

BASE PROSPECTUS SUPPLEMENT



INVESTEC plc

(incorporated with limited liability in England and Wales with registered number 3633621)

This base prospectus supplement (the "**Base Prospectus Supplement**") is supplemental to and must be read in conjunction with the base prospectus relating to the £1,000,000,000 Euro Medium Term Note Programme dated 19 March 2015 and the supplemental prospectus dated 10 July 2015 (together, the "**Base Prospectus**") prepared by Investec plc (the "**Issuer**") in connection with the application made for Notes to be admitted to listing on the Official List of the Financial Conduct Authority in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**"), and to trading on the Regulated Market of the London Stock Exchange plc.

This Base Prospectus Supplement constitutes a supplement for the purposes of Directive 2003/71/EC (as amended) (the "**Prospectus Directive**") and a supplementary prospectus for the purposes of section 87G of the FSMA Terms defined in the Base Prospectus shall have the same meaning when used in this Base Prospectus Supplement.

To the extent that there is any inconsistency between any statement in this Base Prospectus Supplement and any other statement in or incorporated by reference in the Base Prospectus, the statements in this Base Prospectus Supplement will prevail.

The purpose of this Base Prospectus Supplement is to:

- Disclose that on 19 November 2015, the Issuer published its unaudited consolidated interim financial information for the six months ended 30 September 2015 (the "**Unaudited September 2015 Financial Information**"), a copy of which is annexed hereto. Any document or information incorporated by reference into the Unaudited September 2015 Financial Information, either expressly or impliedly, does not form part of this Base Prospectus Supplement for the purposes of the Prospectus Directive.

Save as disclosed in this Base Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen since the publication of the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Base Prospectus Supplement. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

9 December 2015

**ANNEX
INVESTEC PLC**

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

Investec plc silo (excluding the results of Investec Limited)

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

IFRS - Pounds Sterling





Overview of results

Unaudited

	30 Sept 2015	30 Sept 2014	% change	31 Mar 2015
Total operating income before impairment losses on loans and advances (£'000)	574,904	572,359	0.0	1,127,081
Operating costs (£'000)	432,332	445,272	(2.9%)	895,586
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	106,893	72,523	47.4%	134,056
Earnings attributable to ordinary shareholders (£'000)	73,234	(7,592)	1064.6%	(23,813)
Cost to income ratio	75.2%	77.9%	(3.4%)	79.5%
Total capital resources (including subordinated liabilities) (£'000)	2,533,841	2,782,430	(8.9%)	2,670,996
Total shareholders' equity (£'000)	1,909,049	2,122,792	(10.1%)	2,074,073
Total assets (£'000)	17,295,448	21,619,534	(20.0%)	18,271,998
Net core loans and advances (£'000)	7,210,297	6,678,251	8.0%	7,061,117
Customer accounts (deposits) (£'000)	9,727,635	10,392,223	(6.4%)	10,306,331
Cash and near cash balances (£'000)	4,389,672	4,548,254	(3.5%)	5,039,361
Funds under management (£'million) *	76,035	73,728	3.1%	80,460
Capital adequacy ratio	15.9%	15.9%		16.2%
Tier 1 ratio	11.2%	11.0%		11.4%
Common equity tier 1 ratio	10.0%	9.1%		9.7%
Leverage ratio	7.1%	7.3%		7.4%
Leverage ratio - "fully loaded"	6.4%	6.1%		6.3%
Defaults (net of impairments) as a % of net core loans and advances	2.93%	3.56%		3.00%
Net defaults (after collateral and impairments) as a % of net core loans and advances	-	-		-
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.89%	1.20%		1.16%
Total gearing (i.e. total assets to total equity)	9.1X	10.2X		8.8X
Loans and advances to customers: customer accounts (deposits)	74.1%	64.3%		68.5%

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



Consolidated income statement

Unaudited

£'000	Six months to 30 Sept 2015	Six months to 30 Sept 2014	Year to 31 Mar 2015
Interest income	276,506	361,879	669,466
Interest expense	(146,289)	(181,129)	(341,984)
Net interest income	130,217	180,750	327,482
Fee and commission income	402,400	408,202	844,505
Fee and commission expense	(47,943)	(56,661)	(113,408)
Investment income	44,239	3,223	(2,210)
Trading income arising from			
- customer flow	45,477	43,956	88,259
- balance sheet management and other trading activities	(3,195)	(11,243)	(28,186)
Other operating income	3,709	4,132	10,639
Total operating income before impairment losses on loans and advances	574,904	572,359	1,127,081
Impairment losses on loans and advances	(31,313)	(53,979)	(102,707)
Operating income	543,591	518,380	1,024,374
Operating costs	(432,332)	(445,272)	(895,586)
Depreciation on operating leased assets	(216)	(1,089)	(1,535)
Operating profit before goodwill and acquired intangibles	111,043	72,019	127,253
Impairment of goodwill	-	(4,375)	(4,376)
Amortisation of acquired intangibles	(7,233)	(7,394)	(14,497)
Operating profit	103,810	60,250	108,380
Net loss on disposal of subsidiaries	(4,746)	(18,594)	(93,060)
Profit before taxation	99,064	41,656	15,320
Taxation on operating profit before goodwill	(23,118)	(15,900)	(28,362)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	1,438	(33,852)	(17,574)
Profit/(loss) after taxation	77,384	(8,096)	(30,616)
Profit attributable to Asset Management non-controlling interests	(5,357)	(5,047)	(10,053)
Loss attributable to other non-controlling interests	1,207	5,551	16,856
Earnings attributable to shareholders	73,234	(7,592)	(23,813)

Consolidated statement of comprehensive income

Unaudited

£'000	Six months to 30 Sept 2015	Six months to 30 Sept 2014	Year to 31 Mar 2015
Profit after taxation	77,384	(8,096)	(30,616)
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Fair value movements on cash flow hedges taken directly to other comprehensive income	-	471	1,040
(Gains)/losses on available-for-sale assets recycled through the income statement	(482)	(1,164)	1,935
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(3,062)	5,381	(4,216)
Foreign currency adjustments on translating foreign operations	(16,133)	(58,243)	(51,484)
Items that will never be reclassified to the income statement			
Remeasurement of net defined benefit pension asset	-	-	6,340
Total comprehensive income/(loss)	57,707	(61,651)	(77,001)
Total comprehensive income/(loss) attributable to non-controlling interests	4,146	(472)	(6,807)
Total comprehensive income/(loss) attributable to ordinary shareholders	41,857	(72,392)	(84,722)
Total comprehensive income attributable to perpetual preferred securities	11,704	11,213	14,528
Total comprehensive income/(loss)	57,707	(61,651)	(77,001)



Consolidated balance sheet

Unaudited

£'000	30 Sept 2015	31 Mar 2015	30 Sept 2014
Assets			
Cash and balances at central banks	1,683,278	2,181,242	2,854,043
Loans and advances to banks	953,609	1,053,932	936,626
Reverse repurchase agreements and cash collateral on securities borrowed	1,367,202	1,448,205	725,292
Sovereign debt securities	1,075,933	1,212,910	859,800
Bank debt securities	189,287	226,273	227,017
Other debt securities	297,028	222,485	186,953
Derivative financial instruments	641,323	775,021	1,290,424
Securities arising from trading activities	658,157	670,298	550,106
Investment portfolio	409,258	400,941	409,063
Loans and advances to customers	7,210,297	7,061,117	6,678,251
Other loans and advances	447,227	554,912	422,032
Other securitised assets	156,491	411,983	444,716
Interests in associated undertakings	21,275	21,931	20,631
Deferred taxation assets	71,364	73,618	62,195
Other assets	1,511,463	1,335,580	1,264,565
Property and equipment	58,702	63,069	60,299
Investment property	58,309	65,736	59,905
Goodwill	356,225	356,090	357,645
Intangible assets	129,020	136,655	144,343
Non current assets / disposals groups classified as held for sale	-	-	4,065,628
	17,295,448	18,271,998	21,619,534
Liabilities			
Deposits by banks	262,743	221,666	801,436
Derivative financial instruments	787,421	953,391	678,411
Other trading liabilities	269,125	251,879	374,918
Repurchase agreements and cash collateral on securities lent	420,145	597,259	599,965
Customer accounts (deposits)	9,727,635	10,306,331	10,392,223
Debt securities in issue	1,697,632	1,352,314	1,633,995
Liabilities arising on securitisation of other assets	123,237	330,526	311,921
Current taxation liabilities	131,251	104,605	102,477
Deferred taxation liabilities	42,298	45,403	51,324
Other liabilities	1,300,120	1,437,628	1,912,927
Liabilities directly associated with non-current assets / disposals groups held for sale	-	-	1,977,507
	14,761,607	15,601,002	18,837,104
Subordinated liabilities	624,792	596,923	659,638
	15,386,399	16,197,925	19,496,742
Equity			
Ordinary share capital	182	180	180
Perpetual preference share capital	151	151	151
Share premium	1,194,257	1,171,441	1,171,441
Treasury shares	(61,662)	(37,960)	(64,269)
Other reserves	(51,044)	1,782	195,118
Retained income	809,883	778,023	648,396
Shareholders' equity excluding non-controlling interests	1,891,767	1,913,617	1,951,017
Non-controlling interests	17,282	160,456	171,775
- Perpetual preferred securities issued by subsidiaries	-	144,598	155,745
- Non-controlling interests in partially held subsidiaries	17,282	15,858	16,030
Total equity	1,909,049	2,074,073	2,122,792
Total liabilities and equity	17,295,448	18,271,998	21,619,534



Condensed consolidated statement of changes in equity

Unaudited

£'000	Six months to 30 Sept 2015	Year to 31 Mar 2015	Six months to 30 Sept 2014
Balance at the beginning of the period	2,074,073	2,268,593	2,268,593
Profit after taxation	77,384	(30,616)	(8,096)
Fair value movements on cash flow hedges taken directly to other comprehensive income	-	1,040	471
(Gains)/losses on available-for-sale assets recycled through the income statement	(482)	1,935	(1,164)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(3,062)	(4,216)	5,381
Foreign currency adjustments on translating foreign operations	(16,133)	(51,484)	(58,243)
Remeasurement of net defined benefit pension liability	-	6,340	-
Total comprehensive income/(loss) for the period	57,707	(77,001)	(61,651)
Share-based payments adjustments	11,829	35,050	16,085
Dividends paid to ordinary shareholders	(46,367)	(97,068)	(45,835)
Dividends declared to perpetual preference shareholders	-	(14,528)	-
Dividends paid to perpetual preference shareholders	(11,704)	-	(12,854)
Dividends paid to non-controlling interests	(5,235)	(9,487)	(4,500)
Issue of ordinary shares	22,818	24,895	24,895
Gain on transfer of non-controlling interests	-	(1,384)	-
(Redemption)/acquisition of non-controlling interests	(142,106)	-	35
Movement of treasury shares	(51,966)	(54,997)	(61,976)
Balance at the end of the period	1,909,049	2,074,073	2,122,792



Segmental business analysis - income statement

Unaudited

For the six months to 30 September 2015	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total Group
Net interest income	123	2,022	128,072	-	130,217
Fee and commission income	185,568	122,353	94,479	-	402,400
Fee and commission expense	(45,726)	(284)	(1,933)	-	(47,943)
Investment income	-	(230)	44,469	-	44,239
Trading income arising from					
- customer flow	-	532	44,945	-	45,477
- balance sheet management and other trading activities	(1,164)	82	(2,113)	-	(3,195)
Other operating income	165	695	2,849	-	3,709
Total operating income before impairment losses on loans and advances	138,966	125,170	310,768	-	574,904
Impairment losses on loans and advances	-	-	(31,313)	-	(31,313)
Operating income	138,966	125,170	279,455	-	543,591
Operating costs	(98,838)	(99,274)	(217,184)	(17,036)	(432,332)
Depreciation on operating leased assets	-	-	(216)	-	(216)
Operating profit before goodwill and acquired intangibles	40,128	25,896	62,055	(17,036)	111,043
Operating loss attributable to other non-controlling interests	-	-	1,207	-	1,207
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	40,128	25,896	63,262	(17,036)	112,250
Operating profit attributable to Asset Management non-controlling interests	(5,357)	-	-	-	(5,357)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	34,771	25,896	63,262	(17,036)	106,893
Cost to income ratio	71.1%	79.3%	69.9%		75.2%
Total assets (£'million)	378	920	15,997		17,295

For the six months to 30 September 2014	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total Group
Net interest income	117	3,004	177,629	-	180,750
Fee and commission income	176,183	117,863	114,156	-	408,202
Fee and commission expense	(45,910)	(626)	(10,125)	-	(56,661)
Investment income	-	1,795	1,428	-	3,223
Trading income arising from					
- customer flow	-	101	43,855	-	43,956
- balance sheet management and other trading activities	(173)	86	(11,156)	-	(11,243)
Other operating income	(443)	673	3,902	-	4,132
Total operating income before impairment losses on loans and advances	129,774	122,896	319,689	-	572,359
Impairment losses on loans and advances	-	-	(53,979)	-	(53,979)
Operating income	129,774	122,896	265,710	-	518,380
Operating costs	(92,090)	(95,985)	(239,974)	(17,223)	(445,272)
Depreciation on operating leased assets	-	-	(1,089)	-	(1,089)
Operating profit before goodwill and acquired intangibles	37,684	26,911	24,647	(17,223)	72,019
Operating loss attributable to other non-controlling interests	-	-	5,551	-	5,551
Operating profit before goodwill, acquired intangibles and after other non-controlling interests	37,684	26,911	30,198	(17,223)	77,570
Operating profit attributable to Asset Management non-controlling interests	(5,047)	-	-	-	(5,047)
Operating profit before goodwill, acquired intangibles and after non-controlling interests	32,637	26,911	30,198	(17,223)	72,523
Cost to income ratio	71.0%	78.1%	75.3%		77.9%
Total assets (£'million)	389	918	20,313		21,620



Additional income statement note disclosure

Unaudited

Net interest income

For the six months to 30 September £'000		Note	2015		2014	
			Balance sheet value	Interest income	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5,269,309	24,070	5,602,778	22,948	
Core loans and advances	2	7,210,297	210,499	6,678,251	222,831	
Private Client		3,498,779	75,009	3,417,233	108,579	
Corporate, institutional and other clients		3,711,518	135,490	3,261,018	114,252	
Other debt securities and other loans and advances		744,255	41,937	608,985	64,552	
Other interest-earning assets	3	156,491	-	444,716	51,548	
Total interest-earning assets		13,380,352	276,506	13,334,730	361,879	

For the six months to 30 September £'000		Note	2015		2014	
			Balance sheet value	Interest expense	Balance sheet value	Interest expense
Deposits by banks and other debt related securities	4	2,380,521	(26,136)	3,035,396	(29,988)	
Customer accounts		9,727,635	(65,469)	10,392,223	(79,076)	
Other interest bearing liabilities	5	123,237	(22,298)	311,921	(39,096)	
Subordinated liabilities		624,792	(32,386)	659,638	(32,969)	
Total interest-bearing liabilities		12,856,185	(146,289)	14,399,178	(181,129)	

Net interest income

130,217

180,750

Notes:

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets.
4. Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5. Comprises (as per the balance sheet) liabilities arising on securitisation.

Net fee and commission income

For the six months to 30 September £'000		2015	2014
		Asset management and wealth management businesses net fee and commission income	261,911
Funds management fees/fees for assets under management	278,845	263,970	
Private client transactional fees	29,076	30,075	
Fee and commission expense	(46,010)	(46,535)	
Specialist Banking net fee and commission income	92,546	104,031	
Corporate and institutional transactional and advisory services	83,173	101,765	
Private client transactional fees	11,306	12,392	
Fee and commission expense	(1,933)	(10,126)	
Net fee and commission income	354,457	351,541	
Annuity fees (net of fees payable)	285,167	270,887	
Deal fees	69,290	80,654	

Investment income

For the six months to 30 September £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Other asset categories	Total
	2015			
Realised	6,835	31,084	114	38,033
Unrealised	6,861	(8,076)	(7,144)	(8,359)
Dividend income	12,486	-	-	12,486
Funding and other net related costs/income	-	-	2,079	2,079
	26,182	23,008	(4,951)	44,239
2014				
Realised	59,979	11,571	(1,884)	69,666
Unrealised	(65,933)	(3,021)	28	(68,926)
Dividend income	2,274	-	-	2,274
Funding and other net related costs/income	-	-	209	209
	(3,680)	8,550	(1,647)	3,223

* Including embedded derivatives (warrants and profit shares).



Additional IAS 34 disclosures

Unaudited

Analysis of financial assets and liabilities by measurement basis

At 30 September 2015 £'000	Total instruments at fair value [^]	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	1,360	1,681,918	-	1,683,278
Loans and advances to banks	78,785	874,824	-	953,609
Reverse repurchase agreements and cash collateral on securities borrowed	164,528	1,202,674	-	1,367,202
Sovereign debt securities	1,075,933	-	-	1,075,933
Bank debt securities	11,793	177,494	-	189,287
Other debt securities	129,078	167,950	-	297,028
Derivative financial instruments*	641,323	-	-	641,323
Securities arising from trading activities	658,157	-	-	658,157
Investment portfolio	409,258	-	-	409,258
Loans and advances to customers	31,047	7,179,250	-	7,210,297
Other loans and advances	-	447,227	-	447,227
Other securitised assets	153,516	2,975	-	156,491
Interests in associated undertakings	-	-	21,275	21,275
Deferred taxation assets	-	-	71,364	71,364
Other assets	230,881	1,049,374	231,208	1,511,463
Property and equipment	-	-	58,702	58,702
Investment properties	-	-	58,309	58,309
Goodwill	-	-	356,225	356,225
Intangible assets	-	-	129,020	129,020
	3,585,659	12,783,686	926,103	17,295,448
Liabilities				
Deposits by banks	-	262,743	-	262,743
Derivative financial instruments*	787,421	-	-	787,421
Other trading liabilities	269,125	-	-	269,125
Repurchase agreements and cash collateral on securities lent	198,368	221,777	-	420,145
Customer accounts (deposits)	-	9,727,635	-	9,727,635
Debt securities in issue	330,807	1,366,825	-	1,697,632
Liabilities arising on securitisation of other assets	123,237	-	-	123,237
Current taxation liabilities	-	-	131,251	131,251
Deferred taxation liabilities	-	-	42,298	42,298
Other liabilities	31,328	1,073,746	195,046	1,300,120
Subordinated liabilities	-	624,792	-	624,792
	1,740,286	13,277,518	368,595	15,386,399

[^] Included in total instruments at fair value are available-for-sale instruments of £1,219 million.

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

Financial instruments carried at fair value

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

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

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

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

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders. These are all level 1 assets.

At 30 September 2015 £'000	Financial instruments at fair value	Fair value category		
		Level 1	Level 2	Level 3
Assets				
Cash and balances at central banks	1,360	1,360	-	-
Loans and advances to banks	78,785	78,785	-	-
Reverse repurchase agreements and cash collateral on securities borrowed	164,528	-	164,528	-
Sovereign debt securities	1,075,933	1,075,933	-	-
Bank debt securities	11,793	5,085	6,708	-
Other debt securities	129,078	34,404	78,300	16,374
Derivative financial instruments	641,323	-	593,280	48,043
Securities arising from trading activities	658,157	622,793	26,084	9,280
Investment portfolio	409,258	53,559	46,642	309,057
Loans and advances to customers	31,047	-	243	30,804
Other securitised assets	153,516	-	-	153,516
Other assets	230,881	226,303	4,578	-
	3,585,659	2,098,222	920,363	567,074
Liabilities				
Derivative financial instruments	787,421	-	785,577	1,845
Other trading liabilities	269,125	269,125	-	-
Repurchase agreements and cash collateral on securities lent	198,368	-	198,368	-
Debt securities in issue	330,807	-	330,154	653
Liabilities arising on securitisation of other assets	123,237	-	-	123,237
Other liabilities	31,328	31,328	-	-
	1,740,286	300,453	1,314,099	125,735
Net assets	1,845,373	1,797,769	(393,736)	441,339



Additional IAS 34 disclosures

Unaudited

Transfers between level 1 and level 2

During the period derivative financial instrument assets and liabilities to the value of £173.1 million and £367.7 million respectively were transferred from level 1 to level 2 to reflect the level of modelling which is now being used to arrive at the fair value. There were no significant transfers between level 1 and level 2 in the prior year.

Level 3 instruments

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

£'000	Total level 3 fair value instruments	Fair value through profit and loss instruments	Available-for-sale instruments
Balance at 1 April 2015	455,827	405,058	50,770
Total gains or losses recognised in the current period	(29,656)	(33,743)	4,087
In the income statement	(29,607)	(33,743)	4,136
In the statement of comprehensive income	(49)	-	(49)
Purchases	54,368	26,495	27,873
Sales	(35,094)	(31,731)	(3,363)
Settlements	(304)	4,250	(4,554)
Transfers into level 3	3,230	2,736	494
Foreign exchange adjustments	(7,032)	(7,101)	68
Balance at 30 September 2015	441,339	365,964	75,375

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

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

For the six months to 30 September 2015

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

Measurement of financial assets and liabilities at level 2

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

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



Additional IAS 34 disclosures

Unaudited

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

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

30 September 2015	Balance sheet value £'000	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in other comprehensive income	
				Favourable changes £'000	Unfavourable changes £'000
Assets					
Investment Portfolio	67,286	EBITDA	(10%) - 10% or 5x EBITDA	4,212	(3,405)
Total	441,339			100,628	(100,087)



Additional IAS 34 disclosures

Unaudited

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

Credit spreads

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

Discount rates

Discount rates are the interest rates used to discount future cash flows in a discount cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

Volatilities

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

Cash flows

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

Price-earnings multiple

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

Fair value of financial assets and liabilities at amortised cost

At 30 September 2015

£'000	Carrying value	Fair value
Assets		
Cash and balances at central banks	1,681,918	1,681,918
Loans and advances to banks	874,824	874,824
Reverse repurchase agreements and cash collateral on securities borrowed	1,202,674	1,202,674
Bank debt securities	177,494	186,757
Other debt securities	167,950	163,848
Loans and advances to customers	7,179,250	7,239,935
Other loans and advances	447,227	434,255
Other securitised assets	2,975	2,975
Other assets	1,049,374	1,049,372
	12,783,686	12,836,558
Liabilities		
Deposits by banks	262,743	286,852
Repurchase agreements and cash collateral on securities lent	221,777	221,777
Customer accounts (deposits)	9,727,635	9,745,734
Debt securities in issue	1,366,825	1,343,287
Other liabilities	1,073,746	1,074,375
Subordinated liabilities	624,792	705,366
	13,277,518	13,377,391



Additional note disclosures

Unaudited

Operating costs

For the six months to 30 September

£'000	2015	2014
Staff costs	306,046	308,919
Premises expenses (excluding depreciation)	19,202	20,055
Equipment expenses (excluding depreciation)	14,650	15,565
Business expenses	69,253	74,674
Marketing expenses	17,324	17,991
Depreciation, amortisation and impairment of property, equipment and intangibles	6,073	9,157
	432,548	446,361

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

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

Extract of other debt securities

£'000	30 Sept 2015	31 Mar 2015
Bonds	219,878	119,618
Floating rate notes	-	12,994
Asset-based securities	75,056	87,790
Other investments	2,094	2,083
	297,028	222,485

Extract of securities arising from trading activities

£'000	30 Sept 2015	31 Mar 2015
Bonds	185,058	138,885
Government securities	324,605	380,274
Listed equities	145,736	148,746
Other investments	2,758	2,393
	658,157	670,298

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

£'000	30 Sept 2015	31 Mar 2015
Gross loans and advances to customers	7,385,313	7,249,561
Impairments of loans and advances to customers	(175,016)	(188,444)
Specific impairments	(138,510)	(154,262)
Portfolio impairments	(36,506)	(34,182)
Net loans and advances to customers	7,210,297	7,061,117
Gross other loans and advances to customers	463,039	584,904
Impairments of other loans and advances to customers	(15,812)	(29,992)
Specific impairments	(15,002)	(29,160)
Portfolio impairments	(810)	(832)
Net other loans and advances to customers	447,227	554,912

Extract of securitised assets

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

Other assets

£'000	30 Sept 2015	31 Mar 2015
Settlement debtors	944,896	887,883
Trading properties	102,765	125,763
Prepayments and accruals	27,938	43,096
Pension assets	38,057	35,900
Trading margins	199,553	33,200
Other	198,254	209,738
	1,511,463	1,335,580

Debt securities in issue

£'000	30 Sept 2015	31 Mar 2015
Repayable in:		
Less than three months	20,737	38,535
Three months to one year	142,226	111,387
One to five years	934,289	662,047
Greater than five years	600,380	540,345
	1,697,632	1,352,314

Other liabilities

£'000	30 Sept 2015	31 Mar 2015
Settlement liabilities	909,849	935,815
Other creditors and accruals	300,771	374,398
Other non-interest-bearing liabilities	89,500	127,415
	1,300,120	1,437,628



Additional note disclosures

Unaudited

Extract of perpetual preference share capital

£'000	30 Sept 2015	31 Mar 2015
Perpetual preference share capital	151	151
Perpetual preference share premium	149,449	149,449
	149,600	149,600

Extract of deferred taxation

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

Extract of subordinated liabilities

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

Offsetting

At 30 September 2015 £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Assets						
Cash and balances at central banks	1,683,278	-	1,683,278	-	-	1,683,278
Loans and advances to banks	953,609	-	953,609	-	(133,545)	820,064
Reverse repurchase agreements and cash collateral on securities borrowed	1,367,272	(70)	1,367,202	(260,097)	(6,053)	1,101,052
Sovereign debt securities	1,075,933	-	1,075,933	(161,705)	-	914,228
Bank debt securities	189,287	-	189,287	(33,593)	-	155,694
Other debt securities	297,028	-	297,028	-	-	297,028
Derivative financial instruments	3,025,077	(2,383,754)	641,323	(235,562)	(75,891)	329,870
Securities arising from trading activities	658,157	-	658,157	(585,218)	-	72,939
Investment portfolio	409,258	-	409,258	-	-	409,258
Loans and advances to customers	7,210,297	-	7,210,297	-	-	7,210,297
Other loans and advances	447,227	-	447,227	-	(21,946)	425,281
Other securitised assets	156,491	-	156,491	-	-	156,491
Other assets	1,514,207	(2,744)	1,511,463	-	(162,436)	1,349,027
	18,987,121	(2,386,568)	16,600,553	(1,276,175)	(399,871)	14,924,507
Liabilities						
Deposits by banks	262,743	-	262,743	-	(45,959)	216,784
Derivative financial instruments	3,171,175	(2,383,754)	787,421	(335,338)	(306,017)	146,066
Other trading liabilities	269,125	-	269,125	(260,097)	-	9,028
Repurchase agreements and cash collateral on securities lent	420,145	-	420,145	(320,252)	-	99,893
Customer accounts (deposits)	9,727,635	-	9,727,635	-	(22,763)	9,704,872
Debt securities in issue	1,697,632	-	1,697,632	(360,488)	(11,911)	1,325,233
Liabilities arising on securitisation of other assets	123,237	-	123,237	-	-	123,237
Other liabilities	1,302,934	(2,814)	1,300,120	-	-	1,300,120
Subordinated liabilities	624,792	-	624,792	-	-	624,792
	17,599,418	(2,386,568)	15,212,850	(1,276,175)	(386,650)	13,550,025

At 31 March 2015 £'000	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset		
	Gross amounts	Amounts offset	Net amounts reported on the balance sheet	Financial instruments (including non-cash collateral)	Cash collateral	Net amount
Assets						
Cash and balances at central banks	2,181,242	-	2,181,242	-	-	2,181,242
Loans and advances to banks	1,053,932	-	1,053,932	-	(185,581)	868,351
Reverse repurchase agreements and cash collateral on securities borrowed	1,453,618	(5,413)	1,448,205	(480,647)	(3,657)	963,901
Sovereign debt securities	1,212,910	-	1,212,910	(151,841)	-	1,061,069
Bank debt securities	226,273	-	226,273	(59,516)	-	166,757
Other debt securities	222,485	-	222,485	-	-	222,485
Derivative financial instruments	8,718,191	(7,943,170)	775,021	(285,518)	(81,087)	408,416
Securities arising from trading activities	670,298	-	670,298	(562,139)	-	108,159
Investment portfolio	400,941	-	400,941	-	-	400,941
Loans and advances to customers	7,069,592	(8,475)	7,061,117	-	-	7,061,117
Other loans and advances	554,912	-	554,912	-	(25,253)	529,659
Other securitised assets	411,983	-	411,983	-	-	411,983
Other assets	18,802,022	(17,466,442)	1,335,580	-	-	1,335,580
	42,978,399	(25,423,500)	17,554,899	(1,539,661)	(295,578)	15,719,660
Liabilities						
Deposits by banks	230,141	(8,475)	221,666	-	(46,431)	175,235
Derivative financial instruments	1,835,308	(881,917)	953,391	(386,671)	(203,056)	363,664
Other trading liabilities	24,352,976	(24,101,097)	251,879	(243,315)	-	8,564
Repurchase agreements and cash collateral on securities lent	597,259	-	597,259	(597,259)	-	-
Customer accounts (deposits)	10,306,331	-	10,306,331	-	(18,094)	10,288,237
Debt securities in issue	1,352,314	-	1,352,314	(312,416)	(7,777)	1,032,121
Liabilities arising on securitisation of other assets	330,526	-	330,526	-	-	330,526
Other liabilities	1,869,639	(432,011)	1,437,628	-	-	1,437,628
Subordinated liabilities	596,923	-	596,923	-	-	596,923
	41,471,417	(25,423,500)	16,047,917	(1,539,661)	(275,358)	14,232,898



Understanding Investec plc's results

Sale of businesses

During the year ended 31 March 2015 the group sold a number of businesses, namely Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited as set out below.

Sale of Investec Bank (Australia) Limited

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

The remaining business operate as a non-banking subsidiary of the Investec group. As a result, the group is no longer reporting the activities of its Australian businesses separately, with these activities now reported under the 'UK and Other' geographical segment and the 'UK and Other' Specialist Banking segment.

Sales of Kensington Group plc and Start Mortgage Holdings Limited

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

On 15 September 2014 Investec plc announced the sale of its Irish intermediated mortgage business Start Mortgage Holdings Limited ("Start") together with certain other Irish mortgage assets to an affiliate of Lone Star Funds. This transaction became effective on 4 December 2014. This resulted in the derecognition of approximately £4.1 billion of assets and approximately £2 billion of external liabilities associated with these businesses sold.

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

Impact of these sales on the group's operational performance

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

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

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



Consolidated summarised ongoing income statement

Unaudited

£'000	Six months to 30 Sept 2015	Six months to 30 Sept 2014	Variance	% change
Net interest income	128,858	111,832	17,026	15.2%
Net fee and commission income	351,141	350,430	711	0.2%
Investment income	44,225	12,041	32,184	267.3%
Trading income arising from				
- customer flow	45,900	44,387	1,513	3.4%
- balance sheet management and other trading activities	(2,895)	(11,132)	8,237	(74.0%)
Other operating income	3,709	4,084	(375)	(9.2%)
Total operating income before impairment losses on loans and advances	570,938	511,642	59,296	11.6%
Impairment losses on loans and advances	(2,914)	(8,279)	5,365	(64.8%)
Operating income	568,024	503,363	64,661	12.8%
Operating costs	(421,243)	(400,575)	(20,668)	5.2%
Depreciation on operating leased assets	(216)	(1,089)	873	(80.2%)
Operating profit before goodwill, acquired intangibles and non-operating items	146,565	101,699	44,866	44.1%
Loss attributable to other non-controlling interests	1,207	5,551	(4,344)	(78.3%)
Profit attributable to Asset Management non-controlling interests	(5,357)	(5,047)	(310)	6.1%
Operating profit before taxation	142,415	102,203	40,212	39.3%
Taxation	(30,800)	(22,453)	(8,347)	37.2%
Adjusted earnings before goodwill, acquired intangibles and non-operating items	111,615	79,750	31,865	40.0%



Reconciliation from statutory summarised income statement to ongoing summarised income statement

Unaudited

For the six months to 30 September 2015 £'000	Statutory as disclosed	Removal of:**		Ongoing business
		UK legacy business excluding sale assets	Sale assets UK Sale assets Australia	
Net interest income	130,217	1,359	-	128,858
Net fee and commission income	354,457	3,316	-	351,141
Investment income	44,239	14	-	44,225
Trading income arising from				
- customer flow	45,477	(423)	-	45,900
- balance sheet management and other trading activities	(3,195)	(300)	-	(2,895)
Other operating income	3,709	-	-	3,709
Total operating income before impairment losses on loans and advances	574,904	3,966	-	570,938
Impairment losses on loans and advances	(31,313)	(28,399)	-	(2,914)
Operating income	543,591	(24,433)	-	568,024
Operating costs	(432,332)	(11,089)	-	(421,243)
Depreciation on operating leased assets	(216)	-	-	(216)
Operating profit/ (loss) before goodwill, acquired intangibles and non-operating items	111,043	(35,522)	-	146,565
Loss attributable to other non-controlling interests	1,207	-	-	1,207
Profit attributable to Asset Management non-controlling interests	(5,357)	-	-	(5,357)
Operating profit/ (loss) before taxation	106,893	(35,522)	-	142,415
Taxation*	(23,118)	7,682	-	(30,800)
Adjusted earnings before goodwill, acquired intangibles and non-operating items	83,775	(27,840)	-	111,615
Cost to income ratio	75.2%			73.8%

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

** Where:

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



Reconciliation from statutory summarised income statement to ongoing summarised income statement

Unaudited

For the six months to 30 September 2014 £'000	Statutory as disclosed	Removal of:**			Ongoing business
		UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	
Net interest income	180,750	10,790	45,861	12,267	111,832
Net fee and commission income	351,541	1,689	(3,306)	2,728	350,430
Investment income	3,223	(4,689)	(2,262)	(1,867)	12,041
Trading income arising from					
- customer flow	43,956	(183)	(38)	(210)	44,387
- balance sheet management and other trading activities	(11,243)	168	(125)	(154)	(11,132)
Other operating income	4,132	-	-	48	4,084
Total operating income before impairment losses on loans and advances	572,359	7,775	40,130	12,812	511,642
Impairment losses on loans and advances	(53,979)	(37,629)	(6,594)	(1,476)	(8,279)
Operating income	518,380	(29,854)	33,536	11,336	503,363
Operating costs	(445,272)	(11,838)	(20,056)	(12,803)	(400,575)
Depreciation on operating leased assets	(1,089)	-	-	-	(1,089)
Operating profit/ (loss) before goodwill, acquired intangibles and non-operating items	72,019	(41,692)	13,480	(1,467)	101,699
Loss attributable to other non-controlling interests	5,551	-	-	-	5,551
Profit attributable to Asset Management non-controlling interests	(5,047)	-	-	-	(5,047)
Operating profit/ (loss) before taxation	72,523	(41,692)	13,480	(1,467)	102,203
Taxation*	(15,900)	9,205	(2,976)	324	(22,453)
Adjusted earnings before goodwill, acquired intangibles and non-operating items	56,623	(32,487)	10,504	(1,143)	79,750
Cost to income ratio	77.9%				78.5%

* Applying the group's effective statutory taxation rate of 22.1%.

** Where:

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



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

Unaudited

Removal of:**

For the six months to 30 September 2015 £'000	UK and Other Specialist Banking statutory as disclosed	UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	UK and Other Specialist Banking ongoing business
Net interest income	128,072	1,359	-	-	126,713
Net fee and commission income	92,546	3,316	-	-	89,230
Investment income	44,469	14	-	-	44,455
Trading income arising from					
- customer flow	44,945	(423)	-	-	45,368
- balance sheet management and other trading activities	(2,113)	(300)	-	-	(1,813)
Other operating income	2,849	-	-	-	2,849
Total operating income before impairment losses on loans and advances	310,768	3,966	-	-	306,802
Impairment losses on loans and advances	(31,313)	(28,399)	-	-	(2,914)
Operating income	279,455	(24,433)	-	-	303,888
Operating costs (including group costs)	(217,184)	(11,089)	-	-	(206,095)
Depreciation on operating leased assets	(216)	-	-	-	(216)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	62,055	(35,522)	-	-	97,577
Profit attributable to other non-controlling interests	1,207	-	-	-	1,207
Operating profit/(loss) before taxation	63,262	(35,522)	-	-	98,784

** Where:

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



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

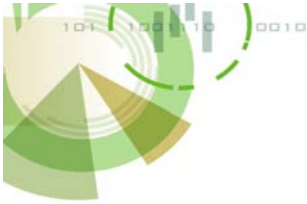
Unaudited

Removal of:**

For the six months to 30 September 2014 £'000	UK and Other Specialist Banking statutory as disclosed	UK legacy business excluding sale assets	Sale assets UK	Sale assets Australia	UK and Other Specialist Banking ongoing business
Net interest income	177,629	10,790	45,861	12,267	108,711
Net fee and commission income	104,031	1,689	(3,306)	2,728	102,920
Investment income	1,428	(4,689)	(2,262)	(1,867)	10,246
Trading income arising from					
- customer flow	43,855	(183)	(38)	(210)	44,286
- balance sheet management and other trading activities	(11,156)	168	(125)	(154)	(11,045)
Other operating income	3,902	-	-	48	3,854
Total operating income before impairment losses on loans and advances	319,689	7,775	40,130	12,812	258,972
Impairment losses on loans and advances	(53,979)	(37,629)	(6,594)	(1,476)	(8,280)
Operating income	265,710	(29,854)	33,536	11,336	250,692
Operating costs (including group costs)	(239,974)	(11,838)	(20,056)	(12,803)	(195,277)
Depreciation on operating leased assets	(1,089)	-	-	-	(1,089)
Operating profit/(loss) before goodwill, acquired intangibles and non-operating items	24,647	(41,692)	13,480	(1,467)	54,326
Loss attributable to other non-controlling interests	5,551	-	-	-	5,551
Operating profit/(loss) before taxation	30,198	(41,692)	13,480	(1,467)	59,877

** Where:

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



Segmental geographical and business analysis of operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests - ongoing business

Unaudited

For the six months to 30 September (£'000)	30 Sept 2015	30 Sept 2014	% change
Asset Management	40,128	37,684	6.5%
Wealth & Investment	25,896	26,911	(3.8%)
Specialist Banking	98,784	59,877	65.0%
	164,808	124,472	32.4%
Group costs	(17,036)	(17,223)	(1.1%)
Total group	147,772	107,249	37.8%

A reconciliation of the UK and Other Specialist Banking's operating profit: ongoing vs statutory basis

For the six months to 30 September (£'000)	30 Sept 2015	30 Sept 2014	% change
Total ongoing UK and Other Specialist Banking per above	98,784	59,877	65.0%
UK legacy remaining	(35,522)	(41,692)	(14.8%)
UK sale assets	-	13,480	
Australian sale assets	-	(1,467)	
Total UK and Other Specialist Banking per statutory accounts	63,262	30,198	109.5%



Ongoing segmental business analysis - summarised income statement

Unaudited

For the six months to 30 Sept 2015 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	123	2,022	126,713	-	128,858
Net fee and commission income	139,842	122,069	89,230	-	351,141
Investment income	-	(230)	44,455	-	44,225
Trading income arising from					
- customer flow	-	532	45,368	-	45,900
- balance sheet management and other trading activities	(1,164)	82	(1,813)	-	(2,895)
Other operating income	165	695	2,849	-	3,709
Total operating income before impairment losses on loans and advances	138,966	125,170	306,802	-	570,938
Impairment losses on loans and advances	-	-	(2,914)	-	(2,914)
Operating income	138,966	125,170	303,888	-	568,024
Operating costs	(98,838)	(99,274)	(206,095)	(17,036)	(421,243)
Depreciation on operating leased assets	-	-	(216)	-	(216)
Operating profit before goodwill, acquired intangibles and non-operating items	40,128	25,896	97,577	(17,036)	146,565
Loss attributable to other non-controlling interests	-	-	1,207	-	1,207
Operating profit before goodwill, acquired intangibles and non-operating items and after other non-controlling interests	40,128	25,896	98,784	(17,036)	147,772
Profit attributable to Asset Management non-controlling interests	(5,357)	-	-	-	(5,357)
Operating profit before goodwill, acquired intangibles and non-operating items and after non-controlling interests	34,771	25,896	98,784	(17,036)	142,415
Selected returns and key statistics					
Cost to income ratio	71.1%	79.3%	67.2%		73.8%



Ongoing segmental business analysis - summarised income statement

Unaudited

For the six months to 30 Sept 2014 £'000	Asset Management	Wealth & Investment	Specialist Banking	Group Costs	Total group
Net interest income	117	3,004	108,711	-	111,832
Net fee and commission income	130,273	117,237	102,920	-	350,430
Investment income	-	1,795	10,246	-	12,041
Trading income arising from					
- customer flow	-	101	44,286	-	44,387
- balance sheet management and other trading activities	(173)	86	(11,045)	-	(11,132)
Other operating (loss)/income	(443)	673	3,854	-	4,084
Total operating income before impairment losses on loans and advances	129,774	122,896	258,972	-	511,642
Impairment losses on loans and advances	-	-	(8,280)	-	(8,280)
Operating income	129,774	122,896	250,692	-	503,362
Operating costs	(92,090)	(95,985)	(195,277)	(17,223)	(400,575)
Depreciation on operating leased assets	-	-	(1,089)	-	(1,089)
Operating profit before goodwill, acquired intangibles and non-operating items	37,684	26,911	54,326	(17,223)	101,698
Profit attributable to other non-controlling interests	-	-	5,551	-	5,551
Operating profit before goodwill, acquired intangibles and non-operating items and after other non-controlling interests	37,684	26,911	59,877	(17,223)	107,249
Loss attributable to Asset Management non-controlling interests	(5,047)	-	-	-	(5,047)
Operating profit before goodwill, acquired intangibles and non-operating items and after non-controlling interests	32,637	26,911	59,877	(17,223)	102,202
Selected returns and key statistics					
Cost to income ratio	71.0%	78.1%	75.7%		78.5%



Legacy business in the UK Specialist Bank

Unaudited

The legacy business in the UK Specialist Bank comprises:

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

Legacy business – overview of results

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

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

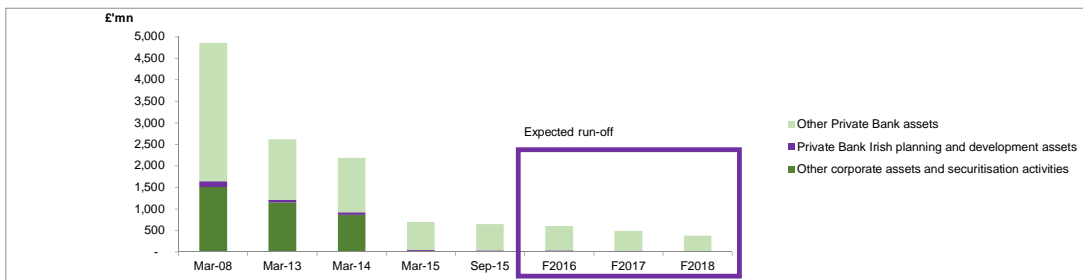
An analysis of assets of within the legacy business

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

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

Expected run-off of legacy assets

Total other legacy assets excluding sale assets





Capital structure and capital adequacy

Unaudited

£'million	30 Sept 2015	31 Mar 2015
Tier 1 capital		
Shareholders' equity	1,626	1,642
Shareholders' equity per balance sheet	1,892	1,914
Foreseeable dividends	(59)	(57)
Perpetual preference share capital and share premium	(150)	(150)
Deconsolidation of special purpose entities	(57)	(65)
Non-controlling interests	8	9
Non-controlling interests per balance sheet	17	160
Non-controlling interests transferred to tier 1	-	(144)
Surplus non-controlling interest disallowed in CET1	(9)	(7)
Regulatory adjustments to the accounting basis	(46)	(44)
Defined benefit pension fund adjustment	(30)	(29)
Additional value adjustments	(16)	(15)
Deductions	(474)	(485)
Goodwill and intangible assets net of deferred tax	(467)	(473)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(7)	(8)
Securitisation positions	-	(4)
Common equity tier 1 capital	1,114	1,122
Additional tier 1 capital	129	205
Additional tier 1 instruments	129	274
Phase out of non-qualifying additional tier 1 instruments	-	(69)
Total tier 1 capital	1,243	1,327
Tier 2 capital	530	556
Tier 2 instruments	610	610
Non-qualifying surplus capital attributable to non-controlling interests	(80)	(54)
Total regulatory capital	1,773	1,883
Risk-weighted assets	11,144	11,608
Capital ratios		
Common equity tier 1 ratio	10.0%	9.7%
Tier 1 ratio	11.2%	11.4%
Total capital ratio	15.9%	16.2%
Capital requirements	892	929
Credit risk - prescribed standardised exposure classes	622	649
Corporates	292	287
Secured on real estate property	142	133
Retail	38	36
Institutions	25	36
Other exposure classes	119	146
Securitisation exposures	6	11
Equity risk - standardised approach	12	11
Listed equities	4	4
Unlisted equities	8	7
Counterparty credit risk	42	35
Credit valuation adjustment risk	3	3
Market risk	70	74
Interest rate	23	26
Foreign exchange	17	20
Equities	24	23
Options	6	5
Operational risk - standardised approach	143	157



Capital structure and capital adequacy

Unaudited £'million	30 Sept 2015	31 Mar 2015
Risk-weighted assets (banking and trading)	11,144	11,608
Credit risk - prescribed standardised exposure classes	7,770	8,111
Corporates	3,649	3,588
Secured on real estate property	1,771	1,657
Retail	479	453
Institutions	311	450
Other exposure classes	1,484	1,822
Securitisation exposures	76	141
Equity risk - standardised approach	150	140
Listed equities	49	52
Unlisted equities	101	88
Counterparty credit risk	521	436
Credit valuation adjustment risk	42	42
Market risk	871	922
Interest rate	285	328
Foreign Exchange	217	246
Commodities	1	-
Equities	295	291
Options	73	57
Operational risk - standardised approach	1,784	1,957
Large exposure requirement	6	-

Leverage

	30 Sept 2015	31 Mar 2015
Tier 1 Capital	1,243	1,327
Total exposure	17,560	17,943
Leverage ratio	7.1%	7.4%

A summary of capital adequacy and leverage ratios

	30 Sept 2015*	31 Mar 2015*
Common equity tier 1 (as reported)	10.0%	9.7%
Common equity tier 1 ("fully loaded") ^{^^}	10.0%	9.7%
Tier 1 (as reported)	11.2%	11.4%
Total capital adequacy ratio (as reported)	15.9%	16.2%
Leverage ratio** - permanent capital	7.1%	7.8%
Leverage ratio** - current	7.1%	7.4%
Leverage ratio** - ("fully loaded") ^{^^}	6.4%	6.3%

* The capital adequacy disclosures for Investec plc include the deduction of foreseeable dividends when calculating common equity tier 1 (CET1) capital as now required under the Capital Requirements Regulation (CRR) and EBA technical standards. These disclosures are different to the capital disclosures included in the Interim Report, which follows our normal basis of presentation and do not include the deduction for foreseeable dividends when calculating CET1 capital. Investec plc's CET1 ratio would be 50bps (31 March 2015: 50bps) higher on this basis.

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

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



Risk management

Credit and counterparty risk management

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions through loans and advances to clients and counterparties creates the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions giving rise to settlement and replacement risk (collectively counterparty risk):
 - Settlement risk is the risk that the settlement of a transaction does not take place as expected. Our definition of a settlement debtor is a short-term receivable (i.e. less than two days) which is excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
 - Replacement risk is the financial cost of having to enter into a replacement contract with an alternative market counterparty, following default by the original counterparty.

Credit and counterparty risk can be impacted by country risk where cross-border transactions are undertaken. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

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

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

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures decreased by 2.5% to £15.6 billion largely as a result of a decrease in cash balances as part of a planned reduction in surplus cash balances post strategic sales undertaken. Cash and near cash balances decreased by 12.9% to £4.4 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities.

£'000	30 Sept 2015	31 March 2015	% change	Average*
Cash and balances at central banks	1 681 860	2 179 822	(22.8%)	1 930 841
Loans and advances to banks	953 609	1 053 932	(9.5%)	1 003 771
Reverse repurchase agreements and cash collateral on securities borrowed	1 367 202	1 448 205	(5.6%)	1 407 704
Sovereign debt securities	1 075 933	1 212 910	(11.3%)	1 144 422
Bank debt securities	189 287	226 273	(16.3%)	207 780
Other debt securities	296 040	221 480	33.7%	258 760
Derivative financial instruments	400 633	516 034	(22.4%)	458 334
Securities arising from trading activities	507 480	513 673	(1.2%)	510 577
Loans and advances to customers (gross)	7 385 313	7 249 561	1.9%	7 317 437
Other loans and advances (gross)	336 433	393 353	(14.5%)	364 893
Other securitised assets (gross)	9 464	51 223	(81.5%)	30 344
Other assets	321 239	55 383	>100%	188 311
Total on-balance sheet exposures	14 524 493	15 121 849	(4.0%)	14 823 171
Guarantees ^	28 910	31 664	(8.7%)	30 287
Contingent liabilities, committed facilities and other	1 028 916	835 858	23.1%	932 387
Total off-balance sheet exposures	1 057 826	867 522	21.9%	962 674
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	15 582 319	15 989 371	(2.5%)	15 785 845

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

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



Risk management

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

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

£'000	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
At 30 September 2015				
Cash and balances at central banks	1 681 860	1 418		1 683 278
Loans and advances to banks	953 609	-		953 609
Reverse repurchase agreements and cash collateral on securities borrowed	1 367 202	-		1 367 202
Sovereign debt securities	1 075 933	-		1 075 933
Bank debt securities	189 287	-		189 287
Other debt securities	296 040	988		297 028
Derivative financial instruments	400 633	240 690		641 323
Securities arising from trading activities	507 480	150 677		658 157
Investment portfolio	-	409 258	1	409 258
Loans and advances to customers	7 385 313	(175 016)	2	7 210 297
Other loans and advances	336 433	110 794		447 227
Other securitised assets	9 464	147 027	3	156 491
Interest in associated undertakings	-	21 275		21 275
Deferred taxation assets	-	71 364		71 364
Other assets	321 239	1 190 224	4	1 511 463
Property and equipment	-	58 702		58 702
Investment properties	-	58 309		58 309
Goodwill	-	356 225		356 225
Intangible assets	-	129 020		129 020
Total on-balance sheet exposures	14 524 493	2 770 955		17 295 448
At 31 March 2015				
Cash and balances at central banks	2 179 822	1 420		2 181 242
Loans and advances to banks	1 053 932	-		1 053 932
Reverse repurchase agreements and cash collateral on securities borrowed	1 448 205	-		1 448 205
Sovereign debt securities	1 212 910	-		1 212 910
Bank debt securities	226 273	-		226 273
Other debt securities	221 480	1 005		222 485
Derivative financial instruments	516 034	258 987		775 021
Securities arising from trading activities	513 673	156 625		670 298
Investment portfolio	-	400 941	1	400 941
Loans and advances to customers	7 249 561	(188 444)	2	7 061 117
Other loans and advances	393 353	161 559		554 912
Other securitised assets	51 223	360 760	3	411 983
Interest in associated undertakings	-	21 931		21 931
Deferred taxation assets	-	73 618		73 618
Other assets	55 383	1 280 197	4	1 335 580
Property and equipment	-	63 069		63 069
Investment properties	-	65 736		65 736
Goodwill	-	356 090		356 090
Intangible assets	-	136 655		136 655
Total on-balance sheet exposures	15 121 849	3 150 149		18 271 998

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

2. Largely relates to impairments.

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

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



Risk management

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

£'000	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	1 681 860	-	-	-	-	-	1 681 860
Loans and advances to banks	951 119	-	2 490	-	-	-	953 609
Reverse repurchase agreements and cash collateral on securities borrowed	1 266 959	100 243	-	-	-	-	1 367 202
Sovereign debt securities	321 637	130 316	46 145	-	-	577 835	1 075 933
Bank debt securities	59	8 259	5 074	28 500	147 395	-	189 287
Other debt securities	5 404	171	672	83 456	48 931	157 406	296 040
Derivative financial instruments	43 975	45 701	65 134	132 678	55 887	57 258	400 633
Securities arising from trading activities	204 635	696	2 016	134 930	101 708	63 495	507 480
Loans and advances to customers (gross)	1 361 783	812 067	894 871	3 152 833	725 919	437 840	7 385 313
Other loans and advances (gross)	24 118	200	739	55 765	43 645	211 966	336 433
Other securitised assets (gross)	-	-	-	-	-	9 464	9 464
Other assets	321 239	-	-	-	-	-	321 239
Total on-balance sheet exposures	6 182 788	1 097 653	1 017 141	3 588 162	1 123 485	1 515 264	14 524 493
Guarantees [^]	25 956	1 534	720	700	-	-	28 910
Contingent liabilities, committed facilities and other	195 030	135 619	207 213	469 292	21 714	48	1 028 916
Total off-balance sheet exposures	220 986	137 153	207 933	469 992	21 714	48	1 057 826
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	6 403 774	1 234 806	1 225 074	4 058 154	1 145 199	1 515 312	15 582 319

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



Risk management

An analysis of gross credit and counterparty exposure by industry

£'000	Gross core loans and advances		Other credit and counterparty exposures		Total	
	30 Sept 2015	31 March 2015	30 Sept 2015	31 March 2015	30 Sept 2015	31 March 2015
HNW and professional individuals	1 331 777	1 203 489	138 585	109 328	1 470 362	1 312 817
Lending collateralised by property - largely to private clients	2 334 301	2 318 053	233 576	193 955	2 567 877	2 512 008
Agriculture	2 617	6 789	57	-	2 674	6 789
Electricity, gas and water (utility services)	411 555	362 488	217 650	222 310	629 205	584 798
Public and non-business services	131 429	187 120	3 085 811	3 797 555	3 217 240	3 984 675
Business services	425 829	333 841	87 166	60 742	512 995	394 583
Finance and insurance	671 271	732 676	3 603 756	3 506 775	4 275 027	4 239 451
Retailers and wholesalers	335 515	394 747	48 725	86 364	384 240	481 111
Manufacturing and commerce	417 341	468 103	88 133	73 427	505 474	541 530
Construction	67 708	62 591	20 828	25 708	88 536	88 299
Corporate commercial real estate	104 255	104 740	46 440	11 983	150 695	116 723
Other residential mortgages	-	-	272 672	354 916	272 672	354 916
Mining and resources	140 954	192 082	109 721	87 477	250 675	279 559
Leisure, entertainment and tourism	205 605	97 214	70 271	33 891	275 876	131 105
Transport	701 417	688 892	138 617	143 088	840 034	831 980
Communication	103 739	96 736	34 998	32 291	138 737	129 027
Total	7 385 313	7 249 561	8 197 006	8 739 810	15 582 319	15 989 371

Corporate client loans account for 50.4% of total core loans and advances and are well diversified across various industries. A more detailed analysis of the corporate client loan portfolio is provided further on. The remainder of core loans and advances largely relate to private client lending, as represented by the industry classification 'HNW and professional individuals' as well as 'lending collateralised by property'. A more detailed analysis of the private client loan portfolio is provided further on.

Detailed analysis of gross credit and counterparty exposure by industry

£'000	HNW and professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages*	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
At 30 September 2015																	
Cash and balances at central banks	-	-	-	-	1 681 860	-	-	-	-	-	-	-	-	-	-	-	1 681 860
Loans and advances to banks	-	-	-	-	-	-	953 609	-	-	-	-	-	-	-	-	-	953 609
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	1 367 202	-	-	-	-	-	-	-	-	-	1 367 202
Sovereign debt securities	-	-	-	-	1 075 933	-	-	-	-	-	-	-	-	-	-	-	1 075 933
Bank debt securities	-	-	-	-	-	-	189 287	-	-	-	-	-	-	-	-	-	189 287
Other debt securities	-	-	-	-	7 187	5 483	104 937	978	28 675	-	71 786	43 867	12 225	4 917	15 985	296 040	
Derivative financial instruments	19 784	-	57	24 520	211	38 268	231 139	7 541	22 814	8 312	533	13 055	14 276	19 302	821	400 633	
Securities arising from trading activities	-	-	-	29 481	315 324	-	142 908	2 022	4 840	-	-	-	-	-	12 905	507 480	
Loans and advances to customers (gross)	1 331 777	2 334 301	2 617	411 555	131 429	425 829	671 271	335 515	417 341	67 708	104 255	140 954	205 605	701 417	103 739	7 385 313	
Other loans and advances (gross)	-	-	-	-	-	-	144 963	-	-	-	48	191 422	-	-	-	336 433	
Other securitised assets	-	-	-	-	-	-	-	-	-	-	-	9 464	-	-	-	9 464	
Other assets	-	-	-	-	-	-	321 239	-	-	-	-	-	-	-	-	321 239	
Total on-balance sheet exposures	1 351 561	2 334 301	2 674	465 556	3 211 944	469 580	4 126 555	346 056	473 670	76 020	104 836	272 672	197 876	232 106	725 636	133 450	14 524 493
Guarantees [^]	26 976	-	-	-	-	400	-	-	-	-	-	-	1 534	-	-	-	28 910
Contingent liabilities, committed facilities and other	91 825	233 576	-	163 649	5 296	43 015	148 472	38 184	31 804	12 516	45 859	-	51 265	43 770	114 398	5 287	1 028 916
Total off-balance sheet exposures	118 801	233 576	-	163 649	5 296	43 415	148 472	38 184	31 804	12 516	45 859	-	52 799	43 770	114 398	5 287	1 057 826
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 470 362	2 567 877	2 674	629 205	3 217 240	512 995	4 275 027	384 240	505 474	88 536	150 695	272 672	250 675	275 876	840 034	138 737	15 582 319

* Historic legacy positions to non-target market clients

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



Risk management

Detailed analysis of gross credit and counterparty exposure by industry

£'000	HNW and professional individuals	Lending collateralised by property - largely to private clients	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance	Retailers and wholesalers	Manufacturing and commerce	Construction	Corporate commercial real estate	Other residential mortgages*	Mining and resources	Leisure, entertainment and tourism	Transport	Communication	Total
At 31 March 2015																	
Cash and balances at central banks	-	-	-	-	2 179 822	-	-	-	-	-	-	-	-	-	-	-	2 179 822
Loans and advances to banks	-	-	-	-	-	-	1 053 932	-	-	-	-	-	-	-	-	-	1 053 932
Reverse repurchase agreements and cash collateral on securities borrowed	-	-	-	-	-	-	1 448 205	-	-	-	-	-	-	-	-	-	1 448 205
Sovereign debt securities	-	-	-	-	1 212 910	-	-	-	-	-	-	-	-	-	-	-	1 212 910
Bank debt securities	-	-	-	-	-	-	226 273	-	-	-	-	-	-	-	-	-	226 273
Other debt securities	-	-	-	3 935	7 396	3 474	103 486	1 030	3 535	-	-	63 793	23 237	5 925	-	5 669	221 480
Derivative financial instruments	3 084	-	-	27 827	-	24 675	304 498	44 136	28 948	8 853	730	-	25 517	13 489	16 445	17 832	516 034
Securities arising from trading activities	-	-	-	34 894	380 262	794	81 267	3 828	4 817	-	1 343	-	2 187	1 150	2	3 129	513 673
Loans and advances to customers (gross)	1 203 489	2 318 053	6 789	362 488	187 120	333 841	732 676	394 747	468 103	62 591	104 740	-	192 082	97 214	688 892	96 736	7 249 561
Other loans and advances (gross)	-	-	-	-	-	-	144 181	-	-	-	9 702	-	-	-	-	-	393 353
Other securitised assets	-	-	-	-	-	-	-	-	-	-	-	51 223	-	-	-	-	51 223
Other assets	-	-	-	-	-	-	55 245	-	138	-	-	-	-	-	-	-	55 383
Total on-balance sheet exposures	1 206 573	2 318 053	6 789	429 144	3 967 510	362 784	4 149 763	443 741	505 541	71 444	116 515	354 486	243 023	117 778	705 339	123 366	15 121 849
Guarantees [^]	29 017	-	-	-	-	650	27	-	-	-	-	430	1 540	-	-	-	31 664
Contingent liabilities, committed facilities and other	77 227	193 955	-	155 654	17 165	31 149	89 661	37 370	35 989	16 855	208	-	34 996	13 327	126 641	5 661	835 858
Total off-balance sheet exposures	106 244	193 955	-	155 654	17 165	31 799	89 688	37 370	35 989	16 855	208	430	36 536	13 327	126 641	5 661	867 522
Total gross credit and counterparty exposures pre-collateral or other credit enhancements	1 312 817	2 512 008	6 789	584 798	3 984 675	394 583	4 239 451	481 111	541 530	88 299	116 723	354 916	279 559	131 105	831 980	129 027	15 989 371

* Historic legacy positions to non-target market clients.

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



Risk management

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

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

£'000	30 Sept 2015	31 March 2015
Gross core loans and advances to customers	7 385 313	7 249 561
Total impairments	(175 016)	(188 444)
Specific impairments	(138 510)	(154 262)
Portfolio impairments	(36 506)	(34 182)
Net core loans and advances to customers	7 210 297	7 061 117
Average gross core loans and advances to customers	7 317 437	7 832 564
Current loans and advances to customers	6 910 596	6 733 402
Past due loans and advances to customers (1 - 60 days)	57 298	73 489
Special mention loans and advances to customers	30 842	42 556
Default loans and advances to customers	386 577	400 114
Gross core loans and advances to customers	7 385 313	7 249 561
Current loans and advances to customers	6 910 596	6 733 402
Default loans that are current and not impaired	17 684	26 785
Gross core loans and advances to customers that are past due but not impaired	147 003	146 428
Gross core loans and advances to customers that are impaired	310 030	342 946
Gross core loans and advances to customers	7 385 313	7 249 561
Total income statement charge for impairments on core loans and advances	(32 626)	(90 709)
Gross default loans and advances to customers	386 577	400 114
Specific impairments	(138 510)	(154 262)
Portfolio impairments	(36 506)	(34 182)
Defaults net of impairments	211 561	211 670
Aggregate collateral and other credit enhancements on defaults	278 698	280 697
Net default loans and advances to customers (limited to zero)	-	-
Ratios		
Total impairments as a % of gross core loans and advances to customers	2.37%	2.60%
Total impairments as a % of gross default loans	45.27%	47.10%
Gross defaults as a % of gross core loans and advances to customers	5.23%	5.52%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.93%	3.00%
Net defaults as a % of net core loans and advances to customers	-	-
Annualised credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.89%	1.16%



Risk management

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

£'000	30 Sept 2015	31 March 2015
Default loans that are current	132 002	176 913
1 - 60 days	102 664	119 496
61 - 90 days	12 622	2 249
91 - 180 days	28 003	7 639
181 - 365 days	32 961	45 758
> 365 days	166 465	164 104
Past due and default core loans and advances to customers (actual capital exposure)	474 717	516 159
1 - 60 days	4 085	5 796
61 - 90 days	587	172
91 - 180 days	4 884	2 566
181 - 365 days	8 391	4 742
> 365 days	141 127	156 328
Past due and default core loans and advances to customers (actual amount in arrears)	159 074	169 604

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

£'000	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
At 30 September 2015							
Default loans that are current and not impaired							
Total capital exposure	17 684	-	-	-	-	-	17 684
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	78 991	12 129	24 461	13 381	18 041	147 003
Amount in arrears	-	4 012	97	1 388	1 811	8 581	15 889
Gross core loans and advances to customers that are impaired							
Total capital exposure	114 318	23 673	493	3 542	19 580	148 424	310 030
Amount in arrears	-	73	490	3 496	6 580	132 546	143 185
At 31 March 2015							
Default loans that are current and not impaired							
Total capital exposure	26 785	-	-	-	-	-	26 785
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	-	113 795	2 249	5 287	9 195	15 902	146 428
Amount in arrears	-	5 754	172	214	525	8 327	14 992
Gross core loans and advances to customers that are impaired							
Total capital exposure	150 128	5 701	-	2 352	36 563	148 202	342 946
Amount in arrears	-	42	-	2 352	4 217	148 001	154 612



Risk management

An age analysis of past due and default core loans and advances to customers at 30 September 2015 (based on total capital exposure)

£'000	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
Past due (1 - 60 days)	-	57 298	-	-	-	-	57 298
Special mention	-	19 991	10 851	-	-	-	30 842
Special mention (1 - 90 days)	-	19 991	-	-	-	-	19 991
Special mention (61 - 90 days and item well secured)	-	-	10 851	-	-	-	10 851
Default	132 002	25 375	1 771	28 003	32 961	166 465	386 577
Sub-standard	62 706	13 494	1 763	24 441	31 123	73 403	206 930
Doubtful	67 906	11 881	-	2 786	1 156	5 998	89 727
Loss	1 390	-	8	776	682	87 064	89 920
Total	132 002	102 664	12 622	28 003	32 961	166 465	474 717

An age analysis of past due and default core loans and advances to customers at 30 September 2015 (based on actual amount in arrears)

£'000	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
Past due (1 - 60 days)	-	3 981	-	-	-	-	3 981
Special mention	-	30	97	-	-	-	127
Special mention (1 - 90 days)	-	30	-	-	-	-	30
Special mention (61 - 90 days and item well secured)	-	-	97	-	-	-	97
Default	-	74	490	4 884	8 391	141 127	154 966
Sub-standard	-	20	482	1 369	6 638	48 446	56 955
Doubtful	-	54	-	2 744	1 078	5 991	9 867
Loss	-	-	8	771	675	86 690	88 144
Total	-	4 085	587	4 884	8 391	141 127	159 074

An age analysis past due and default core loans and advances to customers at 31 March 2015 (based on total capital exposure)

£'000	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
Past due (1 - 60 days)	-	73 489	-	-	-	-	73 489
Special mention	-	40 307	2 249	-	-	-	42 556
Special mention (1 - 90 days)	-	40 307	-	-	-	-	40 307
Special mention (61 - 90 days and item well secured)	-	-	2 249	-	-	-	2 249
Default	176 913	5 700	-	7 639	45 758	164 104	400 114
Sub-standard	87 505	-	-	5 480	38 175	55 640	186 800
Doubtful	88 040	5 700	-	1 347	7 151	6 071	108 309
Loss	1 368	-	-	812	432	102 393	105 005
Total	176 913	119 496	2 249	7 639	45 758	164 104	516 159

An age analysis of past due and default core loans and advances to customers at 31 March 2015 (based on actual amount in arrears)

£'000	Current watchlist loans	1 - 60 days	61 - 90 days	91 - 180 days	181 - 365 days	> 365 days	Total
Past due (1 - 60 days)	-	5 399	-	-	-	-	5 399
Special mention	-	355	172	-	-	-	527
Special mention (1 - 90 days)	-	355	-	-	-	-	355
Special mention (61 - 90 days and item well secured)	-	-	172	-	-	-	172
Default	-	42	-	2 566	4 742	156 328	163 678
Sub-standard	-	-	-	407	2 101	47 871	50 379
Doubtful	-	42	-	1 347	2 209	6 064	9 662
Loss	-	-	-	812	432	102 393	103 637
Total	-	5 796	172	2 566	4 742	156 328	169 604



Risk management

An analysis of core loans and advances to customers

£'000	Gross core loans and advances neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
At 30 September 2015								
Current core loans and advances	6 910 596	-	-	6 910 596	-	(36 506)	6 874 090	-
Past due (1 - 60 days)	-	57 298	-	57 298	-	-	57 298	3 981
Special mention	-	30 842	-	30 842	-	-	30 842	127
Special mention (1 - 90 days)	-	19 991	-	19 991	-	-	19 991	30
Special mention (61 - 90 days and item well secured)	-	10 851	-	10 851	-	-	10 851	97
Default	17 684	58 863	310 030	386 577	(138 510)	-	248 067	154 966
Sub-standard	17 684	58 542	130 704	206 930	(37 236)	-	169 694	56 955
Doubtful	-	321	89 406	89 727	(46 851)	-	42 876	9 867
Loss	-	-	89 920	89 920	(54 423)	-	35 497	88 144
Total	6 928 280	147 003	310 030	7 385 313	(138 510)	(36 506)	7 210 297	159 074
At 31 March 2015								
Current core loans and advances	6 733 402	-	-	6 733 402	-	(34 182)	6 699 220	-
Past due (1 - 60 days)	-	73 489	-	73 489	-	-	73 489	5 399
Special mention	-	42 556	-	42 556	-	-	42 556	527
Special mention (1 - 90 days)	-	40 307	-	40 307	-	-	40 307	355
Special mention (61 - 90 days and item well secured)	-	2 249	-	2 249	-	-	2 249	172
Default	26 785	30 383	342 946	400 114	(154 262)	-	245 852	163 678
Sub-standard	26 219	30 383	130 198	186 800	(36 870)	-	149 930	50 379
Doubtful	566	-	107 743	108 309	(54 494)	-	53 815	9 662
Loss	-	-	105 005	105 005	(62 898)	-	42 107	103 637
Total	6 760 187	146 428	342 946	7 249 561	(154 262)	(34 182)	7 061 117	169 604



Risk management

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

£'000	Private client, professional and HNW individuals	Corporate sector	Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
At 30 September 2015						
Current core loans and advances	3 233 121	2 854 088	671 118	128 372	23 897	6 910 596
Past due (1 - 60 days)	46 269	9 913	21	1 021	74	57 298
Special mention	30 456	82	2	302	-	30 842
Special mention (1 - 90 days)	19 991	-	-	-	-	19 991
Special mention (61 - 90 days and item well secured)	10 465	82	2	302	-	10 851
Default	356 232	28 481	130	1 734	-	386 577
Sub-standard	186 897	19 204	-	829	-	206 930
Doubtful	81 323	7 736	126	542	-	89 727
Loss	88 012	1 541	4	363	-	89 920
Total gross core loans and advances to customers	3 666 078	2 892 564	671 271	131 429	23 971	7 385 313
Total impairments	(167 299)	(7 060)	(71)	(586)	-	(175 016)
Specific impairments	(130 793)	(7 060)	(71)	(586)	-	(138 510)
Portfolio impairments	(36 506)	-	-	-	-	(36 506)
Net core loans and advances to customers	3 498 779	2 885 504	671 200	130 843	23 971	7 210 297
At 31 March 2015						
Current core loans and advances	3 036 989	2 753 200	732 432	185 425	25 356	6 733 402
Past due (1 - 60 days)	68 923	3 696	-	870	-	73 489
Special mention	42 288	268	-	-	-	42 556
Special mention (1 - 90 days)	40 307	-	-	-	-	40 307
Special mention (61 - 90 days and item well secured)	1 981	268	-	-	-	2 249
Default	373 342	25 703	244	825	-	400 114
Sub-standard	172 581	14 219	-	-	-	186 800
Doubtful	97 300	10 280	229	500	-	108 309
Loss	103 461	1 204	15	325	-	105 005
Total gross core loans and advances to customers	3 521 542	2 782 867	732 676	187 120	25 356	7 249 561
Total impairments	(179 681)	(8 128)	(150)	(485)	-	(188 444)
Specific impairments	(145 499)	(8 128)	(150)	(485)	-	(154 262)
Portfolio impairments	(34 182)	-	-	-	-	(34 182)
Net core loans and advances to customers	3 341 861	2 774 739	732 526	186 635	25 356	7 061 117



Risk management

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

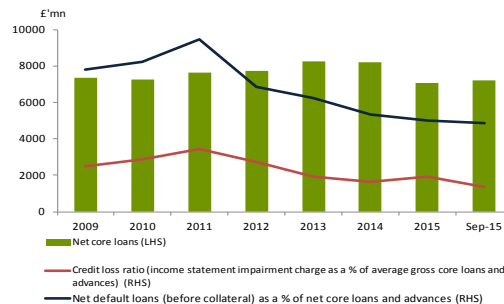
£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments ^a
Lending collateralised by property	2 334 301	327 135	229 704	(119 720)	(18 023)
Commercial real estate	1 429 158	122 930	83 413	(46 833)	(13 131)
Commercial real estate - investment	1 199 640	70 601	59 814	(15 077)	(4 121)
Commercial real estate - development	118 198	20 614	6 618	(13 995)	(220)
Commercial vacant land and planning	111 320	31 715	16 981	(17 761)	(8 790)
Residential real estate	905 143	204 205	146 291	(72 887)	(4 892)
Residential real estate - investment	305 352	72 206	65 789	(14 651)	(1 961)
Residential real estate - development	534 215	94 178	55 768	(44 373)	(1 809)
Residential vacant land and planning	65 576	37 821	24 734	(13 863)	(1 122)
High net worth and other private client lending	1 331 777	29 097	26 343	(11 073)	(7 379)
Mortgages	1 059 624	6 438	12 937	-	119
High net worth and specialised lending	272 153	22 659	13 406	(11 073)	(7 498)
Corporate and other lending	3 719 235	30 345	22 651	(7 717)	(4 899)
Acquisition finance	776 846	912	912	-	46
Asset-based lending	263 698	-	-	-	-
Fund finance	459 931	-	-	-	-
Other corporate and financial institutions and governments	612 222	-	-	-	-
Asset finance	1 150 594	11 310	5 931	(5 402)	(2 247)
Small ticket asset finance	868 471	11 310	5 931	(5 402)	(2 247)
Large ticket asset finance	282 123	-	-	-	-
Project finance	442 237	4 416	4 416	-	(2 698)
Resource finance	13 707	13 707	11 392	(2 315)	-
Portfolio impairments				(36 506)	(2 325)
Total	7 385 313	386 577	278 698	(175 016)	(32 626)

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

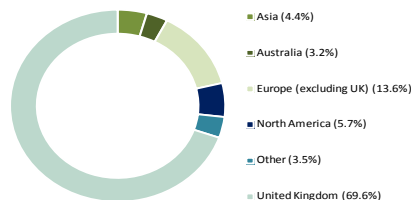
£'000	Gross core loans	Gross defaults	Aggregate collateral and other credit enhancements on defaults	Balance sheet impairments	Income statement impairments ^a
Lending collateralised by property	2 318 053	343 229	233 676	(134 451)	(49 179)
Commercial real estate	1 510 506	122 886	79 588	(51 517)	(25 358)
Commercial real estate - investment	1 229 217	58 142	50 302	(11 752)	(16 157)
Commercial real estate - development	147 707	20 129	6 544	(13 585)	(3 997)
Commercial vacant land and planning	133 582	44 615	22 742	(26 180)	(5 204)
Residential real estate	807 547	220 343	154 088	(82 934)	(23 821)
Residential real estate - investment	292 089	53 911	50 294	(10 756)	(3 178)
Residential real estate - development	425 258	116 163	74 975	(50 571)	(9 122)
Residential vacant land and planning	90 200	50 269	28 819	(21 607)	(11 521)
High net worth and other private client lending	1 203 489	30 113	29 012	(11 048)	(10 529)
Mortgages	952 617	7 977	13 015	(914)	(713)
High net worth and specialised lending	250 872	22 136	15 997	(10 134)	(9 816)
Corporate and other lending	3 728 019	26 772	18 009	(8 763)	(11 821)
Acquisition finance	731 195	-	-	-	1 231
Asset-based lending	241 859	-	-	-	-
Fund finance	495 037	-	-	-	-
Other corporate and financial institutions and governments	719 049	-	-	-	(3 091)
Asset finance	1 119 165	8 346	3 642	(4 704)	(5 068)
Small ticket asset finance	835 773	8 346	3 642	(4 704)	(5 068)
Large ticket asset finance	283 392	-	-	-	-
Project finance	407 577	4 289	2 585	(1 704)	(515)
Resource finance	14 137	14 137	11 782	(2 355)	(4 378)
Portfolio impairments				(34 182)	(19 180)
Total	7 249 561	400 114	280 697	(188 444)	(90 709)

^a Where a positive number represents a recovery.

Asset quality trends



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





Risk management

Collateral

A summary of total collateral is provided in the table below

£'000	Collateral held against		Total
	Core loans and advances	Other credit and counterparty exposures*	
At 30 September 2015			
Eligible financial collateral	344 411	352 600	697 011
Listed shares	270 095	100 207	370 302
Cash	74 316	93 712	168 028
Debt securities issued by sovereigns	-	158 681	158 681
Property charge	4 825 287	214 460	5 039 747
Residential property	2 325 945	214 460	2 540 405
Residential development	833 023	-	833 023
Commercial property developments	305 551	-	305 551
Commercial property investments	1 360 768	-	1 360 768
Other collateral	3 702 376	814 385	4 516 761
Unlisted shares	467 057	-	467 057
Charges other than property	40 333	814 385	854 718
Debtors, stock and other corporate assets	2 143 878	-	2 143 878
Guarantees	851 102	-	851 102
Other	200 006	-	200 006
Total collateral	8 872 074	1 381 445	10 253 519
At 31 March 2015			
Eligible financial collateral	381 651	557 158	938 809
Listed shares	302 938	82 925	385 863
Cash	78 713	76 511	155 224
Debt securities issued by sovereigns	-	397 722	397 722
Property charge	4 399 279	217 531	4 616 810
Residential property	2 180 115	217 531	2 397 646
Residential development	554 920	-	554 920
Commercial property developments	271 843	-	271 843
Commercial property investments	1 392 401	-	1 392 401
Other collateral	4 064 743	729 614	4 794 357
Unlisted shares	486 524	-	486 524
Charges other than property	50 423	729 614	780 037
Debtors, stock and other corporate assets	2 353 919	-	2 353 919
Guarantees	762 092	-	762 092
Other	411 785	-	411 785
Total collateral	8 845 673	1 504 303	10 349 976

* A large percentage of these exposures (e.g. bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.



Risk management

Equity and investment risk in the banking book

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

- **Principal Investments (Private Equity and Direct Investments):** investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio with the intention to stimulate corporate activity
- **Lending transactions:** the manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- **Property activities:** we source development, investment and trading opportunities to create value and trade for profit within agreed risk parameters.

Valuation and accounting methodologies

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

£'000	Income (pre funding costs)				Fair value through equity
	Unrealised	Realised	Dividends	Total	
For the six months to 30 September 2015					
Unlisted investments	(7 706)	12 534	12 486	17 314	932
Listed equities	16 049	(9 177)	-	6 872	273
Investment and trading properties	880	(208)	-	672	-
Warrants, profit shares and other embedded derivatives	(1 482)	3 478	-	1 996	-
Total	7 741	6 627	12 486	26 854	1 205
For the year ended 31 March 2015					
Unlisted investments	(25 673)	60 017	5 106	39 450	709
Listed equities	19 770	1 505	772	22 047	425
Investment and trading properties	8 664	2 354	-	11 018	-
Warrants, profit shares and other embedded derivatives	(70 947)	1 873	-	(69 074)	-
Total	(68 186)	65 749	5 878	3 441	1 134



Risk management

Summary of investments held and stress-testing analyses

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

£'000 Category	On-balance sheet value of investments 30 Sept 2015	Valuation change stress test 30 Sept 2015*	On-balance sheet value of investments 31 March 2015	Valuation change stress test 31 March 2015*
Unlisted investments	310 176	46 526	287 821	43 173
Listed equities	99 082	24 771	113 120	28 280
Total investment portfolio	409 258	71 297	400 941	71 453
Investment and trading properties	161 074	26 384	191 499	31 726
Warrants, profit shares and other embedded derivatives	32 032	11 211	36 111	12 639
Total	602 364	108 892	628 551	115 818

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

Stress test values applied

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

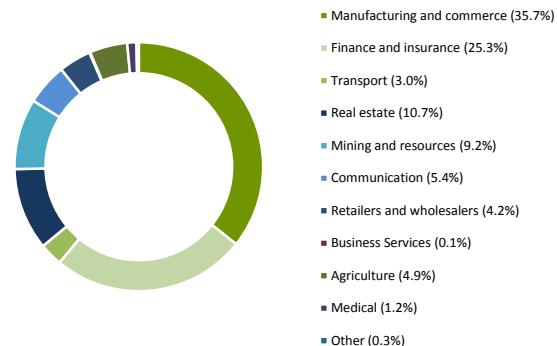
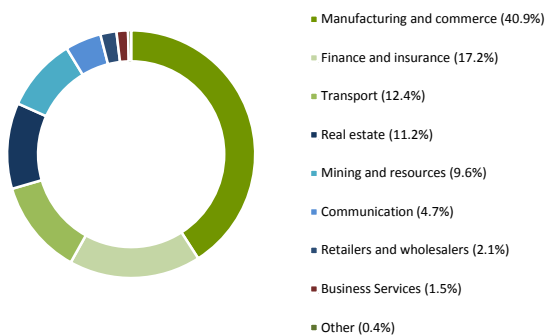
Stress testing summary

Based on the information at 30 September 2015, as reflected above, we could have a £109 million reversal in revenue (which assumes a year in which there is a 'severe stress scenario' simultaneously across all asset classes). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period. The probability of all these asset classes in all geographies in which we operate being negatively impacted at the same time is very low, although the probability of listed equities being negatively impacted at the same time is very high.

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

30 September 2015 (£441 million)

31 March 2015 (£437 million)





Risk management

Securitisation/structured credit activities exposures

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

The group applies the standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures at 30 September 2015 are not regarded as material, and therefore no further information is disclosed for these exposures.

The bank has no securitisations backed by revolving exposures

We hold rated structured credit instruments (including resecuritisation exposures). These exposures are largely in the UK and amount to £270 million at 30 September 2015 (31 March 2015: £317 million). This is intended as a hold to maturity portfolio rather than a trading portfolio. Therefore, since our commercial intention is to hold the assets to maturity, the portfolio will be valued on an amortised cost basis. These investments are risk-weighted for regulatory capital purposes.

Credit analysis

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

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

* Analysis of rated and unrated structured credit

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

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

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



Risk management

Market risk in the trading book

Traded market risk description

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

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

Management and measurement of traded market risk

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

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

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

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

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through backtesting. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a 'backtesting breach' is considered to have occurred. Over time we expect the average rate of observed backtesting breaches to be consistent with the percentile of VaR statistic being tested.

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

VaR

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

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



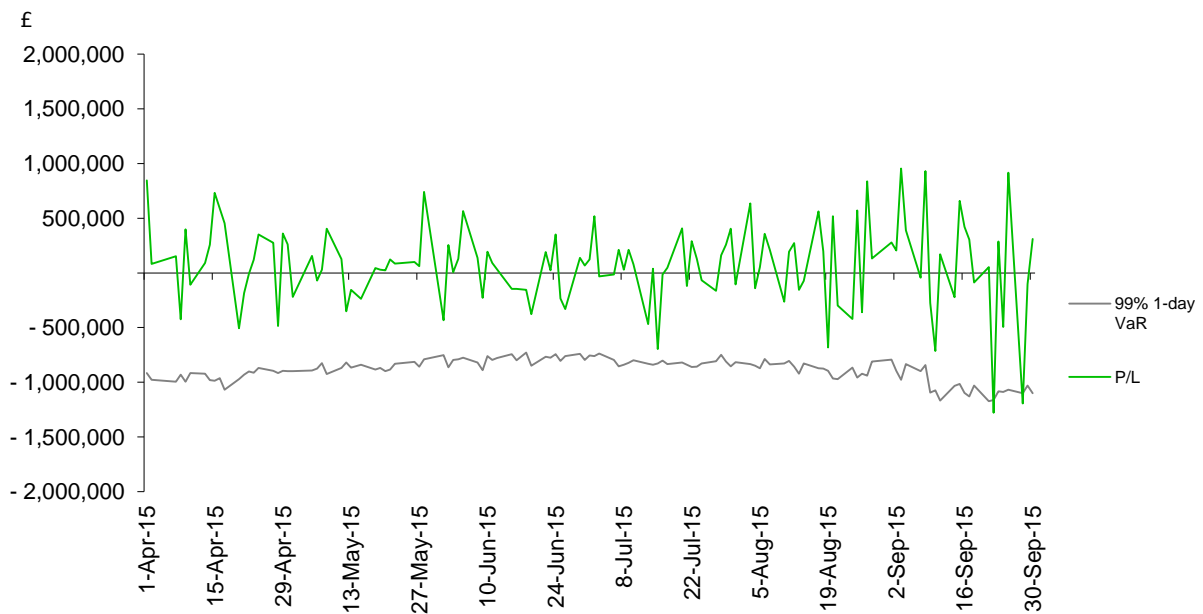
Risk management

Traded market risk management

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

99% one-day VaR backtesting

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





Risk management

ETL

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

* The consolidated ETL is lower than the sum of the individual ETLs. This arises from the correlation offset between various asset classes.(diversification)

Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.

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

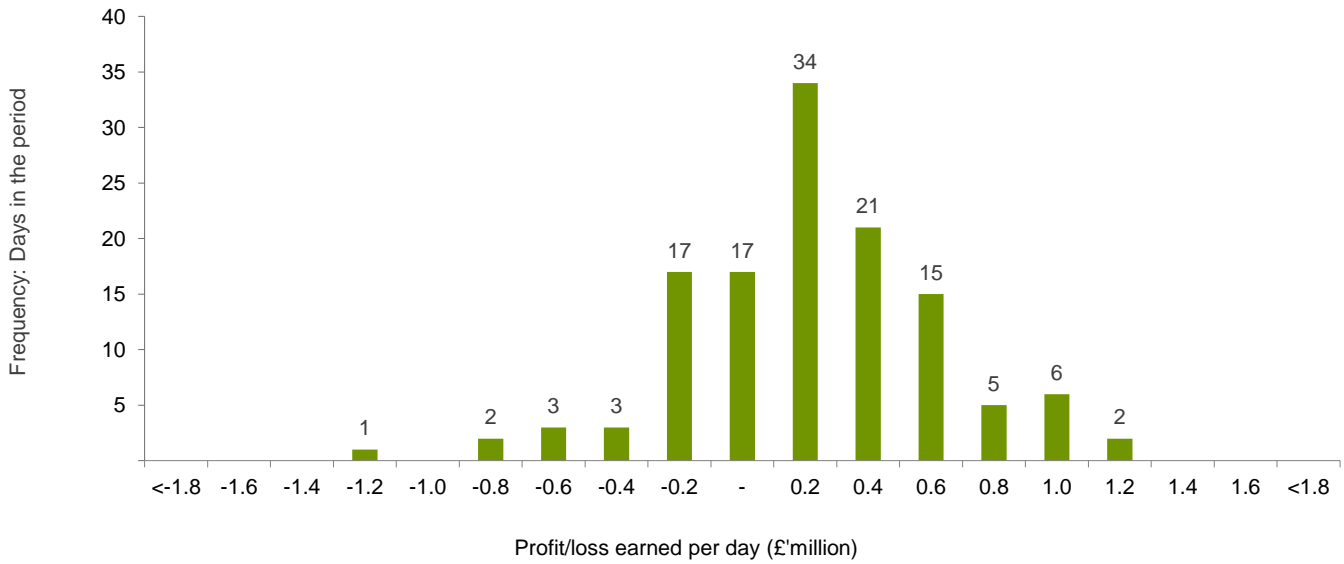
** The consolidated stress test numbers are lower than the sum of the individual stress test numbers. This arises from the correlation offset between various asset classes (diversification).



Risk management

Profit and loss histogram

The histogram below illustrates the distribution of revenue during the period for our trading businesses. The distribution is skewed to the profit side and the graph shows that a positive trading revenue was realised on 83 days out of a total of 126 days in the trading business. The average daily trading revenue generated for the six months to 30 September 2015 was £119 423 (year ended March 2015: £162 486).





Risk management

Balance sheet risk management

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

Non-trading interest rate risk description

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

Sources of interest rate risk include:

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

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.



Risk management

Interest rate sensitivity gap

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

£'million	Sensitivity to the following interest rates (expressed in original currencies)					Non-rate	Total non-trading
	Not > three months	> Three months but < six months	> Six months but < one year	> One year but < five years	> Five years		
Cash and short-term funds - banks	3 170	2	-	1	7	-	3 180
Investment/trading assets and statutory liquids	579	13	29	234	848	9	1 712
Securitised assets	157	-	-	-	-	-	157
Advances	5 850	468	325	706	253	5	7 607
Non-rate assets	-	-	-	-	-	2 080	2 080
Assets	9 756	483	354	941	1 108	2 094	14 736
Deposits - banks	(251)	-	-	-	-	-	(251)
Deposits - non-banks	(7 844)	(354)	(901)	(618)	-	-	(9 717)
Negotiable paper	(244)	(28)	(29)	(408)	(508)	-	(1 217)
Securitised liabilities	(123)	-	-	-	-	-	(123)
Subordinated liabilities	-	-	-	(18)	(575)	(31)	(624)
Other liabilities	-	-	-	-	-	(909)	(909)
Liabilities	(8 462)	(382)	(930)	(1 044)	(1 083)	(940)	(12 841)
Intercompany loans	26	-	-	-	-	(12)	14
Shareholders' funds	-	-	-	-	-	(1 909)	(1 909)
Balance sheet	1 320	101	(576)	(103)	25	(767)	-
Off-balance sheet	652	198	(132)	(135)	(583)	-	-
Repricing gap	1 972	299	(708)	(238)	(558)	(767)	-
Cumulative repricing gap	1 972	2 271	1 563	1 325	767	-	-

Economic value sensitivity at 30 September 2015

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

'million	Sensitivity to the following interest rates (expressed in original currencies)						All (GBP)
	GBP	USD	EUR	AUD	ZAR	Other (GBP)	
200bps down	(81.0)	(9.8)	(4.9)	0.6	2.0	0.4	(89.9)
200bps up	74.5	10.2	6.9	(0.6)	(1.6)	(0.4)	85.2



Risk management

Balance sheet risk management

Liquidity risk

Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

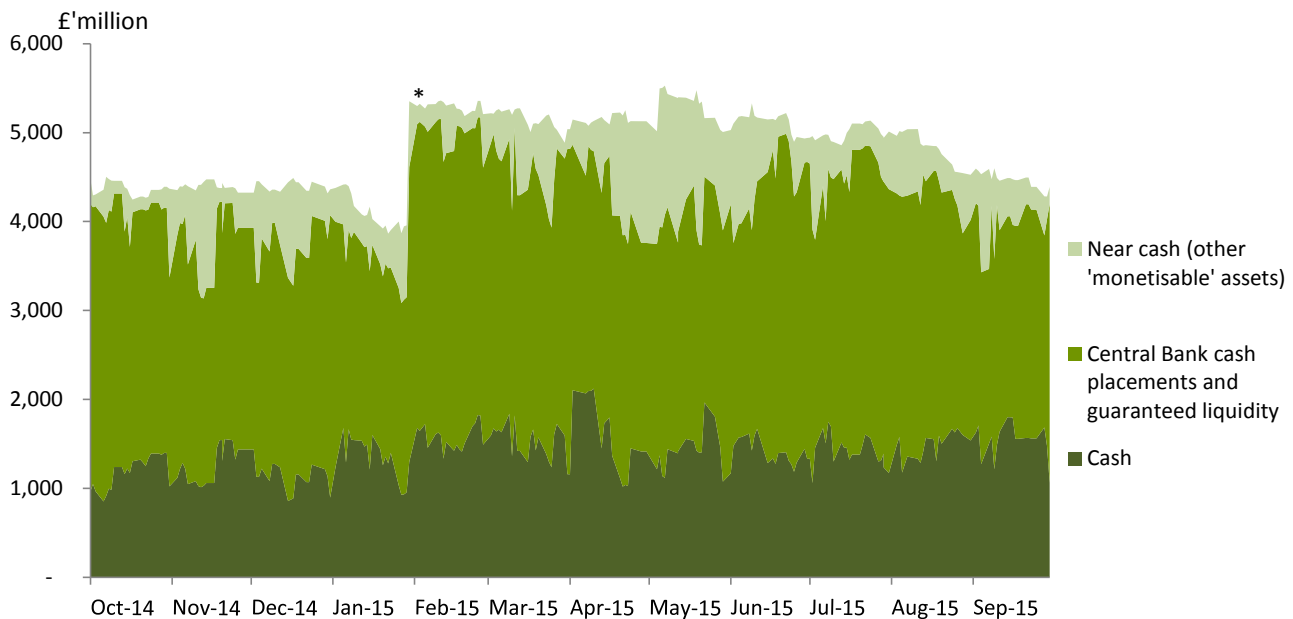
Liquidity risk is further broken down into:

- **Funding liquidity:** which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- **Market liquidity:** which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

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

Cash and near cash trend



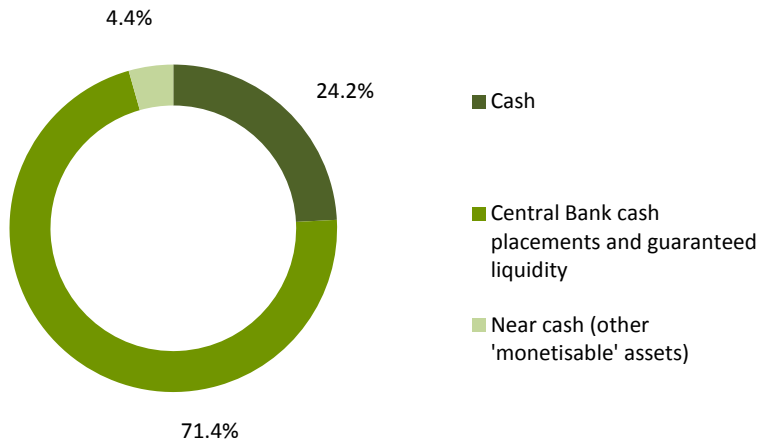
* Increase in cash balances due to the sale of group assets.



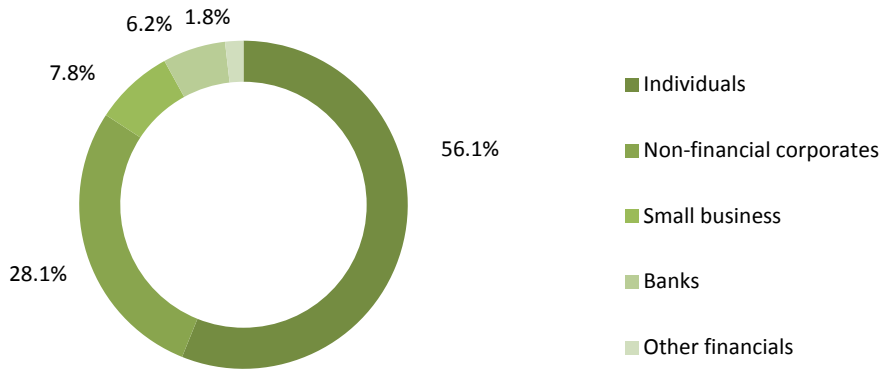
Risk management

Balance sheet risk management (continued)

An analysis of cash and near cash at 30 September 2015 (£4 390 million)



Bank and non-bank depositor concentration by type at 30 September 2015 (£10 359 million)





Risk management

Liquidity mismatch

The table that follows shows our contractual liquidity mismatch.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all asset and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government or rated securities and near cash against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities. We have:
 - set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;
 - set the time horizon to one month to monetise our cash and near cash portfolio of 'available for sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class; and
 - reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display a fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice, but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity at 30 September 2015

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Cash and short term funds - banks	2 131	979	433	3	6	-	15	3 567
Investment/trading assets	387	288	64	252	564	478	1 457	3 490
Securitised assets	-	2	2	4	7	53	89	157
Advances	207	442	665	564	1 062	3 260	1 455	7 655
Other assets	28	1 146	95	4	9	100	765	2 147
Assets	2 753	2 857	1 259	827	1 648	3 891	3 781	17 016
Deposits - banks	(44)	(304)	-	-	-	-	(71)	(419)
Deposits - non-banks	(1 174)	(2 694)	(1 372)	(1 971)	(846)	(1 638)	(245)	(9 940)
Negotiable paper	(1)	(2)	(16)	(57)	(85)	(921)	(446)	(1 528)
Securitized liabilities	-	(1)	(2)	(3)	(6)	(37)	(74)	(123)
Investment/trading liabilities	(2)	(139)	(95)	(47)	(70)	(360)	(328)	(1 041)
Subordinated liabilities	-	-	-	-	(28)	(34)	(563)	(625)
Other liabilities	(84)	(965)	(143)	(26)	(94)	(100)	(33)	(1 445)
Liabilities	(1 305)	(4 105)	(1 628)	(2 104)	(1 129)	(3 090)	(1 760)	(15 121)
Intercompany	(25)	-	229	-	-	(33)	(157)	14
Shareholders' funds	-	-	-	-	-	-	(1 909)	(1 909)
Contractual liquidity gap	1 423	(1 248)	(140)	(1 277)	519	768	(45)	-
Cumulative liquidity gap	1 423	175	35	(1 242)	(723)	45	-	-

Behavioural liquidity

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	> Five years	Total
Behavioural liquidity gap	3 477	(1 609)	885	(355)	523	(2 294)	(627)	-
Cumulative	3 477	1 868	2 753	2 398	2 921	627	-	-