

INVESTEC
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 8,300 employees.

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

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 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

	30 Sept 2019	30 Sept 2018	% change	31 March 2019
Total operating income before expected credit loss impairment charges (R'million)	6 442	6 149	4.8%	12 650
Operating costs (R'million)	3 267	3 217	1.6%	6 547
Operating profit before goodwill and acquired intangibles (R'million)	2 904	2 556	13.6%	5 381
Headline earnings attributable to ordinary shareholders (R'million)	2 418	2 038	18.6%	4 784
Cost to income ratio*	50.7%	52.3%		51.7%
Total capital resources (including subordinated liabilities) (R'million)	56 539	52 412	7.9%	55 678
Total equity (R'million)	43 944	39 659	10.8%	41 760
Total assets (R'million)	482 801	448 305	7.7%	475 603
Net core loans and advances (R'million)	271 836	259 147	4.9%	269 404
Customer accounts (deposits) (R'million)	349 216	331 732	5.3%	341 710
Loans and advances to customers as a % of customer accounts (deposits)	75.8%	75.6%		76.6%
Cash and near cash balances (R'million)	119 979	110 827	8.3%	118 365
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	10.5x	10.9x		11.0x
Total capital adequacy ratio	17.8%	15.2%		15.8%
Tier 1 ratio	13.3%	11.2%		11.5%
Common equity tier 1 ratio	13.0%	10.9%		11.2%
Leverage ratio – current	7.8%	7.7%		7.7%
Leverage ratio – 'fully loaded'	7.7%	7.5%		7.6%
Stage 3 as a % of gross core loans and advances subject to ECL	1.3%	1.5%		1.3%
Stage 3 net of ECL as a % of net core loans and advances subject to ECL	0.8%	0.8%		0.7%
Credit loss ratio#	0.18% **	0.29% **		0.27%

* The group has changed its cost to income ratio definition to exclude operating profits or losses attributable to other non-controlling interests. As such, the cost to income ratio is calculated as: operating costs divided by operating income (net of operating profits or losses attributable to other non-controlling interests).

** Annualised.

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 18.6% increase in headline earnings attributable to ordinary shareholders to R2 418 million for the six months ended 30 September 2019 (2018: R2 038 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

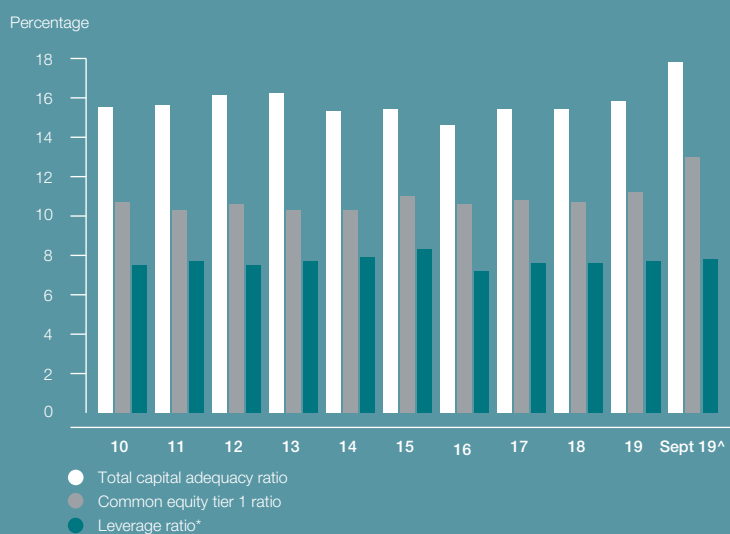
Capital adequacy

17.8%

IBL holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. As at 30 September 2019, the total capital adequacy ratio of IBL was 17.8% and the common equity tier 1 ratio was 13.0%.

The implementation of the Foundation Internal Ratings-Based ('FIRB') approach from 1 April 2019 had a positive impact on our capital ratios. Having submitted our application to the SARB, we are in the process of moving to the Advanced ('AIRB') approach, from which we expect a further positive uplift to our capital ratios.

Basel capital ratios



* 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

10.5x

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 10.5x.

Gearing ratio



Asset quality and exposures

0.18%

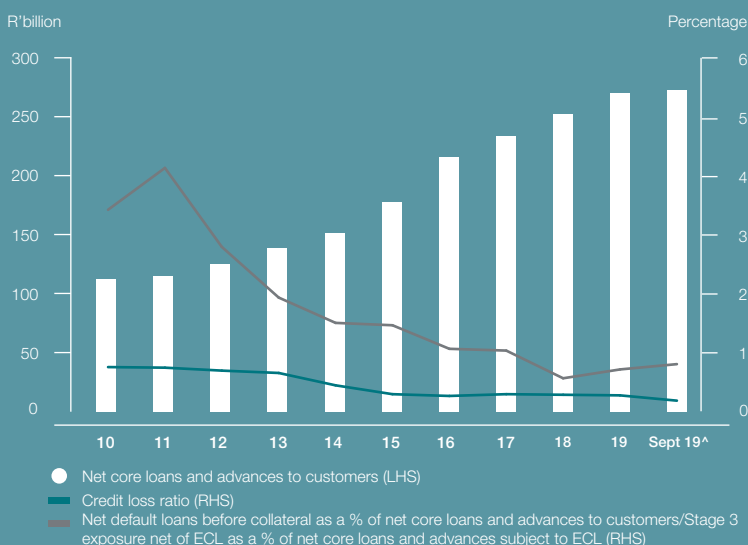
(credit loss ratio)

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 R271 million for the six months ended 30 September 2019 (2018: R376 million). The annualised credit loss ratio was 0.18% at 30 September 2019 (31 March 2019: 0.27%).

Stage 3 exposures net of ECL at 30 September 2019 amounted to R2 045 million (31 March 2019: R1 894 million). Stage 3 exposure net of ECL as a percentage of net core loans and advances to customers subject to ECL as at 30 September 2019 amounted to 0.8% (31 March 2019: 0.7%).

Core loans and asset quality



Liquidity and funding

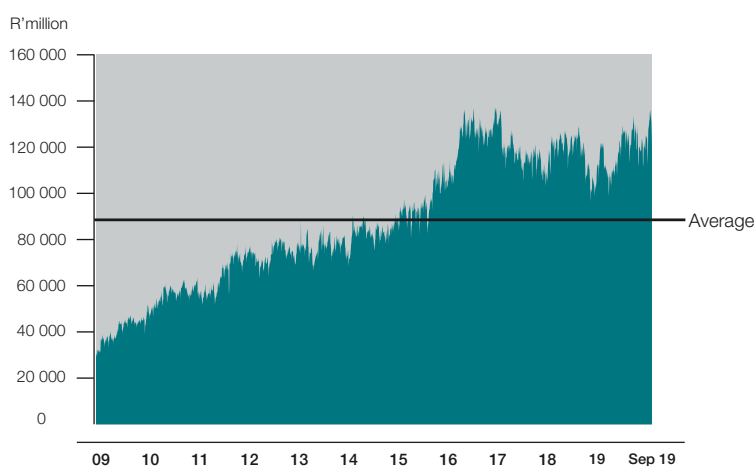
R120.0bn

(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 30 September 2019 the bank had R120.0 billion of cash and near cash to support its activities, representing 34.4% 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 2.2% since 31 March 2019 to R349.2 billion at 30 September 2019. The bank's loan to deposit ratio was 75.8% as at 30 September 2019 (31 March 2019: 76.6%).

There are no deposit guarantees in South Africa.

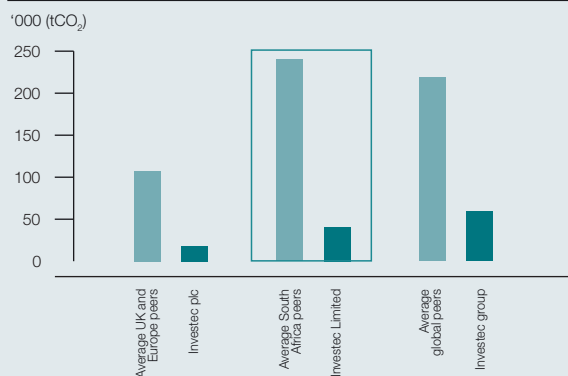
At Investec, sustainability is about building resilient profitable businesses that are focused on growing and preserving stakeholders long-term wealth, whilst contributing in a responsible way to the health of our economy, our people, our communities and the environment for a prosperous future for all.

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
- Investec Asset Management is a signatory to the United Nations Principles for Responsible Investment (UNPRI)
- Investec Asset Management is a signatory of the Code of Responsible Investing in South Africa (CRISA)
- We support the transition to a low-carbon economy. Investec extended a R1.25 billion bridging facility to Revego Africa Energy Limited which will list on the Johannesburg Stock Exchange in 2020
- One of 30 CEOs to join the UN CEO Alliance on Global Investment for Sustainable Development (GISD)
- First bank in South Africa to sign up to the Task Force for Climate-related Financial Disclosures (TCFDs)
- We are one of the first signatories to the Youth Employment Service (YES) initiative in South Africa, and placed 1 440 interns since inception in April 2018
- 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

Recognition

- Voted first, second and third in the 2019 Universum awards by law professionals, professionals and students respectively in the business/commerce sector
- Finalist for the Sustainability Award in the 17th National Business Awards for 2019
- Investec Asset Management – winner of Best initiative for ESG investment process by Environmental Finance Sustainable Investment Awards 2019.

Sustainability indices

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

- Investec ranked 8th in the global diversified financial service sector in the Dow Jones Sustainability Index (DJSI)
- 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.

Sustainable Development Goals

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

- We make the greatest socio-economic and environmental contribution by partnering with our clients and stakeholders to have a tangible impact on reducing inequality
- We remain focused on our six core priority SDGs (out of 17)
- We continue to test these priorities and continue to report our SDG progress
- We are participating in the Young SDG Innovators programme and hosted the first workshop in South Africa.



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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