

INVESTEC | 2020
BANK LIMITED

Q and A fact sheet



Investec partners with private, institutional and corporate clients, offering international banking, investments and wealth management services in two principal markets, South Africa and the UK, as well as certain other countries. The group was established in 1974 and currently has approximately 8,700 employees.

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.

In March 2020, the Asset Management business was demerged from the Investec group and separately listed as Ninety One.

Investec Bank Limited (IBL) is a specialist bank and is the main banking subsidiary of Investec Limited. Investec Bank (Mauritius) Limited and Investec Life Limited are the main operating subsidiaries of IBL. IBL also has a 47.4% interest in the IEP Group (Proprietary) Limited. IBL is regulated by the South African Prudential Authority.

Key financial statistics

	31 March 2020	31 March 2019	% change
Total operating income before expected credit loss impairment charges (R'million)	12 603	12 650	(0.4%)
Operating costs (R'million)	6 632	6 547	1.3%
Operating profit before goodwill and acquired intangibles (R'million)	4 883	5 381	(9.3%)
Headline earnings attributable to ordinary shareholders (R'million)	3 844	4 784	(19.6%)
Cost to income ratio	52.6%	51.7%	
Total capital resources (including subordinated liabilities) (R'million)	53 785	55 678	(3.4%)
Total equity (R'million)	41 748	41 760	0.0%
Total assets (R'million)	535 970	475 603	12.7%
Net core loans and advances (R'million)	283 946	269 404	5.4%
Customer accounts (deposits) (R'million)	375 948	341 710	10.0%
Loans and advances to customers as a % of customer accounts (deposits)	73.6%	76.6%	
Cash and near cash balances (R'million)	147 169	118 365	24.3%
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	12.4x	11.0x	
Total capital adequacy ratio	16.4%	17.7%	
Tier 1 ratio	12.3%	12.8%	
Common equity tier 1 ratio	12.1%	12.5%	
Leverage ratio – current	6.9%	7.6%	
Leverage ratio – 'fully loaded'	6.8%	7.5%	
Stage 3 as a % of gross core loans and advances subject to ECL	1.5%	1.3%	
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.9%	0.7%	
Credit loss ratio	0.37%	0.27%	

Note: Investec Bank Limited received regulatory permission to adopt the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019. The comparative capital and leverage ratios are the pro-forma FIRB ratios to demonstrate the uplift in the capital ratios had the FIRB approach been applied as of 31 March 2019.

FINANCIAL INFORMATION

The tough operating environment in the first six months of the financial year continued through the second half, exacerbated by the sudden and extreme COVID-19 related dislocation in global markets during the last quarter of the financial year ended 31 March 2020. Against this backdrop, IBL reported a decrease in headline earnings attributable to ordinary shareholders of 19.6% to R3 844 million (2019: R4 784 million). IBL has sound capital and liquidity buffers.

Further details on IBL's results can be found on Investec's website at www.investec.com

Capital adequacy

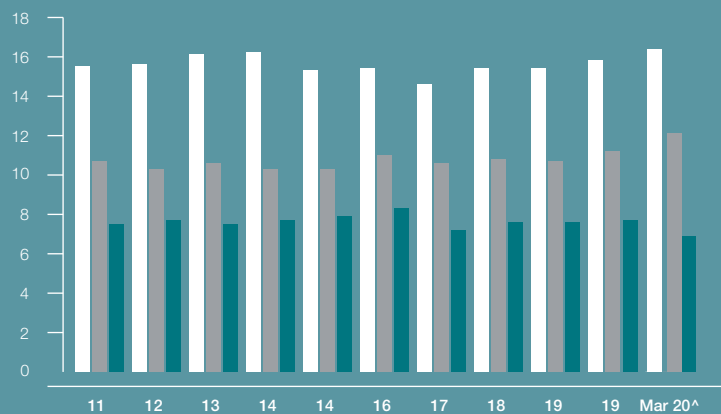
16.4%

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 2020, the total capital adequacy ratio of IBL was 16.4% and the common equity tier 1 ratio was 12.1%.

The implementation of the Foundation Internal Ratings-Based ('FIRB') approach from 1 April 2019 had a positive impact on our capital ratios. Our application to the SARB to implement the Advanced ('AIRB') approach is under review and if successful, will result in a further positive uplift to our capital ratios.

Basel capital ratios

Percentage



- Total capital adequacy ratio
- Common equity tier 1 ratio
- Leverage ratio*

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

^ On Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019. All prior years presented on the Standardised Approach.

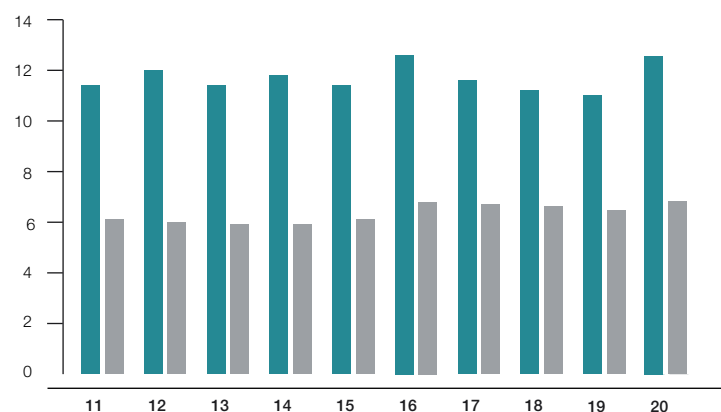
Gearing

12.4x

IBL is not a highly geared bank. A number of banks that have come into difficulty in the past were in excess of 40 times geared. IBL's gearing ratio at 31 March 2020 is 12.4x.

Gearing ratio

Times



- Gearing ratio (assets excluding intergroup loans to total equity)
- Core loans to equity ratio

Asset quality and exposures

0.37%

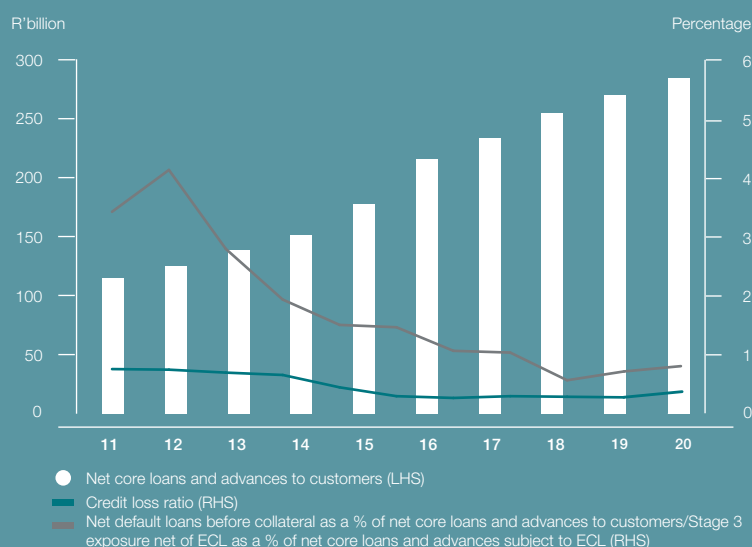
(credit loss ratio)

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 R1 088 million for the year ended 31 March 2020 (2019: R722 million). The credit loss ratio was 0.37% at 31 March 2020 (2019: 0.27%).

Stage 3 exposures net of ECL at 31 March 2020 amounted to R2 473 million (2019: R1 894 million). Stage 3 exposures net of ECL as a percentage of net core loans and advances subject to ECL as at 31 March 2020 amounted to 0.9% (2019: 0.7%).

Core loans and asset quality



Liquidity and funding

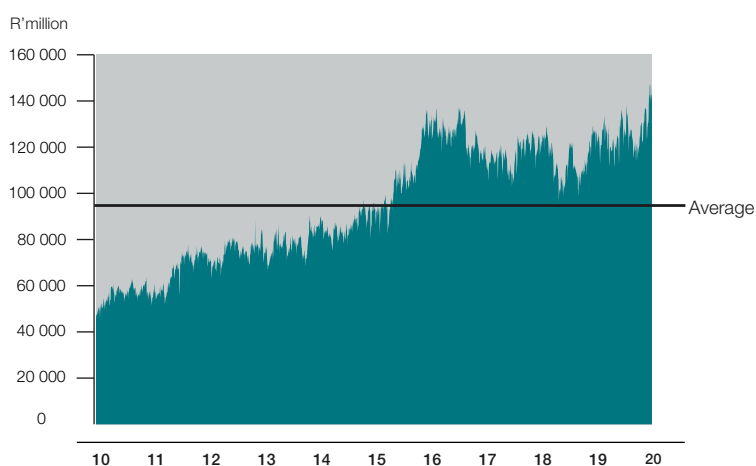
R147.2bn

(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 2020, the bank had R147.2 billion of cash and near cash to support its activities, representing 39.1% 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 10.0% since 31 March 2019 to R375.9 billion at 31 March 2020. The bank's loan to deposit ratio was 73.6% as at 31 March 2020 (2019: 76.6%).

There are no deposit guarantees in South Africa.

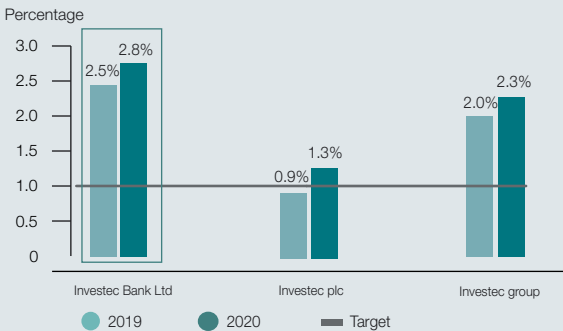
At Investec, sustainability is about building resilient profitable businesses that are focused on growing and preserving stakeholders long-term wealth, whilst contributing in a responsible way to the health of our economy, our people, our communities and the environment for a prosperous future for all.

Supporting a sustainable economy

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

- Participants of the United Nations Global Compact’s 10 principles on human rights, labour, environment and anti-corruption
- Enhanced our ESG policies, processes and reporting and publicly disclosed our group fossil fuel policy
- Financing sustainable development, for example in renewable energy, infrastructure, innovation and SMEs
- First bank in South Africa and eighth bank in the UK to sign up to the Task Force for Climate-related Financial Disclosures (TCFDs)
- Female senior leadership increased to 43.4% (2019: 42.3%) of total senior leadership
- Community spend as a % of operating profit increased to 2.8% (2019: 2.5% and target of 1.0%) of which 86% was spent on education, entrepreneurship and job creation
- First bank in South Africa to sign up to the Task Force for Climate-related Financial Disclosures (TCFDs)
- Achieved net-zero carbon emissions and committed to ongoing carbon neutrality
- Launched the first structured product in South Africa over an Environmental World Index.

Spend on community initiatives as a % of operating profit



Recognition

- Voted one of SA’s Top Empowered Companies by Impumelelo
- Best Investment Bank for Sustainable Finance in Africa for the 2020 Global Finance Awards
- Winner of the Sustainability Award in the 17th Annual National Business Awards 2019
- Winner of the Trialogue Strategic CSI Award 2019 for the Promaths programme.

Sustainability indices

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

- Top 15% in our industry in the RobecoSam Corporate Sustainability results released in January 2020
- In the FTSE UK 100 ESG Select Index out of 640 companies in the FTSE All Share Index
- Top 40 in the FTSE/JSE Responsible Investment Index
- Top 6% in the MSCI Global Sustainability Index, scoring AAA in the financial services sector
- One of 43 banks and financial services in the STOXX Global ESG Leaders Index.
- Maintained a B rating in terms of the CDP (Industry average of C).

Sustainable Development Goals

We are committed to supporting delivery of the Sustainable Development Goals (SDGs) through partnering for inclusive prosperity.

- Fani Titi, signed up to UN CEO Alliance on Global Investment for Sustainable Development (GISD)
- Hosted members of 30 international banks and financial institutions who are driving the UN Global Investment for Sustainable Development (GISD) agenda
- Export and agency finance team is working with a new Impact Debt Fund, which is grant supported by The Rockefeller Foundation. This US\$300 million initial fund will launch in Q2 2020 and is focused on co-financing projects which meet SDG objectives alongside export credit agencies.

Our 2020 sustainability report provides further detail on the many initiatives we are supporting and funding as part of our commitment to the Sustainable Development Goals.



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	Ba1	BB-	–
Foreign currency short-term rating	B	NP	B	–
International scale, local currency long-term rating	–	–	–	BB

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Date of print: 20 May 2020