



# Investec plc

Q and A fact sheet

2017



Out of the Ordinary®



Investec

# Overview of Investec and Investec 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 is a FTSE 250 company.

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

Salient features	Six months to 30 Sept 2017	Six months to 30 Sept 2016	% change	Year to 31 March 2017
Total operating income before impairment losses on loans and advances (£'000)	656 025	624 391	5.1%	1 306 941
Operating costs (£'000)	512 165	475 477	7.7%	1 005 130
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests (£'000)	109 303	116 717	(6.3%)	224 894
Earnings attributable to ordinary shareholders (£'000)	78 216	83 770	(6.6%)	159 728
Cost to income ratio	78.2%	76.2%		77.0%
Total capital resources (including subordinated liabilities) (£'000)	2 670 584	2 659 484	0.4%	2 610 875
Total shareholders' equity (£'000)	2 063 244	2 034 309	1.4%	2 031 519
Total assets (£'000)	18 858 338	20 365 915	(7.4%)	18 788 617
Net core loans and advances (£'000)	8 899 704	8 299 100	7.2%	8 620 742
Customer accounts (deposits) (£'000)	10 849 643	12 042 361	(9.9%)	11 021 581
Cash and near cash balances (£'000)	5 013 067	6 186 729	(19.0%)	5 026 198
Funds under management (£'million)	102 412	92 753	10.4%	97 320
Capital adequacy ratio	14.2%	14.6%		14.6%
Tier 1 ratio	11.1%	10.7%		11.1%
Common equity tier 1 ratio	10.9%	10.5%		10.9%
Leverage ratio	7.7%	6.8%		7.5%
Leverage ratio – 'fully loaded'	7.6%	6.7%		7.4%
Defaults (net of impairments) as a % of net core loans and advances	1.44%	1.86%		1.55%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–		–
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.84%	0.73%		0.90%
Total gearing (i.e. total assets to total equity)	9.1x	10.0x		9.2x
Loans and advances to customers: customer accounts (deposits)	82.0%	68.9%		78.2%

## Credit ratings

Investec plc has a long-term rating of Baa1 (positive) from Moody's. Investec Bank plc, the main banking subsidiary of Investec plc, has a long-term rating of A2 (positive) from Moody's and BBB+ (stable) from Fitch.

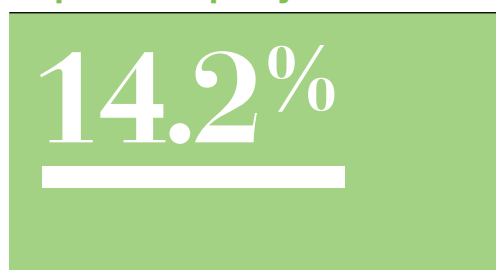
## Financial performance

Investec plc reported an operating profit before non-operating items and taxation (but after other non-controlling interests) of £109.3 million for the six months to 30 September 2017 (2016: £116.7 million).

The Specialist Bank has continued to see good growth in loan portfolios and client activity. Results were however behind the prior period, following particularly strong investment banking and client flow activity levels in the prior period. 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 banking offering.

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

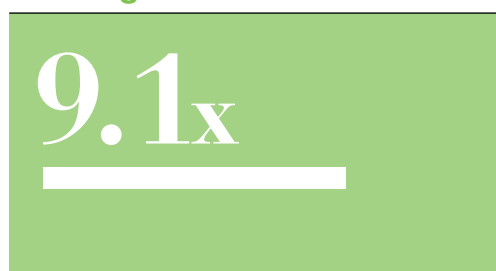


Investec plc holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. The bank has never required shareholder or government support. At 30 September 2017, the capital adequacy ratio of Investec plc was 14.2% and the tier 1 ratio was 11.1%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 10.9% and 7.6%, respectively (where 'fully loaded' is based on Basel III requirements as fully phased in by 2022). These disclosures incorporate the deduction of foreseeable dividends as required by the regulations. Excluding this deduction, the common equity tier 1 ratio would be 31bps higher.

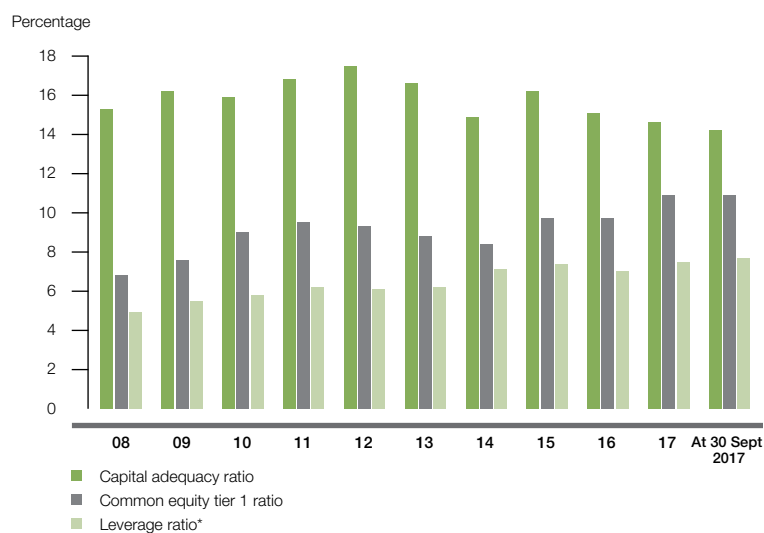
We are on the Standardised Approach in terms of Basel, thus our risk-weighted assets represent a large portion of our total assets.

## Gearing



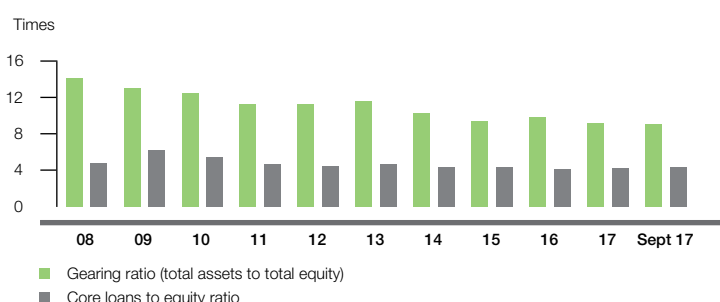
Investec plc is not a highly geared bank. A number of banks that have come into difficulty over the past few years have been in excess of 40 times geared. Investec plc's comparative ratio would be 9.1x times.

### 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

# 0.84%

(credit loss ratio)

The bulk of Investec plc'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 Investec plc's credit and counterparty exposures reside within its principal operating geography, namely the UK.

Impairments on loans and advances amounted to £37.6 million for the six months to 30 September 2017 (2016: £30.1 million). The annualised credit loss charge as a percentage of average gross core loans and advances amounted to 0.84% at 30 September 2017 (31 March 2017: 0.90%).

## Core loans and asset quality



Total defaults as at 30 September 2017 amounted to £262.6 million (31 March 2017: £260.3 million). The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.44% (31 March 2017: 1.55%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.50 times (31 March 2017: 1.44 times).

## Liquidity and funding

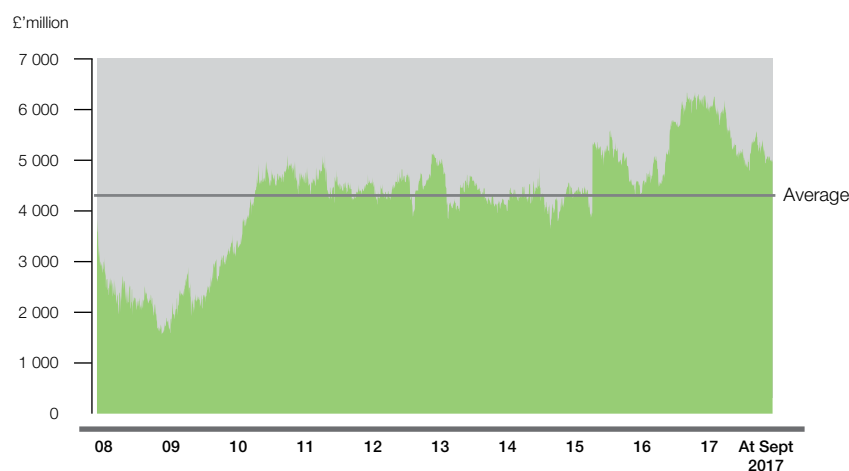
# £5.0bn

(cash and near cash)

Investec plc 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 2017, Investec plc had £5.0 billion of cash and near cash to support its activities, representing approximately 46.2% 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 plc targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits amounted to £10.8 billion as at 30 September 2017 (31 March 2017: £11.0 billion). Investec plc's loan to deposit ratio was 82.0% at 30 September 2017 (31 March 2017: 78.2%).

## 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

### People

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



Spend on employee learning and development (2016: £5.6 million)

#### Recognition

- Dublin office ranked in the Best Medium Workplaces in Ireland (34th in Europe), by Great Place to work (2016).

We care about our

### Communities

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



Spend on CSI at March 2017 (2016: £1.6 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
- Bromley by Bow Centre, was awarded the Lord Mayor's Community Partners Dragon Award 2017 for its partnership with Investec in a social enterprise incubatory, Beyond Business.

We care about our

### Environment

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



Participated in the renewable energy sector (2016: £844 million)

#### Recognition

- Our 2 Gresham Street office won their 10th Platinum Award for best practice in waste management
- Our 2 Gresham Street office won the inaugural Cleaner City Award run by the Cheapside Business Alliance
- Our 2 Gresham Street office won a Gold prize in the Green Apple Award for Environmental Best Practice
- Our 2 Gresham Street office Carbon Trust Waste Standard was recertified in 2016
- Our 2 Gresham Street's EMS (Environmental Management System) was recertified ISO 14001.

## Memberships

	2016	2015	2014
CDP (Investec is a member and Investec Asset Management is a signatory Investor)	A-	A-	B
Dow Jones Sustainability Investment Index (score out of 100)	69	69	65
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	n/a
United Nations Global Compact	Active	Active	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory

#### Other:

Investec Asset Management CEO, HJ du Toit, is a member of The Global Commission on Business and Sustainability Development.



## For further information:

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