Investec

INVESTEC BANK PLC 2020

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.

Investec Bank plc (IBP) is the main banking subsidiary of Investec plc and also houses the Wealth & Investment business, which is one of the largest private client wealth managers in the UK, with £33.1bn funds under management as at 31 March 2020. It generates substantial capital light non-banking income for IBP. IBP is regulated by the Prudential Regulatory Authority and the Financial Conduct Authority and is a member of the London Stock Exchange.

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

Key financial statistics

Key financial statistics	31 March 2020	31 March 2019^	% change
Total operating income before expected credit loss impairment charges (£'000)	957 207	1 089 842	(12.2%)
Operating costs (£'000)	705 626	792 380	(10.9%)
Adjusted operating profit (£'000)	173 604	274 817	(36.8%)
Earnings attributable to ordinary shareholder (£'000)	57 822	161 917	(64.3%)
Cost to income ratio (%)	73.9%	72.6%	
Total capital resources (including subordinated liabilities) (£'000)	3 118 202	2 966 927	5.1%
Total equity (£'000)	2 331 172	2 163 228	7.8%
Total assets (£'000)	24 669 539	22 121 020	11.5%
Net core loans and advances (£'000)	11 832 499	10 486 701	12.8%
Customer accounts (deposits) (£'000)	15 505 883	13 499 234	14.9%
Loans and advances to customers as a % of customer deposits	76.3%	77.7%	
Cash and near cash balances (£'million)	6 040	6 792	(11.1%)
Funds under management (£'million)	33 465	39 482	(15.2%)
Total gearing ratio (i.e. total assets to equity)	10.6x	10.2x	
Total capital ratio	16.5%	17.0%	
Tier 1 ratio	13.1%	12.9%	
Common equity tier 1 ratio	11.5%	11.2%	
Leverage ratio – current	8.0%	7.9%	
Leverage ratio – 'fully loaded'	7.7%	7.7%	
Stage 3 exposure as a % of gross core loans and advances subject to ECL	3.3%	3.2%	
Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL	2.4%	2.2%	
Credit loss ratio#	0.69%	0.38%	

^ Information for March 2019 has been restated to exclude the financial impact of the rundown of the Hong Kong direct investments business and the impact of other group restructures.

 # The credit loss ratio is the expected credit loss (ECL) impairment charged on gross core loans and advances as a % of average gross core loans and advances subject to ECL.

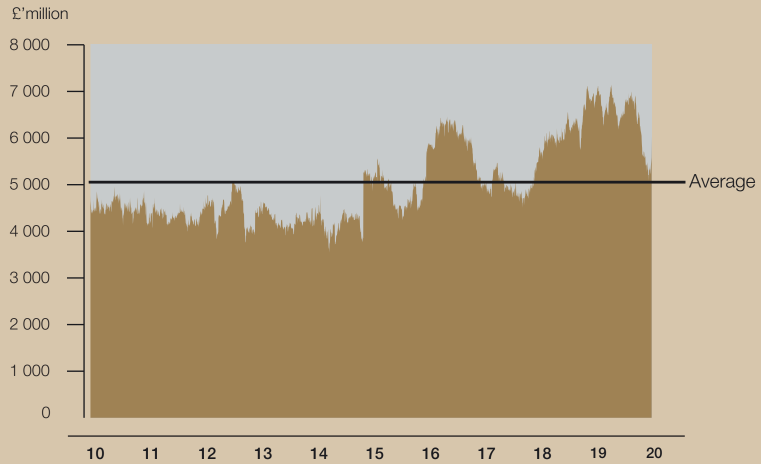
Liquidity and funding

£6.0bn
(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 31 March 2020, the bank had £6.0 billion of cash and near cash to support its activities, representing approximately 39% 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 £15.5 billion as at 31 March 2020 (31 March 2019: £13.5 billion).

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.

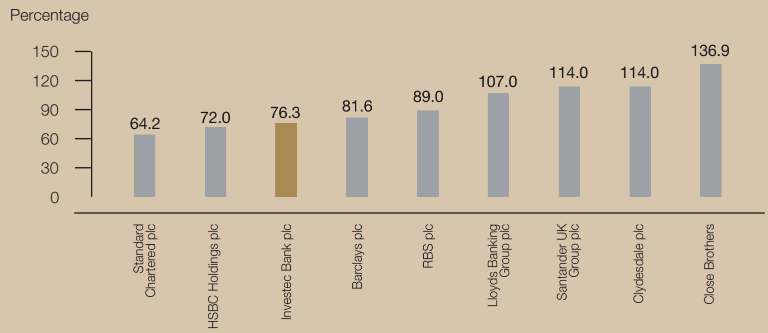
Loan to customer deposit ratio

76.3%
(loan to customer deposit ratio)

IBP's loan to customer deposit ratio is conservative in comparison to peers and further illustrates IBP's strong liquidity position.

The loan-to-customer-deposit ratio graph is sourced from company interim/annual financial results available as at 24 July 2020 and reflects the balance sheet figures for loans and advances to customers and customer deposits.

Loan-to-deposit ratio

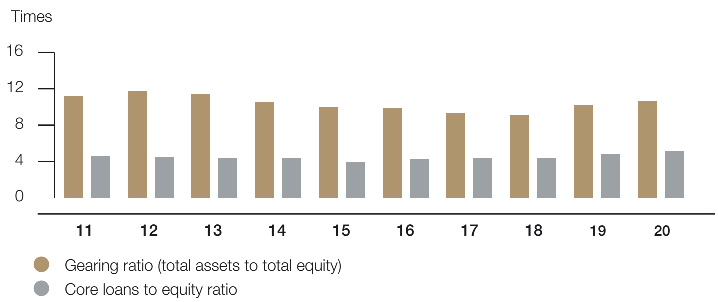


Gearing

10.6x

IBP is not a highly geared bank. A number of banks that have come into difficulty in the past have been in excess of 40x geared. IBP's comparative ratio would be 10.6x.

Gearing ratio



Capital adequacy

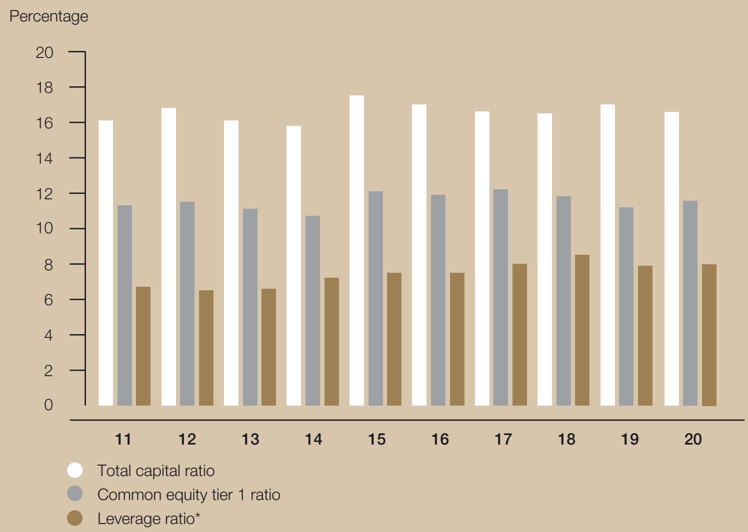
16.5%

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 31 March 2020, the total capital ratio of IBP was 16.5% and the common equity tier 1 ratio was 11.5%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 11.1% and 7.7%, 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 0 bps higher (31 March 2019: 13bps).

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.*

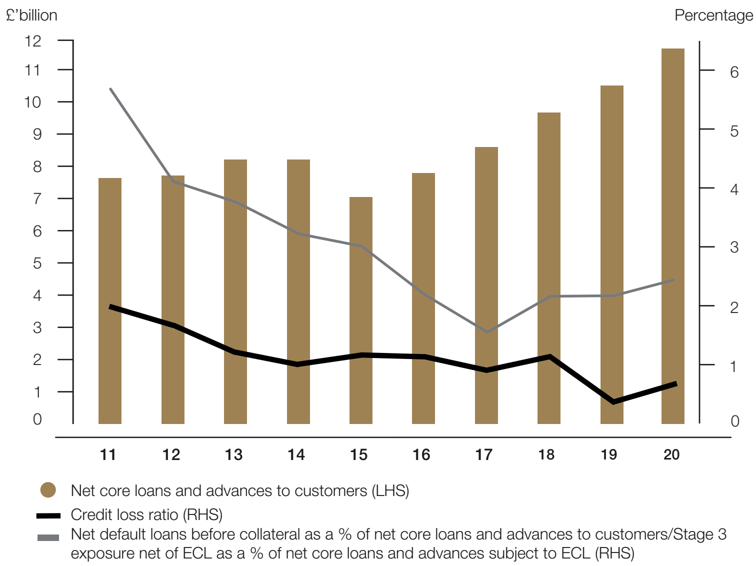
Asset quality and exposures

0.69%
(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 income statement ECL impairment charges amounted to £75.7 million for the year ended 31 March 2020 (2019: £25.0 million). The credit loss ratio increased from 0.38% at 31 March 2019 to 0.69% at 31 March 2020. The main contributors to the increase in ECL impairment charges were book growth and the impact of the COVID-19 pandemic; in the form of a provision overlay reflecting a deterioration in the macro-economic scenario forecasts applied and a specific impairment provision.

Core loans and asset quality



Stage 3 exposure net of ECL at 31 March 2020 amounted to £272 million (31 March 2019: £211 million). Stage 3 exposure net of ECL as a percentage of net core loans and advances subject to ECL at 31 March 2020 amounted to 2.4% (31 March 2019: 2.2%).

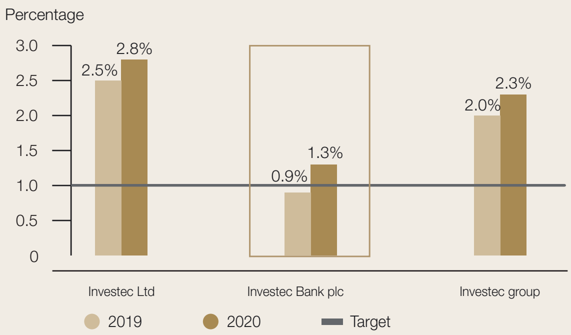
At Investec, sustainability is about building resilient profitable businesses that are focused on growing and preserving stakeholders long-term wealth, whilst contributing in a responsible way to the health of our economy, our people, our communities and the environment for a prosperous future for all.

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
- Female senior leadership increased to 21.9% (2019: 19.5%) of total senior leadership
- Community spend as a % of operating profit increased to 1.3% (2019: 0.9% and target of 1.0%)
- Eighth bank in the UK 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 a sustainability energy finance business in the UK.

Spend on community initiatives as a % of operating profit



Source: Latest company annual reports

Recognition

- Winner of the 16th Platinum Award in the City of London's Clean City Award Scheme for 2019 recognising the waste management best practice endeavours of the London office
- Shortlisted for the Financial Services Charity Partnership Award for partnership with Arrival Education (UK) in 2020
- One of seven finalists in the 2020 edie Sustainability Leaders Awards in the Employee Engagement & Behaviour Change Initiative of the Year category.

Sustainability indices

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

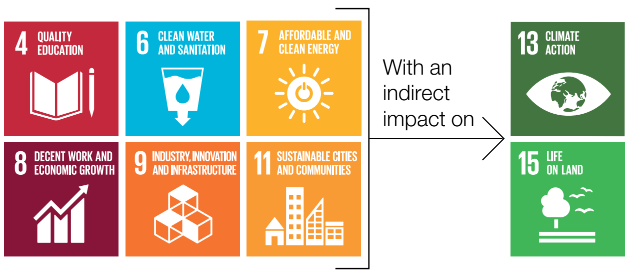
- Top 15% in our industry in the RobecoSam Corporate Sustainability results released in January 2020
- In the FTSE UK 100 ESG Select Index out of 640 companies in the FTSE All Share Index
- Top 40 in the FTSE/JSE Responsible Investment Index
- Top 6% in the MSCI Global Sustainability Index, scoring AAA 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.

- CEO, Fani Titi, signed up to UN CEO Alliance on Global Investment for Sustainable Development (GISD)
- 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.



Investec Bank plc (IBP)	
Moody's	
Long-term deposit rating	**A1**
Outlook	Stable
Fitch	
Long term Issuer Default rating (IDR)	**BBB+**
Outlook	Negative*

** On 24 July 2020, Fitch affirmed IBP's Long-Term Issuer Default Rating (IDR) at BBB+ and removed the Rating Watch Negative (that had been placed on IBP's ratings on 1 April 2020 following the onset of the COVID-19 pandemic) to reflect Fitch's view that IBP's ratings are not immediately at risk from the impact of the economic downturn. The outlook on the Long-Term IDR is negative to reflect the ongoing downside risks relating to COVID-19.*

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