

Out of the Ordinary



**Investec Bank Limited**  
*Q and A fact sheet*

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**2018**



# Overview of Investec and Investec Bank Limited

**Investec is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, the UK and Europe, South Africa and Asia/Australia. Investec focuses on delivering distinct profitable solutions for its clients in three core areas of activity, namely: Asset Management, Wealth & Investment and Specialist Banking**

In July 2002, the Investec group implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg. Investec plc (housing the non-Southern African operations) and Investec Limited (housing the Southern African operations) form a single economic enterprise where shareholders have common economic and voting interests. Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Investec Bank Limited (IBL) is a specialist bank and is the main banking subsidiary of Investec Limited. Investec Bank (Mauritius) Limited, Reichmans Holdings (Proprietary) Limited, Investec Import Solutions (Proprietary) Limited are the main operating subsidiaries of IBL. IBL also has a 45% interest in the IEP Group (Proprietary) Limited. IBL is regulated by the South African Reserve Bank.

## Key financial statistics

For the year to 31 March	2018	2017	% change
Total operating income before impairment losses on loans and advances (R'million)	<b>11 446</b>	10 754	6.4%
Operating costs (R'million)	<b>6 100</b>	5 887	3.6%
Operating profit before taxation and acquired intangibles (R'million)	<b>4 475</b>	4 159	7.6%
Headline earnings attributable to ordinary shareholders (R'million)	<b>4 446</b>	3 069	44.9%
Cost to income ratio	<b>53.3%</b>	54.7%	
Total capital resources (including subordinated liabilities) (R'million)	<b>51 789</b>	48 345	7.1%
Total shareholders' equity (R'million)	<b>38 415</b>	35 165	9.2%
Total assets (R'million)	<b>444 072</b>	425 687	4.3%
Net core loans and advances (R'million)	<b>254 304</b>	233 445	8.9%
Customer accounts (deposits) (R'million)	<b>321 893</b>	303 397	6.1%
Cash and near cash balances (R'million)	<b>116 533</b>	117 586	(0.9%)
Capital adequacy ratio	<b>15.5%</b>	15.4%	
Tier 1 ratio	<b>11.2%</b>	11.1%	
Common equity tier 1 ratio	<b>10.9%</b>	10.8%	
Leverage ratio	<b>7.7%</b>	7.6%	
Defaults (net of impairments) as a % of net core loans and advances	<b>0.56%</b>	1.03%	
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)	<b>0.28%</b>	0.29%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	<b>11.2x</b>	11.6x	
Loans and advances to customers: customer accounts (deposits)	<b>76.9%</b>	74.4%	

## Financial performance

IBL reported a 44.9% increase in headline earnings attributable to ordinary shareholders to R4 446 million for the year ended 31 March 2018 (2017: R3 069 million). IBL has sound capital and liquidity buffers.

Further details on Investec Bank Limited's results can be found on Investec's website at [www.investec.com](http://www.investec.com)

## Capital adequacy

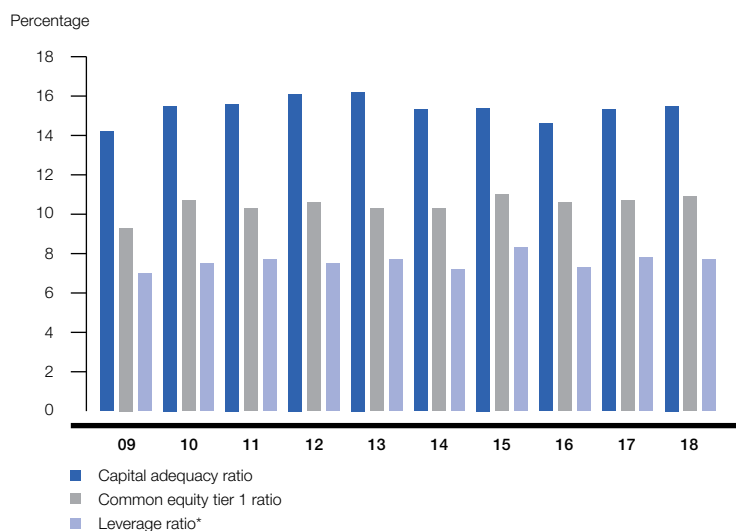
# 15.5%

IBL holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. As at 31 March 2018, the capital adequacy ratio of IBL was 15.5% and the tier 1 ratio was 11.2%.

We are on the Standardised Approach in terms of Basel, thus our risk-weighted assets represent a large portion of our total assets.

This bank is on track to implement the Foundation Internal Ratings-Based Approach, subject to regulatory approval, as an intermediate step to implementing the Advanced Internal Ratings-Based Approach. This will have a positive impact on capital ratios.

## Basel capital ratios – standardised approach



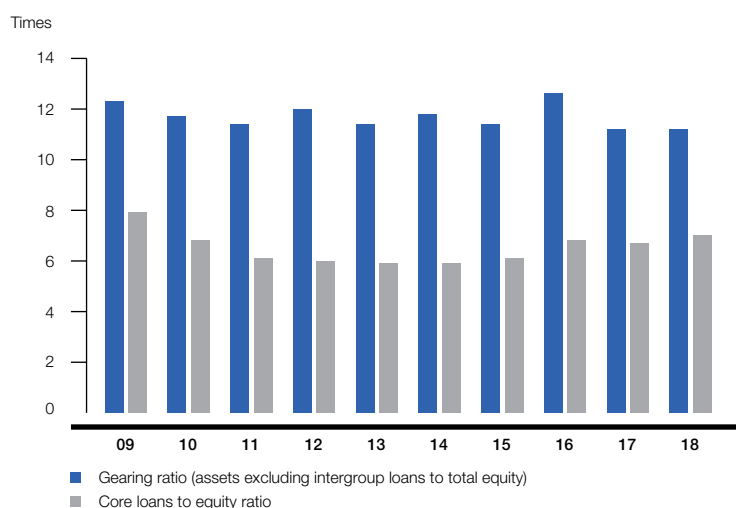
\* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

## Gearing

# 11.2x

IBL is not a highly geared bank. A number of banks that have come into difficulty over the past few years have been in excess of 40 times geared. IBL's comparative ratio would be 11.2 times.

## Gearing ratio



## Asset quality and exposures

**0.28%**  
(credit loss ratio)

The bulk of IBL's credit and counterparty risk arises through its private client and corporate client activities in South Africa and Mauritius. The bank lends to high net worth and high income individuals, mid- to large-sized corporates, public sector bodies and institutions.

Impairments on loans and advances amounted to R720 million for the year to 31 March 2018 (2017: R657 million). The credit loss charge as a percentage of average gross core loans and advances was 0.28% at 31 March 2018 (2017: 0.29%).

The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 0.56% (2017: 1.03%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 2.49 times (2017: 1.81 times).

## Liquidity and funding

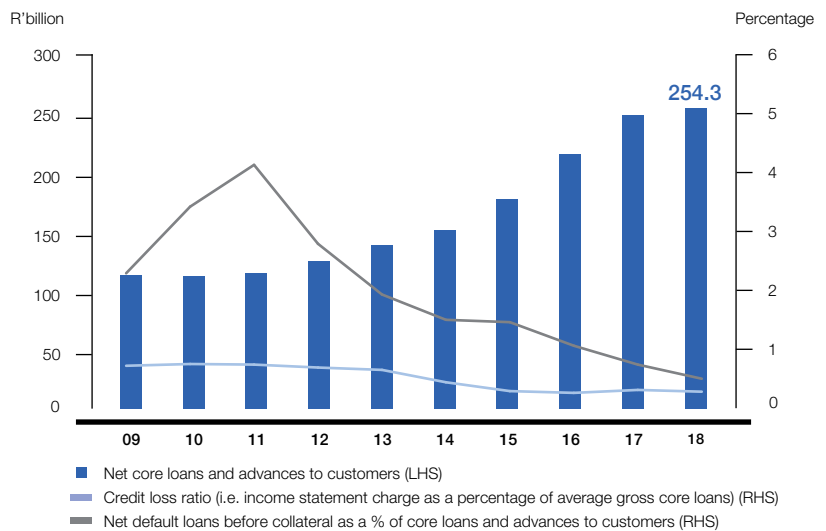
**R116.5bn**  
(cash and near cash)

IBL has a liquidity management philosophy that has been in place for many years. The bank continues to focus on maintaining a stock of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%.

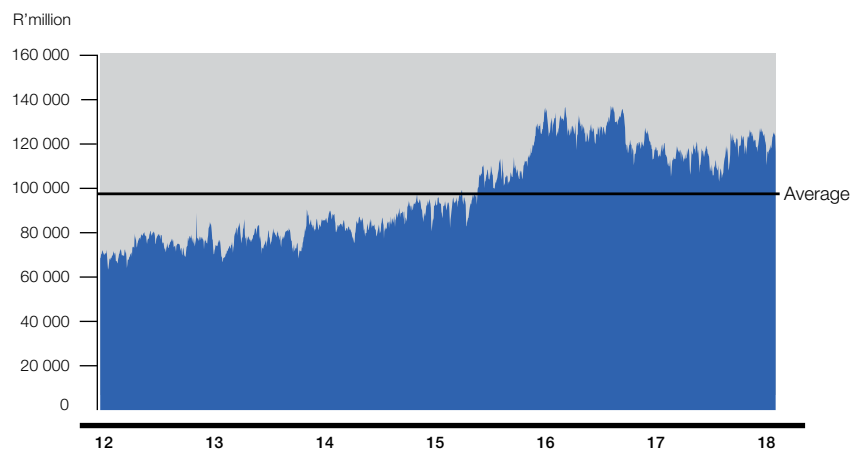
As at 31 March 2018 the bank had R116.5 billion of cash and near cash to support its activities, representing 36.2% of customer deposits. Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. IBL targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits have increased by 6.1% since 31 March 2017 to R321.9 billion at 31 March 2018. The bank's loan to deposit ratio was 76.9% as at 31 March 2018 (2017: 74.4%).

There are no deposit guarantees in South Africa.

## Core loans and asset quality



## Cash and near cash trend



## Our corporate responsibility philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on or prolongs the life of our planet.

### We care about our People

**Attracting and developing a strong, diverse and capable workforce.**

**R269 million**

Spend on employee learning and development March 2018 (2017: R242 million)

#### Recognition

- Voted second most attractive employer in South Africa through the Universum 2017 survey
- Investec's first rating under the revised financial sector code is currently underway.

### We care about our Communities

**Unselfishly contributing to our communities through education and entrepreneurship.**

**R94 million**

Spend on Group CSI at March 2018 (2017: R86 million)

#### Recognition

- R134 million spent on Promaths since inception.

### We care about our Environment

**Having a positive environmental impact through our operations and business activities.**

**R16.7 million**

Spend on Rhino Lifeline since inception

#### Recognition

- R4.1 million spent on BirdLife SA since inception
- Over R16.7 million spent on Rhino Lifeline since inception. Over 66% spent on educating communities.

## External recognition and memberships

	2018	2017	2016
Carbon Disclosure Project (CDP) (Investec is a member and Investec Asset Management is a signatory Investor)	B	A-	A-
Dow Jones Sustainability Investment Index (score out of 100)	73	69	69
ECPI Index	Constituent	n/a	n/a
FTSE4Good	Included	Included	Included
JSE Limited Socially Responsible Investment Index	Constituent	Constituent	Constituent
MSCI Global Sustainability Index Series (Investec plc) Intangible value assessment (IVA) rating	AAA	AAA	AAA
STOXX Global ESG Leaders indices	Member	Member	Member
United Nations Global Compact	Participant	Active	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory



## Credit ratings

IBL's long-term and short-term credit ratings from Fitch, Moody's, Standard & Poors and Global ratings are in line with its larger domestic peers and are listed below:

<b>Investec Bank Limited</b>	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>Global ratings</b>
National long-term rating	AA(zaf)	Aa1.za	za.AA+	AA(za)
National short-term rating	F1+(zaf)	P-1.za	za.A-1+	A1+(za)

## For further information:

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