Investec Bank Limited

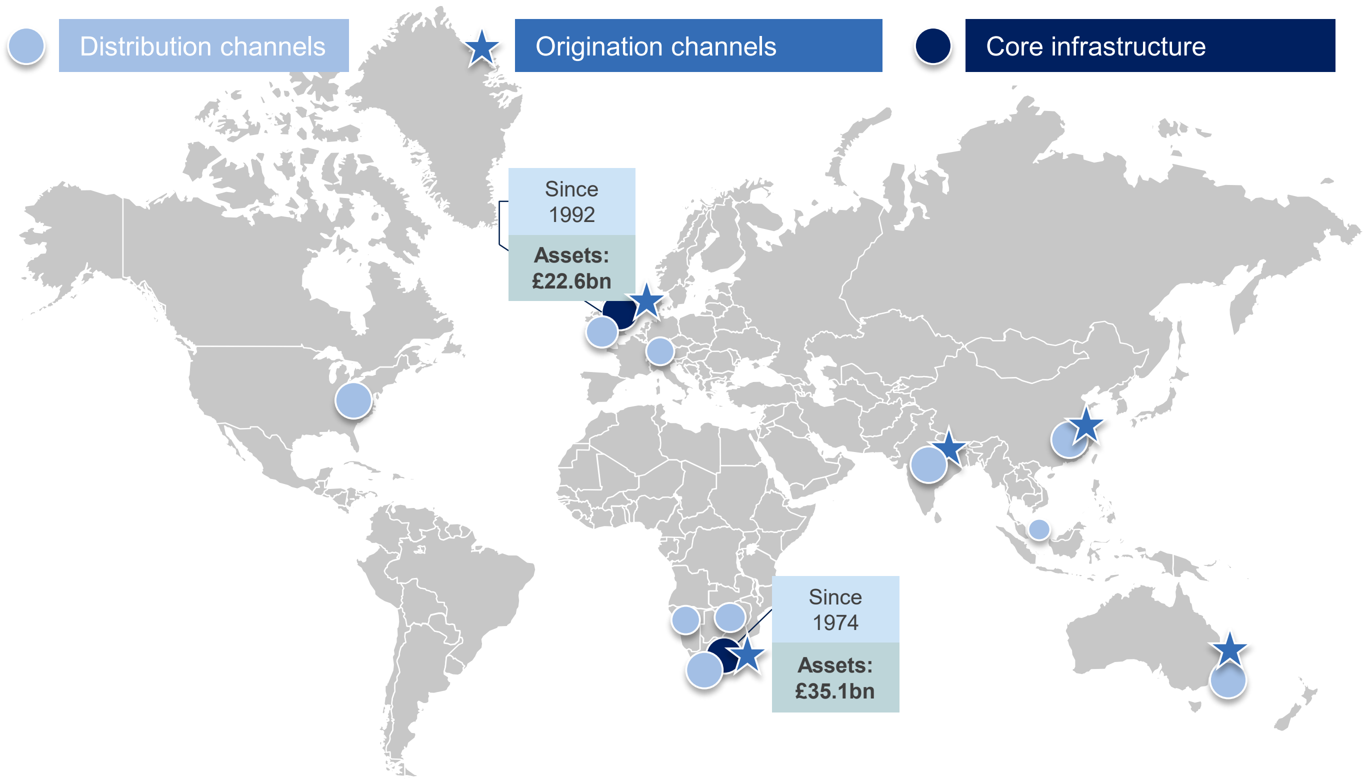
The information in this presentation relates to the year ended 31 March 2019, unless otherwise indicated.

An overview of the Investec Group

Investec: a distinctive specialist bank and asset manager

Facilitating the creation of wealth and management of wealth

- Established in 1974
- Today, efficient integrated international business platform employing approximately **10 500*** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of £57.7bn; total equity £5.3bn; total FUM £167.2bn

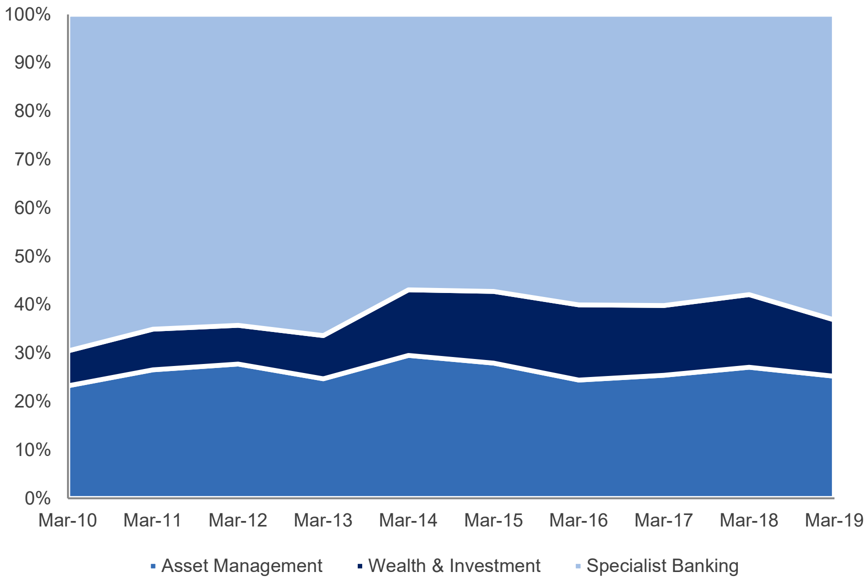


*Including temporary employees and contractors

Solid recurring income base supported by a diversified portfolio

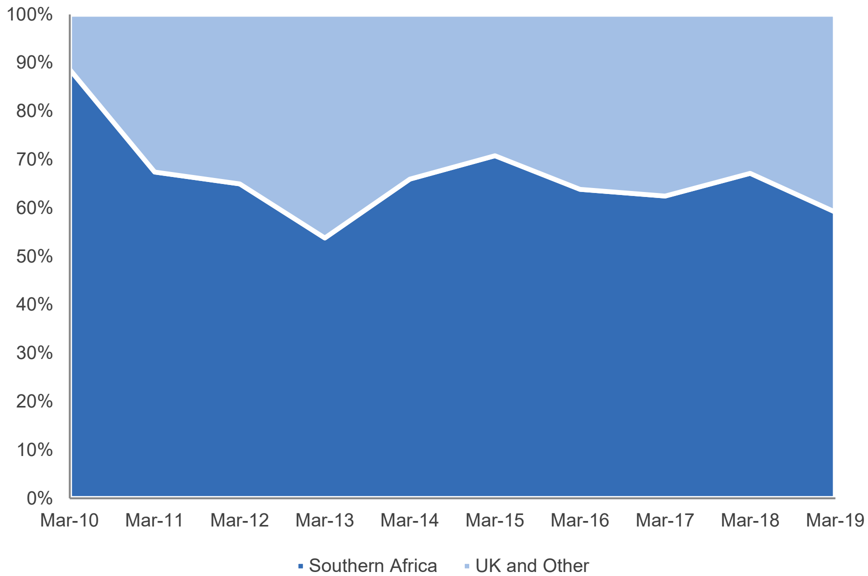
Across businesses

% contribution to operating profit*



Across geographies

% contribution to operating profit**



*Operating profit before taxation, goodwill, acquired intangibles, non-operating items, group costs and Asset Management non-controlling interests but after other non-controlling interests. **Operating profit before taxation, goodwill, acquired intangibles, non-operating items and Asset Management non-controlling interests but after other non-controlling interests.

Strategic focus

Our strategic goals and objectives are based on our aspiration to be recognised as a **distinctive specialist bank and asset manager**

The Investec distinction

Client focused approach

- Clients are the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High-tech, high-touch approach
- High level of service by being nimble, flexible and innovative.

Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing revenue earned from capital light activities and capital intensive activities
- Cost and risk conscious.

Strong culture

- Strong entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

Our strategy

Our long-term strategy is to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception we have expanded through a combination of organic growth and strategic acquisitions.

In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Group strategic focus

- Simplify, focus and grow with discipline
- Leverage our unique client profile and provide our clients with an integrated holistic offering
- Support our high-touch client approach with a comprehensive digital offering
- Ensure domestic relevance and critical mass in our chosen geographies
- Facilitate our clients with cross-border transactions and flow across our chosen geographies

Divisional strategic focus

Asset Management

- Grow our advisor business
- Grow our North America institutional business
- Continue to invest across our investment platforms, especially Multi-asset and China
- Ensure sustainability is at the core of our business
- Achieve a successful demerger and listing

Bank and Wealth

- Focused on enhancing effectiveness of operating platform to better serve clients and deliver long-term shareholder returns
- Increase discipline in capital allocation
- Manage the cost base for greater efficiencies
- Accelerate revenue growth
- Expanding connectivity across the organization to more fully serve client needs
- Bolster digital capabilities

Balanced business model supporting our long-term strategy

Three distinct business activities focused on well **defined target clients**

Corporate / institutional / government	Private client (high net worth / high income) / charities / trusts

Asset Management
(operating completely independently)

Internal management services to external clients

Specialist Banking

- Lending
- Transactional banking
- Treasury solutions
- Advisory
- Investment activities
- Deposit raising activities

Wealth & Investment

- Investment management services
- Independent financial planning advice

As announced on 14 September 2018 following a strategic review, the group made a decision to demerge and separately list the Investec Asset Management business. The demerger and the listing of Investec Asset Management is subject to regulatory and shareholder approvals, and is expected to be completed during the second half of calendar year 2019.

We aim to maintain an **appropriate balance** between revenue earned from capital light activities and revenue earned from capital intensive activities.

Capital light activities

56%

Contributed to group income

- Asset management
- Wealth management
- Advisory services
- Transactional banking services
- Property funds

Capital intensive activities

44%

Contributed to group income

- Lending portfolios
- Investment portfolios
- Trading income
  - client flows
  - balance sheet management

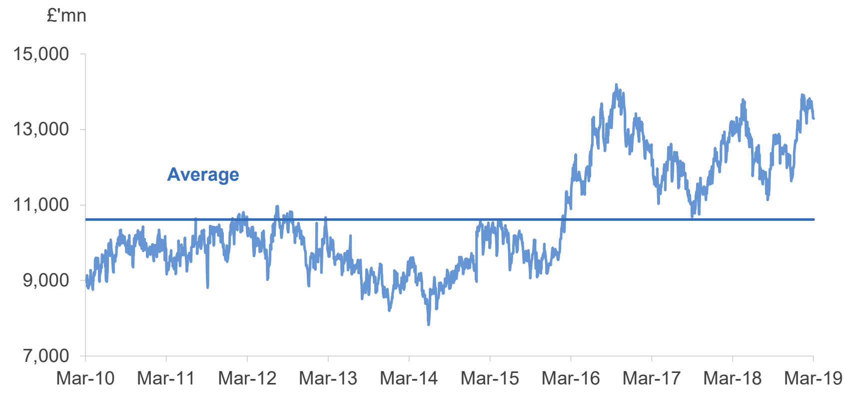
Fee and commission income ← Types of income → Net interest, investment, associate and trading income

We continue to have a sound balance sheet

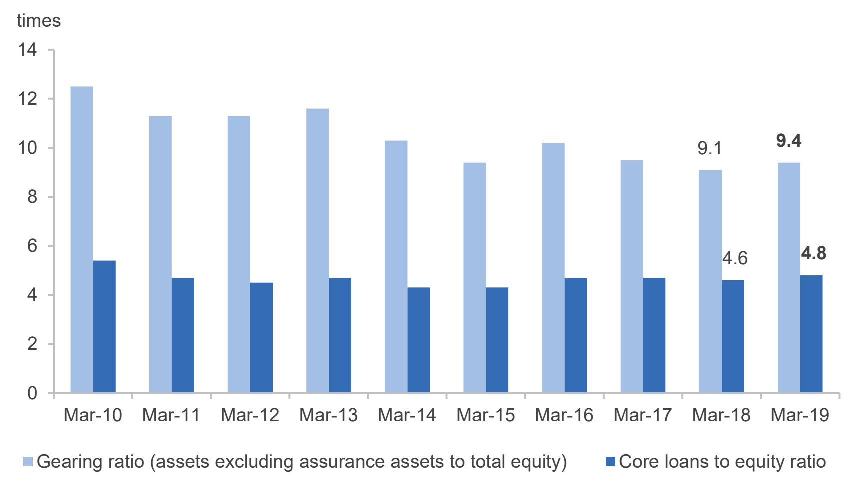
Key operating fundamentals

- Senior management "hands-on" culture
- A high level of readily available, **high quality liquid assets**: representing c. 25% - 35% of our liability base. Cash and near cash balances amounted to £13.3 billion at year end, representing 42.4% of customer deposits.
- No reliance on wholesale funding
- Solid leverage ratios: always held **capital in excess of regulatory requirements** and the group intends to perpetuate this philosophy. Target common equity tier 1 ratio of above 10% and total capital ratios between 14% and 17%
- **Low gearing ratio**: 9.4x with leverage ratios in excess of 7%
- Geographical and operational diversity with a **high level of recurring income** continues to support sustainability of operating profit

Cash and near cash

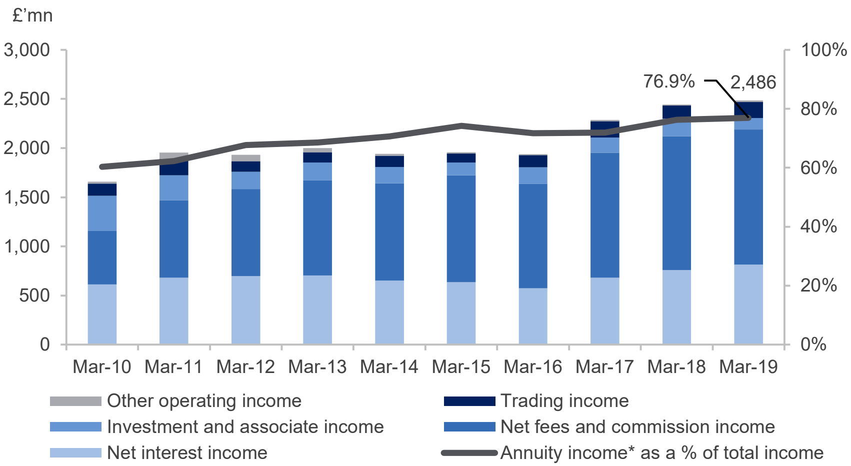


Low gearing ratios

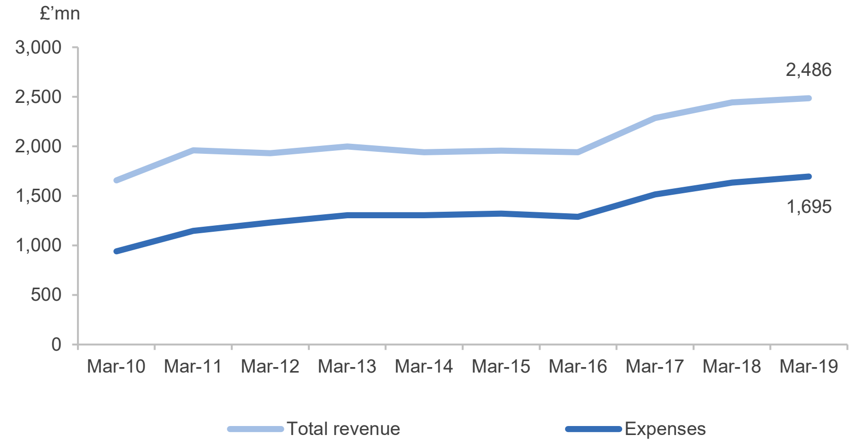


We have a sound track record

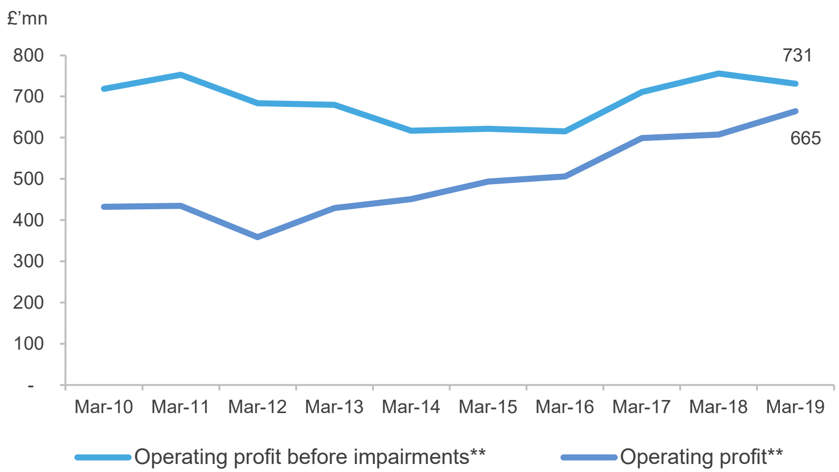
Recurring income



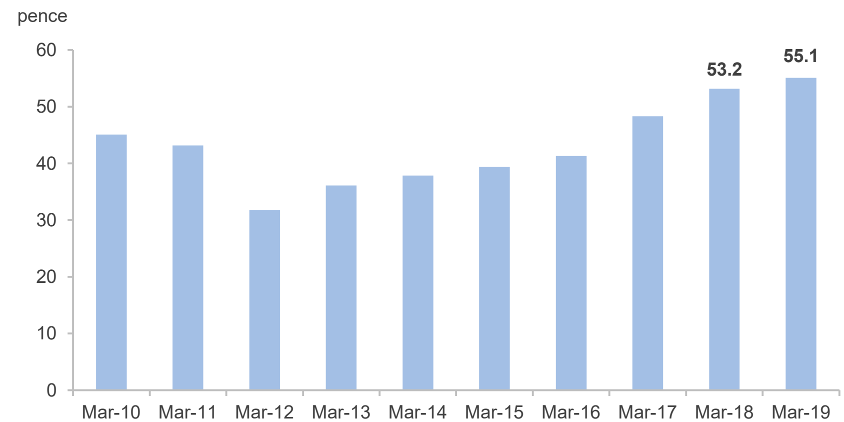
Revenue versus expenses



Operating profit** before impairments



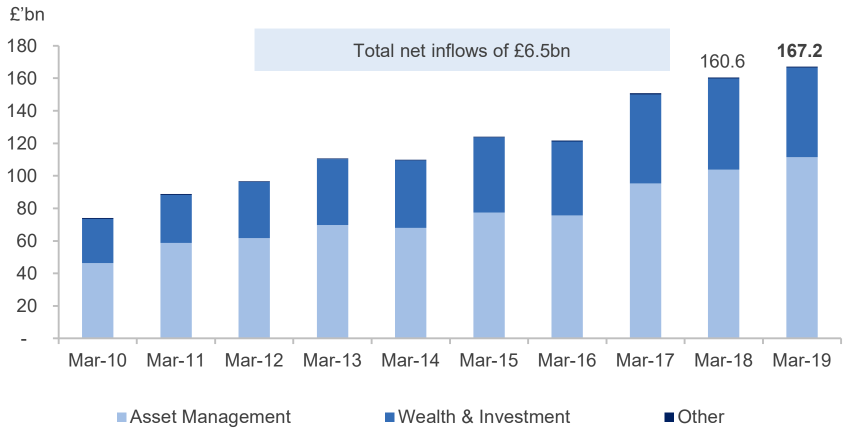
Adjusted EPS^



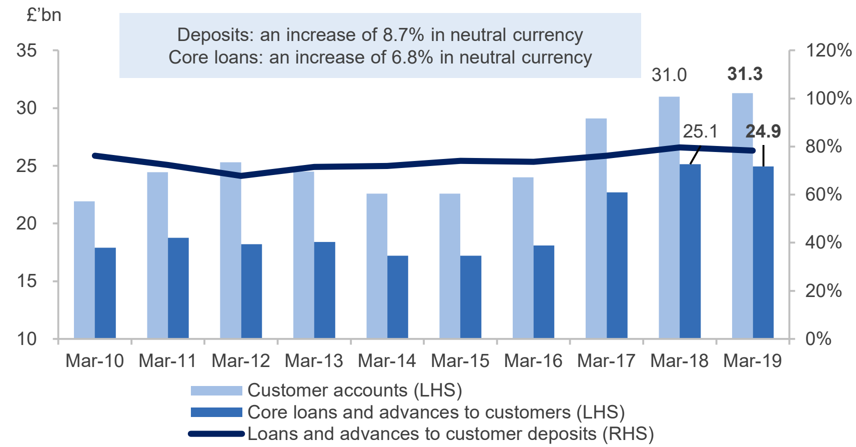
*Where annuity income is net interest income and annuity fees. **Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. ^Where adjusted EPS is earnings per share before goodwill, acquired intangibles and non-operating items and after non-controlling interests and the deduction of preference dividends.

We have a sound track record

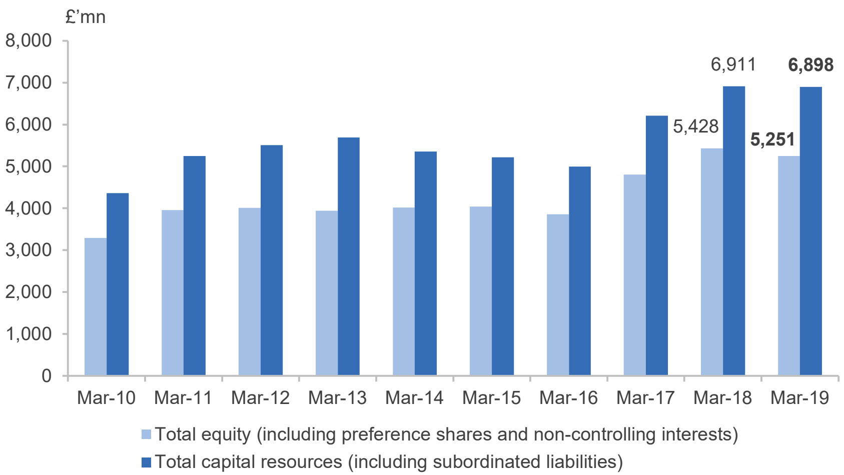
Third party assets under management



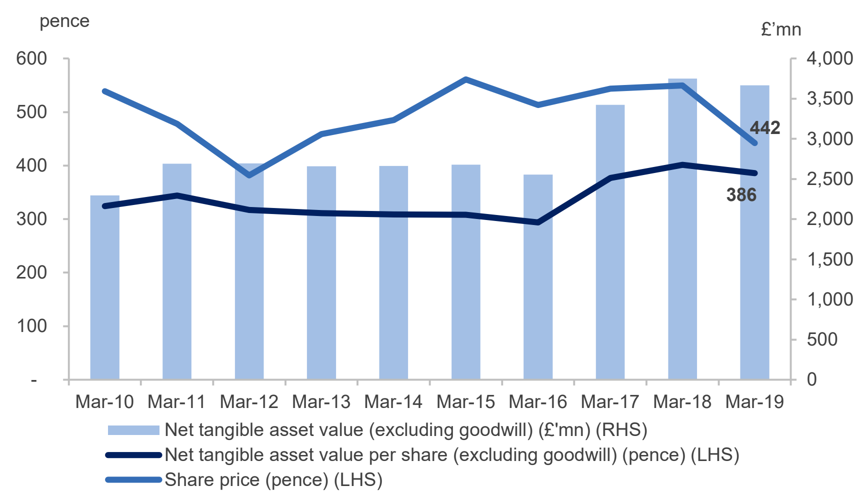
Core loans and advances and deposits



Total equity and capital resources



Net tangible asset value

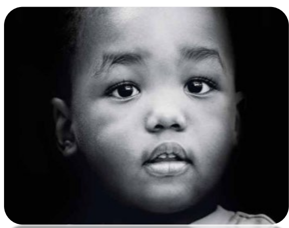


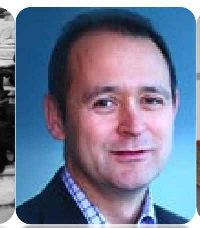
We have invested in our Brand



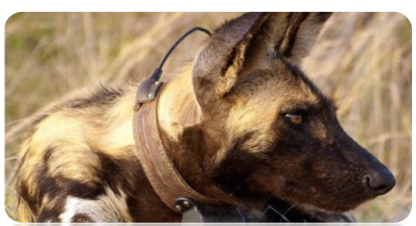
…our Communities

…our People




… and the Planet




An overview of Investec Bank Limited (IBL)

Overview of Investec Bank Limited

IBL is a **specialist bank** with a strong franchise in niche market segments operating primarily in **Southern Africa**

Total assets	Net core loans	Total equity	Customer deposits	Employees (approx.)
R475.6bn	**R269.4bn**	**R41.8bn**	**R341.7bn**	**4 300**

Well established franchise	• **Established in 1974** in the Republic of South Africa • Obtained a banking licence in 1980 and listed on the Johannesburg Stock Exchange in 1986 • Wholly owned subsidiary of **Investec Limited** (listed on the JSE) - Houses Investec group's **Southern African** and **Mauritius banking** subsidiaries - Asset Management, Wealth & Investment, Institutional Stockbroking, Investec Life and the Property divisions are housed in fellow subsidiaries under Investec Limited • Today, efficient integrated business platform employing approximately **4 300** people* • **5th largest banking group** in South Africa (by assets)
Key strategic objectives	• Deepen existing client relationships and client acquisition through the collaboration of product offerings • Invest in digital and technology platforms in order to remain competitive and to deliver on our high-tech, high-touch value proposition • Optimising funding channels and capital light activities • Manage capital and optimise shareholder returns • Disciplined client centric approach to equity investments while investing in areas of specialisation and divesting of non-core investments

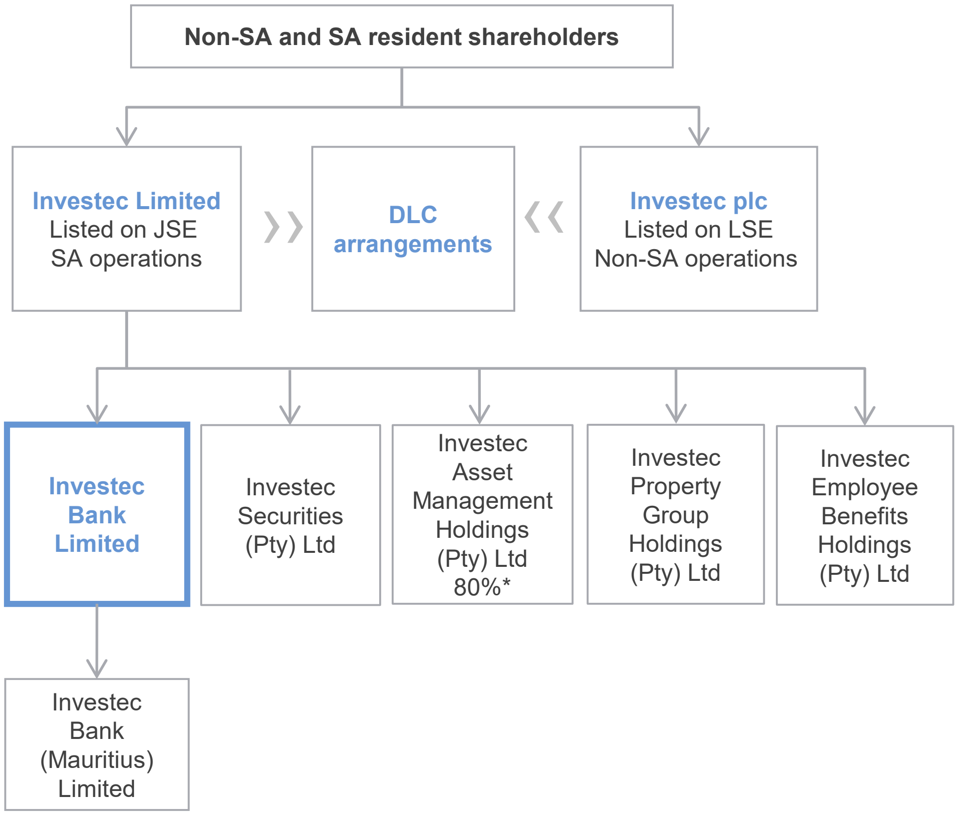
*Including temporary employees and contractors

Key credit strengths

Sound balance sheet	• **Robust capital base:** 11.2% common equity tier 1 (CET1) ratio and strong leverage ratio of 7.7%* • **Low gearing:** 11.0x • **Strong liquidity ratios** with high level of readily available cash. The liquidity position of the bank remains sound with a total cash and near cash balance of R118.4bn representing 34.6% of customer deposits • **Diversified funding base** with strong retail deposit franchise and low reliance on wholesale funding • **Never required shareholder or government support**
Strong risk management frameworks	• Group Risk Management operates within an **integrated geographical and divisional structure**, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the business units • Risk awareness, control and compliance are embedded in our **day-to-day activities** • Board, executives and management are intimately involved in the **risk management** process • Senior management **"hands-on"** culture
Strong culture	• **Stable management** – senior management team average tenor of c.15 – 20 years • Strong, entrepreneurial culture balanced with a strong risk awareness • Employee ownership – long-standing philosophy

*Based on revised BIS rules.

IBL operational structure



- Investec Limited, the holding company for Investec Bank Limited, is part of a Dual Listed Companies (DLC) structure

Salient features of Investec's DLC structure:

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- The companies have the same Boards of Directors and management
- **Shareholders** have common economic and voting interests as if Investec Limited and Investec plc were a single company:
  - Equivalent dividends on a per share basis
  - Joint electorate and class right voting
- **Creditors** are however **ring-fenced** to either Investec Limited or Investec plc **as there are no cross guarantees between the companies**
- **Capital and liquidity are prohibited from flowing between the two entities under the DLC structure conditions**

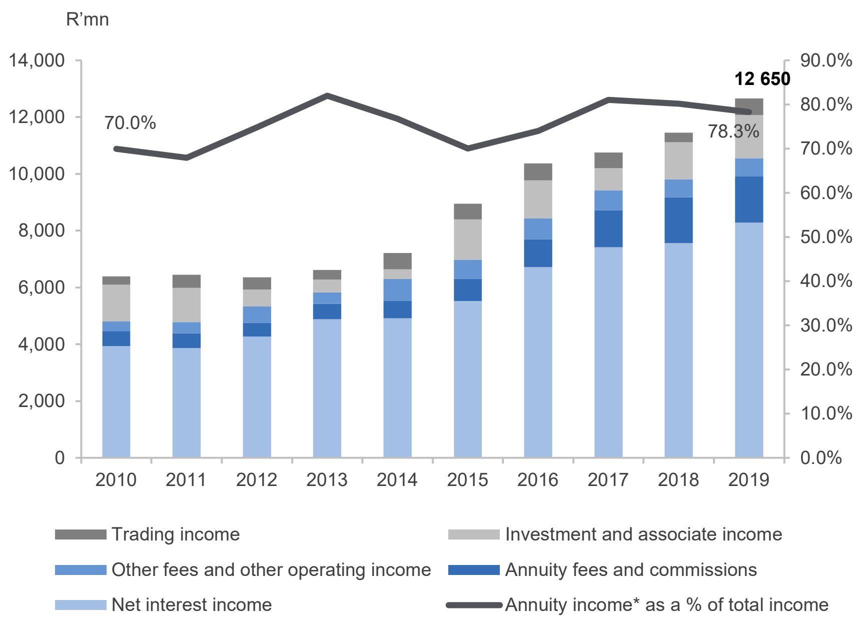
- **Regulation** of the DLC structure:
  - The South African Prudential Authority (SA PA) is the lead regulator of the group
  - The SA PA is the regulator of Investec Limited while the UK Prudential Regulation Authority and the Financial Conduct Authority are the regulators of Investec plc
  - The Memorandum of Understanding between the two regulators sets out that the role of the lead regulator would change if 70% or more of the on and off balance sheet assets are held by Investec plc

All shareholdings are 100% unless otherwise stated. Only main operating subsidiaries are indicated.
*Senior management in the company hold 20% minus one share (31 March 2018: 17%)

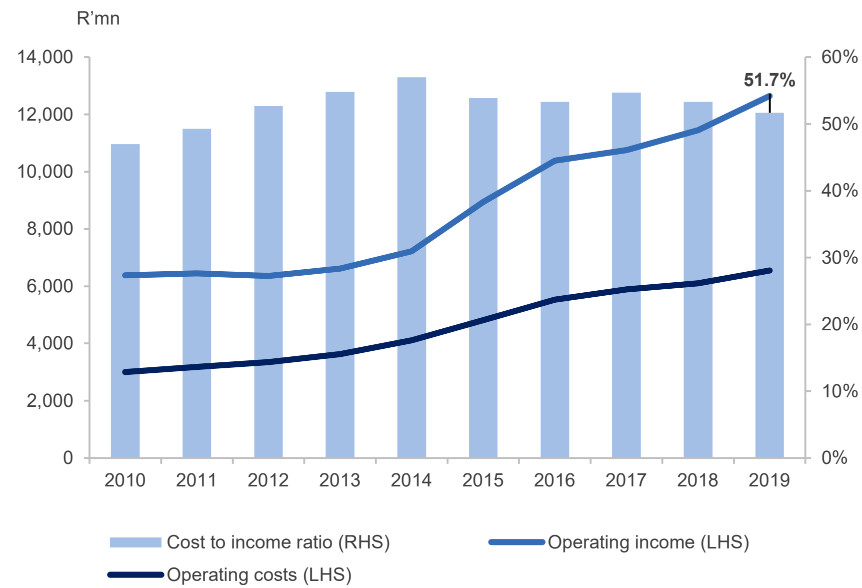
IBL operating fundamentals

We have a strong franchise that supports a solid revenue base

Annuity income*



Revenue versus expenses^



- A diversified business model continues to support a **large recurring income base** comprising net interest and annuity fees, currently 78.3% of operating income (up from 70.0% in 2010)
- **Growth** in total operating income has largely been driven by **increased lending activities** (with a stable net interest margin of c. 2% in recent years) and a **broadening of our client franchises** generating growth in fee income and a recurring level of client flow

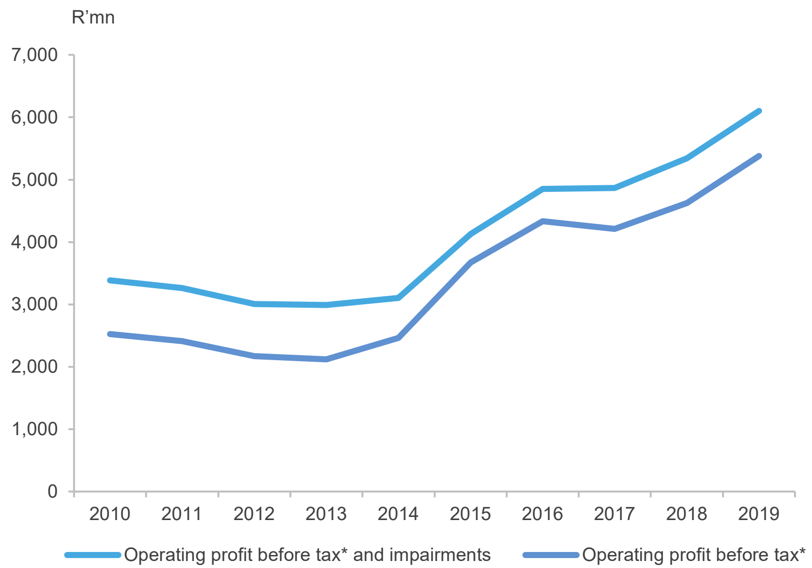
- We are focusing on **managing costs** while building for the future
- We are maintaining a **disciplined approach to cost control**, with a target cost to income ratio between 49% and 52%
- Cost to income ratio is 51.7% for 2019 (53.3% for 2018)

*Where annuity income is net interest income and annuity fees ^The Investec group has changed its cost to income ratio definition to exclude profits and losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income before ECL (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests)

We have a strong franchise that supports a solid revenue base

- **Operating profit underpinned by well established franchises:**
  - Leading Private Bank over many years
  - Leading Corporate Advisory house
  - Highly regarded Corporate and Institutional Bank

Operating profit before tax*

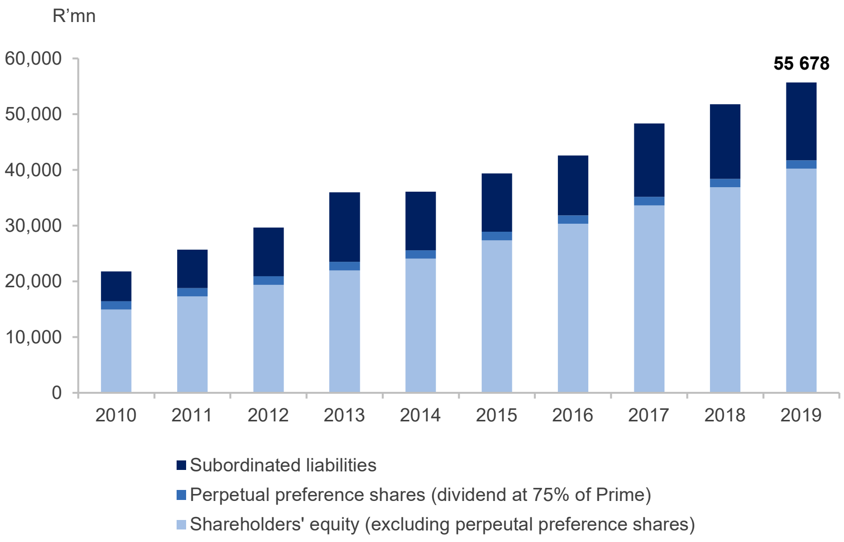


- We have **grown operating profit before tax*** (increased by 24.3% over the past three years to R5.3bn; CAGR of 7.5%)
- Growth in earnings has been supported by positive business momentum, reflected in an **increase in our client base** and **solid growth of loans and advances**
- Between 2009 and 2013 our results were impacted by an increase in impairments. These are back to normalised levels

*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.

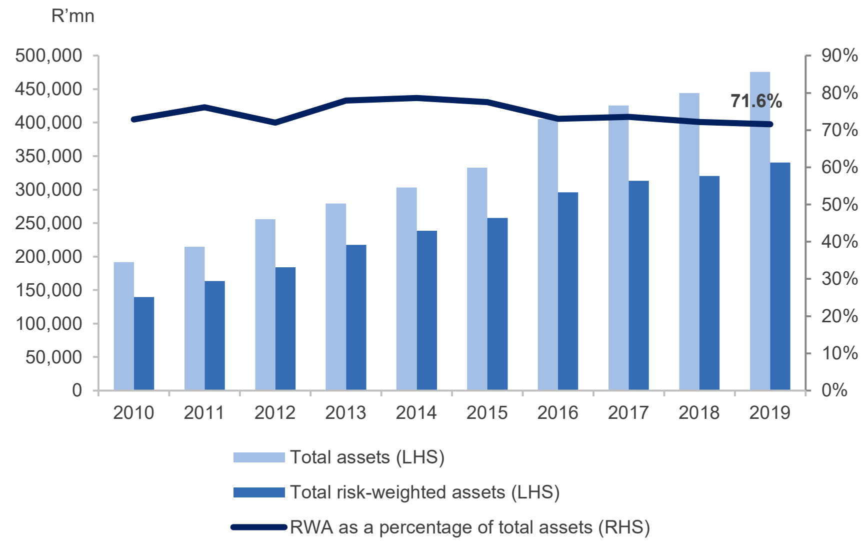
Sound capital base and capital ratios

Total capital



- We have continued to grow our capital base over the past 10 years **without recourse to government or shareholders**
- Our total **capital resources has grown by 155.5%** since 2010 to R55 678mn at 31 March 2019 (CAGR of 11.0% per year)

Total risk-weighted assets: high RWA density

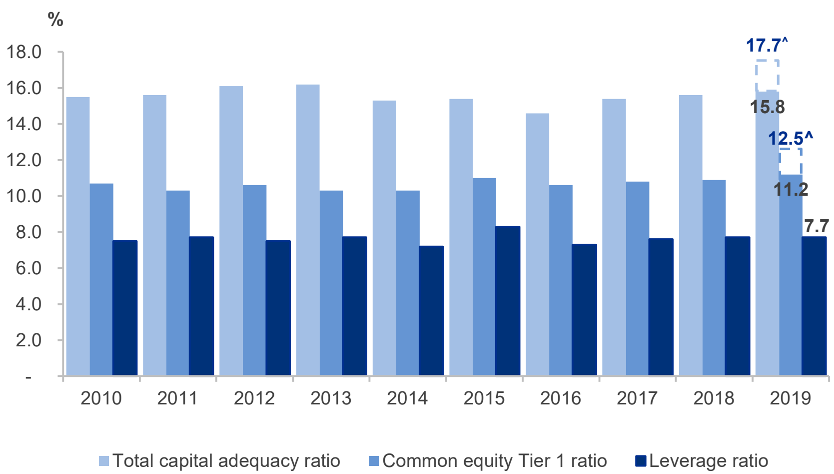


- As we use the Standardised Approach for our Basel III risk RWA calculations, our RWA **represents a large portion of our total assets** as we inherently hold more capital
- IBL's Total RWAs / Total assets is 71.6%, which is higher relative to many SA banks on the Advanced Approach

Sound capital base and capital ratios

- Investec has **always held capital in excess of regulatory requirements** and intends to perpetuate this philosophy and ensure that it remains well capitalised
- 31 March 2019: total capital adequacy ratio of 15.8% and a common equity tier 1 ratio of 11.2%
- Our fully loaded Basel III common equity tier 1 ratio is estimated to be 11.1% and our fully loaded leverage ratio is 7.6%
- IBL has received regulatory approval to adopt the FIRB^ approach, effective 1 April 2019, resulting in the below pro-forma ratios had the FIRB approach been applied as of 31 March 2019

Basel capital ratios*



Capital development

A summary of ratios	31 Mar 2019	1 April 2018	Target
Common equity tier 1 (as reported)	11.2%	10.7%	>10%
Common equity tier 1 (fully loaded)#	11.1%	10.6%	
Tier 1 (as reported)	11.5%	11.0%	>11%
Total capital adequacy ratio (as reported)	15.8%	15.4%	14% to 17%
Leverage ratio** (current)	7.7%	7.6%	>6%
Leverage ratio** (fully loaded)#	7.6%	7.3%	

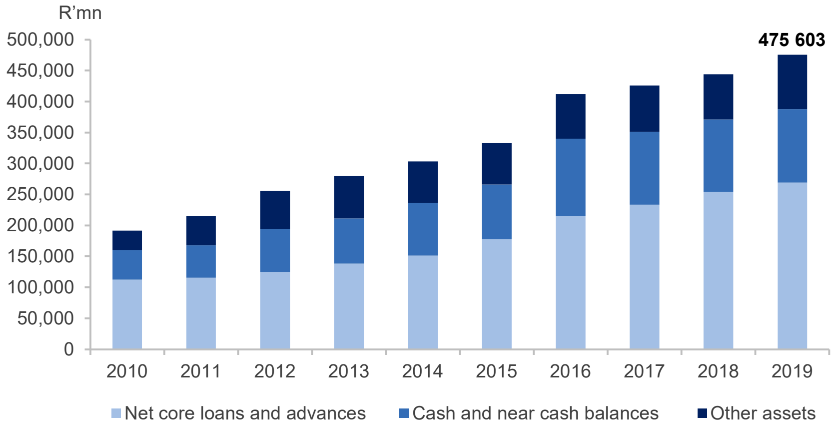
The key difference between the 'reported' basis at 31 March 2018 and the 'fully loaded' basis is primarily relating to capital instruments that previously qualified as regulatory capital, but do not fully qualify under South African Prudential Authority regulations. These instruments continue to be recognised on a reducing basis in the 'reported' figures until 2022.

** The leverage ratios are calculated on an end-quarter basis and are based on revised BIS rules.

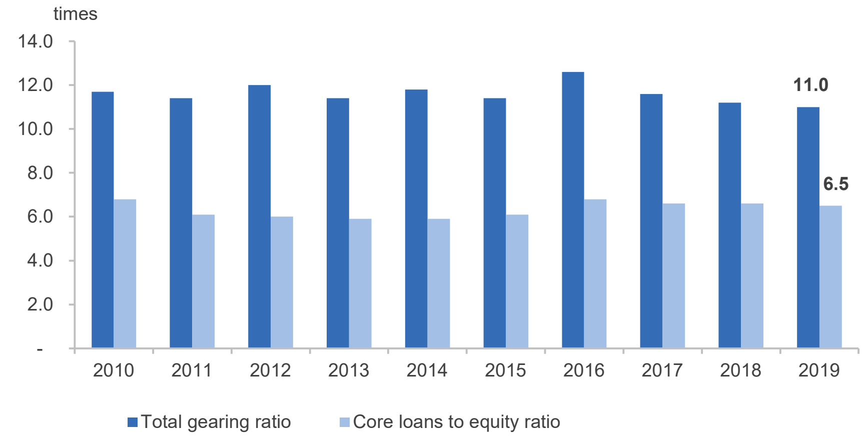
^ Pro-forma ratios under the Foundation Internal Ratings-Based (FIRB) approach at 31 March 2019 for total capital adequacy ration and common equity tier 1 ratio.
*Since 2013 capital information is based on Basel III capital requirements as currently applicable in South Africa. Comparative information is disclosed on a Basel II basis. The leverage ratio has only been disclosed since 2014, historic information has been estimated

Consistent asset growth, gearing ratios remain low

Total assets composition



Gearing* remains low



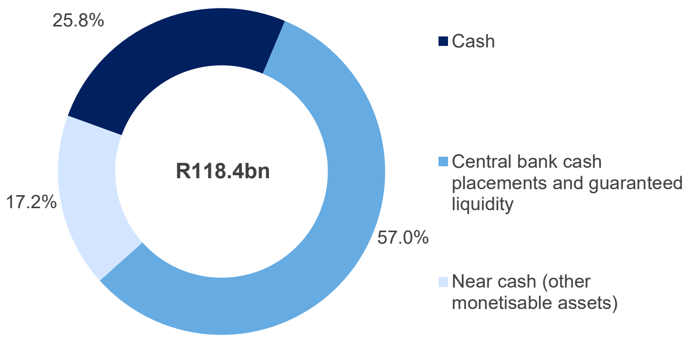
- We have recorded a **CAGR of 10.2% in net core loans and advances** since 2010 driven by increased activity across our target client base, as well as growth in our franchise
- In addition, we have seen **solid growth in cash and near cash balances** over the same period

- We have **maintained low gearing ratios*** with total gearing at 11.0x and an average of 11.6x over the past 10 years

*Gearing ratio calculated as Total Assets (excluding intergroup loans) divided by Total Equity

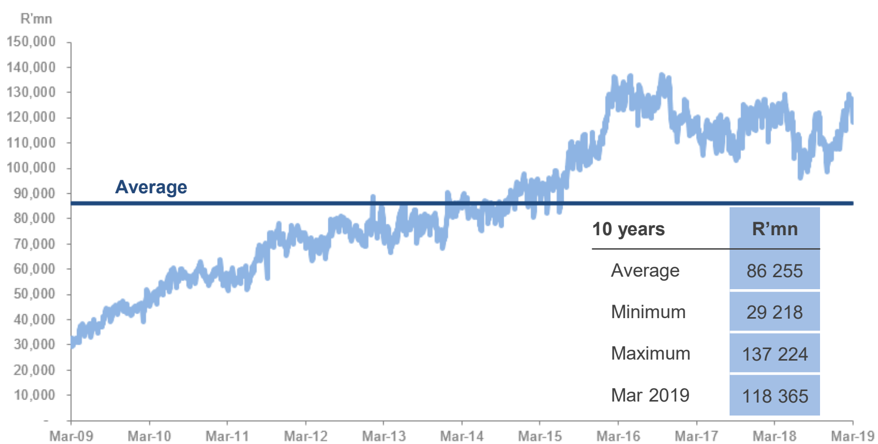
Substantial surplus liquidity

Cash and near cash balances at 31 March 2019



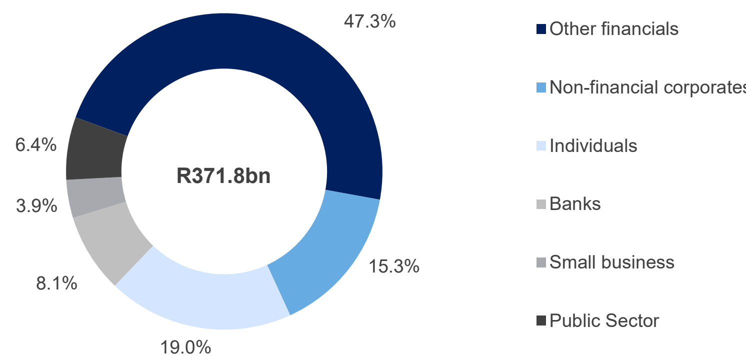
- We maintain a **high level of readily available, high quality liquid assets**, targeting a minimum cash to customer deposit ratio of 25%. Cash and near cash balances have increased significantly since 2010 (10.6% CAGR) to R118.4bn at 31 March 2019 (representing 34.6% of customer deposits)
- We delivered **liquidity ratios well in excess of regulatory requirements**. At 31 March 2019, IBL's (bank solo) three-month average **Liquidity Coverage Ratio (LCR) was 135.6%** and IBL's (bank solo) **Net Stable Funding Ratio (NSFR) was 115.6%** (ahead of minimum requirements of 100% respectively)

Cash and near cash balances



10 years	R'mn
Average	86 255
Minimum	29 218
Maximum	137 224
Mar 2019	118 365

Depositor concentration at 31 March 2019



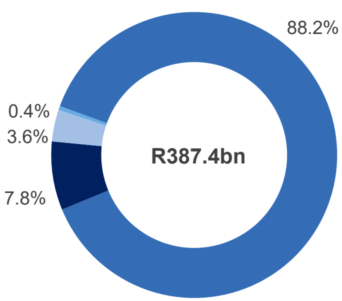
Diversified funding strategy

- Investec's funding consists **primarily of customer deposits**
- Investec adopts a **conservative and prudent funding strategy**

Conservative and prudent funding strategy

- Maintaining a high base of high quality liquid assets
- Diversifying funding sources
- Minimum cash of at least 25% of customer deposits on an on-going basis
- Limiting concentration risk
- Maintaining a stable retail deposit franchise
- Low reliance on wholesale funding
- Each geographic entity must be self-sufficient from a funding and liquidity stand point

Selected funding sources at 31 March 2019

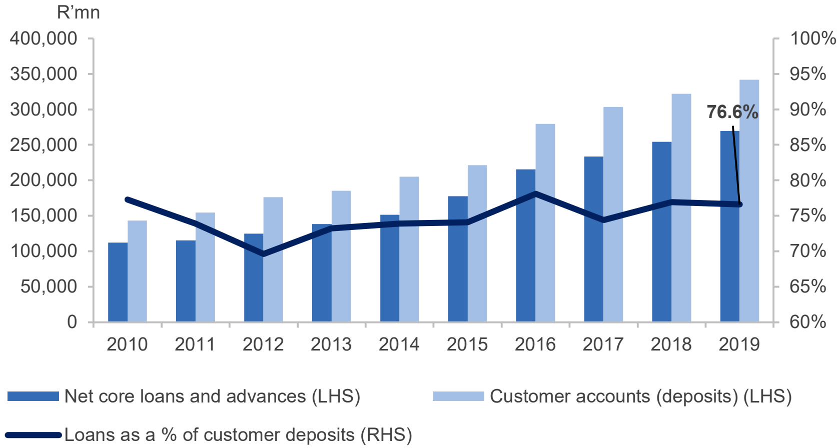


R'mn	31 Mar 2019
Customer deposits	341 710
Interbank liabilities (dollar funding)	30 041
Subordinated liabilities	13 918
Securitisation liabilities	1 720
Total	**387 389**

- **Customer deposits account for 88.2% of selected funding sources** as at 31 March 2019
- Customer deposits are supplemented by deposits from banks (7.8%), securitisation liabilities (0.4%) and subordinated debt (3.6%)
- We have **no reliance on any one deposit channel** and no reliance on interbank funding
- **Core loans are funded from customer deposits** and interbank (dollar) funding supplements cash and near cash balances

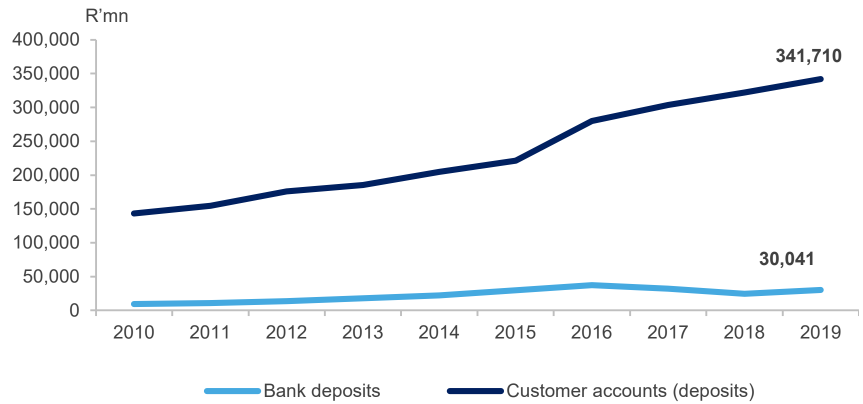
Surplus liquidity

Fully self funded from customer deposits: healthy loan to deposit ratio



- Customer deposits have **grown by 138.3%** (c.10.1% CAGR p.a.) since 2010 to R341.7bn at 31 March 2019
- Loans and advances as a percentage of customer deposits **amounts to 76.6%**

Total deposits: stable customer deposit base



- Significant **increase in retail deposits**
- We also have strong relationships with our institutional clients and our wholesale funding is diversified by product and tenor
- **Fixed and notice customer deposits** have continued to display a strong '**stickiness**' with continued willingness from clients to reinvest in our suite of term and notice products

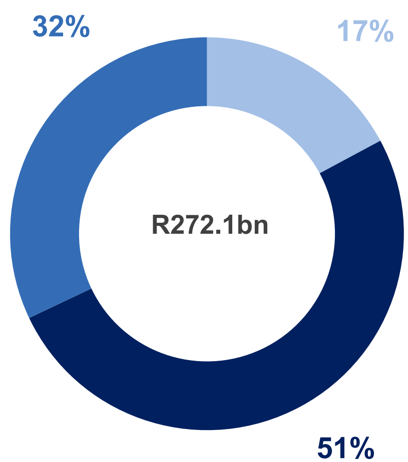
Exposures in a select target market

- **Credit and counterparty exposures are to a select target market:**
  - high net worth and high income clients
  - mid to large sized corporates
  - public sector bodies and institutions
- We typically originate loans with the intent of holding these assets to maturity, and thereby developing a 'hands-on' and long-standing relationship with our clients
- **The majority of the bank's credit and counterparty exposures reside within its principal operating geographies, namely South Africa and Mauritius**

Gross core loans by risk category at 31 March 2019

Corporate and other

Acquisition finance	4.8%
Asset based lending	2.2%
Fund finance	1.9%
Other corporate, institutional, govt. loans	19.0%
Asset finance	1.4%
Project finance	2.5%
Resource finance and commodities	0.2%



Lending collateralised against property

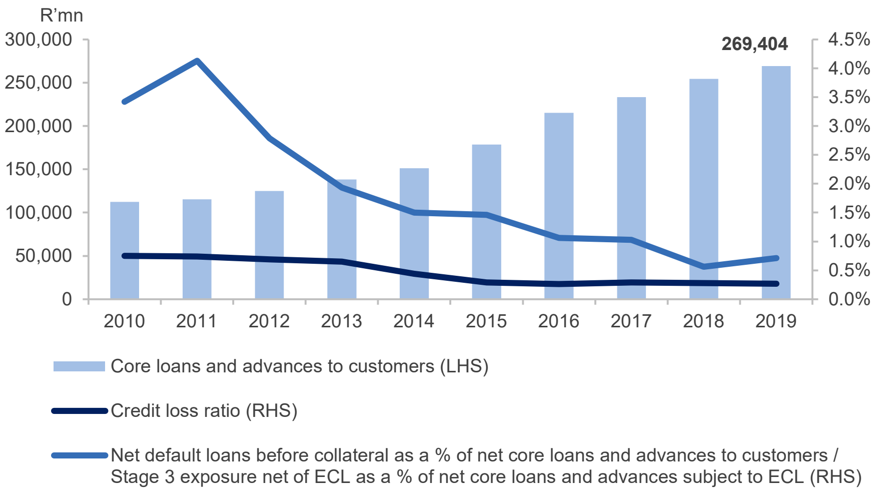
Commercial property investment	13.8%
Commercial property development	1.8%
Commercial vacant land and planning	0.3%
Residential property development	1.1%
Residential vacant land and planning	0.3%

High net worth and other private client

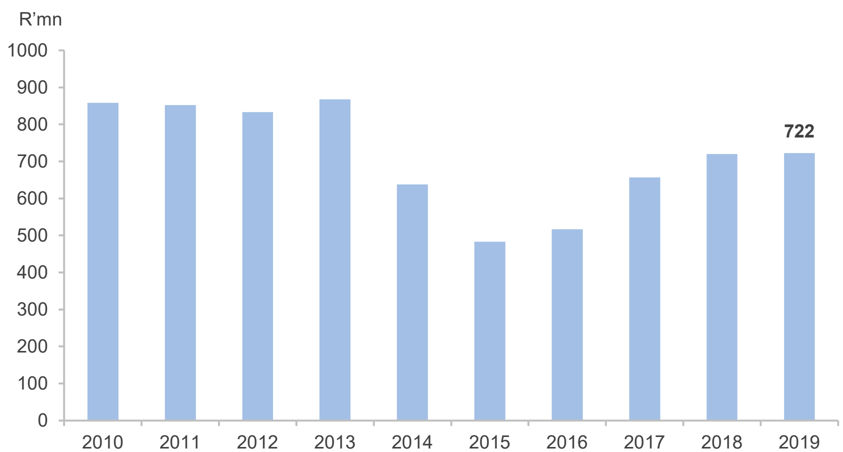
HNW and private client - mortgages	27.1%
HNW and specialised lending	23.7%

Sound and improving asset quality

Core loans and asset quality



Trend in impairment losses / ECL impairment charges*



- Credit quality on core loans and advances for the year ended 31 March 2019:
  - The total income statement **ECL impairment** charges amounted to R722 million for the year ended 31 March 2019 (2018 impairment losses: 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 as at 31 March 2019 amounted to **0.7%** (1 April 2018: 0.7%)

* On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology
# 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

Current credit ratings

Fitch	Rating	Outlook
Viability rating:	bb+	Negative
Support rating:	3	
Long-term foreign currency issuer default rating:	BB+	
Short-term foreign currency issuer default rating:	B	
National long-term rating:	AA(zaf)	
National short-term rating:	F1+(zaf)	

Moody's	Rating	Outlook
Baseline credit assessment (BCA) and adjusted BCA:	baa3	Stable
Global long-term deposit rating:	Baa3	
Global short-term deposit rating:	P-3	
National scale long-term deposit rating:	Aa1.za	
National scale short-term deposit rating:	P-1.za	

S&P	Rating	Outlook
Foreign currency long-term deposit rating:	BB	Stable
Foreign currency short-term deposit rating:	B	
National scale long-term rating:	za.AA+	
National scale short-term rating:	za.A-1+	

Global Credit Ratings	Rating
International long-term rating:	BB
National long-term rating:	AA(za)
National short-term rating:	A1+(za)

- IBL's ratings have remained stable over many years **reflecting the financial soundness** of the bank over a long period of time
- Past ratings adjustments have largely been associated with changes in views by the rating agencies of the **credit worthiness of the South African sovereign**
- It is generally accepted that a bank cannot have a higher rating than the sovereign of the country in which they operate, unless they are largely foreign-owned and the foreign holding company is domiciled in a country with a higher rating than South Africa

Historical credit ratings

Long-Term Foreign Currency Deposit Rating	Current	Nov-17*	Jun-17*	Apr-17*	Dec-15
Moody's	Baa3	Baa3	Baa3	Baa2	Baa2
Fitch	BB+	BB+	BB+	BB+	BBB-
S&P	BB	BB	BB+	BB+	BBB-

*Changes reflect downgrades of the sovereign of South Africa.

IBL peer analysis

Peer group companies

Long-Term Deposit Rating	S&P		Fitch				Moody's			Global Credit Ratings	
	Foreign currency*	National scale	Foreign currency*	National scale	Viability ratings	Support rating	Global	National scale	Baseline credit assessment	International	National
Absa Bank Limited	n/a	za.AA+	BB+	AA(zaf)	bb+	3	Baa3	Aa1.za	baa3	BB	AA(za)
FirstRand Bank Limited	BB	za.AA+	BB+	AA(zaf)	bb+	3	Baa3	Aaa.za	baa3	BB+	AA+(za)
Nedbank Limited	BB	za.AA+	BB+	AA(zaf)	bb+	3	Baa3	Aa1.za	baa3	BB	AA(za)
Standard Bank of South Africa Limited	n/a	n/a	BB+	AA(zaf)	bb+	3	Baa3	Aa1.za	baa3	BB+	AA+(za)
Investec Bank Limited	**BB**	**za.AA+**	**BB+**	**AA(zaf)**	**bb+**	**3**	**Baa3**	**Aa1.za**	**baa3**	**BB**	**AA(za)**

Short-Term Deposit Rating	S&P		Fitch		Moody's		Global Credit Ratings
	Foreign currency*	National scale	Foreign currency*	National scale	Global	National scale	National
Absa Bank Limited	n/a	za.A-1+	B	F1+(zaf)	P-3	P-1.za	A1+(za)
FirstRand Bank Limited	B	za.A-1+	B	F1+(zaf)	P-3	P-1.za	A1+(za)
Nedbank Limited	B	za.A-1+	B	F1+(zaf)	P-3	P-1.za	A1+(za)
Standard Bank of South Africa Limited	n/a	n/a	B	F1+(zaf)	P-3	P-1.za	A1+(za)
Investec Bank Limited	**B**	**za.A-1+**	**B**	**F1+(zaf)**	**P-3**	**P-1.za**	**A1+(za)**

Rating definitions:

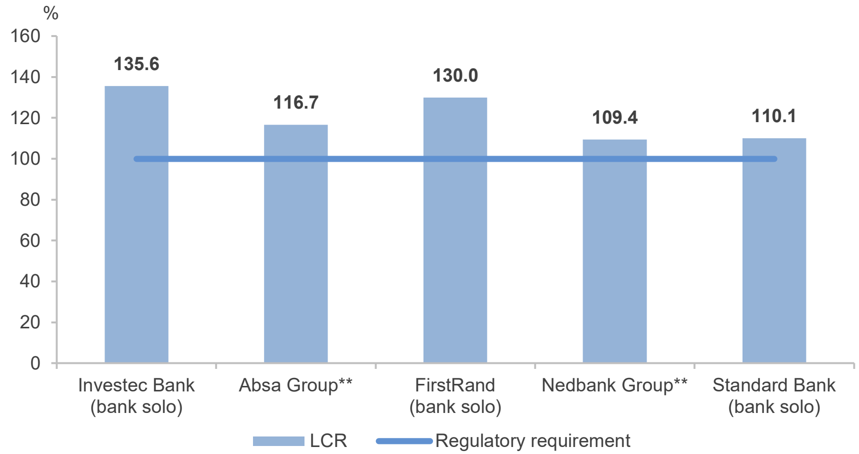
Short-term ratings should be used for investments less than a one year time horizon and long-term ratings for periods greater than a year. Foreign currency ratings should be used when one is considering foreign denominated investments. Investments in Rand should be assessed against local currency and national ratings, (zaf) being Fitch's notation and .za for Moody's, Standard & Poor's and Global Credit Ratings notation for South African ratings.

Comparative ratings have been sourced from the respective company websites and recent press releases as at 14 August 2019 and may be subject to changes for which we cannot be held accountable. It is advisable to discuss the ratings of the various companies with the companies themselves as this information merely reflects our interpretation thereof. *Impacted by the rating downgrades of the South African Sovereign.

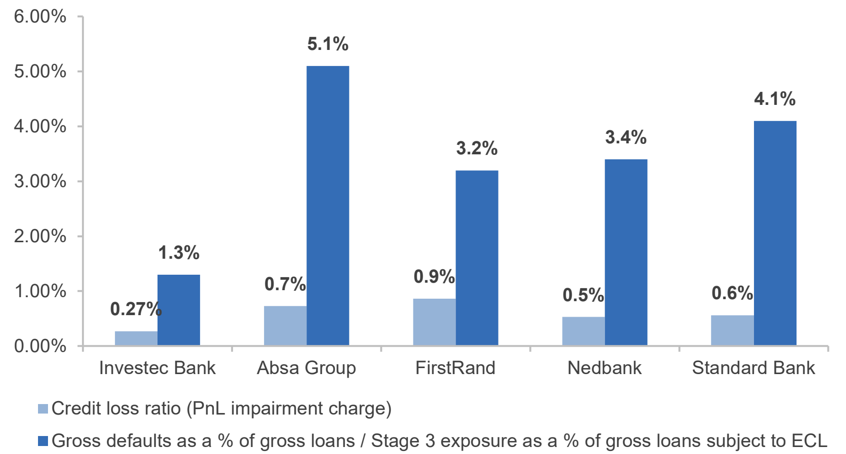
Peer group companies*

Investec is one of the **most liquid** of the Big 5 banks and is a **net provider of funds** to the interbank market in South Africa.

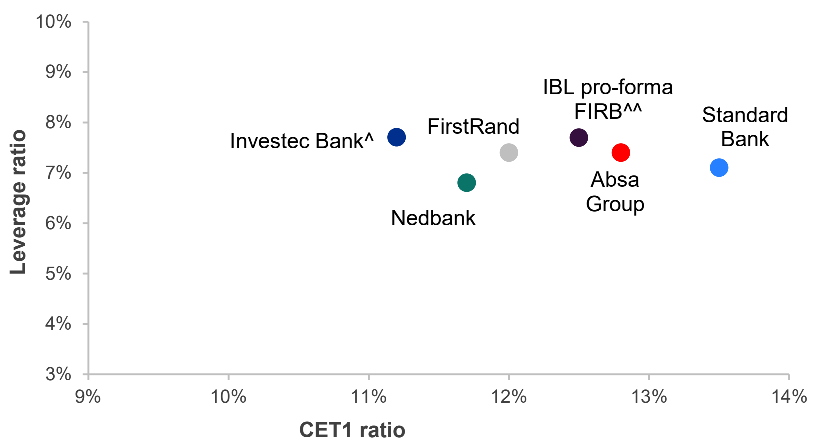
Liquidity: regulatory liquidity coverage ratio



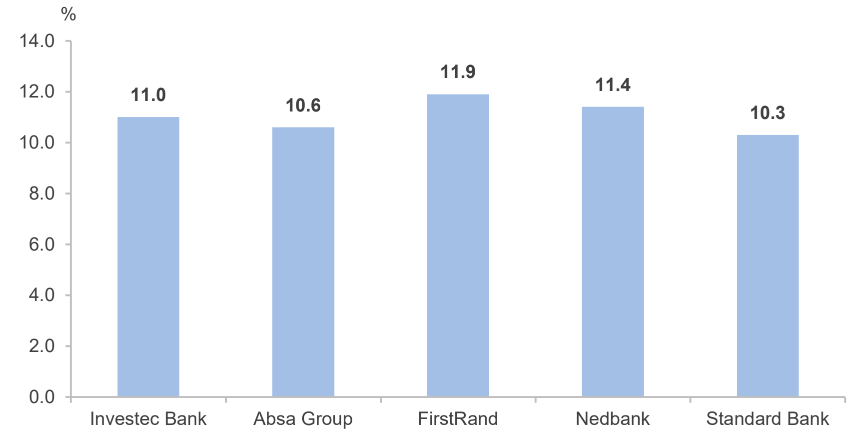
Asset quality ratios



Capital ratios



Gearing ratio



*Source: Latest company interim / annual and quarterly results available at 16 May 2019. **LCR not disclosed on a bank solo level ^On the standardised approach
^^Foundation Internal Ratings-Based approach. Ratio shown on a pro-forma FIRB basis for 31 March 2019.

Peer group companies

Definitions and/or explanations of certain ratios:

- Customer deposits do not include deposits from banks.
- The customer advances to customer deposits ratio reflects how much of a bank's advances to customers are funded from the "retail and corporate" market as opposed to the "wholesale funding and banking market". A ratio higher than one indicates that advances to customers are not fully funded from the retail and corporate market, with the balance been funded from the wholesale market.
- A capital adequacy ratio is a measure of a bank's available capital expressed as a percentage of a bank's risk-weighted assets. It is based on regulatory qualifying capital (including common equity tier 1, additional tier 1 and tier 2 capital) as a percentage of risk-weighted assets. Assets are risk-weighted either according to the Standardised Approach in terms of Basel or the Advanced Approach.
- The leverage ratio is calculated as total tier 1 capital (according to regulatory definitions) divided by total assets (exposure measure). This ratio effectively assumes all assets are 100% risk weighted and is a more conservative measure than the capital adequacy ratio. Regulators are expecting that this ratio should exceed 5%.
- The gearing ratio is calculated as total assets divided by total equity (according to accounting definitions).
- The credit loss ratio is calculated as the income statement impairment/charge on advances as a percentage of average gross advances to customers.
- Default loans largely comprise loans that are impaired and/or over 90 days in arrears.

IBL appendices

IBL: salient financial features

Key financial statistics	31 March 2019	31 Mar 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 taxation 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 accounts (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 to customers subject to ECL	1.3%	1.1%
Stage 3 exposure net of ECL as a % of net core loans and advances to customers subject to ECL	0.7%	0.7%
Credit loss ratio#	0.27%	0.28%

*The Investec group has changed its cost to income ratio definition to exclude profits and losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income before ECL (net of depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests) ^Based on the group's understanding of current regulations, 'fully loaded' is based on Capital Requirements Regulation requirements as fully phased in by 2022, including full adoption of IFRS 9 #Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL. The credit loss ratio comparative is at 31 March 2018 (under IAS 39).

IBL: income statement

R'million	31 March 2019	31 March 2018	% change
Interest income	33 611	31 687	6.1%
Interest expense	(25 324)	(24 125)	5.0%
Net interest income	**8 287**	**7 562**	**9.6%**
Fee and commission income	2 662	2 458	8.3%
Fee and commission expense	(401)	(213)	(88.3%)
Investment income	360	530	(32.1%)
Share of post taxation profit of associates	1 163	777	49.7%
Trading income/(loss) arising from			
– customer flow	369	356	3.7%
– balance sheet management and other trading liabilities	210	(26)	>100.0%
Other operating income	–	2	
Total operating income before expected credit losses/impairment losses	**12 650**	**11 446**	**10.5%**
Expected credit loss impairment charges*	(722)	–	
Impairment losses on loans and advances*	–	(720)	
Operating income	**11 928**	**10 726**	**11.2%**
Operating costs	(6 547)	(6 100)	7.3%
Operating profit before impairment of goodwill and acquired intangibles	**5 381**	**4 626**	**16.3%**
Impairment of goodwill	(3)	–	–
Amortisation of acquired intangibles	(51)	(51)	–
Operating profit	**5 327**	**4 575**	**16.4%**
Additional costs on acquisition of subsidiary	10	(100)	>100.0%
Profit before taxation	**5 337**	**4 475**	**19.3%**
Taxation on operating profit before acquired intangibles	(391)	184	(>100.0%)
Taxation on acquired intangibles	14	14	–
Profit after taxation	**4 960**	**4 673**	**6.1%**

* On adoption of IFRS 9, there is a move from an incurred loss model to an expected credit loss methodology.

IBL: balance sheet

R'million	31 March 2019	1 April 2018*	% change
Assets			
Cash and balances at central banks	10 290	9 180	12.1%
Loans and advances to banks	19 903	17 263	15.3%
Non-sovereign and non-bank cash placements	12 192	9 972	22.3%
Reverse repurchase agreements and cash collateral on securities borrowed	18 552	20 480	(9.4%)
Sovereign debt securities	60 893	62 363	(2.4%)
Bank debt securities	12 526	8 033	55.9%
Other debt securities	13 553	10 357	30.9%
Derivative financial instruments	7 700	12 564	(38.7%)
Securities arising from trading activities	5 059	875	>100.0%
Investment portfolio	7 664	9 124	(16.0%)
Loans and advances to customers	261 737	245 162	6.8%
Own originated loans and advances to customers securitised	7 667	6 826	12.3%
Other loans and advances	329	265	24.2%
Other securitised assets	232	241	(3.7%)
Interests in associated undertakings	6 251	6 288	(0.6%)
Deferred taxation assets	1 514	933	62.3%
Other assets	8 237	6 673	23.4%
Property and equipment	2 563	2 494	2.8%
Investment properties	1	1	–
Goodwill	171	171	–
Intangible assets	418	412	1.5%
Loans to group companies	18 151	13 499	34.5%
	475 603	**443 176**	**7.3%**

*The 1 April 2018 balance sheet has been presented on an IFRS 9 basis

IBL: balance sheet

R'million	31 March 2019	1 April 2018*	% change
Liabilities			
Deposits by banks	30 041	24 607	22.1%
Derivative financial instruments	11 097	15 907	(30.2%)
Other trading liabilities	4 468	2 305	93.8%
Repurchase agreements and cash collateral on securities lent	15 234	8 395	81.5%
Customer accounts (deposits)	341 710	321 861	6.2%
Debt securities in issue	6 512	3 473	87.5%
Liabilities arising on securitisation of own originated loans and advances	1 720	1 551	10.9%
Current taxation liabilities	542	202	>100.0%
Deferred taxation liabilities	78	99	(21.2%)
Other liabilities	6 263	6 874	(8.9%)
Loans from group companies	2 260	7 007	(67.7%)
	419 925	**392 281**	**7.0%**
Subordinated liabilities	13 918	13 374	4.1%
	433 843	**405 655**	**6.9%**
Equity			
Ordinary share capital	32	32	–
Share premium	14 885	14 885	–
Other reserves	1 790	1 353	32.3%
Retained income	24 597	20 901	17.7%
Shareholders' equity excluding non-controlling interests	**41 304**	**37 171**	**11.1%**
Other Additional Tier 1 securities in issue	460	350	31.4%
Non-controlling interests	(4)	–	(>100.0%)
Total equity	**41 760**	**37 521**	**11.3%**
Total liabilities and equity	**475 603**	**443 176**	**7.3%**

*The 1 April 2018 balance sheet has been presented on an IFRS 9 basis

IBL: asset quality

R'million	31 March 2019	1 April 2018
Gross core loans and advances to customers	**270 122**	**251 960**
Stage 1	255 769	239 753
Stage 2	10 768	9 346
of which past due greater than 30 days	354	313
Stage 3	3 585	2 861
Gross exposure (%)		
Stage 1	94.7%	95.2%
Stage 2	4.0%	3.7%
Stage 3	1.3%	1.1%
Stage 3 net of ECLs	1 894	1 746
Aggregate collateral and other credit enhancements on Stage 3	3 055	3 547
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % gross core loans and advances to customers subject to ECL	1.3%	1.1%
Stage 3 ECL impairments as a % of Stage 3 exposure	74.5%	69.1%
Stage 3 net of ECL as a % of net core loans and advances to customers subject to ECL	0.7%	0.7%

IBL: analysis of core loans and defaults at 31 March 2019

At 31 March 2019 R'million	Gross core loans and advances at amortised cost and FVPL (subject to ECL)								Gross core loans and advances at FVPL (not subject to ECL)	Gross core loans and advances
	Stage 1		Stage 2		Stage 3		Total			
	Gross Exposure	ECL	Gross Exposure	ECL	Gross Exposure	ECL	Gross Exposure	ECL		
Lending collateralised by property	**42 541**	**(107)**	**2 954**	**(36)**	**1 167**	**(470)**	**46 662**	**(613)**	**-**	**46 662**
Commercial real estate	39 682	(63)	2 423	(25)	907	(320)	43 012	(408)	-	43 012
Commercial real estate – investment	35 494	(49)	1 132	(17)	812	(225)	37 438	(291)	-	37 438
Commercial real estate – development	3 604	(11)	1 288	(8)	-	-	4 892	(19)	-	4 892
Commercial vacant land and planning	584	(3)	3	-	95	(95)	682	(98)	-	682
Residential real estate	2 859	(44)	531	(11)	260	(150)	3 650	(205)	-	3 650
Residential real estate – investment	-	-	-	-	-	-	-	-	-	-
Residential real estate – development	2 266	(20)	482	(9)	208	(105)	2 956	(134)	-	2 956
Residential vacant land and planning	593	(24)	49	(2)	52	(45)	694	(71)	-	694
High net worth and other private client lending	**133 554**	**(220)**	**3 004**	**(84)**	**1 638**	**(701)**	**138 196**	**(1 005)**	**-**	**138 196**
Mortgages	70 282	(86)	2 333	(61)	1 098	(245)	73 713	(392)	-	73 713
High net worth and specialised lending	63 272	(134)	671	(23)	540	(456)	64 483	(613)	-	64 483
Corporate and other lending	**79 674**	**(211)**	**4 810**	**(321)**	**780**	**(520)**	**85 264**	**(1 052)**	**1 952**	**87 216**
Acquisition finance	12 889	(34)	276	(2)	29	(1)	13 194	(37)	-	13 194
Asset-based lending	5 628	(26)	53	(2)	283	(188)	5 964	(216)	-	5 964
Fund finance	5 090	(8)	-	-	-	-	5 090	(8)	-	5 090
Other corporates and financial institutions and governments	46 592	(128)	2 671	(305)	460	(331)	49 723	(764)	1 952	51 675
Asset finance	3 844	(5)	18	(1)	8	-	3 870	(6)	-	3 870
Small ticket asset finance	1 962	(1)	18	(1)	8	-	1 988	(2)	-	1 988
Large ticket asset finance	1 882	(4)	-	-	-	-	1 882	(4)	-	1 882
Project finance	5 076	(9)	1 792	(11)	-	-	6 868	(20)	-	6 868
Resource finance	555	(1)	-	-	-	-	555	(1)	-	555
Gross core loans and advances	**255 769**	**(538)**	**10 768**	**(441)**	**3 585**	**(1 691)**	**270 122**	**(2 670)**	**1 952**	**272 074**

IBL: capital adequacy

R'million	Pro-forma FIRB* 31 March 2019	Standardised 31 March 2019	Standardised 1 April 2018
Tier 1 capital			
Shareholders' equity per balance sheet	41 304	41 304	37 171
Perpetual preference share capital and share premium	(1 534)	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	931	1 157	1 345
Deductions	(3 461)	(2 776)	(2 696)
Common equity tier 1 capital	**37 240**	**38 151**	**34 286**
Additional tier 1 capital before deductions			
Additional tier 1 instruments	1 994	1 994	1 884
Phase out of non-qualifying additional tier 1 instruments	(1 074)	(1 074)	(921)
Tier 1 capital	**38 160**	**39 071**	**35 249**
Tier 2 capital			
Collective impairment allowances	483	877	716
Tier 2 instruments	13 918	13 918	13 374
Phase out of non-qualifying tier 2 instruments	–	–	–
Total tier 2 capital	**14 401**	**14 795**	**14 090**
Total regulatory capital	**52 561**	**53 866**	**49 339**
Risk-weighted assets	**297 506**	**340 315**	**320 475**
Capital ratios			
Common equity tier 1 ratio	12.5%	11.2%	10.7%
Tier 1 ratio	12.8%	11.5%	11.0%
Total capital adequacy ratio	17.7%	15.8%	15.4%
Leverage ratio	N/A	7.7%	7.6%

*We have approval to adopt the Foundation Internal Ratings-Based (FIRB) approach, effective 1 April 2019. We present numbers on a pro-forma basis for 31 March 2019.

Legal disclaimer

IMPORTANT NOTICE

THE INFORMATION, STATEMENTS AND OPINIONS CONTAINED IN THIS DOCUMENT DO NOT CONSTITUTE A PUBLIC OFFER UNDER ANY APPLICABLE LEGISLATION OR AN OFFER TO SELL OR SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES OR FINANCIAL INSTRUMENTS OR ANY ADVICE OR RECOMMENDATION WITH RESPECT TO SUCH SECURITIES OR OTHER FINANCIAL INSTRUMENTS.

FORWARD-LOOKING STATEMENTS

THIS DOCUMENT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21e OF THE US SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27a OF THE US SECURITIES ACT OF 1933, AS AMENDED, WITH RESPECT TO CERTAIN OF THE GROUP'S's PLANS AND ITS CURRENT GOALS AND EXPECTATIONS RELATING TO ITS FUTURE FINANCIAL CONDITION AND PERFORMANCE. INVESTEC CAUTIONS READERS THAT NO FORWARD-LOOKING STATEMENT IS A GUARANTEE OF FUTURE PERFORMANCE AND THAT ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE CONTAINED IN THE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE FACT THAT THEY DO NOT RELATE ONLY TO HISTORICAL OR CURRENT FACTS. FORWARD-LOOKING STATEMENTS SOMETIMES USE WORDS SUCH AS "may", "will", "seek", "continue", "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe" OR OTHER WORDS OF SIMILAR MEANING. EXAMPLES OF FORWARD-LOOKING STATEMENTS INCLUDE, AMONG OTHERS, STATEMENTS REGARDING THE GROUP'S FUTURE FINANCIAL POSITION, INCOME GROWTH, ASSETS, IMPAIRMENT CHARGES, BUSINESS STRATEGY, CAPITAL RATIOS, LEVERAGE, PAYMENT OF DIVIDENDS, PROJECTED LEVELS OF GROWTH IN THE BANKING AND FINANCIAL MARKETS, PROJECTED COSTS, ESTIMATES OF CAPITAL EXPENDITURES AND PLANS AND OBJECTIVES FOR FUTURE OPERATIONS AND OTHER STATEMENTS THAT ARE NOT HISTORICAL FACT. BY THEIR NATURE, FORWARD-LOOKING STATEMENTS INVOLVE RISK AND UNCERTAINTY BECAUSE THEY RELATE TO FUTURE EVENTS AND CIRCUMSTANCES, INCLUDING, BUT NOT LIMITED TO, UK DOMESTIC, EUROZONE AND GLOBAL ECONOMIC AND BUSINESS CONDITIONS, THE EFFECTS OF CONTINUED VOLATILITY IN CREDIT MARKETS, MARKET RELATED RISKS SUCH AS CHANGES IN INTEREST RATES AND EXCHANGE RATES, EFFECTS OF CHANGES IN VALUATION OF CREDIT MARKET EXPOSURES, CHANGES IN VALUATION OF ISSUED NOTES, THE POLICIES AND ACTIONS OF GOVERNMENTAL AND REGULATORY AUTHORITIES (INCLUDING REQUIREMENTS REGARDING CAPITAL AND GROUP STRUCTURES AND THE POTENTIAL FOR ONE OR MORE COUNTRIES EXITING THE EURO), CHANGES IN LEGISLATION, THE FURTHER DEVELOPMENT OF STANDARDS AND INTERPRETATIONS UNDER IFRS APPLICABLE TO PAST, CURRENT AND FUTURE PERIODS, EVOLVING PRACTICES WITH REGARD TO THE INTERPRETATION AND APPLICATION OF STANDARDS UNDER IFRS, THE OUTCOME OF CURRENT AND FUTURE LITIGATION, THE SUCCESS OF FUTURE ACQUISITIONS AND OTHER STRATEGIC TRANSACTIONS AND THE IMPACT OF COMPETITION – A NUMBER OF SUCH FACTORS BEING BEYOND THE GROUP'S CONTROL. AS A RESULT, THE GROUP'S ACTUAL FUTURE RESULTS MAY DIFFER MATERIALLY FROM THE PLANS, GOALS, AND EXPECTATIONS SET FORTH IN THE GROUP'S FORWARD-LOOKING STATEMENTS.