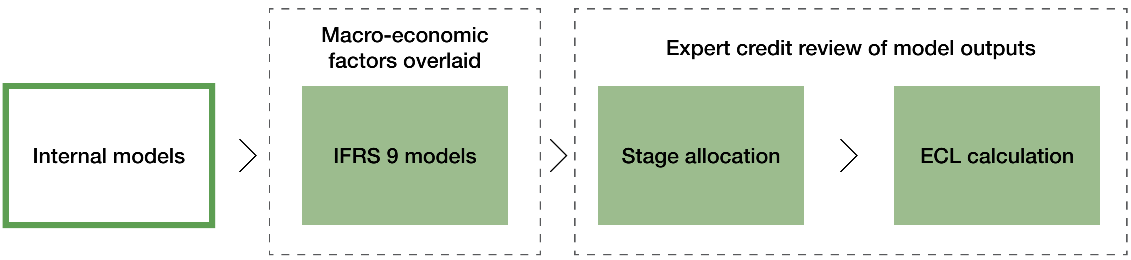
Key drivers of ECL – subjective elements and inputs

The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgement. Key judgemental areas under the implementation of IFRS 9 are subject to robust governance processes. Key drivers of measurement uncertainty include:

- the assessment of a significant increase in credit risk;
- the introduction of a range of forward-looking probability weighted macro-economic scenarios; and
- estimations of probabilities of default, loss given default and exposures at default using models.

In addition to these drivers, some initial judgements and assumptions were required in the design and build of the group's ECL methodology, which are not considered to have a material impact. This included the use of income recognition effective interest rates (EIRs), in accordance with accounting standards, as the discount factor in the ECL calculation as well as the use of contractual maturity to assess behavioural lives. In addition where we have experienced limitations on the availability of probability of default origination data for the historic book, a portfolio average has been used in some instances.

Process to determine ECL



ECLs are calculated using three main components:

- a probability of default (PD);
- a loss given default (LGD); and
- the exposure at default (EAD).

Under IFRS 9, the 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The forecast value for the collateral is also affected by the range of forward-looking probability weighted macro-economic scenarios.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility.

The calculation of the 12-month ECL is based on the 12-month PD and LGD along with the EAD and effective interest rate (EIR) for the asset. Lifetime ECL is calculated using the lifetime PD curve, and the appropriate LGDs and EADs and discount rates derived from the EIR based on the remaining life of the financial asset.

Expert judgement models have also been utilised for certain portfolios where the ECL is found to be minimal, either due to the portfolio's small relative size or the low default nature of these portfolios, such as cash and balances held at central banks.

Management adjustments are made to modelled output to account for situations where additional information and known or expected risk factors have not been captured in the modelling process.

In the UK, a management overlay of £8 million (£8 million at 31 March 2019) has been considered appropriate in addition to the bank's calculated model-driven ECL. Initially, a £25 million management overlay was raised upon implementation of IFRS 9 due to the UK bank's limited experience of utilising model output for reporting purposes and uncertainty over the models' predictive capability, which has been reduced over time. The overlays were designed to capture specific areas of model uncertainty during the initial adoption of IFRS 9. The UK bank will continue to assess the appropriateness of this management overlay and expect that it will continue to be unwound as the uncertainty of the models predictive capability reduces.

Forward-looking macro-economic scenarios

The measurement of ECL also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking estimate. These scenarios are updated at least twice a year, or more frequently if there is a macro-economic shock or significant shift in expectations. The weighting of these scenarios for IFRS 9 as well as the scenarios themselves are discussed and approved in the DLC Capital Committee and additionally the Economic Forum for Investec Limited, which forms part of the principal governance framework for macro-economic scenarios. A number of forecast economic scenarios are considered for capital planning, stress testing (including Investec specific stress scenarios) and IFRS 9.

Since 31 March 2019 our macro-economic scenarios have been refined to incorporate our updated economic outlooks. As such, in South Africa, the previously presented extreme down case has been removed as the probability of this scenario declined substantially after President Ramaphosa formally became President of South Africa this year, having previously been acting President. Instead, a severe down case scenario was introduced to replace it, characterised by a marked escalation in the trade war. The lite down case replaces the previous down case to reflect a less severe scenario. In the UK, the relative weightings of the scenarios have also been adjusted to take into account the greater downside risks stemming from the global backdrop and continued Brexit uncertainty.

UK and Other

For Investec plc, four macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, an upside case and two downside cases.

The base case scenario envisages a modest pace of UK economic growth over the forecast horizon. This is supported by some recovery in business investment and consumer spending as Brexit related uncertainties clear. The labour market is expected to witness continued tightness with unemployment holding near historic lows and wage growth firming. Meanwhile the housing market is expected to see moderate price growth. Amidst this environment the Bank of England is expected to undertake a gradual and limited path of interest rate increases. More widely a modest pace of global growth is forecast over the projection horizon, although the near term picture remains subdued. Key points include a moderation in the pace of US economic activity, some stabilisation in the Chinese economy and a recovery in the Euro area following its recent weakness.

The downside case scenarios are severe but plausible, based on Investec specific bottom-up stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. The focus of each downside case is either a global shock resulting in an asset price correction and corporate stress or a UK specific stress whereby persistent Brexit and political concerns lead to a prolonged period of weak investment and growth.

The upside case encompasses a scenario whereby productivity growth recovers from a sustained period of weakness following the 2008/09 financial crisis. This is evident not just in the UK, but amongst the world's major economies. The scenarios are forecast over five years. Beyond the forecast period, default rates are assumed to revert over time to an observed long run average.

The table below shows the key factors that form part of the macro-economic scenarios and the relative weightings of these scenarios applied as at 30 September 2019:

Macro-economic scenarios

Average 2019 – 2023	Upside %	Base case %	Downside 1 Global %	Downside 2 Domestic %
UK				
GDP growth	2.3	1.5	0.1	0.2
Unemployment rate	3.6	3.8	6.3	4.7
House price growth	2.2	2.1	(2.6)	(1.4)
Bank of England – Bank rate	2.1	1.0	0.2	0.2
Euro area				
GDP growth	2.3	1.4	0.2	1.3
US				
GDP growth	2.7	2.0	0.6	2.0
Scenario weightings	**9**	**45**	**16**	**30**

South Africa

For Investec Limited, five macro-economic scenarios are used in the measurement of ECL under IFRS 9. These scenarios incorporate a base case, two up cases and two down cases. The aim of this economic scenario generation process is to provide a view of the current and projected state of the South African economy and the different economic scenarios that could occur in various stressed or improved environments over the next five years for a number of identified variables/risk drivers. Management's view of the most likely outcome (base case) is that a sedate pace of global monetary policy normalisation will occur, with a prolonged, severe global risk-off environment through the period avoided.

The base case scenario additionally foresees higher confidence and investment levels with limited negative impact of expropriation without compensation to the economy. The Rand becomes structurally stronger, nearing its purchasing power parity valuation over the five year period. South Africa retains one investment grade (Moody's) rating on its local currency long-term sovereign debt in the year ahead. Global growth persists around its trend growth rate.

The lite down case scenario is one where South Africa is rated sub-investment grade by all three key credit rating agencies. A short V shaped recession occurs, with marked rand weakness after South Africa loses its Moody's investment grade rating. However, modestly strengthening global demand and elevated commodity prices help lessen the longer-term impact of domestic disturbances. A severe global financial market risk-off environment is avoided, with neutral to global risk-on, and the rand eventually recoups some of its losses.

The severe down case has a low probability of occurring. Both the global economy and the South African economy fall into recession, with South Africa experiencing a more severe recession than in the lite down case. In this scenario the global trade war escalates. Domestically, expropriation without compensation has a material negative impact on the economy, with title deeds not being transferred to individuals and wide scale land grabs occurring. South Africa receives a Moody's credit rating downgrade in a predominantly risk-off environment.

The up case encompasses a scenario where South Africa has good governance, growth enhancing reforms in line with global norms (structural constraints are overcome) and greater socio-economic stability. Strong business confidence, fixed investment growth into double digits, substantial foreign direct investment inflows, a strengthening of property rights and fiscal consolidation are also all characterisations of the up case. A strengthening in global growth (US-China trade tensions subside) and in the commodity cycle, as well as a stabilisation of credit ratings, also occur. The extreme up case is a persistence and intensification of the up case, resulting in credit rating upgrades for South Africa.

The table below shows the key factors that form part of the macro-economic scenarios and the relative weightings of these scenarios applied as at 30 September 2019:

Macro-economic scenarios

Average June 2019 – March 2024	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %
South Africa					
GDP	4.5	3.5	2.2	1.1	(0.1)
Repo	5.5	6.1	6.8	7.3	10.1
Bond yield	7.9	8.2	9.2	9.5	13.1
Residential property price	13.5	6.0	4.6	3.4	(0.9)
Commercial property prices	5.5	2.2	0.7	(0.6)	(4.1)
Exchange rates	8.2	10.0	13.5	15.0	16.7
Scenario weightings	**1**	**10**	**45**	**35**	**9**

Macro-economic sensitivities

IFRS 9 may result in an increase in the volatility of provisions going forward, particularly for Stage 1 and Stage 2 assets as a result of macro-economic scenario changes. Sensitivities to macro-economic scenarios and factors form part of our overall risk monitoring, in particular the group's potential ECLs if each scenario were given a 100% weighting. In these instances all non-modelled ECLs, including credit assessed ECLs and other management judgements remain unchanged.

Credit and counterparty risk management

Credit and counterparty risk description

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.

The tables that follow provide an analysis of the group's gross credit and counterparty exposures.

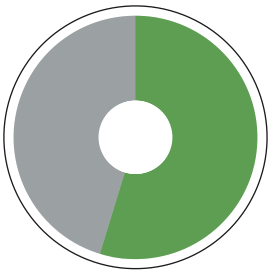
An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £50.4 billion at 30 September 2019. Cash and near cash balances amounted to £13.0 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet, where loans and advances to customers (including committed facilities) account for greater than 98% of overall ECLs.

An analysis of gross credit and counterparty exposures by geography

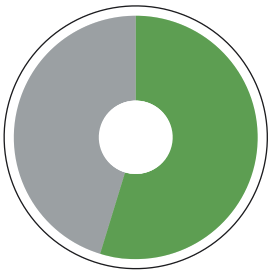
	UK and Other		Southern Africa		Total	
£'million	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019
Cash and balances at central banks	3 331	4 445	642	536	3 973	4 981
Loans and advances to banks	1 105	1 146	1 138	1 177	2 243	2 323
Non-sovereign and non-bank cash placements	–	–	680	650	680	650
Reverse repurchase agreements and cash collateral on securities borrowed	914	633	707	1 136	1 621	1 769
Sovereign debt securities	2 148	1 299	3 840	3 239	5 988	4 538
Bank debt securities	52	52	567	665	619	717
Other debt securities	465	499	771	723	1 236	1 222
Derivative financial instruments	693	567	379	294	1 072	861
Securities arising from trading activities	488	530	126	257	614	787
Loans and advances to customers	10 931	10 663	14 413	14 162	25 344	24 825
Own originated loans and advances to customers securitised	–	–	379	409	379	409
Other loans and advances	131	178	15	19	146	197
Other securitised assets	8	8	–	–	8	8
Other assets	107	46	9	150	116	196
Total on-balance sheet exposures	**20 373**	**20 066**	**23 666**	**23 417**	**44 039**	**43 483**
Guarantees	86	85	742	636	828	721
Committed facilities related to loans and advances to customers	1 678	1 484	3 135	2 978	4 813	4 462
Contingent liabilities, letters of credit and other	306	413	422	412	728	825
Total off-balance sheet exposures	**2 070**	**1 982**	**4 299**	**4 026**	**6 369**	**6 008**
Total gross credit and counterparty exposures	**22 443**	**22 048**	**27 965**	**27 443**	**50 408**	**49 491**

An analysis of gross credit and counterparty exposures by geography



30 SEPTEMBER 2019
£50 408 million

55.5% Southern Africa
44.5% UK and Other



31 MARCH 2019
£49 491 million

55.5% Southern Africa
44.5% UK and Other

A further analysis of our gross credit and counterparty exposures

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

At 30 September 2019 £'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	3 973	–	3 973	–	16	3 989
Loans and advances to banks	2 243	–	2 243	–	–	2 243
Non-sovereign and non-bank cash placements	680	48	632	(1)	–	679
Reverse repurchase agreements and cash collateral on securities borrowed	1 621	456	1 165	–	–	1 621
Sovereign debt securities	5 988	963	5 025	(2)	–	5 986
Bank debt securities	619	67	552	–	–	619
Other debt securities	1 236	347	889	(1)	–	1 235
Derivative financial instruments	1 072	1 072	–	–	185	1 257
Securities arising from trading activities	614	614	–	–	1 149	1 763
Investment portfolio	–	–	–	–	946 *	946
Loans and advances to customers	25 344	1 819	23 525	(280)	–	25 064
Own originated loans and advances to customers securitised	379	–	379	(1)	–	378
Other loans and advances	146	–	146	(1)	–	145
Other securitised assets	8	8	–	–	126 ^^	134
Interest in associated undertakings	–	–	–	–	408 *	408
Deferred taxation assets	–	–	–	–	261	261
Other assets	116	–	116	–	2 277 **	2 393
Property and equipment	–	–	–	–	484	484
Investment properties	–	–	–	–	1 001	1 001
Goodwill	–	–	–	–	360	360
Intangible assets	–	–	–	–	99	99
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–	8 658	8 658
Total on-balance sheet exposures	**44 039**	**5 394**	**38 645**	**(286)**	**15 970**	**59 723**
Guarantees	828	–	828	–	51	879
Committed facilities related to loans and advances to customers	4 813	58	4 755	(5)	–	4 808
Contingent liabilities, letters of credit and other	728	181	547	–	851	1 579
Total off-balance sheet exposures	**6 369**	**239**	**6 130**	**(5)**	**902**	**7 266**
Total exposures	**50 408**	**5 633**	**44 775**	**(291)**	**16 872**	**66 989**

^ *ECLs include £4.0 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.*

* *Largely relates to exposures that are classified as investment risk in the banking book.*

^^ *While the group manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the group. The net credit exposure that the group has in the vehicles is reflected in the 'total credit and counterparty exposure'.*

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

A further analysis of our gross credit and counterparty exposures *(continued)*

At 31 March 2019 £'million	Total gross credit and counterparty exposure	*of which FVPL*	*of which amortised cost and FVOCI*	ECL^	Assets that we deem to have no legal credit exposure	**Total assets**
Cash and balances at central banks	4 981	–	4 981	–	12	4 993
Loans and advances to banks	2 323	–	2 323	–	–	2 323
Non-sovereign and non-bank cash placements	650	33	617	(1)	–	649
Reverse repurchase agreements and cash collateral on securities borrowed	1 769	550	1 219	–	–	1 769
Sovereign debt securities	4 538	800	3 738	(1)	–	4 537
Bank debt securities	717	67	650	–	–	717
Other debt securities	1 222	413	809	(1)	–	1 221
Derivative financial instruments	861	861	–	–	173	1 034
Securities arising from trading activities	787	787	–	–	1 072	1 859
Investment portfolio	–	–	–	–	1 029 *	1 029
Loans and advances to customers	24 825	1 629	23 196	(292)	–	24 533
Own originated loans and advances to customers securitised	409	–	409	(1)	–	408
Other loans and advances	197	–	197	(1)	–	196
Other securitised assets	8	8	–	–	126 ^^	134
Interest in associated undertakings	–	–	–	–	388 *	388
Deferred taxation assets	–	–	–	–	249	249
Other assets	196	–	196	(5)	1 545 **	1 736
Property and equipment	–	–	–	–	262	262
Investment properties	–	–	–	–	995	995
Goodwill	–	–	–	–	367	367
Intangible assets	–	–	–	–	107	107
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	–	–	–	–	8 218	8 218
Total on-balance sheet exposures	**43 483**	**5 148**	**38 335**	**(302)**	**14 543**	**57 724**
Guarantees	721	–	721	–	57	778
Committed facilities related to loans and advances to customers	4 462	45	4 417	(4)	–	4 458
Contingent liabilities, letters of credit and other	825	139	686	–	765	1 590
Total off-balance sheet exposures	**6 008**	**184**	**5 824**	**(4)**	**822**	**6 826**
Total exposures	**49 491**	**5 332**	**44 159**	**(306)**	**15 365**	**64 550**

^ *ECLs include £3.0 million ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.*

* *Largely relates to exposures that are classified as investment risk in the banking book.*

^^ *While the group manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the group. The net credit exposure that the group has in the vehicles is reflected in the 'total credit and counterparty exposure'.*

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

Detailed analysis of gross credit and counterparty exposures by industry

At 30 September 2019 £'million	High net worth and other professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	3 973	–	–
Loans and advances to banks	–	–	–	–	–	–	2 243
Non-sovereign and non-bank cash placements	–	–	74	–	3	24	136
Reverse repurchase agreements and cash collateral on securities borrowed	3	–	–	–	1	2	1 562
Sovereign debt securities	–	–	–	–	5 988	–	–
Bank debt securities	–	–	–	–	–	–	619
Other debt securities	–	–	–	144	7	35	551
Derivative financial instruments	12	2	5	112	18	16	659
Securities arising from trading activities	–	–	–	5	451	–	134
Loans and advances to customers	9 868	4 610	147	836	409	1 460	2 519
Own originated loans and advances to customers securitised	379	–	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–	99
Other securitised assets	–	–	–	–	–	–	–
Other assets	–	–	–	1	–	–	110
Total on-balance sheet exposures	**10 262**	**4 612**	**226**	**1 098**	**10 850**	**1 537**	**8 632**
Guarantees	225	123	3	95	–	6	132
Committed facilities related to loans and advances to customers	2 213	716	44	215	52	255	489
Contingent liabilities, letters of credit and other	158	94	2	247	65	5	36
Total off-balance sheet exposures	**2 596**	**933**	**49**	**557**	**117**	**266**	**657**
Total gross credit and counterparty exposures	**12 858**	**5 545**	**275**	**1 655**	**10 967**	**1 803**	**9 289**

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	**Total**
–	–	–	–	–	–	–	–	–	3 973
–	–	–	–	–	–	–	–	–	2 243
119	143	19	27	–	30	2	41	62	680
–	–	–	10	–	2	–	41	–	1 621
–	–	–	–	–	–	–	–	–	5 988
–	–	–	–	–	–	–	–	–	619
1	78	–	62	132	–	–	133	93	1 236
16	34	1	42	–	74	3	75	3	1 072
–	13	–	–	–	–	–	4	7	614
626	1 258	160	621	–	367	341	1 478	644	25 344
–	–	–	–	–	–	–	–	–	379
–	4	–	–	43	–	–	–	–	146
–	–	–	–	8	–	–	–	–	8
5	–	–	–	–	–	–	–	–	116
767	**1 530**	**180**	**762**	**183**	**473**	**346**	**1 772**	**809**	**44 039**
72	91	7	4	–	31	17	11	11	828
70	155	10	78	1	242	19	119	135	4 813
7	1	–	–	–	48	–	–	65	728
149	**247**	**17**	**82**	**1**	**321**	**36**	**130**	**211**	**6 369**
916	**1 777**	**197**	**844**	**184**	**794**	**382**	**1 902**	**1 020**	**50 408**

Detailed analysis of gross credit and counterparty exposures by industry *(continued)*

At 31 March 2019 £'million	High net worth and other professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
Cash and balances at central banks	–	–	–	–	4 981	–	–
Loans and advances to banks	–	–	–	–	–	–	2 323
Non-sovereign and non-bank cash placements	–	–	67	–	2	83	101
Reverse repurchase agreements and cash collateral on securities borrowed	28	–	–	–	–	–	1 698
Sovereign debt securities	–	–	–	–	4 538	–	–
Bank debt securities	–	–	–	–	–	–	717
Other debt securities	–	–	–	169	7	76	403
Derivative financial instruments	12	1	4	100	8	13	576
Securities arising from trading activities	–	–	–	5	669	–	110
Loans and advances to customers	9 350	4 457	160	822	387	1 425	2 739
Own originated loans and advances to customers securitised	409	–	–	–	–	–	–
Other loans and advances	–	–	–	–	–	–	103
Other securitised assets	–	–	–	–	–	–	–
Other assets	–	–	1	–	–	3	46
Total on-balance sheet exposures	**9 799**	**4 458**	**232**	**1 096**	**10 592**	**1 600**	**8 816**
Guarantees	233	55	–	93	–	50	95
Committed facilities related to loans and advances to customers	1 970	593	93	186	69	162	584
Contingent liabilities, letters of credit and other	169	92	–	318	62	1	37
Total off-balance sheet exposures	**2 372**	**740**	**93**	**597**	**131**	**213**	**716**
Total gross credit and counterparty exposures	**12 171**	**5 198**	**325**	**1 693**	**10 723**	**1 813**	**9 532**

Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	**Total**
–	–	–	–	–	–	–	–	–	4 981
–	–	–	–	–	–	–	–	–	2 323
81	139	18	25	–	33	1	31	69	650
–	–	–	2	–	–	3	38	–	1 769
–	–	–	–	–	–	–	–	–	4 538
–	–	–	–	–	–	–	–	–	717
–	81	19	85	166	8	–	124	84	1 222
19	26	3	30	–	20	2	45	2	861
–	–	–	–	–	–	–	3	–	787
552	1 202	172	657	–	367	401	1 546	588	24 825
–	–	–	–	–	–	–	–	–	409
–	6	–	–	88	–	–	–	–	197
–	–	–	–	8	–	–	–	–	8
113	26	2	–	–	–	3	–	2	196
765	**1 480**	**214**	**799**	**262**	**428**	**410**	**1 787**	**745**	**43 483**
57	73	12	3	–	22	1	12	15	721
107	136	3	127	–	201	69	116	46	4 462
10	48	1	1	–	28	4	–	54	825
174	**257**	**16**	**131**	**–**	**251**	**74**	**128**	**115**	**6 008**
939	**1 737**	**230**	**930**	**262**	**679**	**484**	**1 915**	**860**	**49 491**

Gross credit and counterparty exposures by residual contractual maturity

At 30 September 2019 £'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	> 10 years	**Total**
Cash and balances at central banks	3 973	–	–	–	–	–	3 973
Loans and advances to banks	2 223	–	–	19	1	–	2 243
Non-sovereign and non-bank cash placements	680	–	–	–	–	–	680
Reverse repurchase agreements and cash collateral on securities borrowed	1 362	4	138	59	58	–	1 621
Sovereign debt securities	1 181	1 520	887	648	886	866	5 988
Bank debt securities	9	11	32	228	337	2	619
Other debt securities	59	45	32	549	214	337	1 236
Derivative financial instruments	270	159	148	271	144	80	1 072
Securities arising from trading activities	6	6	22	67	65	448	614
Loans and advances to customers	3 005	1 399	2 587	13 583	3 183	1 587	25 344
Own originated loans and advances to customers securitised	–	–	–	6	64	309	379
Other loans and advances	5	–	15	–	35	91	146
Other securitised assets	–	–	–	–	–	8	8
Other assets	116	–	–	–	–	–	116
Total on-balance sheet exposures	**12 889**	**3 144**	**3 861**	**15 430**	**4 987**	**3 728**	**44 039**
Guarantees	102	28	228	354	81	35	828
Committed facilities related to loans and advances to customers	1 089	82	304	1 792	388	1 158	4 813
Contingent liabilities, letters of credit and other	35	17	140	399	77	60	728
Total off-balance sheet exposures	**1 226**	**127**	**672**	**2 545**	**546**	**1 253**	**6 369**
Total gross credit and counterparty exposures	**14 115**	**3 271**	**4 533**	**17 975**	**5 533**	**4 981**	**50 408**

The tables that follow provide information on gross core loans and advances.

Composition of core loans and advances

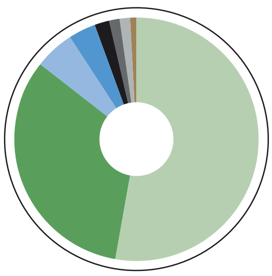
The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans and advances.

	UK and Other		Southern Africa		Total group	
£'million	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019
Loans and advances to customers per the balance sheet	10 797	10 516	14 269	14 019	25 066	24 535
Add: own originated loans and advances to customers per the balance sheet	–	–	378	408	378	408
Add: ECL held against FVOCI loans reported on the balance sheet within reserves	(2)	(2)	–	–	(2)	(2)
Net core loans and advances	**10 795**	**10 514**	**14 647**	**14 427**	**25 442**	**24 941**
*of which subject to ECL**	10 083	9 742	14 537	14 318	24 620	24 060
Net core loans and advances at amortised cost and FVOCI	10 083	9 742	13 542	13 570	23 625	23 312
Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^	–	–	995	748	995	748
of which FVPL (excluding fixed rate loans above)	712	772	110	109	822	881
Add: ECL	136	149	145	144	281	293
Gross core loans and advances	**10 931**	**10 663**	**14 792**	**14 571**	**25 723**	**25 234**
*of which subject to ECL**	10 219	9 891	14 682	14 462	24 901	24 353
of which FVPL (excluding fixed rate loans above)	712	772	110	109	822	881

^ *These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost. The drawn (£1.0 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2019: £0.7 billion). The ECL on the portfolio is £2.2 million (31 March 2019: £1.5 million).*

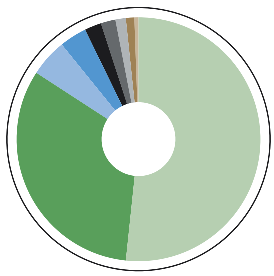
* *Includes portfolios for which ECL is not required for IFRS purposes but for which management evaluates on this basis.*

An analysis of total gross core loans and advances by country of exposure



30 SEPTEMBER 2019
£25 723 million

52.8%	South Africa
33.0%	United Kingdom
5.2%	Europe (excluding UK)
3.5%	North America
2.0%	Australia
1.5%	Africa (excluding RSA)
1.2%	Other
0.8%	Asia



31 MARCH 2019
£25 234 million

52.0%	South Africa
32.6%	United Kingdom
5.2%	Europe (excluding UK)
3.5%	North America
2.4%	Australia
2.0%	Africa (excluding RSA)
1.2%	Other
1.1%	Asia

An analysis of gross core loans and advances, asset quality and ECL

The tables that follow provide information with respect to the asset quality of our gross core loans and advances on a statutory basis. Our exposure (net of ECL) to the UK Legacy portfolio* has reduced from £131 million at 31 March 2019 to £125 million at 30 September 2019. These assets are substantially impaired and are largely reported under Stage 3 as indicated below.

Stage 1: 92.6% of gross exposure subject to ECL is in Stage 1 and has not experienced a significant increase in credit risk since origination. ECL is calculated based on a 12-month expected loss. Coverage for these performing, non-deteriorated assets is 0.2%.

Stage 2: 5.4% of gross exposure is in Stage 2 and has seen a significant increase in credit risk since origination. These assets require a lifetime expected loss to be held. Only £32 million or 0.1% of gross core loans and advances subject to ECL are shown in Stage 2 as greater than 30 days past due. An asset reported in Stage 2 does not imply we expect a loss on these assets. Stage 2 assets are assessed relative to their expected performance at the point of origination. While assets may underperform original expectations, the level of ECL indicates that our expected losses from these positions remain low.

Stage 3: 2.0% of gross exposure is in Stage 3 which is made up of assets that are credit impaired. This has reduced from 2.1% at 31 March 2019. The coverage ratio totals 33.6% and the remaining net exposure is considered well covered by collateral. In the UK, the Legacy portfolio is predominantly reported in Stage 3 and makes up 45.7% of UK and Other Stage 3 gross loans. These assets have been significantly provided for and coverage for these assets remains high at 36.6%. Excluding Legacy, UK Ongoing Stage 3 exposures total £172 million or 1.7% of gross core loans and advances subject to ECL.

An analysis of gross core loans and advances subject to ECL by stage

	UK and Other		Southern Africa		Total group	
£'million	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019
Gross core loans and advances subject to ECL	**10 219**	**9 891**	**14 682**	**14 462**	**24 901**	**24 353**
Stage 1	9 360	8 996	13 698	13 687	23 058	22 683
Stage 2	542	576	798	573	1 340	1 149
of which past due greater than 30 days	*17*	*13*	*15*	*20*	*32*	*33*
Stage 3	317	319	186	202	503	521
*of which Ongoing (excluding Legacy) Stage 3**	*172*	*149*	*186*	*202*	*358*	*351*
Gross core loans and advances subject to ECL (%)						
Stage 1	91.6%	91.0%	93.3%	94.6%	92.6%	93.2%
Stage 2	5.3%	5.8%	5.4%	4.0%	5.4%	4.7%
Stage 3	3.1%	3.2%	1.3%	1.4%	2.0%	2.1%
*of which Ongoing (excluding Legacy) Stage 3**	*1.7%*	*1.5%*	*1.3%*	*1.4%*	*1.4%*	*1.4%*

An analysis of ECL impairments on gross core loans and advances subject to ECL

	UK and Other		Southern Africa		Total group	
£'million	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019
ECL impairment charges on core loans and advances	(14)	(35)	(14)	(41)	(28)	(76)
Average gross core loans and advances subject to ECL	10 055	9 396	14 573	14 884	24 628	24 280
Annualised credit loss ratio	**0.28%**	**0.38%**	**0.18%**	**0.28%**	**0.23%**	**0.31%**

* *Refer to definitions on page 159.*

An analysis of ECL impairments on gross core loans and advances subject to ECL *(continued)*

	UK and Other		Southern Africa		Total group	
£'million	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019
ECL	**(136)**	**(149)**	**(145)**	**(144)**	**(281)**	**(293)**
Stage 1	(18)	(14)	(32)	(29)	(50)	(43)
Stage 2	(26)	(27)	(36)	(23)	(62)	(50)
Stage 3	(92)	(108)	(77)	(92)	(169)	(200)
*of which Ongoing (excluding Legacy) Stage 3**	*(39)*	*(35)*	*(77)*	*(92)*	*(116)*	*(127)*
ECL coverage ratio (%)						
Stage 1	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Stage 2	4.8%	4.7%	4.5%	4.1%	4.6%	4.4%
Stage 3	29.0%	33.9%	41.4%	45.4%	33.6%	38.4%
*of which Ongoing (excluding Legacy) Stage 3**	*22.7%*	*23.5%*	*41.3%*	*45.4%*	*32.4%*	*36.2%*

A further analysis of Stage 3 gross core loans and advances subject to ECL

	UK and Other		Southern Africa		Total group	
£'million	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019	**30 Sept 2019**	31 March 2019
Stage 3 net of ECL	225	211	109	110	334	321
*of which Ongoing (excluding Legacy) Stage 3**	*133*	*114*	*109*	*110*	*242*	*224*
Aggregate collateral and other credit enhancements on Stage 3	237	228	152	163	389	391
Stage 3 net of ECL and collateral	–	–	–	–	–	–
Stage 3 as a % of gross core loans and advances subject to ECL	3.1%	3.2%	1.3%	1.4%	2.0%	2.1%
*of which Ongoing (excluding Legacy) Stage 3**	*1.7%*	*1.5%*	*1.3%*	*1.4%*	*1.4%*	*1.4%*
Total ECL as a % of Stage 3 exposure	42.9%	46.7%	78.1%	71.2%	55.9%	56.2%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	2.2%	2.2%	0.8%	0.8%	1.4%	1.3%
*of which Ongoing (excluding Legacy) Stage 3**	*1.3%*	*1.2%*	*0.8%*	*0.8%*	*1.0%*	*0.9%*

* *Refer to definitions on page 159.*

An analysis of staging and ECL movements for core loans and advances subject to ECL

The table below indicates underlying movements in gross core loans and advances subject to ECL from 31 March 2019 to 30 September 2019. The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as ECLs that have been written off, typically when an asset has been sold. In the UK, the ECL impact of changes to risk parameters and models during the period largely relates to updated macro-economic scenarios and relative weightings. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since the opening date, 31 March 2019. Further analysis as at 30 September 2019 of gross core loans and advances subject to ECL and their ECL balances is shown in 'An analysis of core loans and advances by risk category' on the following pages.

	Stage 1		Stage 2		Stage 3		Total	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2019	**22 683**	**(43)**	**1 149**	**(50)**	**521**	**(200)**	**24 353**	**(293)**
Transfer from Stage 1	(583)	10	544	(7)	39	(3)	–	–
Transfer from Stage 2	242	(1)	(278)	4	36	(3)	–	–
Transfer from Stage 3	5	–	12	–	(17)	–	–	–
ECL remeasurement arising from transfer of stage	–	3	–	(7)	–	(8)	–	(12)
New lending net of repayments (includes assets written off)	493	(4)	(74)	1	(67)	34	352	31
Changes to risk parameters and models	–	(9)	–	(5)	–	5	–	(9)
Foreign exchange and other	218	(6)	(13)	2	(9)	6	196	2
At 30 September 2019	**23 058**	**(50)**	**1 340**	**(62)**	**503**	**(169)**	**24 901**	**(281)**

An analysis of credit quality by internal rating grade

The group uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the group to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to default probabilities (PDs) and can also be mapped to external rating agency scales to enhance comparability for ease of reference.

Investec internal rating scale	*Indicative external rating scale*
IB01 – IB12	AAA to BBB-
IB13 – IB19	BB+ to B-
IB20 – IB25	B- and below
Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 30 September 2019 for gross core loans and advances subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 30 September 2019 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**13 208**	**10 118**	**1 072**	**503**	**24 901**
Stage 1	13 051	9 168	839	–	23 058
Stage 2	157	950	233	–	1 340
Stage 3	–	–	–	503	503
ECL	**(8)**	**(82)**	**(22)**	**(169)**	**(281)**
Stage 1	(6)	(35)	(9)	–	(50)
Stage 2	(2)	(47)	(13)	–	(62)
Stage 3	–	–	–	(169)	(169)
Coverage ratio (%)	**0.1%**	**0.8%**	**2.1%**	**33.6%**	**1.1%**

At 31 March 2019 **£'million**	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	**Total**
Gross core loans and advances subject to ECL	**12 877**	**9 715**	**1 240**	**521**	**24 353**
Stage 1	12 658	8 970	1 055	–	22 683
Stage 2	219	745	185	–	1 149
Stage 3	–	–	–	521	521
ECL	**(8)**	**(70)**	**(15)**	**(200)**	**(293)**
Stage 1	(5)	(31)	(7)	–	(43)
Stage 2	(3)	(39)	(8)	–	(50)
Stage 3	–	–	–	(200)	(200)
Coverage ratio (%)	**0.1%**	**0.7%**	**1.2%**	**38.4%**	**1.2%**

An analysis of core loans and advances by risk category - Lending collateralised by property

Lending collateralised by property – Total group

£'million	Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Gross core loans and advances at amortised cost, FVOCI and FVPL (subject to ECL)									
At 30 September 2019										
Commercial real estate	**3 268**	**(5)**	**205**	**(11)**	**148**	**(36)**	**3 621**	**(52)**	**28**	**3 649**
Commercial real estate – investment	2 763	(4)	196	(10)	142	(31)	3 101	(45)	24	3 125
Commercial real estate – development	464	(1)	3	–	–	–	467	(1)	4	471
Commercial vacant land and planning	41	–	6	(1)	6	(5)	53	(6)	–	53
Residential real estate	**762**	**(4)**	**47**	**(2)**	**117**	**(43)**	**926**	**(49)**	**35**	**961**
Residential real estate – investment	330	–	17	(1)	27	(10)	374	(11)	32	406
Residential real estate – development	396	(2)	24	(1)	50	(12)	470	(15)	–	470
Residential vacant land and planning	36	(2)	6	–	40	(21)	82	(23)	3	85
Total lending collateralised by property	**4 030**	**(9)**	**252**	**(13)**	**265**	**(79)**	**4 547**	**(101)**	**63**	**4 610**
At 31 March 2019										
Commercial real estate	**3 019**	**(5)**	**287**	**(12)**	**165**	**(41)**	**3 471**	**(58)**	**16**	**3 487**
Commercial real estate – investment	2 678	(4)	209	(11)	158	(36)	3 045	(51)	15	3 060
Commercial real estate – development	310	(1)	72	–	–	–	382	(1)	1	383
Commercial vacant land and planning	31	–	6	(1)	7	(5)	44	(6)	–	44
Residential real estate	**751**	**(2)**	**43**	**(1)**	**136**	**(61)**	**930**	**(64)**	**40**	**970**
Residential real estate – investment	330	–	9	–	29	(11)	368	(11)	35	403
Residential real estate – development	388	(1)	28	(1)	68	(30)	484	(32)	3	487
Residential vacant land and planning	33	(1)	6	–	39	(20)	78	(21)	2	80
Total lending collateralised by property	**3 770**	**(7)**	**330**	**(13)**	**301**	**(102)**	**4 401**	**(122)**	**56**	**4 457**

Lending collateralised by property – UK and Other

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2019										
Commercial real estate	**919**	**–**	**134**	**(10)**	**104**	**(22)**	**1 157**	**(32)**	**23**	**1 180**
Commercial real estate – investment	718	–	125	(9)	104	(22)	947	(31)	19	966
Commercial real estate – development	201	–	3	–	–	–	204	–	4	208
Commercial vacant land and planning	–	–	6	(1)	–	–	6	(1)	–	6
Residential real estate	**611**	**–**	**23**	**(1)**	**103**	**(35)**	**737**	**(36)**	**35**	**772**
Residential real estate – investment	330	–	17	(1)	27	(10)	374	(11)	32	406
Residential real estate – development	280	–	2	–	40	(7)	322	(7)	–	322
Residential vacant land and planning	1	–	4	–	36	(18)	41	(18)	3	44
Total lending collateralised by property	**1 530**	**–**	**157**	**(11)**	**207**	**(57)**	**1 894**	**(68)**	**58**	**1 952**
At 31 March 2019										
Commercial real estate	**908**	**(1)**	**158**	**(11)**	**106**	**(22)**	**1 172**	**(34)**	**11**	**1 183**
Commercial real estate – investment	790	(1)	149	(10)	104	(22)	1 043	(33)	10	1 053
Commercial real estate – development	118	–	3	–	–	–	121	–	1	122
Commercial vacant land and planning	–	–	6	(1)	2	–	8	(1)	–	8
Residential real estate	**599**	**–**	**14**	**–**	**122**	**(53)**	**735**	**(53)**	**40**	**775**
Residential real estate – investment	330	–	9	–	29	(11)	368	(11)	35	403
Residential real estate – development	268	–	2	–	57	(24)	327	(24)	3	330
Residential vacant land and planning	1	–	3	–	36	(18)	40	(18)	2	42
Total lending collateralised by property	**1 507**	**(1)**	**172**	**(11)**	**228**	**(75)**	**1 907**	**(87)**	**51**	**1 958**

Lending collateralised by property – Southern Africa

	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2019										
Commercial real estate	**2 349**	**(5)**	**71**	**(1)**	**44**	**(14)**	**2 464**	**(20)**	**5**	**2 469**
Commercial real estate – investment	2 045	(4)	71	(1)	38	(9)	2 154	(14)	5	2 159
Commercial real estate – development	263	(1)	–	–	–	–	263	(1)	–	263
Commercial vacant land and planning	41	–	–	–	6	(5)	47	(5)	–	47
Residential real estate	**151**	**(4)**	**24**	**(1)**	**14**	**(8)**	**189**	**(13)**	**–**	**189**
Residential real estate – development	116	(2)	22	(1)	10	(5)	148	(8)	–	148
Residential vacant land and planning	35	(2)	2	–	4	(3)	41	(5)	–	41
Total lending collateralised by property	**2 500**	**(9)**	**95**	**(2)**	**58**	**(22)**	**2 653**	**(33)**	**5**	**2 658**
At 31 March 2019										
Commercial real estate	**2 111**	**(4)**	**129**	**(1)**	**59**	**(19)**	**2 299**	**(24)**	**5**	**2 304**
Commercial real estate – investment	1 888	(3)	60	(1)	54	(14)	2 002	(18)	5	2 007
Commercial real estate – development	192	(1)	69	–	–	–	261	(1)	–	261
Commercial vacant land and planning	31	–	–	–	5	(5)	36	(5)	–	36
Residential real estate	**152**	**(2)**	**29**	**(1)**	**14**	**(8)**	**195**	**(11)**	**–**	**195**
Residential real estate – development	120	(1)	26	(1)	11	(6)	157	(8)	–	157
Residential vacant land and planning	32	(1)	3	–	3	(2)	38	(3)	–	38
Total lending collateralised by property	**2 263**	**(6)**	**158**	**(2)**	**73**	**(27)**	**2 494**	**(35)**	**5**	**2 499**

An analysis of core loans and advances by risk category - High net worth and other private client lending

High net worth and other private client lending – Total group

	Gross core loans and advances at amortised cost, FVOCI and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2019										
Mortgages	5 747	(4)	292	(8)	84	(15)	6 123	(27)	–	6 123
High net worth and specialised lending	3 991	(8)	77	(2)	37	(28)	4 105	(38)	19	4 124
Total high net worth and other private client lending	**9 738**	**(12)**	**369**	**(10)**	**121**	**(43)**	**10 228**	**(65)**	**19**	**10 247**
At 31 March 2019										
Mortgages	5 517	(5)	146	(4)	83	(14)	5 746	(23)	–	5 746
High net worth and specialised lending	3 915	(7)	50	(2)	33	(27)	3 998	(36)	15	4 013
Total high net worth and other private client lending	**9 432**	**(12)**	**196**	**(6)**	**116**	**(41)**	**9 744**	**(59)**	**15**	**9 759**

High net worth and other private client lending – UK and Other

£'million	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 30 September 2019										
Mortgages	1 993	–	26	(1)	27	(1)	2 046	(2)	–	2 046
High net worth and specialised lending	527	(1)	21	(1)	5	(3)	553	(5)	19	572
Total high net worth and other private client lending	**2 520**	**(1)**	**47**	**(2)**	**32**	**(4)**	**2 599**	**(7)**	**19**	**2 618**
At 31 March 2019										
Mortgages	1 778	–	22	(1)	25	(1)	1 825	(2)	–	1 825
High net worth and specialised lending	474	–	14	(1)	4	(3)	492	(4)	15	507
Total high net worth and other private client lending	**2 252**	**–**	**36**	**(2)**	**29**	**(4)**	**2 317**	**(6)**	**15**	**2 332**

High net worth and other private client lending – Southern Africa

£'million	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL		
At 30 September 2019										
Mortgages	3 754	(4)	266	(7)	57	(14)	4 077	(25)	–	4 077
High net worth and specialised lending	3 464	(7)	56	(1)	32	(25)	3 552	(33)	–	3 552
Total high net worth and other private client lending	**7 218**	**(11)**	**322**	**(8)**	**89**	**(39)**	**7 629**	**(58)**	**–**	**7 629**
At 31 March 2019										
Mortgages	3 739	(5)	124	(3)	58	(13)	3 921	(21)	–	3 921
High net worth and specialised lending	3 441	(7)	36	(1)	29	(24)	3 506	(32)	–	3 506
Total high net worth and other private client lending	**7 180**	**(12)**	**160**	**(4)**	**87**	**(37)**	**7 427**	**(53)**	**–**	**7 427**

An analysis of core loans and advances by risk category - Corporate and other lending

Corporate and other lending – Total group

£'million	Stage 1 Gross exposure	Stage 1 ECL	Stage 2 Gross exposure	Stage 2 ECL	Stage 3 Gross exposure	Stage 3 ECL	Total Gross exposure	Total ECL	Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Gross core loans and advances at amortised cost, FVOCI and FVPL (subject to ECL)									
At 30 September 2019										
Corporate and acquisition finance	1 946	(8)	132	(4)	2	–	2 080	(12)	205	2 285
Asset-based lending	810	(3)	66	(1)	28	(15)	904	(19)	–	904
Fund finance	1 394	(1)	20	(1)	–	–	1 414	(2)	36	1 450
Other corporate and financial institutions and governments	2 666	(8)	262	(26)	22	(2)	2 950	(36)	324	3 274
Asset finance	1 834	(8)	104	(5)	59	(29)	1 997	(42)	93	2 090
Small ticket asset finance	1 624	(7)	82	(4)	27	(14)	1 733	(25)	1	1 734
Large ticket asset finance	210	(1)	22	(1)	32	(15)	264	(17)	92	356
Project finance	623	(1)	119	(2)	6	(1)	748	(4)	82	830
Resource finance	17	–	16	–	–	–	33	–	–	33
Total corporate and other lending	**9 290**	**(29)**	**719**	**(39)**	**117**	**(47)**	**10 126**	**(115)**	**740**	**10 866**
At 31 March 2019										
Corporate and acquisition finance	2 014	(7)	140	(3)	2	–	2 156	(10)	212	2 368
Asset-based lending	640	(1)	56	(1)	15	(10)	711	(12)	–	711
Fund finance	1 427	(1)	–	–	–	–	1 427	(1)	55	1 482
Other corporate and financial institutions and governments	2 880	(9)	168	(17)	25	(18)	3 073	(44)	323	3 396
Asset finance	1 803	(6)	109	(6)	56	(28)	1 968	(40)	171	2 139
Small ticket asset finance	1 555	(6)	87	(5)	26	(14)	1 668	(25)	–	1 668
Large ticket asset finance	248	–	22	(1)	30	(14)	300	(15)	171	471
Project finance	674	–	150	(4)	6	(1)	830	(5)	37	867
Resource finance	43	–	–	–	–	–	43	–	12	55
Total corporate and other lending	**9 481**	**(24)**	**623**	**(31)**	**104**	**(57)**	**10 208**	**(112)**	**810**	**11 018**

Corporate and other lending – UK and Other

	Gross core loans and advances at amortised cost and FVOCI								Gross core loans and advances at FVPL	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2019										
Corporate and acquisition finance	1 329	(7)	119	(3)	–	–	1 448	(10)	205	1 653
Asset-based lending	414	(1)	20	(1)	–	–	434	(2)	–	434
Fund finance	1 097	(1)	20	(1)	–	–	1 117	(2)	36	1 153
Other corporate and financial institutions and governments	441	(1)	15	(1)	13	(1)	469	(3)	219	688
Asset finance	1 673	(7)	103	(5)	59	(29)	1 835	(41)	93	1 928
Small ticket asset finance	1 524	(7)	81	(4)	27	(14)	1 632	(25)	1	1 633
Large ticket asset finance	149	–	22	(1)	32	(15)	203	(16)	92	295
Project finance	345	–	53	(2)	6	(1)	404	(3)	82	486
Resource finance	11	–	8	–	–	–	19	–	–	19
Total corporate and other lending	**5 310**	**(17)**	**338**	**(13)**	**78**	**(31)**	**5 726**	**(61)**	**635**	**6 361**
At 31 March 2019										
Corporate and acquisition finance	1 328	(5)	125	(3)	–	–	1 453	(8)	212	1 665
Asset-based lending	341	–	53	(1)	–	–	394	(1)	–	394
Fund finance	1 156	(1)	–	–	–	–	1 156	(1)	55	1 211
Other corporate and financial institutions and governments	396	(1)	27	(1)	–	–	423	(2)	219	642
Asset finance	1 599	(6)	108	(6)	56	(28)	1 763	(40)	171	1 934
Small ticket asset finance	1 451	(6)	86	(5)	26	(14)	1 563	(25)	–	1 563
Large ticket asset finance	148	–	22	(1)	30	(14)	200	(15)	171	371
Project finance	404	–	55	(3)	6	(1)	465	(4)	37	502
Resource finance	13	–	–	–	–	–	13	–	12	25
Total corporate and other lending	**5 237**	**(13)**	**368**	**(14)**	**62**	**(29)**	**5 667**	**(56)**	**706**	**6 373**

Corporate and other lending – Southern Africa

£'million	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 30 September 2019										
Acquisition finance	617	(1)	13	(1)	2	–	632	(2)	–	632
Asset-based lending	396	(2)	46	–	28	(15)	470	(17)	–	470
Fund finance	297	–	–	–	–	–	297	–	–	297
Other corporate and financial institutions and governments	2 225	(7)	247	(25)	9	(1)	2 481	(33)	105	2 586
Asset finance	161	(1)	1	–	–	–	162	(1)	–	162
Small ticket asset finance	100	–	1	–	–	–	101	–	–	101
Large ticket asset finance	61	(1)	–	–	–	–	61	(1)	–	61
Project finance	278	(1)	66	–	–	–	344	(1)	–	344
Resource finance	6	–	8	–	–	–	14	–	–	14
Total corporate and other lending	**3 980**	**(12)**	**381**	**(26)**	**39**	**(16)**	**4 400**	**(54)**	**105**	**4 505**
At 31 March 2019										
Acquisition finance	686	(2)	15	–	2	–	703	(2)	–	703
Asset-based lending	299	(1)	3	–	15	(10)	317	(11)	–	317
Fund finance	271	–	–	–	–	–	271	–	–	271
Other corporate and financial institutions and governments	2 484	(8)	141	(16)	25	(18)	2 650	(42)	104	2 754
Asset finance	204	–	1	–	–	–	205	–	–	205
Small ticket asset finance	104	–	1	–	–	–	105	–	–	105
Large ticket asset finance	100	–	–	–	–	–	100	–	–	100
Project finance	270	–	95	(1)	–	–	365	(1)	–	365
Resource finance	30	–	–	–	–	–	30	–	–	30
Total corporate and other lending	**4 244**	**(11)**	**255**	**(17)**	**42**	**(28)**	**4 541**	**(56)**	**104**	**4 645**

Investment risk in the banking book

Investment risk in the banking book comprises 3.6% of total assets.

Summary of investments held and stress testing analyses

An analysis of income and revaluations of these investments can be found in the investment income note on page 40. In addition, revaluations of certain assets reported below relating to the Hong Kong direct investments business can be found on page 46. Further detail on the group's South African investment portfolio can be found on page 81. The balance sheet value of investments is indicated in the table below.

£'million **Country/category**	**On-balance sheet value of investments 30 Sept 2019**	**Valuation change stress test 30 Sept 2019***	On-balance sheet value of investments 31 March 2019	Valuation change stress test 31 March 2019*
Unlisted investments	**796**	**120**	**846**	**127**
UK and Other	359	54	472	71
Southern Africa**	437	66	374	56
Listed equities	**151**	**38**	**183**	**45**
UK and Other	16	4	21	5
Southern Africa	135	34	162	40
Investment and trading properties	**534**	**72**	**542**	**74**
UK and Other	59	10	70	13
Southern Africa^	475	62	472	61
Warrants and profit shares	**14**	**5**	**28**	**9**
UK and Other	5	2	19	6
Southern Africa	9	3	9	3
IEP Group^^	**346**	**52**	**329**	**49**
Southern Africa	346	52	329	49
Total	**1 841**	**287**	**1 928**	**304**

^^ *The investment in the IEP Group is reflected as an investment in an associate. Investec Bank Limited holds a 47.4% stake alongside third party investors and senior management of the business who hold the remaining 52.6%.*
** *Includes the fair value loans investments of £235 million.*
^ *For the purposes of the above analysis, the exposures arising from the consolidation of the Investec Property Fund have been reflected at the level of our economic ownership, being 26.6% (31 March 2019: 26.6%).*
* *In order to assess our earnings sensitivity to a movement in the valuation of these investments, the stress testing parameters detailed below are applied:*

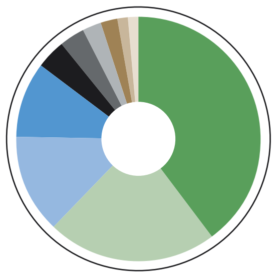
Stress test values applied

Unlisted investments and the IEP Group	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants and profit shares	35%

Stress testing summary

Based on the information at 30 September 2019, as reflected above, we could have a £287 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not necessarily 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 low, although the probability of listed equities being negatively impacted at the same time is high.

An analysis of the unlisted investments, listed equities, warrants and profit shares



30 SEPTEMBER 2019
£961 million

39.9%	Real estate
22.4%	Finance and insurance
13.3%	Manufacturing and commerce
9.8%	Communication
4.0%	Retailers and wholesalers
3.4%	Electricity, gas and water (utility services)
2.3%	Mining and resources
2.2%	Other
1.4%	Business services
1.3%	Transport

Securitisation/structured credit activities exposures

Overview

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

The group applies the standardised approach in the assessment of regulatory capital for securitisation. In July 2016, the BCBS published the final standards on the securitisation framework which were implemented in the EU on 1 January 2019. The framework amended the regulatory capital requirements for securitisation, introducing both a new standardised approach and external ratings approach and setting out the grandfathering provisions which apply in the 2019 year for assets that were securitised before 1 January 2019.

UK and Other

The primary focus for new securitisation transactions remains to provide a cost effective, alternative source of financing to the bank. During the last six months we did not undertake any new securitisation transactions.

We hold rated structured credit instruments. These are UK and US exposures that amount to £382 million at 30 September 2019 (31 March 2019: £462 million) with 96% being AAA and AA rated and 3% being A rated.

South Africa

In South Africa we engage in transactions that involve the use of both special purpose entities and asset securitisation structures. Securitisation represents a small proportion of our current funding profile, but provides additional flexibility and a source of liquidity. We do not depend on special purpose vehicles for funding in the normal course of business. These entities form part of the consolidated group balance sheet as reported.

We have securitised assets originated by our Private Client business in South Africa. The primary motivations for the securitisation of these assets are to:

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

Total assets that have been originated and securitised by the Private Client division amount to R7.1 billion at 30 September 2019 (31 March 2019: R7.7 billion) and consist of residential mortgages.

Further details of our various securitisation vehicles are highlighted below:

- Fox Street 1: R0.6 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 2: R0.7 billion notes of the original R1.5 billion are still in issue. All notes are held internally
- Fox Street 3: R1.0 billion notes of the original R2.0 billion are still in issue. R182 million of the notes are held internally
- Fox Street 4: R1.9 billion notes of the original R3.7 billion are still in issue. All notes are held internally
- Fox Street 5: R1.7 billion notes of the original R2.9 billion are still in issue. All notes are held internally.
- Fox Street 6: R1.1 billion notes of the original R1.3 billion are still in issue. R423 million of the notes are held internally.

There is a clean-up call option that can be exercised at 10% of original notes issued. The margin on the notes increases at pre-specified intervals and coincides with the originator call option dates.

We have also considered select opportunities in the credit/debt markets and traded in and purchased structured credit. These have largely been rated UK residential mortgage backed securities (RMBS), totalling R0.3 billion at 30 September 2019 (31 March 2019: R0.2 billion), unrated South African RMBS totalling R1.1 billion at 30 September 2019 (31 March 2019: R1.1 billion) and unrated South African commercial mortgage backed securities (CMBS) totalling R0.5 billion at 30 September 2019 (31 March 2019: R0.3 billion).

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. Assets that have been securitised by our Private Client division in Southern Africa are reflected as part of our core lending exposures and not our securitisation/structured credit exposures as we believe this reflects the true nature and intent of these exposures and activities. These assets are reflected on the balance sheet line item 'own originated loans and advances to customers' totalling £378 million at 30 September 2019 (31 March 2019: £408 million.)

Nature of exposure/activity	Exposure 30 Sept 2019 £'million	Exposure 31 March 2019 £'million	Balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit (gross exposure)	491	555	Other debt securities and other loans and advances	
Rated	399	470		
Unrated	92	85		
Loans and advances to customers and third party intermediary originating platforms (mortgage loans) (net exposure)	10	12	Other loans and advances	
Private client division assets which have been securitised	378	408	Own originated loans and advances to customers	Analysed as part of the group's overall asset quality on core loans and advances as reflected on pages 117 to 119

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US corporate loans	110	100	7	–	–	–	217	–	217
UK RMBS	82	75	23	–	2	–	182	7	189
South African RMBS	–	–	–	–	–	–	–	59	59
South African CMBS	–	–	–	–	–	–	–	26	26
Total at 30 September 2019	**192**	**175**	**30**	**–**	**2**	**–**	**399**	**92**	**491**
Investec plc	192	175	13	–	2	–	382	7	**389**
Investec Limited	–	–	17	–	–	–	17	85	**102**
Total at 31 March 2019	**192**	**225**	**44**	**–**	**9**	**–**	**470**	**85**	**555**
Investec plc	192	224	44	–	2	–	462	7	**469**
Investec Limited	–	1	–	–	7	–	8	78	**86**

Market risk in the trading book

Traded market risk description

Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, exchange rates, commodity prices, credit spreads and their underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses. 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 client flow.

Measurement of traded market risk

A number of quantitative measures are used to monitor and limit exposure to traded market risk. These measures include:

- Value at Risk (VaR) and Expected Shortfall (ES) as portfolio measures of market risk exposure
- scenario analysis, stress tests and tools based on extreme value theory (EVT) that measure the potential impact on portfolio values of extreme moves in markets
- sensitivity analysis that measures the impact of individual market risk factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices. We use sensitivity measures to monitor and limit exposure across portfolios, products and risk types.

Value at Risk

VaR is a technique that estimates the potential losses as a result of movements in market rates and prices over a specified time horizon at a given level of confidence. The VaR model derives future scenarios from past time series of market rates and prices, taking into account inter-relationships between the different markets such as interest rates and foreign exchange rates. The VaR model used is based on full revaluation historical simulation and incorporates the following features:

- Two-year historical period based on an unweighted time series
- Daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available, and the resultant one-day VaR is scaled up using the square root of time for regulatory purposes
- Risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

VaR numbers using a one-day holding period are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. Expected shortfalls are also monitored daily at the 95% and 99% levels as is the worst case loss in the VaR distribution.

The table below contains the 95% one-day VaR figures for the trading businesses.

	30 September 2019				**31 March 2019**			
95% one-day VaR	**Period end**	Average	High	Low	**Year end**	Average	High	Low
UK and Other								
Equities (£'000)	605	523	745	303	415	490	748	327
Foreign exchange (£'000)	24	9	44	1	20	13	117	1
Interest rates (£'000)	122	109	132	90	133	94	156	70
Credit (£'000)	4	2	4	1	1	55	123	1
Consolidated (£'000)*	**622**	**519**	**748**	**301**	**417**	**484**	**739**	**350**
Southern Africa								
Commodities (R'million)	0.1	0.1	0.3	–	0.1	0.1	0.4	–
Equities (R'million)	4.3	4.5	8.1	3.2	3.8	3.6	7.5	1.5
Foreign exchange (R'million)	1.2	2.2	6.5	0.8	1.4	2.1	6.5	0.9
Interest rates (R'million)	1.2	1.7	4.5	0.8	1.2	2.1	9.0	0.4
Consolidated (R'million)*	**5.3**	**5.3**	**10.0**	**3.4**	**3.8**	**4.7**	**9.7**	**1.7**

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

Expected shortfall

The ES measure overcomes some of VaR's shortcomings. ES seeks to quantify losses encountered in the tail beyond the VaR level. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded. The table below contains the 95% one-day ES figures.

95% one-day ES	30 Sept 2019 Period end	31 March 2019 Year end
UK and Other		
Equities (£'000)	726	638
Foreign exchange (£'000)	30	29
Interest rates (£'000)	151	179
Credit (£'000)	10	1
Consolidated (£'000)*	**763**	**618**
Southern Africa		
Commodities (R'million)	0.2	0.2
Equities (R'million)	6.6	7.1
Foreign exchange (R'million)	1.6	2.2
Interest rates (R'million)	1.8	1.7
Consolidated (R'million)*	**7.2**	**6.6**

* *The consolidated ES for each entity is lower than the sum of the individual ESs. This arises from the correlation offset between various asset classes.*

Stressed VaR

Stressed VaR (sVaR) is calculated using the VaR model but based on a one year period through which the relevant market factors experienced stress. The information in the table below contains the 99% one-day sVaR.

99% one-day sVaR	30 Sept 2019 Period end	31 March 2019 Year end
UK and Other (£'000)	**2 898**	**2 594**
Southern Africa (R'million)	**15.5**	**9.5**

Backtesting

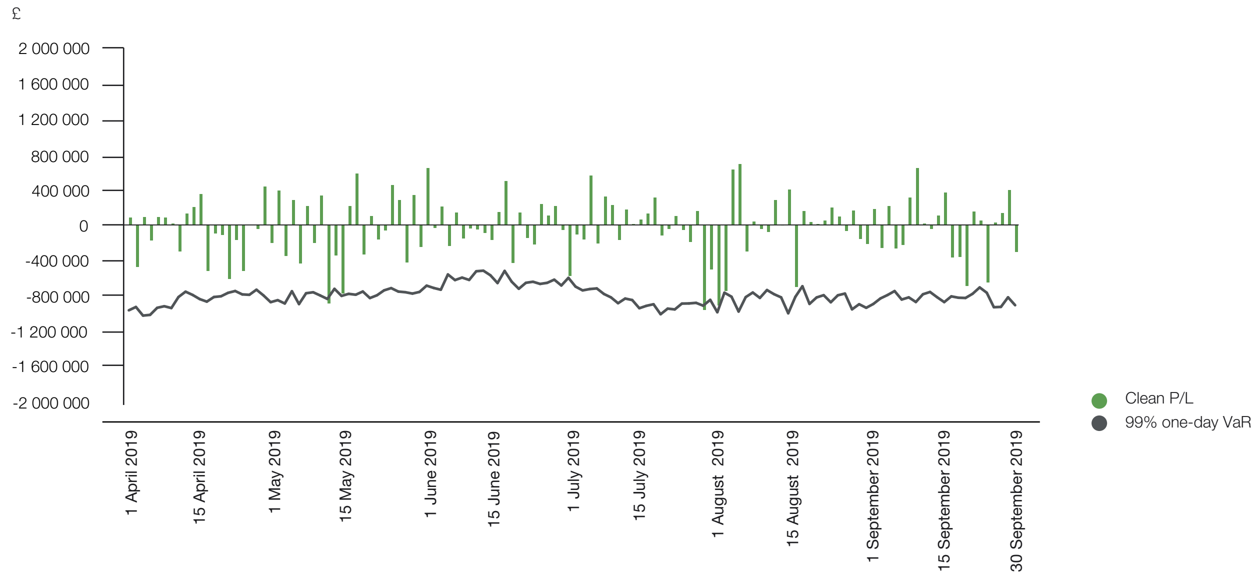
The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission, fees and hedge costs included in the new trade revenue. If a loss exceeds the one-day VaR, a backtesting exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested. This is conducted at an aggregate and desk level on a daily basis.

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

UK and Other

The average VaR for the six months to 30 September 2019 was slightly higher than for the year ended 31 March 2019. Using clean profit and loss data for backtesting resulted in two exceptions over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is slightly more than expected at this confidence level and is mainly due to idiosyncratic risk in the equity portfolio.

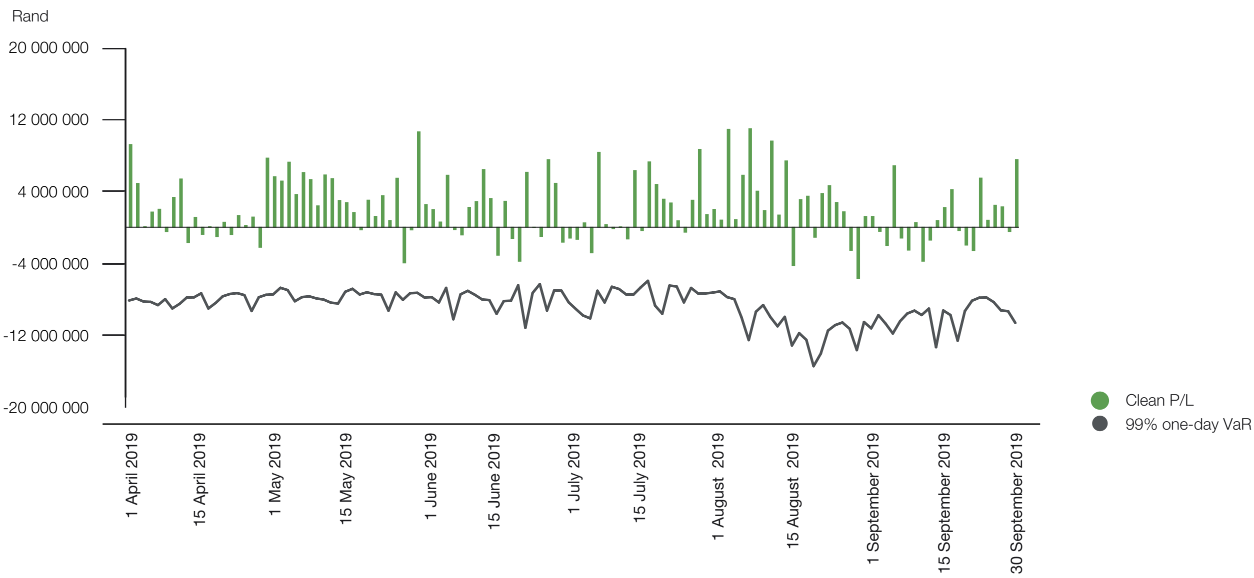
99% one-day VaR backtesting



Southern Africa

The average VaR for the six months to 30 September 2019 in the trading book was slightly higher than year ended 31 March 2019 due to increased market volatility and higher VaR utilisation on the equities and foreign exchange desks. Using clean profit and loss data for backtesting resulted in zero exceptions (as shown in the graph below), which is below the expected number of exceptions that a 99% VaR model implies.

99% one-day VaR backtesting



Stress testing

The table below indicates the potential losses that could arise in the trading book portfolio per extreme value theory (EVT) at the 99% confidence level. EVT is a methodology widely used to estimate tail-event losses beyond the 95% one-day VaR. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the VaR distribution.

99% EVT	30 Sept 2019 Period end	31 March 2019 Year end
UK and Other		
Equities (£'000)	1 033	1 114
Foreign exchange (£'000)	45	77
Interest rates (£'000)	286	339
Credit (£'000)	67	3
Consolidated (£'000)#	**1 155**	**1 190**
Southern Africa		
Commodities (R'million)	0.9	1.4
Equities (R'million)	22.2	25.6
Foreign exchange (R'million)	10.3	8.9
Interest rates (R'million)	4.2	3.9
Consolidated (R'million)#	**21.0**	**18.0**

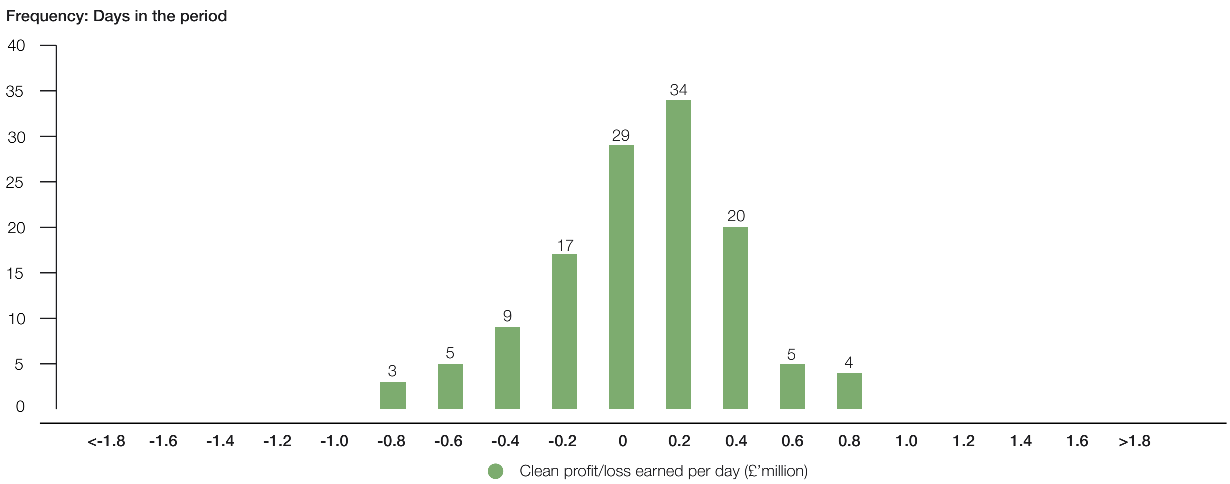
The consolidated stress testing for each entity is lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes.

Clean profit and loss histograms

UK and Other

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 63 days out of a total of 126 days in the trading business. The average daily clean profit and loss generated for the six months to 30 September 2019 was -£33 171 (six months to 30 September 2018: £5 349). The average clean profit and loss was adversely impacted by UK equity markets remaining relatively range bound over most of the period as well as idiosyncratic risk in the equity portfolio.

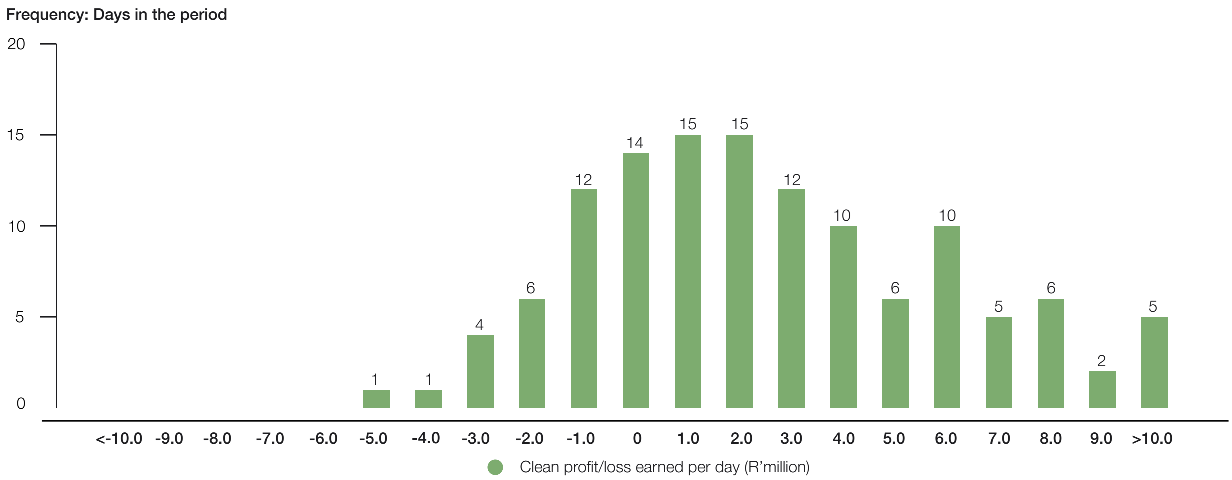
Clean profit and loss (excluding fees and hedge costs included in new trade revenue)



Southern Africa

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that a clean profit was realised on 86 days out of a total of 124 days in the trading business. The average daily clean profit and loss generated for the six months to 30 September 2019 was R2.1 million (six months to 30 September 2018: R2.4 million).

Clean profit and loss (excluding fees and hedge costs included in new trades revenue)



Balance sheet risk management

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

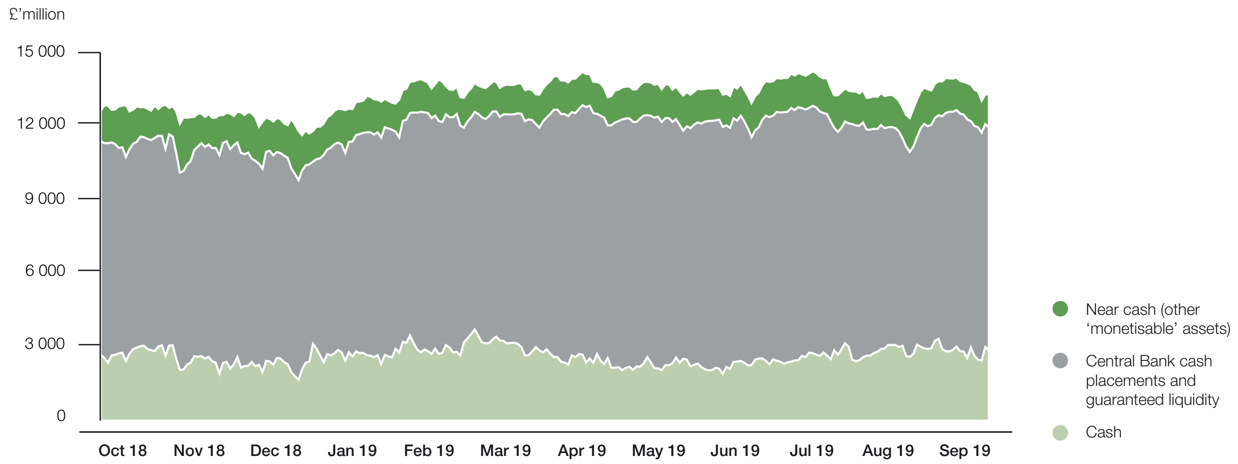
Liquidity risk

Liquidity risk refers to the possibility 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 in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash-flows, and is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

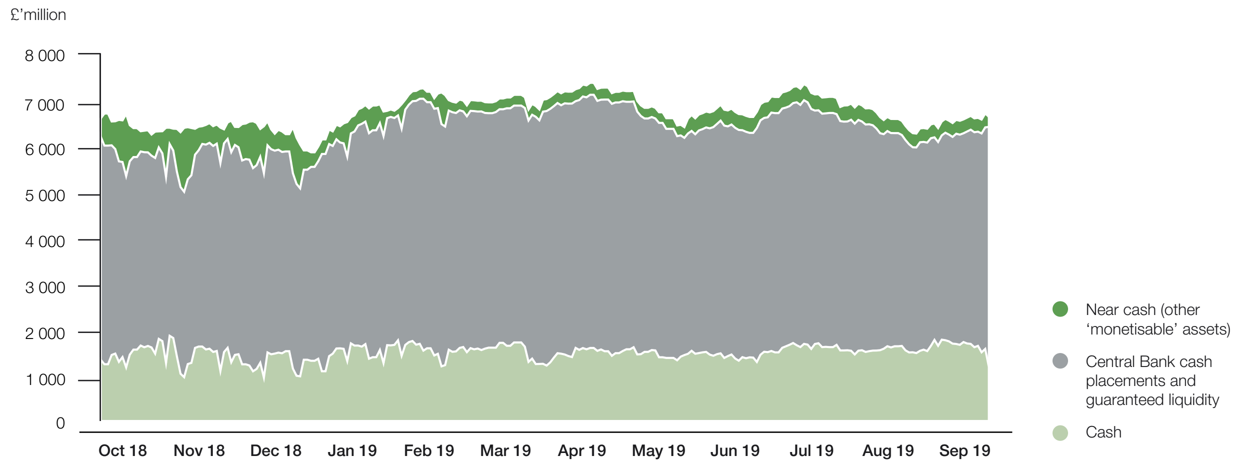
Liquidity risk is further broken down into:

- **Funding liquidity:** this relates to the risk that the group will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- **Market liquidity:** this relates to the risk that the group 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.

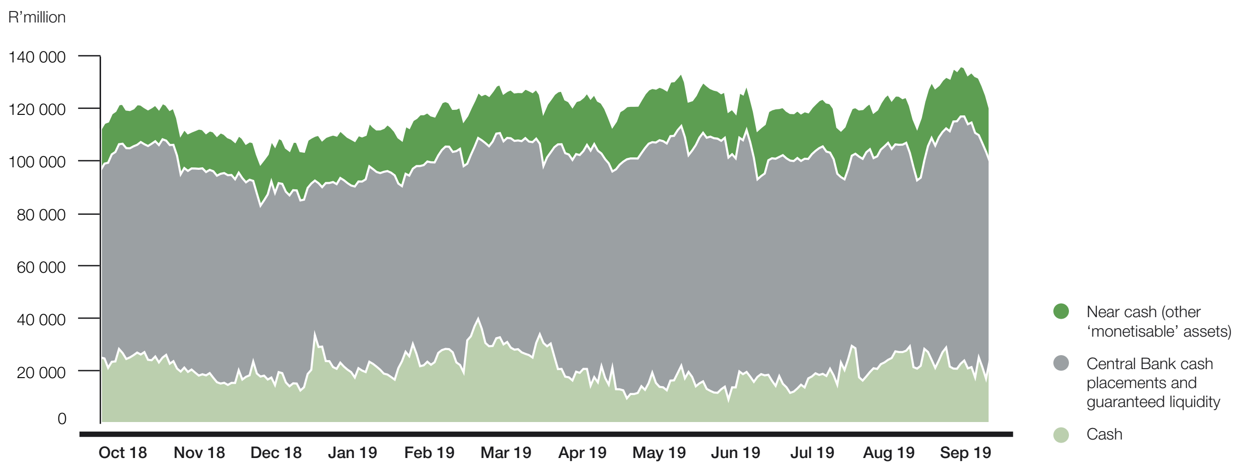
Investec group cash and near cash trend



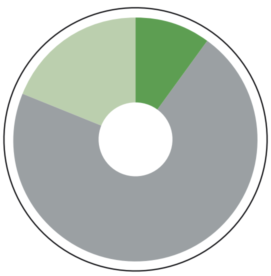
Investec plc cash and near cash trend



Investec Limited cash and near cash trend

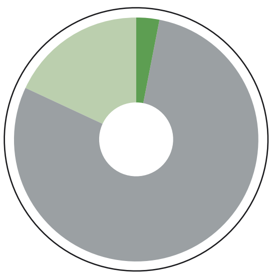


An analysis of cash and near cash at 30 September 2019



TOTAL GROUP
£13 040 million

10.0%	Near cash (other 'monetisable' assets)
71.2%	Central Bank cash placements and guaranteed liquidity
18.8%	Cash



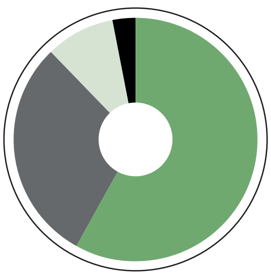
INVESTEC PLC
£6 619 million

3.3%	Near cash (other 'monetisable' assets)
78.9%	Central Bank cash placements and guaranteed liquidity
17.8%	Cash

INVESTEC LIMITED
R120.0 billion

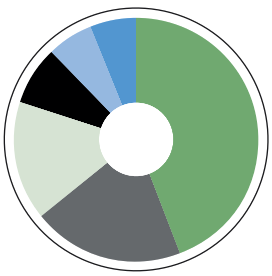
16.8%	Near cash (other 'monetisable' assets)
63.4%	Central Bank cash placements and guaranteed liquidity
19.8%	Cash

Bank and non-bank depositor concentration by type at 30 September 2019



UK AND OTHER
£14 729 million

58.1%	Individuals
29.8%	Non-financial corporates
9.2%	Banks
2.9%	Small business



SOUTHERN AFRICA
R378 512 million

44.3%	Other financials
20.1%	Individuals
15.6%	Non-financial corporates
7.8%	Banks
6.3%	Small business
5.9%	Public sector

Regulatory requirements

In response to the global financial crisis, the BCBS introduced a series of reforms designed to both strengthen and harmonise global liquidity standards to ensure strong financial risk management and a safer global economy

Two minimum standards for funding liquidity were introduced:

- The liquidity coverage ratio (LCR) is designed to ensure that banks have sufficient high quality liquid assets to meet their liquidity needs throughout a 30-calendar day severe stress
- The net stable funding ratio (NSFR) is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

UK and Other

Banks are required to maintain a minimum LCR ratio of 100%. For both Investec plc and Investec Bank plc (solo basis), the LCR is calculated following the European Commission Delegated Regulation 2015/61 and our own interpretations where the regulation calls for it. The reported LCR may change over time with updates to our methodologies and interpretations. As at 30 September 2019, the LCR reported to the PRA was 309% for Investec plc and 329% for Investec Bank plc (solo basis).

In June 2019, the CRR2/CRDV package was published in the EU Official Journal, including finalised rules for the calculation of the NSFR. This will become a binding metric in June 2021, at which point banks will be required to maintain a minimum NSFR of 100%. The internally calculated NSFR for Investec plc and Investec Bank plc (solo basis) is based upon these rules, but is subject to change in response to any further clarifications or guidelines. The NSFR at 30 September 2019 was 126% for Investec plc and 126% for Investec Bank plc (solo basis).

Investec plc undertakes an annual Individual Liquidity Adequacy Assessment Process (ILAAP) which documents the approach to liquidity management across the firm. This document is reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC boards before being provided to the PRA for use, alongside the Liquidity Supervisory Review and Evaluation Process, to determine the bank's Individual Liquidity Guidance, also known as a Pillar 2 requirement.

Southern Africa

South Africa, a member of the G20, has adopted the published BCBS guidelines for 'liquidity risk measurement standards and monitoring'.

There are certain shortcomings and constraints in the South African environment and the banking sector in Southern Africa is characterised by certain structural features such as:

- A low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services
- There is currently no 'deposit protection scheme' in South Africa. However, the regulators plan to incorporate a deposit protection scheme within the broader amendments to the recovery and resolution framework
- Southern Africa has an insufficient supply of level 1 assets in domestic currency to meet the aggregate demand.

There are various regulatory and economic barriers that prevent liquidity from flowing out of the domestic economy. Namely, Southern Africa has exchange control that limits capital flows, along with prudential requirements on financial corporates.

A positive consequence of the above is that the Rand funding that the South African banks use is contained within the financial system and therefore the Rand is unlikely to be drained by currency withdrawal from offshore sources, or placements in offshore accounts.

To address this systemic challenge, the South African Prudential Authority exercised national discretion and has announced:

- The introduction of a Committed Liquidity Facility (CLF) whereby South African banks can apply to the Reserve Bank for the CLF against eligible collateral for a prescribed commitment fee. The CLF is limited to 40% of Net Outflows under the LCR. Investec Bank Limited does not currently make use of the CLF offered by the South African Prudential Authority
- A change to the available stable funding factor as applied to less than six months term deposits from the financial sector. The change recognises 35% of less than six months financial sector deposits which has the impact of reducing the amount of greater than six months term deposits required by local banks to meet the NSFR, and will therefore mitigate any increases in the overall cost of funds.

Despite the above constraints, Investec Bank Limited comfortably exceeds the LCR and NSFR liquidity ratio requirements, having embedded these ratios into our processes.

Liquidity mismatch

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

With respect to the contractual liquidity tables that follow, we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

With respect to the behavioural liquidity gap, we adjust the contractual profile of certain assets and liabilities:

- *Liquidity buffer*: the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the group would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'; and
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- *Customer deposits*: the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

UK and Other
Contractual liquidity at 30 September 2019

£'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	4 116	283	17	14	2	17	–	4 449
Investment/trading assets	429	866	334	769	264	813	2 043	5 518
Securitised assets	–	–	3	–	2	12	98	115
Advances	177	508	475	697	1 159	5 809	2 146	10 971
Other assets	276	695	125	11	80	536	769	2 492
Assets	**4 998**	**2 352**	**954**	**1 491**	**1 507**	**7 187**	**5 056**	**23 545**
Deposits – banks	(68)	(1)	(1)	–	(15)	(1 260)	(17)	(1 362)
Deposits – non-banks	(4 439)	(693)	(3 121)	(2 485)	(788)	(1 606)	(235)	(13 367)
Negotiable paper	–	(6)	(38)	(30)	(55)	(1 686)	(509)	(2 324)
Securitised liabilities	–	–	(3)	(3)	(5)	(35)	(71)	(117)
Investment/trading liabilities	(289)	(95)	(118)	(17)	(40)	(342)	(382)	(1 283)
Subordinated liabilities	–	–	–	–	–	(379)	(433)	(812)
Other liabilities	(248)	(697)	(110)	(125)	(184)	(233)	(363)	(1 960)
Liabilities	**(5 044)**	**(1 492)**	**(3 391)**	**(2 660)**	**(1 087)**	**(5 541)**	**(2 010)**	**(21 225)**
Total equity	–	–	–	–	–	–	(2 320)	(2 320)
Contractual liquidity gap	**(46)**	**860**	**(2 437)**	**(1 169)**	**420**	**1 646**	**726**	**–**
Cumulative liquidity gap	(46)	814	(1 623)	(2 792)	(2 372)	(726)	–	

Behavioural liquidity

As discussed above.

£'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	**4 884**	**546**	**(1 659)**	**(1 358)**	**306**	**(3 076)**	**357**	**–**
Cumulative	4 884	5 430	3 771	2 413	2 719	(357)	–	

Southern Africa
Contractual liquidity at 30 September 2019

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short-term funds – banks	32 548	371	394	–	152	4	91	33 560
Cash and short-term funds – non-banks	11 783	434	466	–	–	–	–	12 683
Investment/trading assets and statutory liquids	49 744	34 429	9 728	3 053	7 701	38 730	30 675	174 060
Securitised assets	–	–	–	–	–	3 533	3 804	7 337
Advances	5 262	7 809	10 916	9 140	20 277	106 486	107 025	266 915
Other assets	516	4 391	926	402	–	353	15 404	21 992
Assets	**99 853**	**47 434**	**22 430**	**12 595**	**28 130**	**149 106**	**156 999**	**516 547**
Deposits – banks	(851)	(922)	(554)	(220)	(388)	(26 405)	–	(29 340)
Deposits – non-banks	(155 044)	(24 793)	(60 587)	(37 863)	(27 847)	(39 858)	(3 180)	(349 172)
Negotiable paper	(590)	(147)	(604)	(1 080)	–	(8 851)	(1 043)	(12 315)
Securitised liabilities	–	–	–	–	–	–	(1 489)	(1 489)
Investment/trading liabilities	(344)	(21 008)	(2 056)	(504)	(3 012)	(10 826)	(2 728)	(40 478)
Subordinated liabilities	–	(21)	(4)	(1 489)	–	(11 851)	(1 274)	(14 639)
Other liabilities	(2 691)	(893)	(135)	(253)	(1 202)	(483)	(6 595)	(12 252)
Liabilities	**(159 520)**	**(47 784)**	**(63 940)**	**(41 409)**	**(32 449)**	**(98 274)**	**(16 309)**	**(459 685)**
Total equity	–	–	–	–	–	–	(56 862)	(56 862)
Contractual liquidity gap	**(59 667)**	**(350)**	**(41 510)**	**(28 814)**	**(4 319)**	**50 832**	**83 828**	**–**
Cumulative liquidity gap	(59 667)	(60 017)	(101 527)	(130 341)	(134 660)	(83 828)	–	

^ *Includes call deposits of R154 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Behavioural liquidity

As discussed on page 141.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	**44 473**	**(1 165)**	**3 725**	**(4 923)**	**(10 387)**	**(182 813)**	**151 090**	**–**
Cumulative	44 473	43 308	47 033	42 110	31 723	(151 090)	–	

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, arises from the impact of adverse movements in interest rates on both net interest earnings and economic value of equity.

Sources of interest rate risk in the banking book include:

- **Repricing risk**: arises from the timing differences in the fixed rate maturity and floating rate repricing of group 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 group 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:** arises from optional elements embedded in items where the group or its customers can alter the level and timing of their cash flows.
- **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 earnings and the economic value of equity.

The tables that follow show our non-trading interest rate mismatch assuming no management intervention.

Interest rate sensitivity gap at 30 September 2019

£'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds - banks	4 381	–	–	–	–	–	4 381
Investment/trading assets	2 466	776	129	186	18	368	3 943
Securitised assets	115	–	–	–	–	–	115
Advances	6 317	1 586	530	2 307	231	–	10 971
Other assets	–	–	–	–	–	2 338	2 338
Assets	**13 279**	**2 362**	**659**	**2 493**	**249**	**2 706**	**21 748**
Deposits – banks	(1 236)	(17)	–	–	–	–	(1 253)
Deposits – non-banks	(10 561)	(927)	(718)	(1 156)	(5)	–	(13 367)
Negotiable paper	(1 924)	–	–	(400)	–	–	(2 324)
Securitised liabilities	(117)	–	–	–	–	–	(117)
Investment/trading liabilities	(102)	–	–	–	–	–	(102)
Subordinated liabilities	(84)	–	–	(728)	–	–	(812)
Other liabilities	–	–	–	–	–	(1 453)	(1 453)
Liabilities	**(14 024)**	**(944)**	**(718)**	**(2 284)**	**(5)**	**(1 453)**	**(19 428)**
Total equity	–	–	–	–	–	(2 320)	(2 320)
Balance sheet	**(745)**	**1 418**	**(59)**	**209**	**244**	**(1 067)**	**–**
Off-balance sheet	652	197	(32)	(677)	(140)	–	–
Repricing gap	**(93)**	**1 615**	**(91)**	**(468)**	**104**	**(1 067)**	**–**
Cumulative repricing gap	(93)	1 522	1 431	963	1 067	–	

Southern Africa

Interest rate sensitivity gap at 30 September 2019

R'million	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years	Non-rate	Total non-trading
Cash and short-term funds – banks	20 132	–	–	4	–	11 694	31 830
Cash and short-term funds – non-banks	12 581	–	–	–	–	97	12 678
Investment/trading assets and statutory liquids	40 298	14 305	13 376	18 613	13 566	54 249	154 407
Securitised assets	7 337	–	–	–	–	–	7 337
Advances	250 091	3 317	2 316	4 994	258	5 872	266 848
Other assets	10 340	(3 708)	(3 568)	1 943	90	10 126	15 223
Assets	**340 779**	**13 914**	**12 124**	**25 554**	**13 914**	**82 038**	**488 323**
Deposits – banks	(27 204)	(134)	(125)	(1 773)	–	(104)	(29 340)
Deposits – non-banks	(288 309)	(28 529)	(17 865)	(9 792)	(981)	(3 696)	(349 172)
Negotiable paper	(2 635)	(607)	–	(5 048)	(1 043)	(148)	(9 481)
Securitised liabilities	(1 489)	–	–	–	–	–	(1 489)
Investment/trading liabilities	(2 226)	(420)	(1 759)	–	–	(7 906)	(12 311)
Subordinated liabilities	(14 209)	–	–	(291)	–	(139)	(14 639)
Other liabilities	–	–	–	–	–	(11 081)	(11 081)
Liabilities	**(336 072)**	**(29 690)**	**(19 749)**	**(16 904)**	**(2 024)**	**(23 074)**	**(427 513)**
Total equity	(1 544)	–	–	–	–	(55 318)	(56 862)
Balance sheet	**3 163**	**(15 776)**	**(7 625)**	**8 650**	**11 890**	**3 646**	**3 948**
Off-balance sheet	(3 762)	16 044	12 681	(13 337)	(15 574)	–	(3 948)
Repricing gap	**(599)**	**268**	**5 056**	**(4 687)**	**(3 684)**	**3 646**	**–**
Cumulative repricing gap	(599)	(331)	4 725	38	(3 646)	–	

Economic value sensitivity at 30 September 2019

As outlined above, non-trading interest rate risk is measured and monitored using an economic value sensitivity approach. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the interest rate sensitive portfolios should such a hypothetical scenario arise. This sensitivity effect would only have a negligible direct impact on our equity.

UK and Other

	Sensitivity to the following interest rates (expressed in original currencies)						
million	GBP	USD	EUR	AUD	ZAR	Other (GBP)	**All (GBP)**
200bps down	(13.2)	7.1	(7.5)	5.6	(1.2)	(1.7)	(12.7)
200bps up	10.1	(5.5)	5.8	(4.3)	0.9	1.3	9.8

Southern Africa

	Sensitivity to the following interest rates (expressed in original currencies)						
million	ZAR	GBP	USD	EUR	AUD	Other (ZAR)	**All (ZAR)**
200bps down	(236.2)	0.7	2.9	0.6	0.3	–	(168.0)
200bps up	113.6	(0.6)	(2.2)	(0.7)	(0.3)	–	53.6

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

Both groups operate an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. A summary of our approach to capital management and our capital and leverage ratio targets is provided on pages 79 to 80 of the Annual Report 2019, Investec Risk disclosures, Volume 2.

Current regulatory framework

Investec Limited is regulated by the South African Prudential Authority, whilst Investec plc is authorised by the PRA and is regulated by the FCA and the PRA on a consolidated basis. The regulatory frameworks which applied at 31 March 2019, are still in force and are consistently applied in each jurisdiction. Further information on these frameworks is provided on pages 79 to 80 of the Annual Report 2019, Investec risk disclosures, volume 2. Investec adopted IFRS 9 from 1 April 2018. IFRS 9 replaced IAS 39 and sets out the new requirements for the recognition and measurement of financial instruments.

These requirements focus primarily on the classification and measurement of financial instruments and measurement of impairment losses based on an expected credit loss (ECL) model. Investec Limited confirmed to the South African Prudential Authority and Investec plc to the PRA that each group will apply the transitional IFRS 9 arrangements to absorb the full IFRS 9 impact allowable in the regulatory calculations.

The PA delayed the implementation date of the new regulations, which were due for implementation on 1 October 2019 in South Africa, provisionally to 1 October 2020. The delay in the revised regulations was to cater for the revisions/impact of the finalised Basel Consolidated Framework (expected to be issued in December 2019), and to avoid duplication of efforts and industry consultations as a result, within the South African banking industry.

Investec Limited

Investec Bank Limited was granted approval by the Prudential Authority to calculate its minimum capital requirements in respect of credit risk for the retail portfolios using the Advanced Internal Ratings Based Approach (AIRB), and for wholesale portfolios using the Foundation Internal Ratings Based Approach (FIRB), effective 1 April 2019. The adoption of IRB had a positive impact on our capital ratios as well as our overall credit risk management processes. Investec will seek permission from the PA to transition its wholesale portfolios from FIRB to AIRB in the latter part of 2020, of which full AIRB is expected to have a further positive impact on our capital ratios.

Investec plc

In December 2017 the European Union issued the final regulation setting out the IFRS 9 transitional arrangements firms could apply to minimise the impact of the IFRS 9 expected credit loss accounting on regulatory capital. In the UK the transitional arrangements allow the day one and any subsequent increases in Stage 1 and Stage 2 expected credit loss provisions to be phased in over five years, recognising 5% in 2018, increasing to 15% in 2019, 30% in 2020, 50% in 2021, and 75% in 2022, with full recognition in CET 1 capital in 2023.

Capital

Investec Limited

Investec applied the FIRB approach from 1 April 2019, therefore comparison between March 2019 and September 2019 is based on FIRB numbers only. At 30 September 2019, Investec Limited's CET 1 ratio remained flat at 11.6%. The increase in CET 1 capital of R811 million is mainly due to an increase in shareholders' equity arising from profits net of dividends and tax for the period. In September 2019 Investec Bank Limited redeemed tier 2, IV025 and IV026 instruments totalling R1,75 billion.

Investec plc

At 30 September 2019, Investec plc's CET1 ratio decreased to 10.7% from 10.8% at 31 March 2019. The small decrease in the ratio was driven by an increase in CET1, offset by RWA growth.

At the 30 September 2019, Investec plc is holding an institution specific countercyclical capital buffer (CCyB) of 0.59% of RWA. The institution specific CCyB is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. In November 2018, the UK countercyclical buffer rate has been increased from 0.5% (June 2018) to 1%.

Capital structure and capital adequacy

At 30 September 2019	Investec plc*°^^ £'million	IBP*°^^ £'million	Pro forma** FIRB Investec Limited*^ R'million	Pro forma** FIRB IBL*^ R'million
Tier 1 capital				
Shareholders' equity	2 009	1 998	41 087	41 950
Shareholders' equity excluding non-controlling interests	2 052	2 012	44 270	43 484
Perpetual preference share capital and share premium	(25)	–	(3 183)	(1 534)
Deconsolidation of special purpose entities	(18)	(14)	–	–
Non-controlling interests	9	(9)	–	–
Non-controlling interests per balance sheet	18	(9)	10 048	–
Non-controlling interests excluded for regulatory purposes	–	–	(10 048)	–
Surplus non-controlling interest disallowed in common equity tier 1	(9)	–	–	–
Regulatory adjustments to the accounting basis	97	97	1 285	1 285
Additional value adjustments	(8)	(7)	–	–
Gains or losses on liabilities at fair value resulting from changes in our credit standing	20	20	–	–
Cash flow hedging reserve	–	–	1 285	1 285
Adjustment under IFRS 9 transitional arrangement	85	84	–	–
Deductions	(435)	(336)	(4 489)	(3 726)
Goodwill and intangible assets net of deferred tax	(422)	(323)	(585)	(544)
Investment in financial entity	–	–	(2 383)	(2 292)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(13)	(13)	–	–
Shortfall of eligible provisions compared to expected loss	–	–	(860)	(860)
Other regulatory adjustments	–	–	(661)	(30)
Common equity tier 1 capital	**1 680**	**1 750**	**37 883**	**39 509**
Additional tier 1 capital	274	250	2 383	920
Additional tier 1 instruments	274	250	5 727	1 994
Phase out of non-qualifying additional tier 1 instruments	–	–	(3 302)	(1 074)
Non-qualifying surplus capital attributable to non-controlling interest	–	–	(127)	–
Non-controlling interest in non-banking entities	–	–	85	–
Tier 1 capital	**1 954**	**2 000**	**40 266**	**40 429**
Tier 2 capital	463	564	11 569	13 401
Collective impairment allowances	–	–	806	806
Tier 2 instruments	565	564	14 639	12 595
Phase out of non-qualifying tier 2 instruments	(1)	–	–	–
Non-qualifying surplus capital attributable to non-controlling interests	(101)	–	(3 876)	–
Total regulatory capital	**2 417**	**2 564**	**51 835**	**53 830**
Risk-weighted assets	**15 712**	**14 920**	**325 432**	**303 157**
Capital ratios				
Common equity tier 1 ratio	10.7%	11.7%	11.6%	13.0%
Tier 1 ratio	12.4%	13.4%	12.4%	13.3%
Total capital ratio	15.4%	17.2%	15.9%	17.8%

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

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating common equity tier 1 (CET 1) capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of this deduction totalling £37 million for Investec plc and £18 million for IBP would lower the CET 1 ratio by 24bps and 12bps respectively.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 49bps and 35bps lower respectively.*

^^ *CET 1, T1, total capital ratios and RWA's are calculated applying the IFRS 9 transitional arrangements.*

** *We have approval to adopt the Foundation Internal Ratings Based (FIRB) approach, affective 1 April 2019. We present numbers on a pro forma basis for 31 March 2019.*

Capital structure and capital adequacy

At 31 March 2019	Investec plc*° £'million	IBP*° £'million	Standardised: Investec Limited*^ R'million	Standardised: IBL*^ R'million	Pro-forma** FIRB: Investec Limited*^ R'million	Pro-forma** FIRB: IBL*^ R'million
Tier 1 capital						
Shareholders' equity	1 981	1 908	39 966	39 770	39 966	39 770
Shareholders' equity excluding non-controlling interests	2 022	1 921	43 149	41 304	43 149	41 304
Foreseeable dividends	–	–	–	–	–	–
Perpetual preference share capital and share premium	(25)	–	(3 183)	(1 534)	(3 183)	(1 534)
Deconsolidation of special purpose entities	(16)	(13)	–	–	–	–
Non-controlling interests	7	(8)	–	–	–	–
Non-controlling interests per balance sheet	13	(8)	9 922	–	9 922	–
Non-controlling interests excluded for regulatory purposes	–	–	(9 922)	–	(9 922)	–
Surplus non-controlling interest disallowed in common equity tier 1	(6)	–	–	–	–	–
Regulatory adjustments to the accounting basis	110	110	1 155	1 157	931	931
Additional value adjustments	(5)	(5)	–	–	–	–
Gains or losses on liabilities at fair value resulting from changes in our credit standing	21	21	–	–	–	–
Cash flow hedging reserve	–	–	931	931	931	931
Adjustment under IFRS 9 transitional arrangement	94	94	224	226	–	–
Deductions	(447)	(348)	(2 971)	(2 776)	(3 825)	(3 461)
Goodwill and intangible assets net of deferred tax	(434)	(335)	(629)	(588)	(629)	(588)
Investment in financial entity	–	–	(2 138)	(2 153)	(2 221)	(2 236)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(13)	(13)	–	–	–	–
Shortfall of eligible provisions compared to expected loss	–	–	–	–	(604)	(602)
Other regulatory adjustments	–	–	(204)	(35)	(371)	(35)
Common equity tier 1 capital	1 651	1 662	38 150	38 151	37 072	37 240
Additional tier 1 capital	274	250	2 432	920	2 374	920
Additional tier 1 instruments	274	250	5 727	1 994	5 727	1 994
Phase out of non-qualifying additional tier 1 instruments	–	–	(3 302)	(1 074)	(3 302)	(1 074)
Non-qualifying surplus capital attributable to non-controlling interest	–	–	(78)	–	(136)	–
Non-controlling interest in non-banking entities	–	–	85	–	85	–
Tier 1 capital	1 925	1 912	40 582	39 071	39 446	38 160
Tier 2 capital	485	596	13 165	14 795	11 566	14 401
Collective impairment allowances	–	–	876	877	483	483
Tier 2 instruments	597	596	15 857	13 918	15 857	13 918
Phase out of non-qualifying tier 2 instruments	(1)	–	–	–	–	–
Non-qualifying surplus capital attributable to non-controlling interests	(111)	–	(3 568)	–	(4 774)	–
Total regulatory capital	2 410	2 508	53 747	53 866	51 012	52 561
Risk-weighted assets	15 313	14 631	361 750	340 315	318 533	297 506
Capital ratios^^						
Common equity tier 1 ratio	10.8%	11.4%	10.5%	11.2%	11.6%	12.5%
Tier 1 ratio	12.6%	13.1%	11.2%	11.5%	12.4%	12.8%
Total capital ratio	15.7%	17.1%	14.9%	15.8%	16.0%	17.7%

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

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating common equity tier 1 (CET 1) capital as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of this deduction totalling £63 million for Investec plc and £19 million for IBP would lower the CET 1 ratio by 41bps and 13bps respectively.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps and 14bps lower respectively.*

^^ *CET 1, T1, total capital ratios and RWA's are calculated applying the IFRS 9 transitional arrangements.*

** *We have approval to adopt the Foundation Internal Ratings Based (FIRB) approach, affective 1 April 2019. We present numbers on a pro forma basis for 31 March 2019.*

Capital requirements

	Investec plc* £'million	IBP* £'million	**Investec Limited* R'million**	IBL* R'million
At 30 September 2019				
Capital requirements	**1 257**	**1 194**	**37 457**	**34 893**
Credit risk	937	917	29 546	29 217
Equity risk	8	7	2 522	1 680
Counterparty credit risk	55	56	666	680
Credit valuation adjustment risk	5	5	258	317
Market risk	59	58	787	483
Operational risk	193	151	3 678	2 516
At 31 March 2019				
Capital requirements	**1 225**	**1 170**	**41 703**	**39 237**
Credit risk	909	893	33 649	33 341
Equity risk	10	9	2 701	1 863
Counterparty credit risk	48	49	711	732
Credit valuation adjustment risk	6	6	356	391
Market risk	68	67	641	381
Operational risk	184	146	3 645	2 529

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

Risk-weighted assets

	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
At 30 September 2019				
Risk-weighted assets	**15 712**	**14 920**	325 432	303 157
Credit risk	11 707	11 457	256 697	253 839
Equity risk	100	93	21 914	14 592
Counterparty credit risk	693	695	5 790	5 911
Credit valuation adjustment risk	62	62	2 245	2 753
Market risk	739	720	6 835	4 199
Operational risk	2 411	1 893	31 951	21 863
At 31 March 2019				
Risk-weighted assets	**15 313**	**14 631**	**361 750**	**340 315**
Credit risk	11 361	11 174	291 886	289 168
Equity risk	121	115	23 433	16 159
Counterparty credit risk	605	611	6 166	6 349
Credit valuation adjustment risk	75	76	3 090	3 392
Market risk	855	833	5 558	3 308
Operational risk	2 296	1 822	31 617	21 939

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

Leverage ratios

	Investec plc £'million*	IBP £'million*	Investec Limited R'million*^	IBL R'million*^
At 30 September 2019				
Exposure measure	25 124	24 666	549 600	518 964
Tier 1 capital°°	1 954	2 000	40 266	40 429
Leverage ratio – current**	**7.8%**	**8.1%**	**7.3%** #	**7.8%** #
Tier 1 capital fully loaded	1 862	1 932	38 979	39 969
Leverage ratio – 'fully loaded'^^^**	**7.4%**	**7.9%**	**7.1%** #	**7.7%** #
At 31 March 2019				
Exposure measure	24 282	23 849	534 230	505 070
Tier 1 capital°°	1 925	1 912	40 582	39 071
Leverage ratio – current**	**7.9%**	**8.0%**	**7.6%#**	**7.7%#**
Tier 1 capital fully loaded	1 824	1 835	38 889	38 364
Leverage ratio – 'fully loaded'^^^**	**7.5%**	**7.7%**	**7.3%#**	**7.6%#**

* *Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*
** *The leverage ratios are calculated on an end-quarter basis.*
# *Based on revised BIS rules.*
°° *Tier 1 (T1) capital includes the IFRS 9 transitional arrangements.*
^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 49bps and 35bps lower. At 31 March 2019, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps and 14bps lower.*
^^ *The fully loaded leverage ratio at 31 March 2019 and I April 2018 assumes full adoption of IFRS 9 and full adoption of all CRD IV rules or South African Prudential Authority regulations. As a result of the adoption of IFRS 9 Investec plc and IBP elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 30 September 2019 of £16 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.*
^^^ *The fully loaded leverage ratio assumes full adoption of all CRD IV rules or South African Prudential Authority regulations.*

A summary of capital adequacy and leverage ratios

	Investec plc°*	IBP°*	Investec Limited*^	IBL*^
As at 30 September 2019				
Common equity tier 1 (as reported)°°	10.7%	11.7%	11.6%	13.0%
Common equity tier 1 ('fully loaded')^^	10.3%	11.4%	11.6%	13.0%
Tier 1 (as reported)°°	12.4%	13.4%	12.4%	13.3%
Total capital ratio (as reported)°	15.4%	17.2%	15.9%	17.8%
Leverage ratio** – current	7.8%	8.1%	7.3% #	7.8% #
Leverage ratio** – 'fully loaded'^^^	7.4%	7.9%	7.1% #	7.7% #
As at 31 March 2019				
Common equity tier 1 (as reported)°°	10.8%	11.4%	10.5%	11.2%
Common equity tier 1 ('fully loaded')^^	10.4%	10.9%	10.5%	11.1%
Tier 1 (as reported)°°	12.6%	13.1%	11.2%	11.5%
Total capital ratio (as reported)°	15.7%	17.1%	14.9%	15.8%
Leverage ratio** – current	7.9%	8.0%	7.6%#	7.7%#
Leverage ratio** – 'fully loaded'^^^	7.5%	7.7%	7.3%#	7.6%#

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

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

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable charges and dividends when calculating the CET 1 ratio as required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of this deduction totalling £37 million (31 March 2019: £63 million) for Investec plc and £18 million (31 March 2019: £19 million) for IBP would lower the CET 1 ratio by 24bps (31 March 2019: 41bps) and 12bps (31 March 2019: 13bps) respectively.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 49bps and 35bps lower. At 31 March 2019, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps and 14bps lower*

^^ *The CET 1 fully loaded ratio and the fully loaded leverage ratio assumes full adoption of IFRS 9 and full adoption of all CRDIV rules of South African Prudential Authority regulations. As a result of the adoption of IFRS 9 Investec plc elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 30 September 2019 of £16 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the investment.*

^^^ *The fully loaded CET 1 ratio and leverage ratio assumes full adoption of all CRD IV rules or South African Prudential Authority regulations.*

°° *The reported CET 1, T1 and total capital adequacy ratios are calculated applying the IFRS 9 transitional arrangements.*

\# *Based on revised BIS rules.*

Investec plc

Movement in risk-weighted assets

Total RWAs have increased by 2.6% over the 6 month period, predominantly within credit risk RWAs.

We apply the standardised approach for calculating credit risk RWAs. Credit risk RWAs, which include equity risk, increased by £325 million. The increase is primarily driven by expansion in corporate funds and retail lending business.

Counterparty credit risk RWAs and CVA risk

Counterparty credit risk and CVA RWAs increased by £75 million mainly driven by increase in mark-to-market in interest rate swap.

Market risk RWAs

We apply the standardised approach for calculating market risk RWAs. Market risk RWAs decreased by £116 million mainly due to closure in equity positions.

Operational risk RWAs

Operational risk RWAs are calculated using the standardised approach increased by £115 million. The increase is due to a higher three-year average operating income.

Investec Limited

Movement in RWAs

Investec applied the FIRB approach from 1 April 2019, therefore comparison between March 2019 and September 2019 is based on FIRB numbers only. Total RWA increased by 2.1% over the period, with the reasons identified in the categories below.

Credit risk RWAs

Credit risk-weighted assets increased with R6.8 billion (2.1%) from March 2019 to September 2019, mainly attributed to book growth in the Private Bank and Investec Corporate Institutional Bank.

Counterparty credit risk and CVA RWAs

Counterparty credit risk RWAs is the sum of Over the Counter (OTC) derivatives, Security Financing Transactions (SFTs) and the related regulatory Credit Valuation Adjustment (CVA), of which total increased by R2 million (0.2%) from March 2019 to September 2019. Our exposure to counterparty credit risk is marginal at 1.8% of total RWA.

Equity risk RWAs

Equity risk decreased by R1,5 billion. The risk weight attributable to equity investments is relatively high, with listed equities attracting an effective 318% and unlisted equities 424%. The impact of this is proportionately much larger movement in RWA than the associated balance sheet equity value.

Market risk RWAs

Market risk RWAs are calculated using the Value at Risk (VaR) approach. Risk appetite utilisation has slightly increased over the first half of the financial year. Average 95% 1-Day VaR for the period 01 April 2019 to 30 September 2019 was R5,3 million, compared to the average of R5,1 million observed for the previous half. The change in overall VaR is as a result of increased market volatility feeding into time series data and higher utilisation on the Equity Derivatives Desk and Foreign Exchange Desk.

Operational risk RWAs

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

Total regulatory capital flow statement

At 30 September 2019	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**1 651**	**1 662**	**38 150**	**38 151**
New capital issues	65	50	–	–
Dividends	(72)	(26)	(1 573)	(93)
Profit after taxation	83	61	3 161	2 511
IFRS 9 adjustment	(1)	(1)	–	–
Treasury shares	(66)	–	(785)	–
Gain on transfer of non-controlling interest	–	–	(4)	–
Share-based payment adjustments	14	–	297	–
Net equity impact on non-controlling interest movement	–	–	–	–
Movement in other comprehensive income	11	9	68	(27)
Investment in financial entity	–	–	(245)	(139)
Goodwill and intangible assets (deduction net of related taxation liability)	11	12	44	44
Deferred tax that relies on future profitability(excluding those arising from temporary differences)	–	–	–	–
Deconsolidation of special purpose entities	(4)	(3)	–	–
Gains or losses on liabilities at fair value resulting from changes in own credit standing	(1)	(1)	–	–
IFRS 9 transitional arrangements	(10)	(10)	(225)	(225)
Other, including regulatory adjustments and other transitional arrangements	(1)	(3)	(1 005)	(713)
Closing common equity tier 1 capital	**1 680**	**1 750**	**37 883**	**39 509**
Opening additional tier 1 capital	**274**	**250**	2 432	920
New additional tier 1 issues	–	–	–	–
Other, including regulatory adjustments and transitional arrangements	–	–	(49)	–
Movement in minority interest in non-banking entities	–	–	–	–
Closing additional tier 1 capital	**274**	**250**	2 383	920
Closing tier 1 capital	**1 954**	**2 000**	**40 266**	**40 429**
Opening tier 2 capital	**485**	**596**	**13 165**	**14 795**
New tier 2 capital issues	–	–	–	–
Redeemed capital	–	–	(1 750)	(1 750)
Collective impairment allowances	–	–	(69)	(70)
Other, including regulatory adjustments and other transitional arrangements	(22)	(32)	223	426
Closing tier 2 capital	**463**	**564**	**11 569**	**13 401**
Closing total regulatory capital	**2 417**	**2 564**	**51 835**	**53 830**

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

Total regulatory capital flow statement

At 31 March 2019	Investec plc* £'million	IBP* £'million	Investec Limited* R'million	IBL* R'million
Opening common equity tier 1 capital	**1 587**	**1 639**	**34 379**	**34 829**
New capital issues	66	–	756	–
Dividends	(123)	(46)	(2 817)	(1 022)
Profit after taxation	189	159	6 175	4 963
IFRS 9 adjustment	(213)	(213)	(894)	(894)
Treasury shares	(42)	–	(1 119)	–
Gain on transfer of non-controlling interest	–	–	320	–
Share-based payment adjustments	30	(2)	776	–
Net equity impact on non-controlling interest movement	31	–	–	–
Movement in other comprehensive income	13	14	732	299
Investment in financial entity	–	–	10	(41)
Goodwill and intangible assets (deduction net of related taxation liability)	13	13	(5)	(5)
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	(5)	(4)	–	–
Deconsolidation of special purpose entities	(8)	(8)	–	–
Gains or losses on liabilities at fair value resulting from changes in own credit standing	21	21	–	–
IFRS 9 transitional arrangements	94	94	225	225
Other, including regulatory adjustments and other transitional arrangements	(2)	(5)	(388)	(203)
Closing common equity tier 1 capital	**1 651**	**1 662**	**38 150**	**38 151**
Opening additional tier 1 capital	**274**	**200**	**2 785**	**963**
New additional tier 1 issues	–	50	110	110
Other, including regulatory adjustments and transitional arrangements	–	–	(478)	(153)
Movement in minority interest in non-banking entities	–	–	15	–
Closing additional tier 1 capital	**274**	**250**	**2 432**	**920**
Closing tier 1 capital	**1 925**	**1 912**	**40 582**	**39 071**
Opening tier 2 capital	**359**	**445**	**12 348**	**14 009**
New tier 2 capital issues	418	418	849	849
Redeemed capital	(267)	(267)	(1 210)	(1 210)
Collective impairment allowances	–	–	241	242
Other, including regulatory adjustments and other transitional arrangements	(25)	–	937	905
Closing tier 2 capital	**485**	**596**	**13 165**	**14 795**
Closing total regulatory capital	**2 410**	**2 508**	**53 747**	**53 866**

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

ANNEXURES

6

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These have been indicated with a ◆ symbol throughout this document. A description of the group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures constitute pro forma financial information. The pro forma financial information is the responsibility of the board of directors and is presented for illustrative purposes only and because of its nature may not fairly present the group's financial position, changes in equity, and results in operations or cash flows.

Adjusted earnings attributable to ordinary shareholders

Earnings attributable to shareholders adjusted to remove goodwill, acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional tier 1 security holders.

Refer to page 25 for the reconciliation of earnings attributable to shareholders to adjusted earnings attributable to ordinary shareholders

Adjusted earnings per share

Adjusted earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year

Refer to page 25 for calculation

Adjusted operating profit

Refer to the calculation in the table below:

£'000	30 Sept 2019	30 Sept 2018	31 March 2019
Operating profit before goodwill, acquired intangibles and strategic actions	402 485	416 788	790 050
Less: Profit attributable to other non-controlling interests	(28 863)	(36 846)	(58 192)
Adjusted operating profit	**373 622**	379 942	731 858

Adjusted operating profit per employee

Adjusted operating profit divided by average total employees including permanent and temporary employees.

Refer to page 90 for calculation

Annualised net interest margin

Interest income net of interest expense multiplied by two, divided by average interest-earning assets. Refer to calculation on page 37

Annuity income

Net interest income (refer to page 37) plus net annuity fees and commissions (refer to page 39)

Core loans to equity ratio

Net core loans and advances divided by total shareholder's equity per the balance sheet

Cost to income ratio

Operating costs divided by operating income before ECL impairment charges (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests)

Refer to calculation in the table below:

£'000	30 Sept 2019	30 Sept 2018	31 March 2019
Operating costs (A)	833 503	841 805	1 668 223
Total operating income before expected credit losses	1 267 854	1 290 822	2 526 882
Less: Depreciation on operating leased assets	(845)	(1 207)	(2 157)
Less: Profit attributable to other non-controlling interests	(28 863)	(36 846)	(58 192)
Total (B)	1 238 146	**1 252 769**	**2 466 533**
Cost to income ratio (A/B)	**67.3%**	67.2%	67.6%

Coverage ratio

ECL as a percentage of gross core loans and advances subject to ECL

Credit loss ratio

ECL impairment charges on core loans and advances as a percentage of average gross core loans and advances subject to ECL

Dividend cover

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

Gearing ratio

Total assets excluding assurance assets divided by total equity

Gross core loans and advances

Refer to calculation on page 117

Loans and advances to customers as a % of customer accounts

Loans and advances to customers as a percentage of customer accounts (deposits)

Net tangible asset value per share	Refer to calculation on page 48
Net core loans and advances	Refer to calculation on page 117
Return on average ordinary shareholders' equity (ROE)	Refer to calculation on pages 48 to 51
Return on average tangible ordinary shareholders' equity	Refer to calculation on page 48 to 51
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets, where risk-weighted assets is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 52
Staff compensation to operating income ratio*	All staff compensation costs expressed as a percentage of operating income before ECL (net of operating profits or losses attributable to other non-controlling interests)

* *Investec Asset Management operates schemes for staff whose bonuses are deferred into collective investment schemes that are managed by Investec Asset Management. Any resulting profit or loss arising from these schemes is attributable to the employee in respect of whom the investment was made. As such, any rise or fall in the value of the assets held is offset to an equal but opposite degree by the change in the liability (expense) to the employee. Therefore the profit or loss on these investments and the corresponding expense to employees are offset in arriving at the staff compensation ratio for Investec Asset Management and hence for the group as a whole.*

Cash and near cash

Includes cash, near cash (other 'monetisable assets') and Central Bank cash placements and guaranteed liquidity

Diluted earnings per share

Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.

Refer to page 25 for the calculation of diluted earnings per share

Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year

Refer to page 25 for the calculation of earnings per share

Effective operational tax rate

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before goodwill and acquired intangibles and excluding share of post taxation profit of associates and joint venture holdings

Interest bearing liabilities

Deposits by banks, debt securities in issue, repurchase agreements, and cash collateral on securities lent, customer accounts (deposits), liabilities arising on securitisation of own originated loans and advances and liabilities arising on securitisation of other assets. Refer to page 37 for calculation

Interest-earning assets

Cash and near cash, bank debt securities, sovereign debt securities, core loans and advances, other debt securities, other loans and advances and other securitised assets. Refer to page 37 for calculation

Investment risk exposure in the banking book

Includes the investment portfolio, investment and trading properties, warrants and profits shares and the group's investment in the IEP Group in South Africa.

Refer to calculation on page 130

Legacy business in the UK Specialist Bank ('Legacy')

Legacy, as separately disclosed from 2014 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Market capitalisation

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

Ongoing basis

Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Structured credit

Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet.

Refer to page 132 for detail.

Third party assets under administration

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

Weighted number of ordinary shares in issue

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 25

ABBREVIATIONS AND ACRONYMS

AFS	Available for sale
ALCO	Asset and Liability Committee
ANC	African National Congress
AT1	Additional Tier 1
BCBS	Basel Committee of Banking Supervision
BIS	Bank for International Settlements
BoE	Bank of England
BOM	Bank of Mauritius
BSE	Botswana Stock Exchange
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CLF	Committed liquidity facility
CMD	Capital Markets Day
COO	Chief Operating Officer
CPR	Conditional prepayment rate
CRDIV (BASEL III)	Capital Requirements Directive IV
CRO	Chief Risk Officer
CVA	Credit value adjustment
DCF	Discounted cash flow
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
EAD	Exposure at default
EBA	European Banking Authority
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECL	Expected credit losses
EPS	Earnings per share
ESG	Environmental, social and governance
EU	European Union
FCA	Financial Conduct Authority
FIRB	Foundation Internal Ratings-Based
FRC	Financial Reporting Council
FSB	Financial Services Board
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
GDP	Gross Domestic Product
GFSC	Guernsey Financial Services Commission
HNW	High net worth
IAM	Investec Asset Management
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBL BRCC	IBL Board Risk and Capital Committee
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IFRS	International Financial Reporting Standard
ISAs (UK)	International Standards on Auditing (UK)
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LSE	London Stock Exchange
MD	Managing Director
MiFID	Markets in Financial Instruments Directive
NCI	Non-controlling interests
NSFR	Net Stable Funding Ratio
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OTC	Over the counter
PACCC	Prudential assurance conduct and controls committee
PCCC	Prudential Conduct and Controls Committee
PD	Probability of default
PRA	Prudential Regulation Authority
ROE	Return on equity
South African PA	South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank)
SPPI	Solely payments of principal and interest
UKLA	United Kingdom Listing Authority
WACC	Weighted average cost of capital

Investec plc

Incorporated in England and Wales
Registration number 3633621
LSE ordinary share code: INVP
JSE ordinary share code: INP
ISIN: GB00B17BBQ50
LEI: 2138007Z3U5GWDN3MY22

Ordinary share dividend announcement

In terms of the DLC structure, Investec plc shareholders registered on the United Kingdom share register may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAN share issued by Investec Limited.

Investec plc shareholders registered on the South African branch register may receive all or part of their dividend entitlements through dividends declared and paid by Investec plc on their ordinary shares and/or through dividends declared and paid on the SA DAS share issued by Investec Limited.

Declaration of dividend number 35

Notice is hereby given that an interim dividend number 35, being a gross dividend of 11 pence (2018: 11 pence) per ordinary share has been declared by the Board from income reserves in respect of the six months ended 30 September 2019 payable to shareholders recorded in the shareholders' register of the company at the close of business on Friday, 06 December 2019.

- For Investec plc shareholders, registered on the United Kingdom share register, through a dividend payment by Investec plc from income reserves of 11 pence per ordinary share
- For Investec plc shareholders, registered on the South African branch register, through a dividend payment by Investec Limited, on the SA DAS share, payable from income reserves, equivalent to 11 pence per ordinary share.

The relevant dates for the payment of dividend number 35 are as follows:

Last day to trade *cum*-dividend	
On the Johannesburg Stock Exchange (JSE)	Tuesday, 03 December 2019
On the London Stock Exchange (LSE)	Wednesday, 04 December 2019
Shares commence trading *ex*-dividend	
On the Johannesburg Stock Exchange (JSE)	Wednesday, 04 December 2019
On the London Stock Exchange (LSE)	Thursday, 05 December 2019
Record date (on the JSE and LSE)	Friday, 06 December 2019
Payment date (on the JSE and LSE)	Wednesday, 18 December 2019

Share certificates on the South African branch register may not be dematerialised or rematerialised between Wednesday, 04 December 2019 and Friday, 06 December 2019, both dates inclusive, nor may transfers between the United Kingdom share register and the South African branch register take place between Wednesday, 04 December 2019 and Friday, 06 December 2019, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Shareholders registered on the South African branch register are advised that the distribution of 11 pence, equivalent to a gross dividend of 211 cents per share, has been arrived at using the Rand/Pound Sterling average buy/sell forward rate, as determined at 11:00 (SA time) on Wednesday, 20 November 2019
- Investec plc United Kingdom tax reference number: 2683967322360
- The issued ordinary share capital of Investec plc is 696 082 618 ordinary shares
- The dividend paid by Investec plc to South African resident shareholders registered on the South African branch register and the dividend paid by Investec Limited to Investec plc shareholders on the SA DAS share are subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- Shareholders registered on the South African branch register who are exempt from paying the Dividend Tax will receive a net dividend of 211 cents per share, paid by Investec Limited on the SA DAS share
- Shareholders registered on the South African branch register who are not exempt from paying the Dividend Tax will receive a net dividend of 168.8 cents per share (gross dividend of 211 cents per share less Dividend Tax of 42.2 cents per share) paid by Investec Limited on the SA DAS share.

By order of the board

D Miller
Company Secretary
20 November 2019

Investec Limited

Incorporated in the Republic of South Africa
Registration number 1925/002833/06
JSE ordinary share code: INL
NSX ordinary share code: IVD
BSE ordinary share code: INVESTEC
ISIN: ZAE000081949
LEI: 213800CU7SM6O4UWOZ70

Ordinary share dividend announcement

Declaration of dividend number 128

Notice is hereby given that interim dividend number 128, being a gross dividend of 211 cents (2018: 206 cents) per ordinary share has been declared by the Board from income reserves in respect of the six months ended 30 September 2019 payable to shareholders recorded in the shareholders' register of the company at the close of business on Friday, 06 December 2019.

The relevant dates for the payment of dividend number 128 are as follows:

Last day to trade *cum*-dividend	Tuesday, 03 December 2019
Shares commence trading *ex*-dividend	Wednesday, 04 December 2019
Record date	Friday, 06 December 2019
Payment date	Wednesday, 18 December 2019

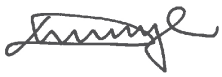
The interim gross dividend of 211 cents per ordinary share has been determined by converting the Investec plc distribution of 11 pence per ordinary share into Rands using the Rand/Pounds Sterling average buy/sell forward rate at 11h00 (SA time) on Wednesday, 20 November 2019.

Share certificates may not be dematerialised or rematerialised between Wednesday, 04 December 2019 and Friday, 06 December 2019, both dates inclusive.

Additional information to take note of:

- Investec Limited South African tax reference number: 9800/181/71/2
- The issued ordinary share capital of Investec Limited is 318 904 709 ordinary shares
- The dividend paid by Investec Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- Shareholders who are exempt from paying the Dividend Tax will receive a net dividend of 211 cents per ordinary share
- Shareholders who are not exempt from paying the Dividend Tax will receive a net dividend of 168.8 cents per ordinary share (gross dividend of 211 cents per ordinary share less Dividend Tax of 42.2 cents per ordinary share).

By order of the board



N van Wyk
Company Secretary
20 November 2019

Investec plc

Incorporated in England and Wales
Registration number 3633621
LSE share code: INPP
ISIN: GB00B19RX541
LEI: 2138007Z3U5GWDN3MY22

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")

Declaration of dividend number 27

Notice is hereby given that preference dividend number 27 has been declared by the Board from income reserves for the period 01 April 2019 to 30 September 2019 amounting to a gross preference dividend of 8.77397 pence per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 06 December 2019.

For shares trading on the Johannesburg Stock Exchange (JSE), the dividend of 8.77397 pence per preference share is equivalent to a gross dividend of 168.39530 cents per share, which has been determined using the Rand/Pound Sterling average buy/sell forward rate as at 11h00 (SA time) on Wednesday, 20 November 2019.

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

Last day to trade *cum*-dividend	
On the Johannesburg Stock Exchange (JSE)	Tuesday, 03 December 2019
On the International Stock Exchange (TISE)	Wednesday, 04 December 2019
Shares commence trading *ex*-dividend	
On the Johannesburg Stock Exchange (JSE)	Wednesday, 04 December 2019
On the International Stock Exchange (TISE)	Thursday, 05 December 2019
Record date (on the JSE and TISE)	Friday, 06 December 2019
Payment date (on the JSE and TISE)	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 04 December 2019 and Friday, 06 December 2019, both dates inclusive, nor may transfers between the United Kingdom share register and the South African branch register take place between Wednesday, 04 December 2019 and Friday, 06 December 2019, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued preference share capital of Investec plc is 2 754 587 preference shares
- The dividend paid by Investec plc to shareholder recorded on the South African branch register is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 134.71624 cents per preference share for preference shareholders liable to pay the Dividend Tax and 168.39530 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

D Miller
Company Secretary
20 November 2019

Investec plc

Incorporated in England and Wales
Registration number 3633621
JSE share code: INPPR
ISIN: GB00B4B0Q974
LEI: 2138007Z3U5GWDN3MY22

Rand-denominated preference share dividend announcement

Rand-denominated non-redeemable non-cumulative non-participating perpetual preference shares ("preference shares")

Declaration of dividend number 17

Notice is hereby given that preference dividend number 17 has been declared by the Board from income reserves for the period 01 April 2019 to 30 September 2019 amounting to a gross preference dividend of 488.20890 cents per preference share payable to holders of the Rand-denominated non-redeemable non-cumulative non-participating perpetual preference shares as recorded in the books of the company at the close of business on Friday, 06 December 2019.

The relevant dates for the payment of dividend number 17 are as follows:

Last day to trade *cum*-dividend	Tuesday, 03 December 2019
Shares commence trading *ex*-dividend	Wednesday, 04 December 2019
Record date	Friday, 06 December 2019
Payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 04 December 2019 and Friday, 06 December 2019, both dates inclusive.

Additional information for South African resident shareholders of Investec plc

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued Rand-denominated preference share capital of Investec plc is 131 447 preference shares
- The dividend paid by Investec plc to shareholders recorded on the South African branch register is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions a legislated)
- The net dividend amounts to 390.56712 cents per preference share for preference shareholders liable to pay the Dividend Tax and 488.20890 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

D Miller
Company Secretary
20 November 2019

Investec Limited

Incorporated in the Republic of South Africa
Registration number 1925/002833/06
JSE share code: INPR
NSX ordinary share code: IVD
BSE ordinary share code: INVESTEC
ISIN: ZAE000063814
LEI: 213800CU7SM6O4UWOZ70

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")

Declaration of dividend number 30

Notice is hereby given that preference dividend number 30 has been declared by the Board from income reserves for the period 01 April 2019 to 30 September 2019 amounting to a gross preference dividend of 395.72146 cents per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 13 December 2019.

The relevant dates for the payment of dividend number 30 are as follows:

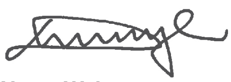
Last day to trade *cum*-dividend	Tuesday, 10 December 2019
Shares commence trading *ex*-dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both dates inclusive.

Additional information to take note of:

- Investec Limited South African tax reference number: 9800/181/71/2
- The issued preference share capital of Investec Limited is 32 214 499 preference shares
- The dividend paid by Investec Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 316.57717 cents per preference share for shareholders liable to pay the Dividend Tax and 395.72146 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board



N van Wyk
Company Secretary
20 November 2019

Investec Bank Limited

Incorporated in the Republic of South Africa
Registration number 1969/004763/06
Share code: INLP
ISIN: ZAE000048393
LEI No. 549300RH5FFHO48FXT69

Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")

Declaration of dividend number 33

Notice is hereby given that preference dividend number 33 has been declared by the Board from income reserves for the period 01 April 2019 to 30 September 2019 amounting to a gross preference dividend of 424.01272 cents per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 13 December 2019.

The relevant dates for the payment of dividend number 33 are as follows:

Last day to trade *cum*-dividend	Tuesday, 10 December 2019
Shares commence trading *ex*-dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 339.21018 cents per preference share for shareholders liable to pay the Dividend Tax and 424.01272 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

N van Wyk
Company Secretary
20 November 2019

DIRECTORS' RESPONSIBILITY STATEMENT

The directors listed below confirm that, to the best of their knowledge:

a. the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union; and

b. the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

Neither the company nor the directors accept any liability to any person in relation to the half-yearly financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

On behalf of the directors

Hendrik du Toit
Joint Chief Executive Officer

Fani Titi
Joint Chief Executive Officer

20 November 2019

FINANCIAL REPORTING AND GOING CONCERN

The directors have confirmed that they are satisfied that the group, as well as Investec plc and Investec Limited individually, have adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the interim financial results by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity
- Solvency.

The board is of the opinion, based on its knowledge of the group, key processes in operation and enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 138 to 142 and pages 145 to 155.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control operate effectively.

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited combined consolidated financial statements, accounting policies and the information contained in the interim report, and to ensure that the interim financial statements are fair, balanced and understandable.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the key risks Investec faces in preparing the financial and other information contained in this interim report. This process was in place for the period under review and up to the date of approval of this interim report and annual financial statements.

The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board.

Our interim report is prepared on a going concern basis, taking into consideration:

The group's strategy and prevailing market conditions and business environment

- Nature and complexity of our business
- Risks we assume, and their management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital
- Needs of all our stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

Independent review report to Investec plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim results presentation of Investec plc (incorporating Investec Limited) for the six months ended 30 September 2019 which comprises the combined consolidated income statement, combined consolidated statement of comprehensive income, combined consolidated balance sheet, summarised and combined consolidated cash flow statement and combined consolidated statement of changes in equity and related notes on pages 11 to 12, 17 to 34 and 46 to 47 and 92 to 101. We have read the other information contained in the interim results presentation and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim results presentation is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results presentation in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed on page 11 and 12, the interim financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim results presentation have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim results presentation based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim results presentation for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

Ernst & Young LLP

London

20 November 2019

Notes:

1. *The maintenance and integrity of the Investec plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

Independent review report to Investec Limited

We have reviewed the accompanying condensed combined consolidated interim financial statements of Investec Limited (incorporating Investec plc), contained in the accompanying interim report, which comprise the combined consolidated balance sheet as at 30 September 2019, and the related condensed combined consolidated income statement, combined consolidated statement of total comprehensive income, the combined consolidated statement of changes in equity and condensed combined consolidated cash flow statement for the six months then ended, and selected explanatory notes, as set out on pages 11 to 12, 17 to 34, 46 to 47 and 92 to 101.

Directors' Responsibility for the Interim Condensed Consolidated Financial Statements

The directors are responsible for the preparation and presentation of these condensed combined consolidated interim financial statements in accordance with the International Financial Reporting Standard, International Accounting Standard 34 – "*Interim Financial Reporting" (IAS 34),* the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of condensed combined consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these condensed combined consolidated interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed combined consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of persons responsible for financial and accounting matters, as appropriate, and applying analytical and other review procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these combined consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed combined consolidated interim financial statements of Investec Limited (incorporating Investec plc) for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, International Accounting Standard 34 - "*Interim Financial Reporting"*, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.

Ernst & Young Inc.
Registered Auditor

Per Gail Moshoeshoe
Chartered Accountant (SA)
Registered Auditor
Director

102 Rivonia Road
Private Bag X14
Sandton
2146
South Africa

20 November 2019

Investec plc and Investec Limited

Secretary and registered office

Investec plc

David Miller

30 Gresham Street
London EC2V 7QP
United Kingdom
Telephone (44) 20 7597 4000
Facsimile (44) 20 7597 4491

Investec Limited

Niki van Wyk

100 Grayston Drive
Sandown Sandton 2196
PO Box 785700
South Africa
Telephone (27) 11 286 7000
Facsimile (27) 11 286 7966

Internet address

www.investec.com

Registration number

Investec plc

Registration number 3633621

Investec Limited

Registration number 1925/002833/06

Auditors

Ernst & Young LLP
Ernst & Young Inc.

Registrars in the UK

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The Pavilions
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Bristol BS99 6ZZ
United Kingdom
Telephone (44) 370 707 1077

Transfer secretaries in South Africa

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051
Marshalltown 2107
South Africa
Telephone (27) 11 370 5000

Directorate as at 20 November 2019

Executive directors

Hendrik J du Toit (joint chief executive officer)
Fani Titi (joint chief executive officer)
Nishlan A Samujh (group finance director)*
Kim M McFarland
Bernard Kantor**
Stephen Koseff**

Non-executive directors

Perry KO Crosthwaite (chairman)
Zarina BM Bassa (senior independent director)
Henrietta C Baldock***
David Friedland
Philip A Hourquebie
Charles R Jacobs
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Khumo L Shuenyane
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* *Appointed 01 April 2019*
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