

INVESTEC | 2019
BANK LIMITED

Q and A fact sheet



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 45.9% interest in the IEP Group (Proprietary) Limited. IBL is regulated by the South African Prudential Authority.

Key financial statistics

For the year to 31 March	2019	2018	% change
Total operating income before expected credit losses/impairment losses (R'million)	12 650	11 446	10.5%
Operating costs (R'million)	6 547	6 100	7.3%
Operating profit before goodwill and acquired intangibles (R'million)	5 381	4 626	16.3%
Headline earnings attributable to ordinary shareholders (R'million)	4 784	4 446	7.6%
Cost to income ratio [^] (%)	51.7%	53.3%	
Total capital resources (including subordinated liabilities) (R'million)	55 678	51 789	7.5%
Total equity (R'million)	41 760	38 415	8.7%
Total assets (R'million)	475 603	444 072	7.1%
Net core loans and advances (R'million)	269 404	254 304	5.9%
Customer accounts (deposits) (R'million)	341 710	321 893	6.2%
Loans and advances to customers as a % of customer deposits	76.6%	76.9%	
Cash and near cash balances (R'million)	118 365	116 533	1.6%
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.0x	11.2x	

Key asset quality and capital ratios	31 March 2019	1 April 2018
Capital adequacy ratio	15.8%	15.4%
Tier 1 ratio	11.5%	11.0%
Common equity tier 1 ratio	11.2%	10.7%
Leverage ratio – current	7.7%	7.6%
Leverage ratio – ‘fully loaded’	7.6%	7.3%
Stage 3 exposure as a % of gross core loans and advances subject to ECL	1.3%	1.1%
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	0.7%	0.7%
Credit loss ratio [#]	0.27%	0.28%*

[^] The group's cost to income ratio is calculated as: operating costs divided by operating income (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests).

* 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.

IBL reported a 7.6% increase in headline earnings attributable to ordinary shareholders to R4 784 million for the year ended 31 March 2019 (2018: R4 446 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

Capital adequacy

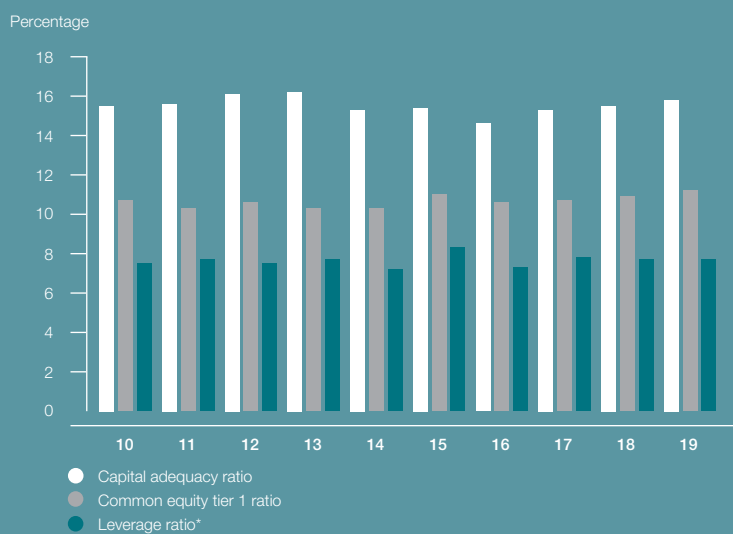
15.8%

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 2019, the capital adequacy ratio of IBL was 15.8% and the common equity 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.

We have approval to adopt the Foundation Internal Ratings-Based (FIRB) approach, effective 1 April 2019. On a pro-forma FIRB basis for 31 March 2019, the capital adequacy ratio was 17.7% and the common equity tier 1 ratio was 12.5%.

Basel capital ratios – standardised approach



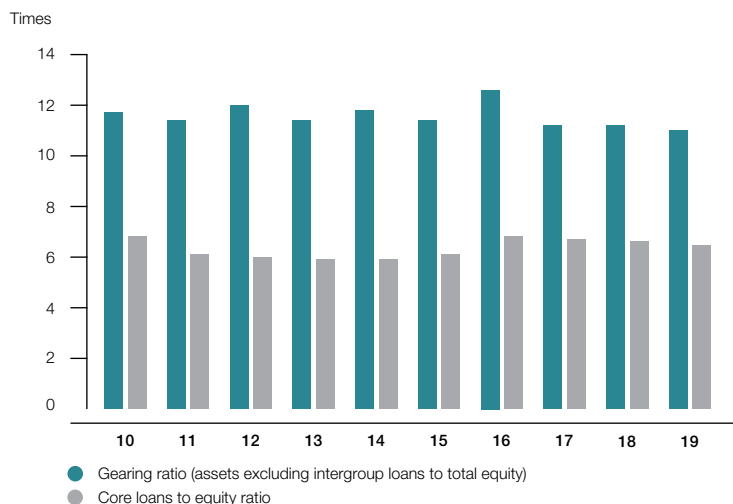
* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

Gearing

11.0x

IBL 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. IBL's comparative ratio would be 11.0 times.

Gearing ratio



Asset quality and exposures

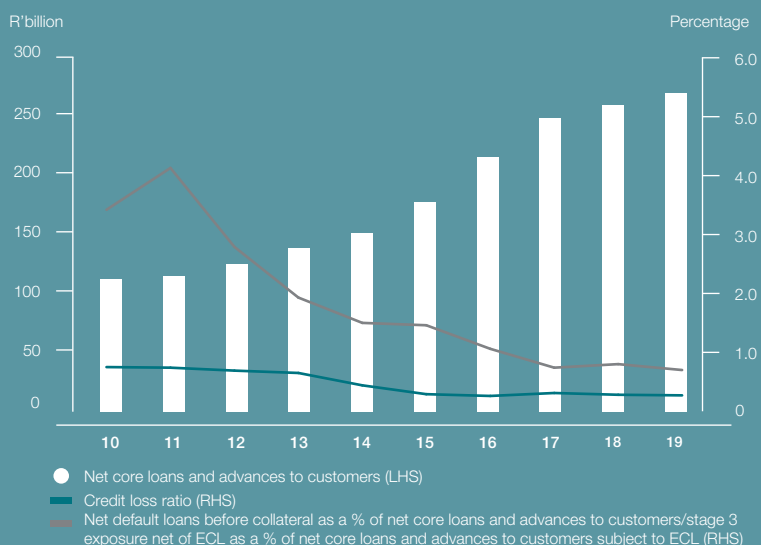
0.27%
(credit loss ratio)

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

The total ECL impairment charges amounted to R722 million for the year ended 31 March 2019 (2018: R720 million). The credit loss ratio was 0.27% at 31 March 2019 (31 March 2018: 0.28%).

Stage 3 exposures net of ECL at 31 March 2019 amounted to R1 894 million (1 April 2018: R1 746 million). Stage 3 exposure net of ECL as a percentage of net core loans and advances to customers subject to ECL as at 31 March 2019 amounted to 0.7% (1 April 2018: 0.7%)

Core loans and asset quality



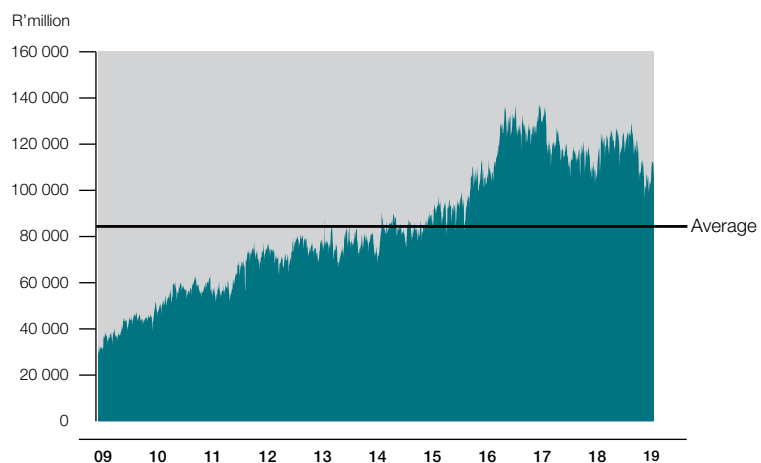
Liquidity and funding

R118.4bn
(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 2019 the bank had R118.4 billion of cash and near cash to support its activities, representing 34.6% 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.

Cash and near cash trend



Customer deposits have increased by 6.2% since 31 March 2018 to R341.7 billion at 31 March 2019. The bank's loan to deposit ratio was 76.6% as at 31 March 2019 (31 March 2018: 76.9%).

There are no deposit guarantees in South Africa.

At Investec, sustainability is about building resilient profitable businesses that are focused on growing and preserving stakeholders long-term wealth, whilst contributing in a responsible way to the health of our economy, our people, our communities and the environment for a prosperous future for all.

Recognition

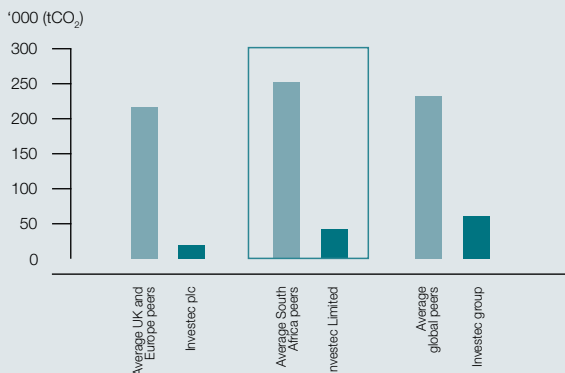
- Voted third most attractive employer in South Africa in the 2018 Universum awards in the business/commerce sector
- Signatory to the 30% Club in South Africa
- Finalist in the 2018 Thomson Reuters Southern Africa Excellence Awards in the Most Impactful Business: Doing Good and Doing Well category.

Funding a sustainable economy

We play a critical role in funding a sustainable economy that is cognisant of the world's limited natural resources.

- We are participants of the United Nations Global Compact's 10 principles on human rights, labour, environment and anti-corruption
- Our ESG policies incorporate environmental and social considerations into our lending and investment processes
- We have a climate change statement that supports the transition to a low-carbon economy. Together with UK Climate Investments, Investec committed R1 billion to a dedicated renewable energy investment vehicle called Revego Africa Energy
- We are one of the first signatories to the Youth Employment Service (YES) initiative in South Africa, and placed more than 1 200 youth with 11 partners during the year
- We signed up to the United for Wildlife financial taskforce which leverages existing global financial crime architecture to combat illegal wildlife trade
- Operationally, we have a very low carbon footprint compared to our peers and were awarded a B rating by the Carbon Disclosure Project (CDP).

Peer comparison Scope 1, 2 and 3 emissions



Source: Latest company annual reports

Sustainability indices

We participate and have maintained inclusion in several globally-recognised sustainability indices.

- Investec plc ranked in the Dow Jones Sustainability Investment (DJSI) Index as one of 15 industry leaders on the DJSI World and one of nine in the DJSI Europe indices
- Included in the FTSE4Good Index
- Constituent of the ECPI Index
- Constituent of the FTSE/JSE Responsible Investment Index Series
- Rated AAA on the MSCI Global Sustainability Index Series
- Member of the STOXX Global ESG Leaders Indices.

Sustainable Development Goals

We have committed to support delivery of the Sustainable Development Goals (SDGs) in building a more resilient and inclusive world.

- We can make the greatest socio-economic and environmental contribution by partnering with our clients and stakeholders to have a tangible impact on reducing inequality
- Through extensive stakeholder engagement in the past year, we believe our businesses are best positioned to focus on six core priority SDGs (out of 17)
- We continue to test these priorities and will report accordingly as our SDG journey progresses.



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:

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)
Foreign currency long-term rating	BB+	Baa3	BB	–
Foreign currency short-term rating	B	P-3	B	–
International scale, local currency long-term rating	–	–	–	BB+

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