

Out of the Ordinary



Investec Limited
Q and A fact sheet

2018



Overview of Investec and Investec 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.

Key financial statistics

For the year to 31 March	2018	2017	% change
Total operating income before impairment losses on loans and advances (R'million)	18 217	17 659	3.2%
Operating costs (R'million)	9 619	9 238	4.1%
Operating profit before taxation, goodwill and acquired intangibles (R'million)	7 869	7 762	1.4%
Headline earnings attributable to ordinary shareholders (R'million)	5 490	4 350	28.5%
Cost to income ratio	52.8%	52.3%	
Total capital resources (including subordinated liabilities) (R'million)	66 292	60 376	9.8%
Total shareholders equity (R'million)	51 279	46 571	10.1%
Total assets (R'million)	617 710	586 432	5.3%
Net core loans and advances (R'million)	256 702	236 225	8.7%
Customer accounts (deposits) (R'million)	321 823	303 470	6.0%
Cash and near cash balances (R'million)	116 533	117 586	(0.9%)
Funds under management (R'million)	901 215	908 242	0.2%
Capital adequacy ratio	14.6%	14.1%	
Tier 1 ratio	11.0%	10.7%	
Common equity tier 1 ratio	10.2%	9.9%	
Leverage ratio	7.5%	7.3%	
Defaults (net of impairments) as a % of net core loans and advances	0.56%	1.02%	
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)	0.28%	0.29%	
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	9.3x	9.8x	
Loans and advances to customers: customer accounts (deposits)	77.4%	75.0%	

Financial performance

Investec Limited reported a 28.5% increase in headline earnings attributable to shareholders to R5 490 million for the year ended 31 March 2018 (2017: R4 350 million). Investec Limited has sound capital and liquidity buffers.

Further detail on Investec Limited's results can be found on Investec's website at www.investec.com

Capital adequacy

14.6%

Investec Limited 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 Investec Limited was 14.6% and the tier 1 ratio was 11.0%.

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

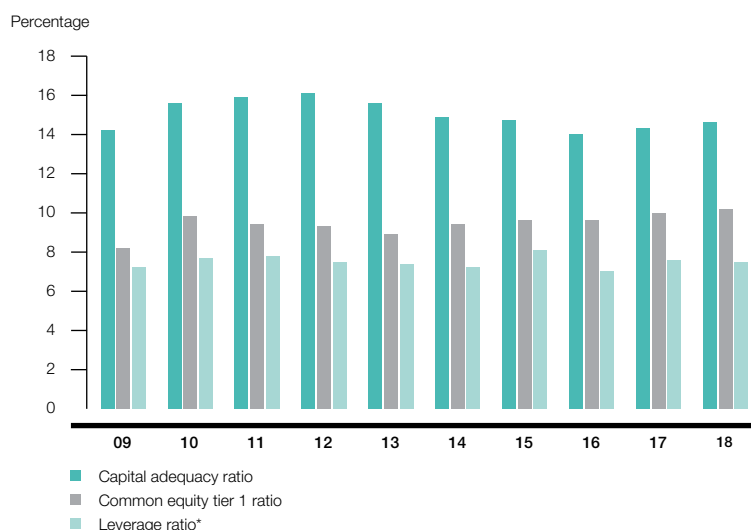
This bank is on track to implement the Foundation Internal Ratings-Based Approach, subject to regulatory approval, as an intermediate step to implementing the Advances Internal Ratings-Based Approach. This will have a positive impact on capital ratios.

Gearing

9.3x

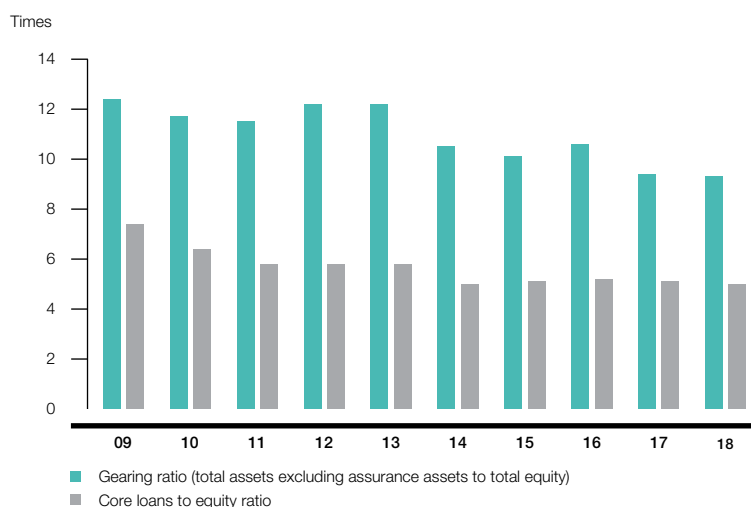
Investec Limited is not a highly geared bank. A number of banks that have come into difficulty over the past few years have been in excess of 40 times geared. Investec Limited's comparative ratio would be 9.3 times.

Basel capital ratios – standardised approach

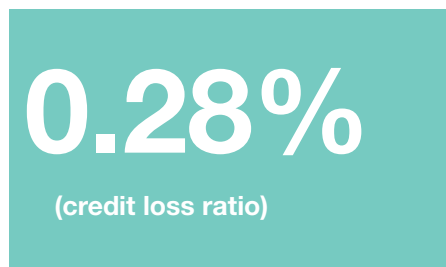


* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

Gearing ratio



Asset quality and exposures

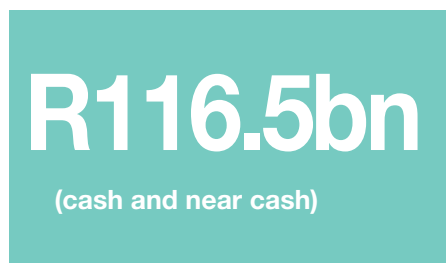


The bulk of Investec Limited's credit and counterparty risk arises through its private client and corporate client activities in South Africa and Mauritius. The bank lends to high net worth and high income individuals, mid- to large-sized corporates, public sector bodies and institutions.

Impairments on loans and advances amounted to R729 million for the year ended 31 March 2018 (2017: R659 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: 1.02%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 2.5 times (2017: 1.80 times).

Liquidity and funding

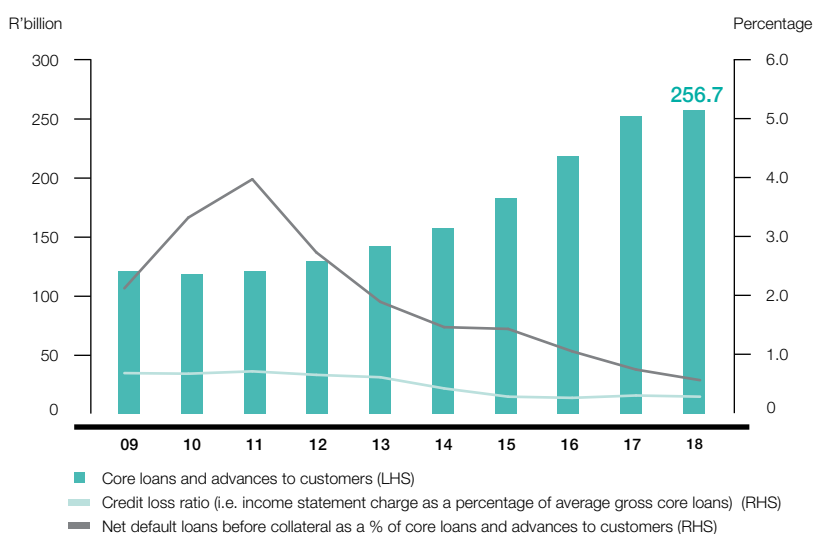


Investec Limited has a liquidity management philosophy that has been in place for many years. The bank continues to focus on maintaining a stock of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%.

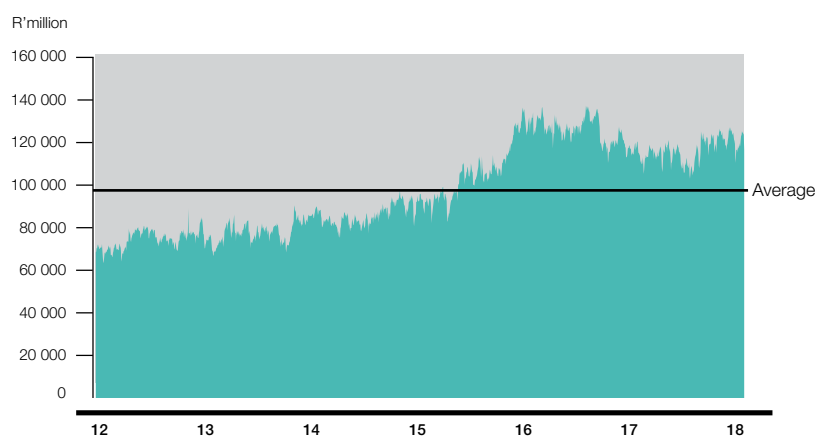
As at 31 March 2018 the bank had R116.5 billion of cash and near cash to support its activities, representing 36.2% of customer deposits. Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. Investec Limited targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits have increased by 6% since 31 March 2017 to R321.8 billion at 31 March 2018. Investec Limited's loan to deposit ratio as at 31 March 2018 was 77.4% (2017: 75.0%).

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 People

Attracting and developing a strong, diverse and capable workforce.

R277 million

Spend on employee learning and development (2017: R247 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

Investec Limited's and its main banking subsidiary, Investec Bank Limited's long-term and short-term credit ratings from Fitch, Moody's, Standard & Poors and Global ratings are in line with their larger domestic peers and are listed below:

Investec Limited	Fitch
Foreign currency long-term rating	BB+
Foreign currency short-term rating	B

Investec Bank Limited	Fitch	Moody's	Standard & Poors	Global ratings
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)

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