

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.

Salient features

Key financial statistics	30 Sept 2018	30 Sept 2017	% change	31 Mar 2018
Total operating income before expected credit losses/impairment losses (£'000)	537 232	492 157	9.2%	1 040 147
Operating costs (£'000)	411 632	378 315	8.8%	797 049
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	118 275	79 285	49.2%	136 347
Earnings attributable to ordinary shareholders (£'000)	96 441	58 711	64.3%	97 841
Cost to income ratio (%)	76.8%	77.0%		76.8%
Total capital resources (including subordinated liabilities) (£'000)	2 886 130	2 601 422	10.9%	2 788 840
Total equity (£'000)	2 082 242	1 994 082	4.4%	2 209 167
Total assets (£'000)	21 162 620	18 477 936	14.5%	20 097 225
Net core loans and advances (£'000)	10 026 162	8 872 736	13.0%	9 663 172
Customer accounts (deposits) (£'000)	12 743 472	11 221 444	13.6%	11 969 625
Loans and advances to customers as a % of customer deposits	78.7%	79.1%		80.7%
Cash and near cash balances (£'000)	6 294 407	4 869 067	29.3%	5 598 418
Funds under management (£'million)	39 710	37 500	5.9%	37 276
Total gearing ratio (i.e. total assets to equity)	10.2x	9.3x		9.1x

Key asset quality and capital ratios	30 Sept 2018	1 April 2018
Capital adequacy ratio	16.8%	16.0%
Tier 1 ratio	12.4%	12.8%
Common equity tier 1 ratio	11.1%	11.3%
Leverage ratio – current	7.6%	8.2%
Leverage ratio – 'fully loaded'	7.3%	8.1%
Stage 3 exposure as a % of gross core loans and advances to customers subject to ECL	4.2%	6.3%
Stage 3 exposure net of ECL as a % of net core loans and advances to customers subject to ECL	3.0%	4.3%
Credit loss ratio [#]	0.42%*	1.14%**

* Annualised.

** As at 31 March 2018.

[#] Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL.

Credit ratings

IBP has a long-term rating of A1 (stable 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 £118.3 million for the six months ended 30 September 2018 (2017: £79.3 million).

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

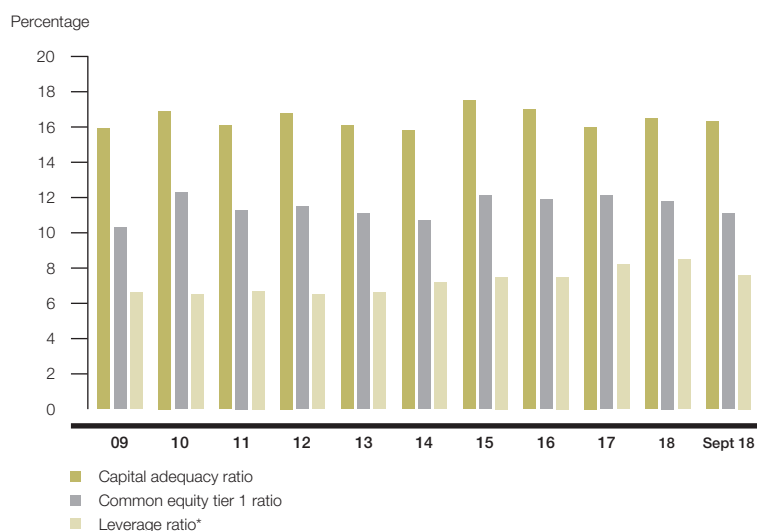
16.8%

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. As at 30 September 2018, the capital adequacy ratio of IBP was 16.8% and the common equity tier 1 ratio was 11.1%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 10.6% and 7.3%, 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



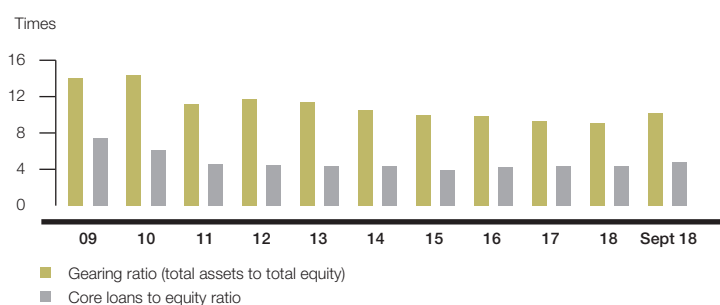
* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

Gearing

10.2x

IBP is not a highly geared bank. A number of banks that have come into difficulty in the past have been in excess of 40 times geared. IBP's comparative ratio would be 10.2 times.

Gearing ratio



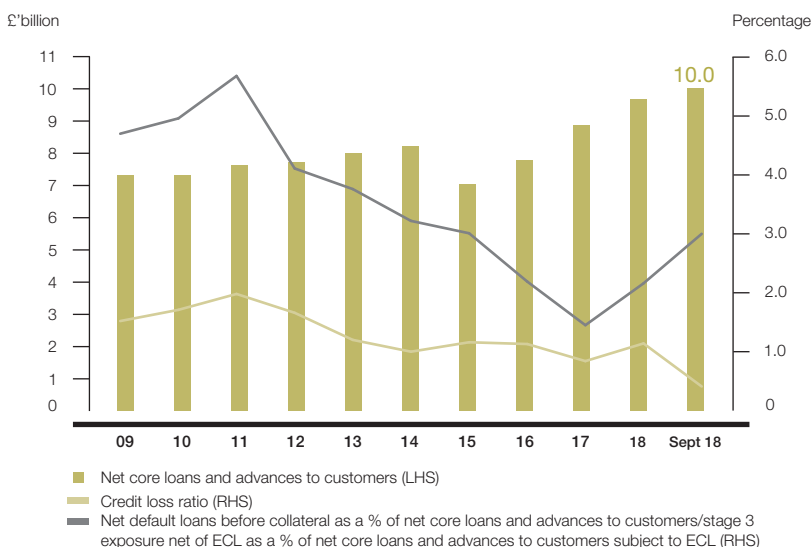
Asset quality and exposures

0.42%
(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.

The total ECL impairment charges amounted to £10.4 million for the six months ended 30 September 2018, a substantial reduction from £37.6 million in the prior period, primarily reflecting a reduction in legacy impairments. The annualised credit loss ratio amounted to 0.42% at 30 September 2018 (31 March 2018: 1.14%).

Core loans and asset quality



Stage 3 exposure net of ECL at 30 September 2018 amounted to £277 million (1 April 2018: £372 million) largely driven by a reduction in legacy exposures. Stage 3 exposure net of ECL as a percentage of net core loans and advances to customers subject to ECL at 30 September 2018 amounted to 3.0% (1 April 2018: 4.3%).

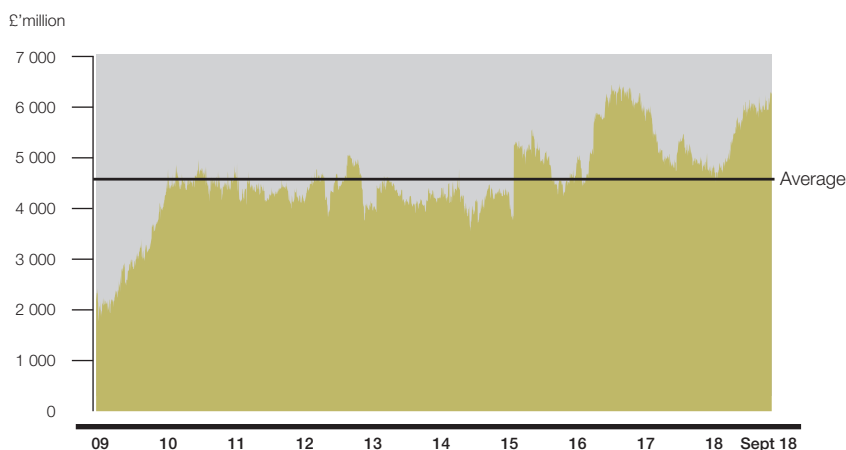
Liquidity and funding

£6.3bn
(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 30 September 2018, the bank had £6.3 billion of cash and near cash to support its activities, representing approximately 49.4% 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 £12.7 billion as at 30 September 2018 (31 March 2018: £12.0 billion). The bank's loan to deposit ratio was 78.7% at 30 September 2018 (31 March 2018: 80.7%).

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.

1.0%

% spend on learning and development as a % of staff costs for IBP March 2018 (2017: 1.4%)

Recognition

- Investec ranked 27th in the world and 4th in the UK for progress in gender equality and reporting by Equileap in 2018
- 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.

1.2%

% CSI spend as a % of operating profit for IBP March 2018 (2017: 1.1%)

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.

4.1%

% reduction in carbon emissions for IBP March 2018 (2017: 10.3%)

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 ISO 50001
- 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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