

Investec Bank plc

Q and A fact sheet

2017



Out of the Ordinary®



Investec

Overview of Investec and Investec Bank plc

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 plc (IBP) is the main banking subsidiary of Investec plc and also houses the Wealth & Investment business. Investec Holdings (Australia) Limited, a branch in Ireland and Investec Wealth & Investment Limited are the main operating subsidiaries of IBP. IBP is regulated by the Prudential Regulatory Authority and the Financial Conduct Authority and is a member of the London Stock Exchange.

Key financial statistics for the year ended

Salient features

For the year to 31 March	2017	2016	% change
Total operating income before impairment losses on loans and advances (£'000)	982 690	859 189	14.4%
Operating costs (£'000)	744 716	628 515	18.5%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	161 057	146 347	10.1%
Earnings attributable to ordinary shareholders (£'000)	117 793	96 635	21.9%
Cost to income ratio	75.9%	73.3%	
Total capital resources (including subordinated liabilities) (£'000)	2 559 287	2 440 165	4.9%
Total shareholder's equity (£'000)	1 979 931	1 842 856	7.4%
Total assets (£'000)	18 381 414	18 334 568	0.3%
Net core loans and advances (£'000)	8 598 639	7 781 386	10.5%
Customer accounts (deposits) (£'000)	11 289 177	11 038 164	2.3%
Cash and near cash balances (£'000)	4 852 710	5 046 052	(3.8%)
Funds under management (£'million)	35 941	30 104	19.4%
Capital adequacy ratio	16.6%	17.0%	
Tier 1 ratio	12.2%	11.9%	
Common equity tier 1 ratio	12.2%	11.9%	
Leverage ratio – current	8.0%	7.5%	
Leverage ratio – 'fully loaded'	8.0%	7.5%	
Defaults (net of impairments) as a % of net core loans and advances	1.55%	2.19%	
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.90%	1.13%	
Total gearing/leverage ratio (i.e. total assets to equity)	9.3x	9.9x	
Loans and advance to customers: customer accounts (deposits)	76.2%	70.5%	

Credit ratings

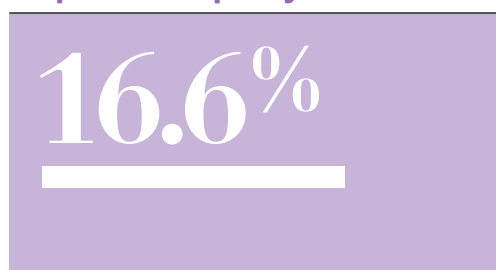
IBP has a long-term rating of A2 (stable) from Moody's and BBB (stable) from Fitch.

Financial performance

IBP reported a 10.1% increase in operating profit before non-operating items and taxation (but after non-controlling interests) to £161.1 million for the year to 31 March 2017 (2016: £146.3 million). The results of the Specialist Bank were supported by robust levels of corporate client activity across the lending, advisory and client flow trading businesses. The Wealth & Investment business benefited from higher average funds under management and positive net inflows. Growth in costs primarily reflects planned investment in growing the client franchise businesses. A diversified portfolio and a sound balance of earnings generated between capital light and capital intensive businesses continues to support a sustainable level of recurring income.

The balance sheet remains strong supported by sound capital, leverage and liquidity ratios.

Capital adequacy

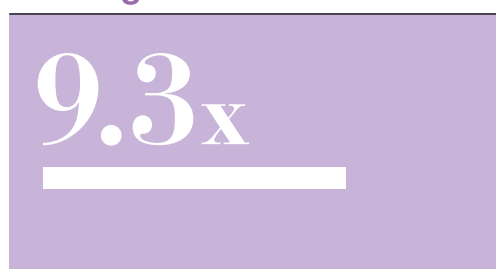


IBP holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. The bank has never required shareholder or government support. At 31 March 2017, the capital adequacy ratio of IBP was 16.6% and the tier 1 ratio was 12.2%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 12.2% and 8.0%, respectively (where 'fully loaded' is based on Basel III requirements as fully phased in by 2022). These disclosures incorporate the deduction of foreseeable dividends as required by the regulations. Excluding this deduction, the common equity tier 1 ratio would be 28bps higher.

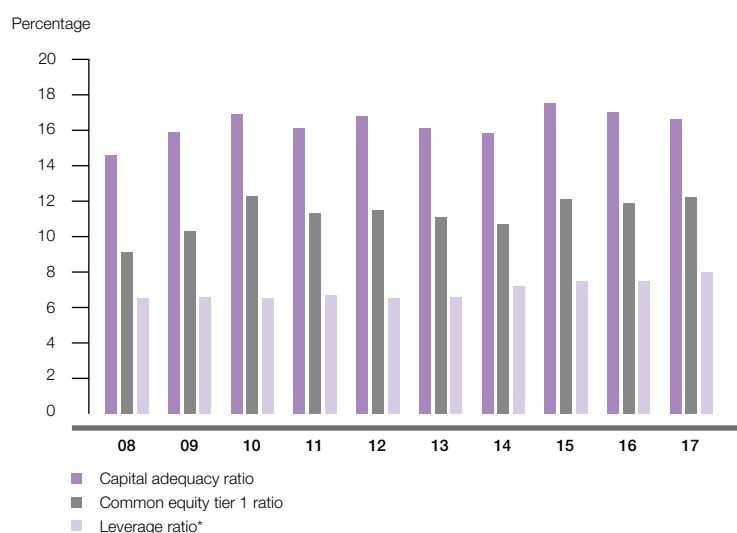
We are on the Standardised Approach in terms of Basel, thus our risk-weighted assets represent a large portion of our total assets.

Gearing



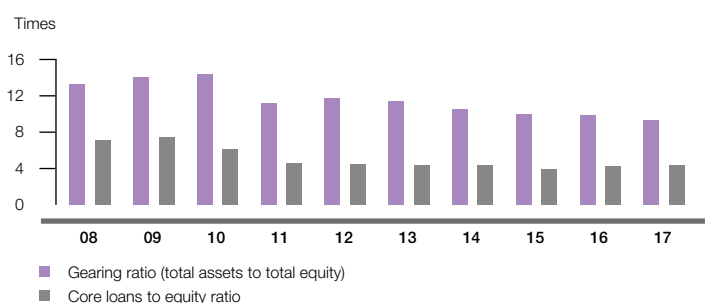
IBP is not a highly geared bank. A number of banks that have come into difficulty over the past few years have been in excess of 40 times geared. IBP's comparative ratio would be 9.3 times.

Basel capital ratios – standardised approach



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

Gearing ratio



Asset quality and exposures

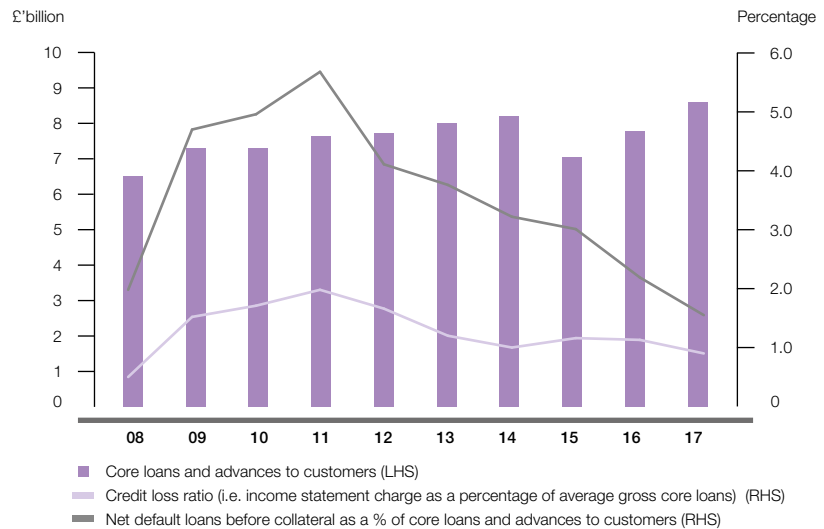
0.90%

(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.

Impairments on loans and advances decreased from £84.2 million to £75.0 million for the year to 31 March 2017. The credit loss charge as a percentage of average gross core loans and advances amounted to 0.90% at 31 March 2017 (31 March 2016: 1.13%).

Core loans and asset quality



Since 31 March 2016 total defaults have decreased from £313.9 million to £260.3 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.55% (31 March 2016: 2.19%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.44 times (31 March 2016: 1.19 times).

Liquidity and funding

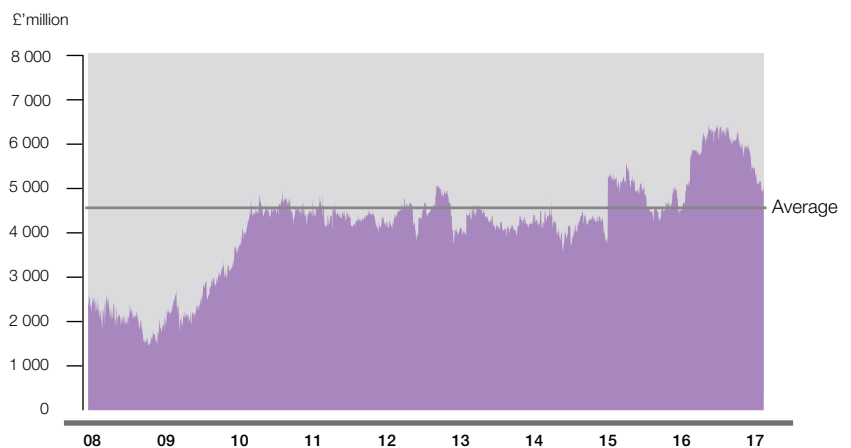
£4.9bn

(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 2017, the bank had £4.9 billion of cash and near cash to support its activities, representing approximately 43.0% 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 have increased by 2.3% since 31 March 2016 to £11.3 billion at 31 March 2017. The bank's loan to deposit ratio was 76.2% as at 31 March 2017 (31 March 2016: 70.5%).

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.

Investec Bank (Channel Islands) Limited is a participant in both the Guernsey and Jersey Banking Deposit Compensation Schemes. These schemes offer protection for 'qualifying deposits/eligible deposits' up to £50 000, subject to certain limitations. The maximum total amount of compensation is capped at £100 million in any five-year period.

Further details are available on request or alternatively on the Guernsey Scheme's website: www.dcs.gg <<http://www.dcs.gg>> or on the Jersey States website which will also highlight the banking groups covered.

Our corporate responsibility philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on or prolongs the life of our planet.

We care about

People

Attracting and developing a strong, diverse and capable workforce.



Spend on employee learning and development (2016: £4.9 million)

Recognition

- Dublin office ranked in the Best Medium Workplaces in Ireland (34th in Europe), by Great Place to work (2016).

We care about our

Communities

Unselfishly contributing to our communities through education and entrepreneurship.



Spend on Group CSI at March 2017 (2016: £1.5 million)

Recognition

- Winner of the Business in the Community's Responsible Business Awards 2016 (Building Stronger Communities) for our flagship programme the Beyond Business social enterprise incubator we run in partnership with the Bromley by Bow Centre
- Finalist in the National CSR Awards 2017, in the Individual Community (Legacy) category, as well as the Business Charity Awards 2017, in the Community Impact category, for the Beyond Business Programme
- Shortlisted in the Business Charity Awards, in the Outstanding Employee category for 2017.

We care about our

Environment

Having a positive environmental impact through our operations and business activities.



Participated in the renewable energy sector (2016: £844 million)

Recognition

- The Gresham Street office won their 10th Platinum Award for best practice in waste management
- The Gresham Street office won the inaugural Cleaner City Award run by the Cheapside Business Alliance
- The Gresham Street office won a Gold prize in the Green Apple Award for Environmental Best Practice
- The Gresham Street office Carbon Trust Waste Standard was recertified in 2016
- 2 Gresham Street's EMS (Energy Management System) was recertified to BSI Energy Reduction Verification Kitemark.

Memberships

	2016	2015	2014
CDP (Investec is a member and Investec Asset Management is a signatory Investor)	A-	A-	B
Dow Jones Sustainability Investment Index (score out of 100)	75	74	75
FTSE4Good	Included	Included	Included
JSE Limited Socially Responsible Investment Index	Constituent	Constituent	Constituent
MSCI Global Sustainability Index Series Investec plc (Intangible value assessment (IVA) rating)	AAA	AAA	AAA
STOXX Global ESG Leaders indices	Member	Member	n/a
United Nations Global Compact	Active	Active	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory

Other:

Investec Asset Management CEO, HJ du Toit, is a member of The Global Commission on Business and Sustainability Development.



For further information:

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