

Out of the Ordinary



Investec Bank plc
Q and A fact sheet

2018



Overview of Investec and Investec Bank plc

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 plc (IBP) is the main banking subsidiary of Investec plc and also houses the Wealth & Investment business. Investec Holdings (Australia) Limited, a branch in Ireland and Investec Wealth & Investment Limited are the main operating subsidiaries of IBP. IBP is regulated by the Prudential Regulatory Authority and the Financial Conduct Authority and is a member of the London Stock Exchange.

Key financial statistics

For the year to 31 March	2018	2017	% change
Total operating income before impairment losses on loans and advances (£'000)	1 040 147	982 690	5.8%
Operating costs (£'000)	797 049	744 716	7.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	136 347	161 057	(15.3%)
Earnings attributable to ordinary shareholders (£'000)	97 841	117 793	(16.9%)
Cost to income ratio	76.8%	75.9%	
Total capital resources (including subordinated liabilities) (£'000)	2 788 840	2 559 287	9.0%
Total shareholder's equity (£'000)	2 209 167	1 979 931	11.6%
Total assets (£'000)	20 097 225	18 381 414	9.3%
Net core loans and advances (£'000)	9 663 172	8 598 639	12.4%
Customer accounts (deposits) (£'000)	11 969 625	11 289 177	6.0%
Cash and near cash balances (£'000)	5 598 418	4 852 710	15.4%
Funds under management (£'million)	37 276	35 941	3.7%
Capital adequacy ratio	16.5%	16.6%	
Tier 1 ratio	13.2%	12.2%	
Common equity tier 1 ratio	11.8%	12.2%	
Leverage ratio – current	8.5%	8.0%	
Leverage ratio – 'fully loaded'	8.5%	8.0%	
Defaults (net of impairments) as a % of net core loans and advances	2.16%	1.55%	
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)	1.14%	0.90%	
Total gearing (i.e. total assets to equity)	9.1x	9.3x	
Loans and advance to customers: customer accounts (deposits)	80.7%	76.2%	

Credit ratings

IBP has a long-term rating of A2 (positive outlook) from Moody's and BBB+ (stable outlook) from Fitch.

Financial performance

IBP reported operating profit before non-operating items and taxation (but after non-controlling interests) of £136.3 million for the year to 31 March 2018 (2017: £161.1 million). The Specialist Bank has continued to see good growth in loan portfolios and client activity which supported solid growth in net interest income. These results were however offset by lower fee and client flow trading income, following particularly strong investment banking and client flow activity levels in the prior year. The Wealth & Investment business benefited from higher average funds under management and positive net inflows. Growth in costs primarily reflects planned investment in growing the client franchise businesses, notably for the continued build out of the private client offering.

Increased impairments were taken on the legacy loan portfolio in anticipation of accelerated exits of certain assets in line with the group's strategy of managing down this portfolio.

A diversified portfolio and a sound balance of earnings generated between capital light and capital intensive businesses continues to support a sustainable level of recurring income. The balance sheet remains strong supported by sound capital, leverage and liquidity ratios.

Capital adequacy

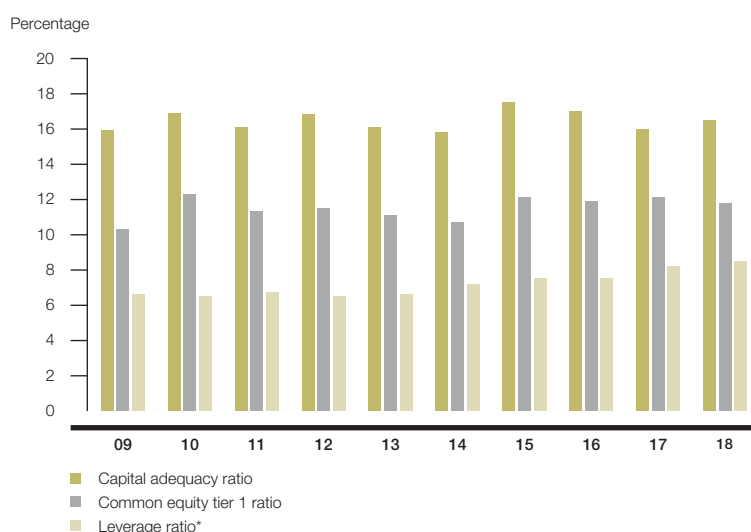
16.5%

IBP holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. The bank has never required shareholder or government support. At 31 March 2018, the capital adequacy ratio of IBP was 16.5% and the tier 1 ratio was 13.2%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 11.8% and 8.5%, respectively (where 'fully loaded' is based on Basel III requirements as fully phased in by 2022). These disclosures incorporate the deduction of foreseeable charges and dividends as required by the regulations. Excluding this deduction, the common equity tier 1 ratio would be 13bps higher.

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

Basel capital ratios – standardised approach



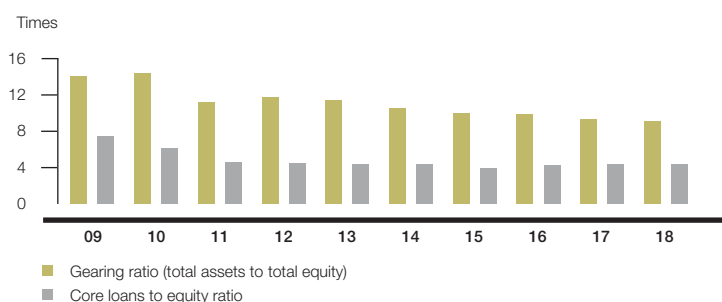
* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

Gearing

9.1x

IBP 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. IBP's comparative ratio would be 9.1 times.

Gearing ratio



Asset quality and exposures

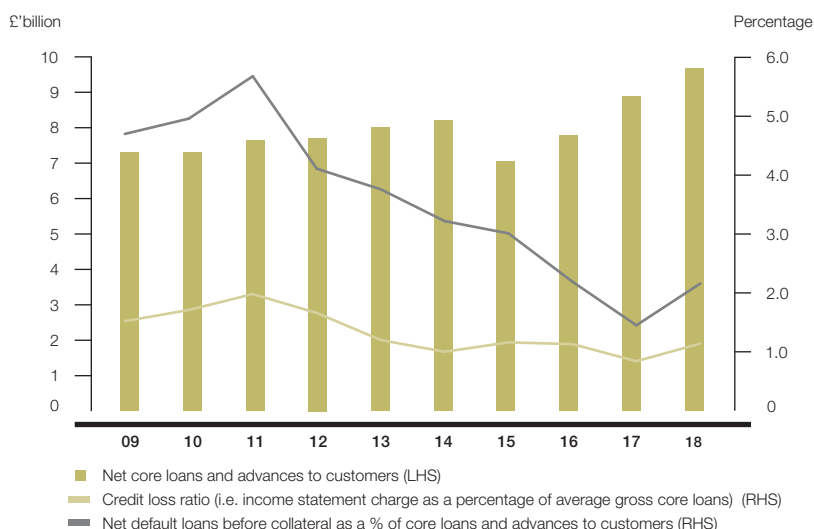
1.14%

(credit loss ratio)

The bulk of IBP's credit and counterparty risk arises through its private client and corporate client activities. The bank lends to high net worth and high income individuals, mid to large sized corporates, public sector bodies and institutions. The majority of IBP's credit and counterparty exposures reside within its principal operating geography, namely the UK.

Impairments on loans and advances amounted to £106.1 million for the year to 31 March 2018 (2017: £75.0 million). The credit loss charge as a percentage of average gross core loans and advances amounted to 1.14% at 31 March 2018 (2017: 0.90%).

Core loans and asset quality



Total defaults as at 31 March 2018 amounted to £360.6 million (31 March 2017: £260.3 million). The increase is largely due to a few specific defaults. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 2.16% (31 March 2017: 1.55%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.40 times (31 March 2017: 1.44 times).

Liquidity and funding

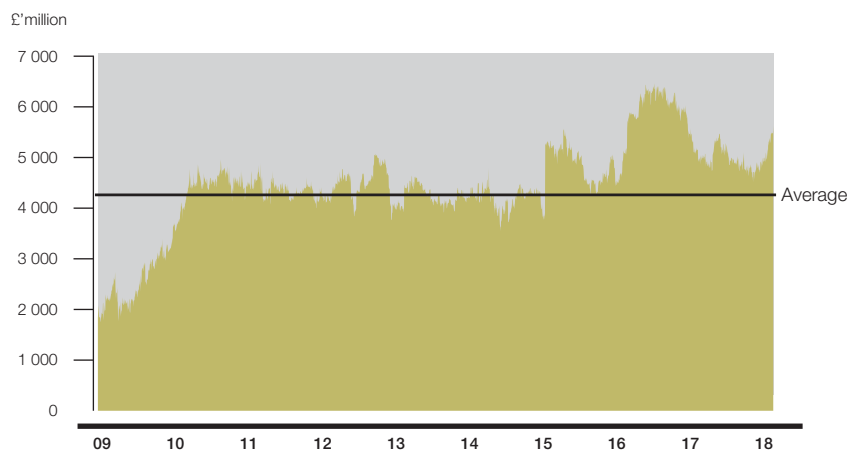
£5.6bn

(cash and near cash)

IBP has a liquidity management philosophy that has been in place for many years. The bank continues to focus on maintaining a high level of readily available high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%. At 31 March 2018, the bank had £5.6 billion of cash and near cash to support its activities, representing approximately 47% 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. IBP targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits amounted to £12.0 billion as at 31 March 2018 (2017: £11.3 billion). The bank's loan to deposit ratio was 80.7% as at 31 March 2018 (31 March 2017: 76.2%).

Cash and near cash trend



Deposit guarantees

In terms of the Financial Services Compensation Scheme, the UK government guarantees a maximum deposit of £85 000 per individual per institution.

Investec Bank (Channel Islands) Limited is a participant in both the Guernsey and Jersey Banking Deposit Compensation Schemes. These schemes offer protection for 'qualifying deposits/eligible deposits' up to £50 000, subject to certain limitations. The maximum total amount of compensation is capped at £100 million in any five-year period.

Further details are available on request or alternatively on the Guernsey Scheme's website: www.dcs.gg <<http://www.dcs.gg>> or on the Jersey States website which will also highlight the banking groups covered.

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.

£5.5 million

Spend on employee learning and development (2017: £7.5 million)

Commitment

- The UK business signed up to the HM Treasury Women in Finance Charter committing to the development of senior female talent pipeline.

We care about our

Communities

Unselfishly contributing to our communities through education and entrepreneurship.

£1.4 million

Spend on Group CSI at March 2018 (2017: £1.5 million)

Recognition

- Winner of the following Business Charity Awards
 - Community Impact 2017
 - Business of the Year 2017
 - Winner of the National CSR Award for Best Community (Legacy) Project 2017
- Winner of the Bromley by Bow partner of the year award
- Bromley by Bow Centre, was awarded the Lord Mayor's Community Partners Dragon Award 2017 for its partnership with Investec in a social enterprise incubator, Beyond Business.

We care about our

Environment

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

£1.2 billion

Participated in the **renewable energy sector** (2017: £1.8 billion)

Recognition

- Our 2 Gresham Street office won Chairman's Cup in the Corporation of London's Clean City Awards Scheme
- The Energy Management System (EnMS) that covers 23 of our offices in the UK, Ireland and Channel Islands was certified ISO50001
- Our 2 Gresham Street's Environmental Management System (EMS) remains certified to ISO 14001.

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



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