Investec Bank plc

Overview

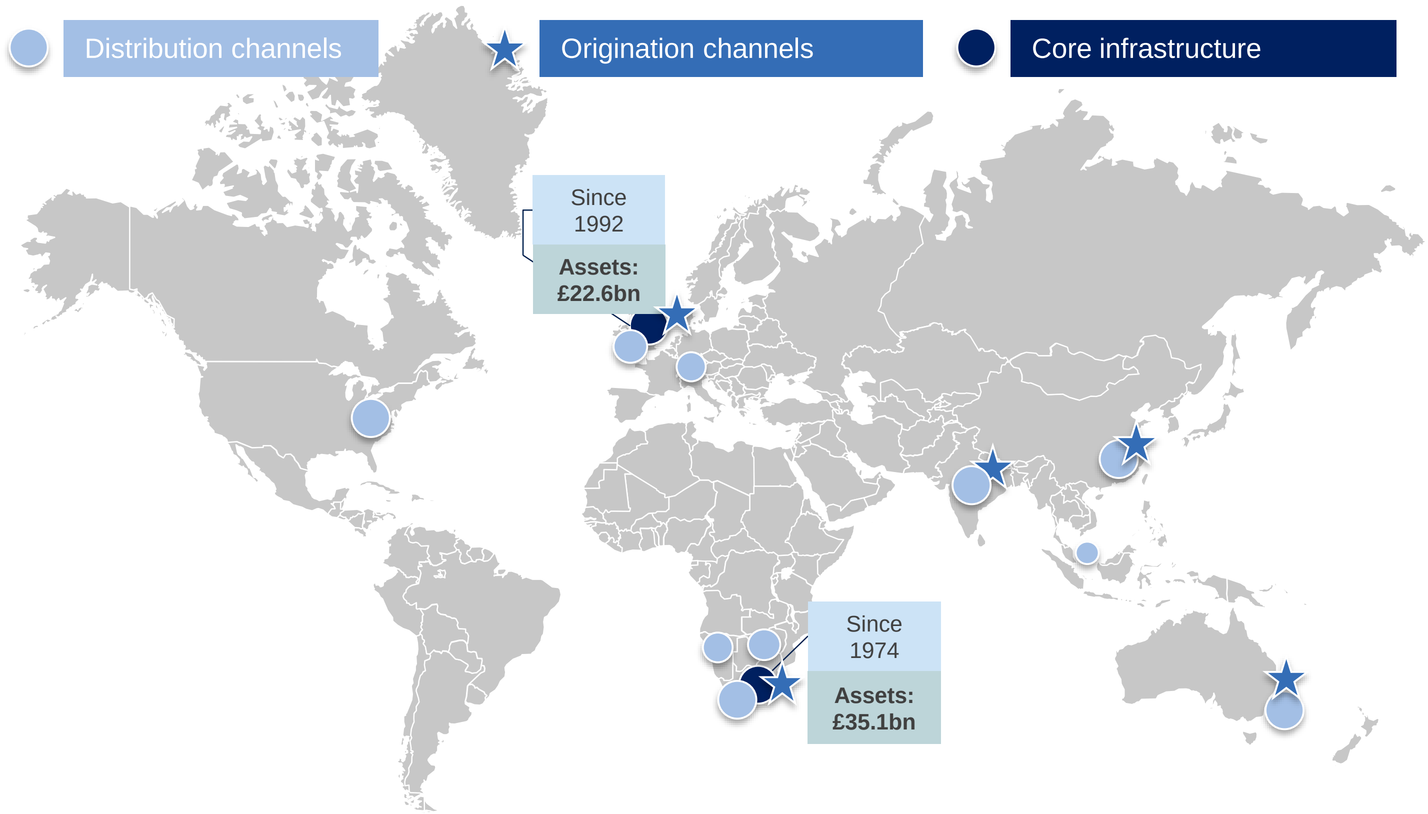
The information in this presentation relates to the year ending 31 March 2019, unless otherwise indicated.

An overview of the Investec Group

Investec: a distinctive specialist bank and asset manager

Facilitating the creation of wealth and management of wealth

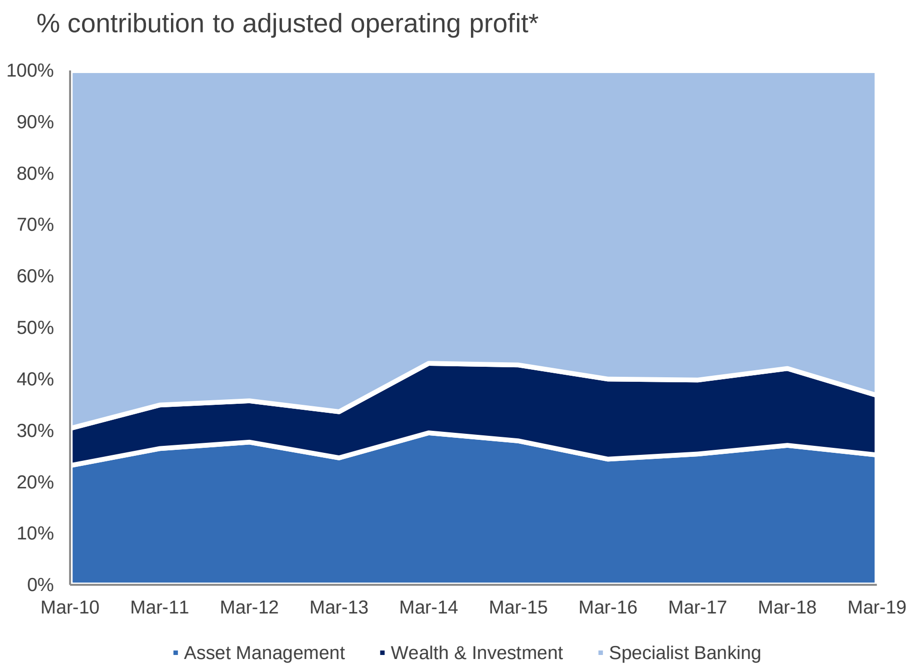
- Established in 1974
- Today, efficient integrated international business platform employing approximately **10 500*** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of £57.7bn; total equity £4.3bn; total FUM £167.2bn



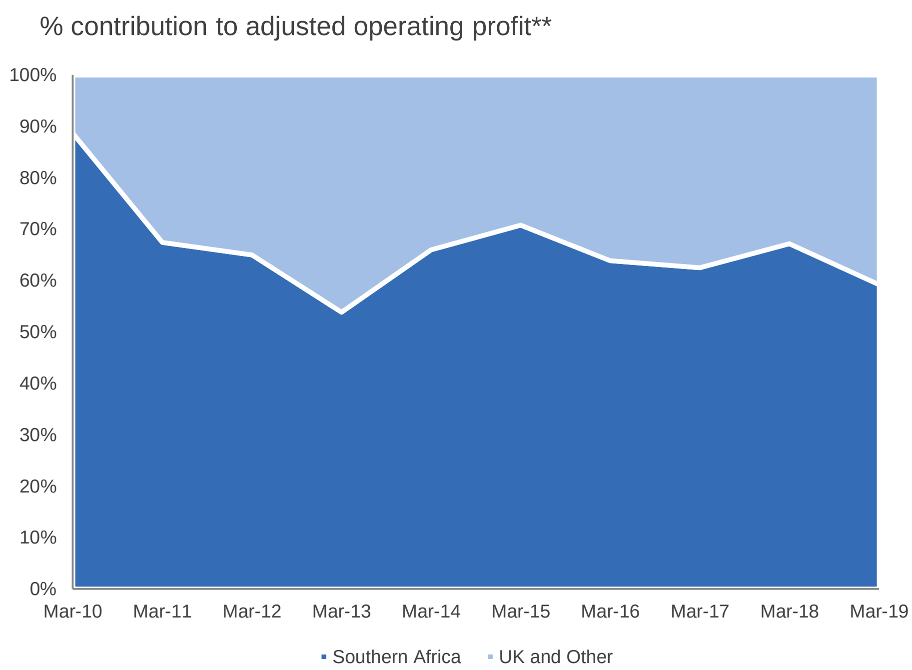
*Including temporary employees and contractors

Solid recurring income base supported by a diversified portfolio

Across businesses



Across geographies



*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 operational risk with financial risk while creating value for shareholders
- 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 embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative.

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.

Group strategic focus

Asset Management

- Concentrate on our existing offering
- Deepen and strengthen investment and client capabilities for the long-term
- Scale the offering through our global distribution model
- Position for growth

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 advices

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 and other funds

Capital intensive activities

44%

Contributed to group income

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

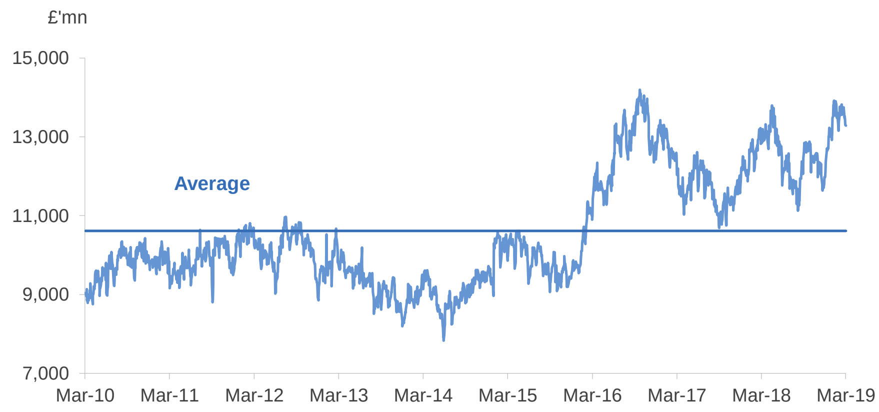
Fee and commission income ← Types of income → Net interest, investment, associate and trading income

We continue to have a sound balance sheet

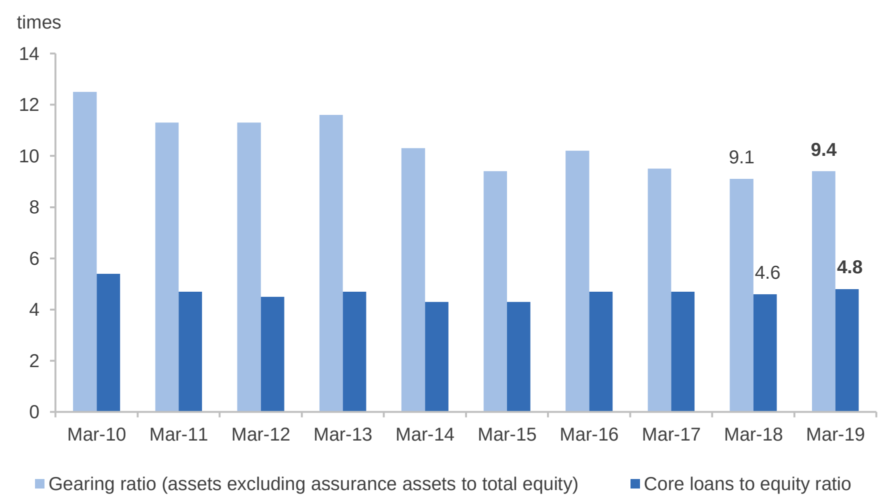
Key operating fundamentals

- 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

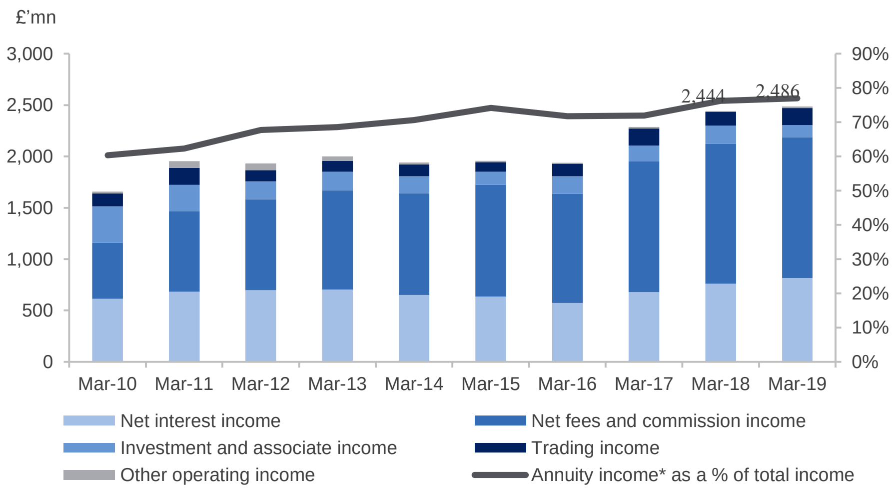


Low gearing ratios

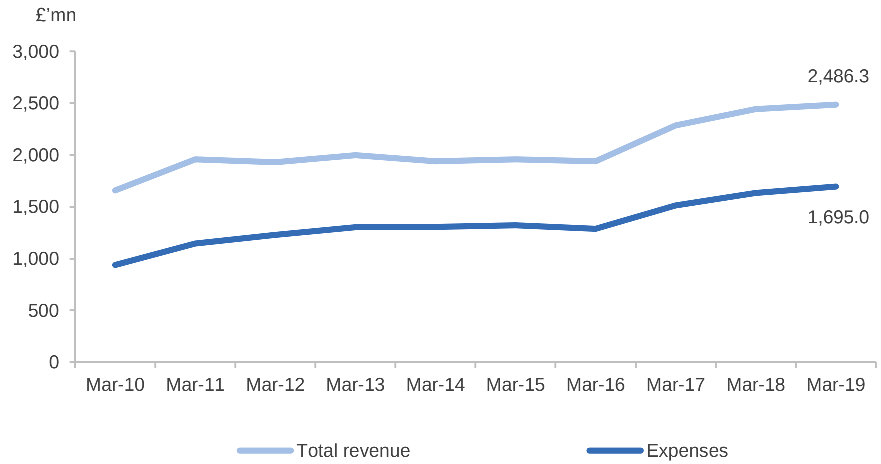


We have a sound track record

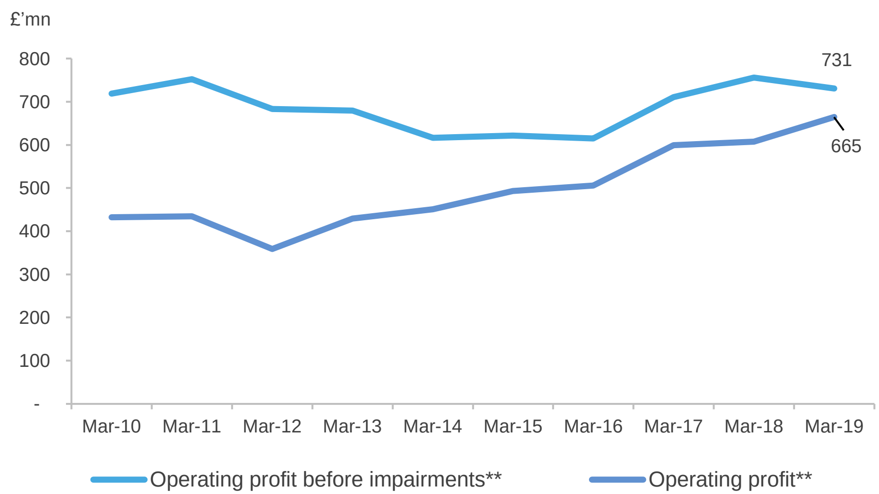
Recurring income



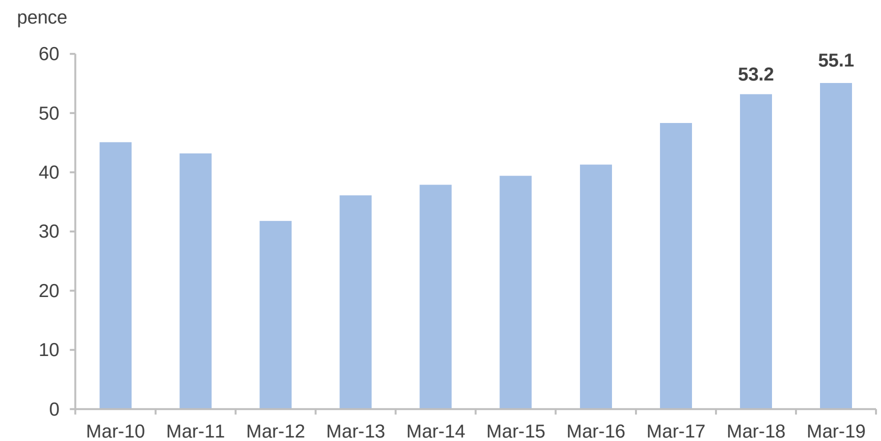
Revenue versus expenses



Operating profit** before impairments



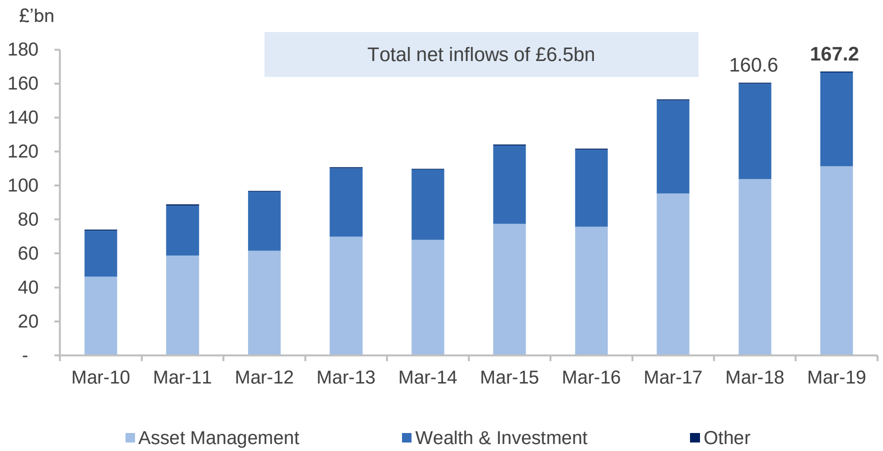
Adjusted EPS^



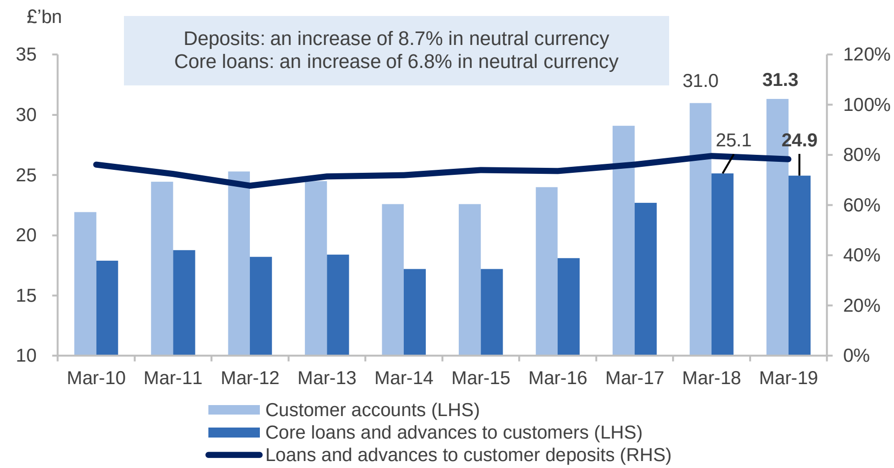
*Where annuity income is net interest income and annuity fees. **Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. ^Where adjusted EPS is earnings per share before goodwill, acquired intangibles and non-operating items and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

We have a sound track record

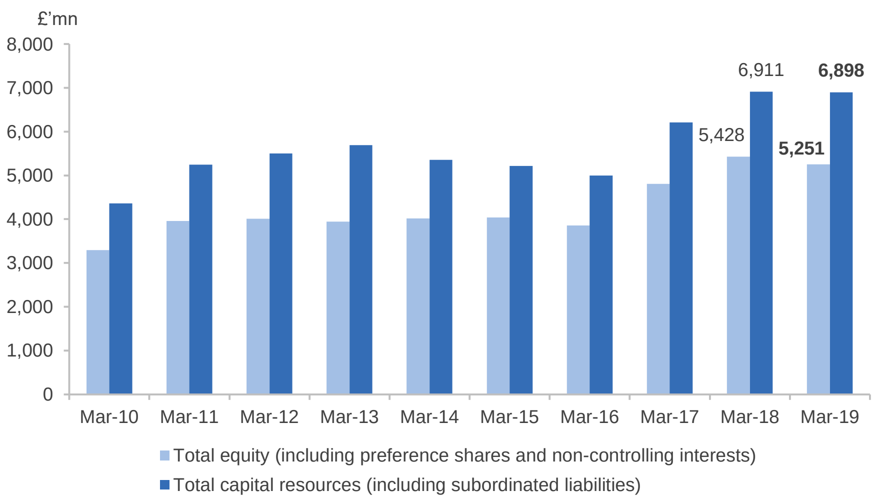
Third party assets under management



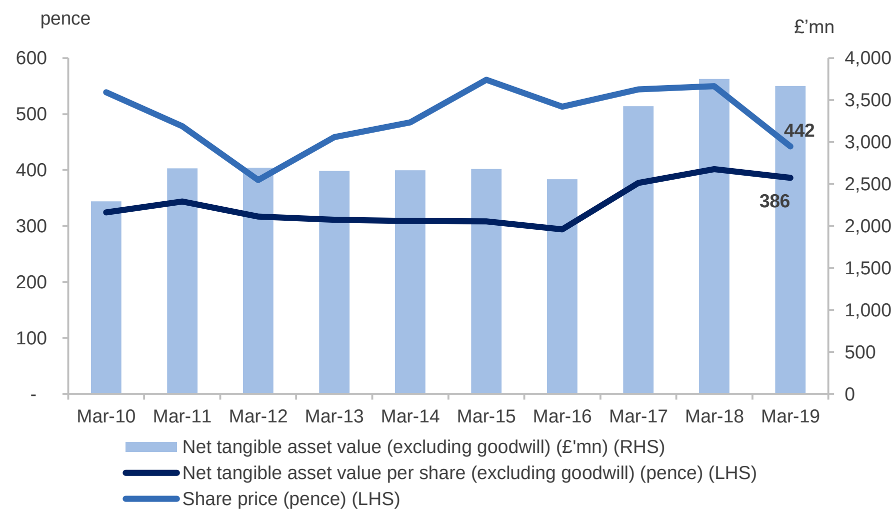
Core loans and advances and deposits



Total equity and capital resources



Net tangible asset value

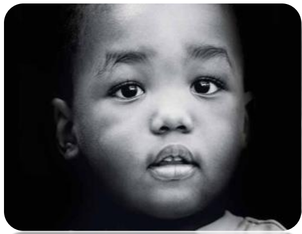


We have invested in our Brand



…our Communities

…our People







… and the Planet

BirdLife
SOUTH AFRICA
Giving Conservation Wings

SYSTEM CERTIFICATION
ISO 14001
SGS

An overview of
Investec Bank plc (IBP)

Investec Bank plc

Investec Bank plc is a growing **specialist bank** and private client **wealth manager** with **primary business in the UK**

Total assets	Net core loans	Total equity	Customer deposits	Third Party FUM	Employees (approx.)
£22.1bn	£10.5bn	£2.2bn	£13.5bn	£39.5bn	3,800

Investec Bank plc

- Operating in the UK since 1992
- **Wholly owned subsidiary of Investec plc** (**UK FTSE 250 listed entity** since 2002)
  - Investec Bank plc is the main banking subsidiary of Investec plc
  - Structured into two distinct businesses: Specialist Banking and Wealth & Investment
  - Asset Management is housed in a fellow subsidiary under Investec plc
- PRA and FCA regulated and a member of the London Stock Exchange
- Long-term rating of A1 stable outlook (Moody's) and BBB+ Rating Watch Negative^ (Fitch)
- **Balanced and defensive business model** comprising Specialist Banking and Wealth & Investment – c.27% of adjusted operating profit* from non-banking activities
- **Creditors ring-fenced** from Investec Bank Limited (Southern African banking subsidiary)
- **Capital and liquidity are not fungible** between Investec Bank plc and Investec Bank Limited – each entity required to be self-funded and self-capitalised in adherence with the regulations in their respective jurisdictions

^On 1 March 2019, Fitch placed the Long Term Issuer Default Ratings (IDR) of 19 UK banking groups (including IBP) on Rating Watch Negative (RWN). This follows Fitch placing the UK sovereign's AA IDR on RWN as a result of Brexit uncertainty.

*At 31 March 2019 (before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests)

Investec Bank plc (IBP)

Diversified revenue streams with high annuity base	• Balanced business model comprising two distinct business activities: **Specialist Banking and Wealth & Investment** • Continued focus on growing our **capital light businesses**, now 50% of IBP's revenue • High level of **annuity revenue**^ accounting for 66% of total operating income • **Strong growth in third party FUM** • Simplification of banking business resulting in a **reduction in legacy portfolio and impairments**
Sound balance sheet	• **Never required shareholder or government support** • **Robust capital base: 11.2% CET1 ratio** and **strong leverage ratio of 7.9%** (7.7% on a fully loaded basis) as of 31 March 2019* • IBP benefits from a substantial unlevered asset, being Wealth & Investment (FUM: £39.1bn) • **Low gearing:** 10.2x • **Strong liquidity ratios** with high level of readily available, high quality liquid assets representing 50% of customer deposits (cash and near cash: £6.8bn) • **Diversified funding base** with strong retail deposit franchise and low reliance on wholesale funding
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

^ Where annuity income is net interest income and annuity fees
*CET1 ratios shown on a consolidated basis as at 31 March 2019; after the deduction of foreseeable charges and dividends as required by the CRR and EBA technical standards
FUM = Third party funds under management

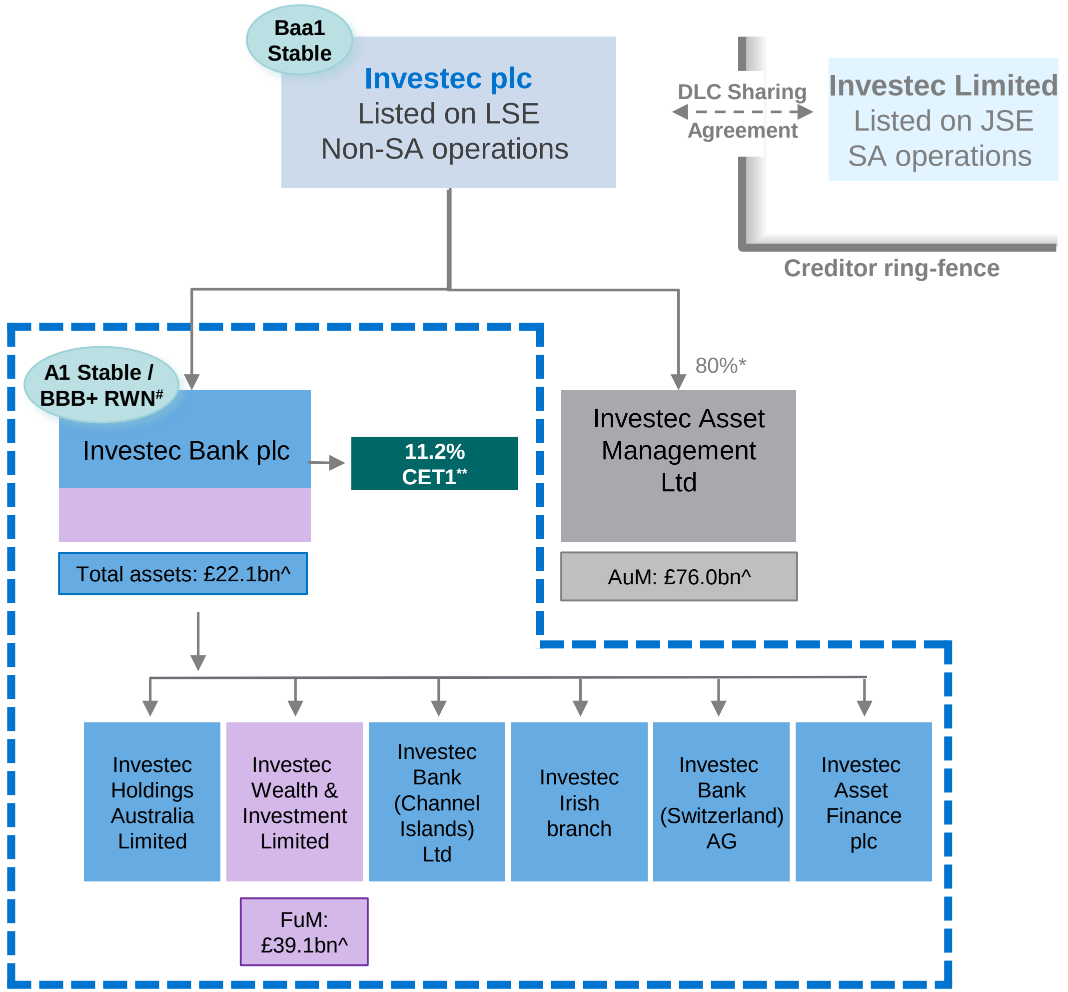
Investec and IBP: structure and main operating subsidiaries

Features of Investec's structure

- **Investec plc is the holding company** of the Investec group's **UK & Other operations**
- Two main operating subsidiaries:
  - **IBP** (which houses the **Specialist Banking** and **Wealth & Investment** activities)
  - **Investec Asset Management**

Features of the Investec Group's DLC structure

- Investec implemented a **Dual Listed Companies Structure** in July 2002
- **Creditors are 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
- **Shareholders have common economic and voting interests** (equivalent dividends on a per share basis; joint electorate and class right voting) as a result of a Sharing Agreement
- **Investec operates as if it is a single unified economic enterprise** with the same Boards of Directors and management at the holding companies



Assets under Management *UK & Other*	Mar-19	Mar-18
Investec Wealth & Investment	**£39.1bn**	**£36.9bn**
Investec Asset Management	**£76.0bn**	**£69.4bn**
Other	£0.4bn	£0.3bn
Total third party assets under management	**£115.5bn**	**£106.6bn**

All shareholdings are 100% unless otherwise stated. Only main operating subsidiaries are indicated *20% is held by senior management in the company ^Funds under management (FUM) relating to Wealth & Investment, Assets under management (AUM) relating to Asset Management and Total assets relating to IBP all as at 31 March 2019 **CET1 ratios as at 31 March 2019; after the deduction of foreseeable charges and dividends as required by the Capital Requirements Regulation and European Banking Authority technical standards. #Rating Watch Negative.

IBP: balanced business model supporting our long-term strategy

Three distinct business activities focused on well defined target clients and regions

	Corporate / Institutional / Government / Intermediary	Private client (high net worth / high income) / charities / trusts
Client	Corporate / Institutional / Government / Intermediary	Private client (high net worth / high income) / charities / trusts
Business	**Specialist Banking** • Lending • Transactional banking • Treasury solutions • Advisory • Investment activities • Deposit raising activities	**Wealth & Investment** • Discretionary wealth management • Investment advisory services • Financial planning
Region	UK and Europe, Australia, Hong Kong, India, USA	UK, Channel Islands (Guernsey), Ireland, Switzerland
Value Proposition	• High-quality specialist banking solution to corporate and private clients with leading positions in select areas • Provide high touch personalised service – ability to execute quickly • Ability to leverage international, cross-border platforms • Well positioned to capture opportunities between the developed and the emerging world – internationally mobile • Strong ability to originate, manufacture and distribute • Balanced business model with good business depth and breadth. • Generated 73% of adjusted operating profit* in FY 2019	• Built via the acquisition and integration of businesses and organic growth over a long period of time • Well-established platforms in the regions in which we operate • Five distinct channels: direct, intermediaries, charities, international and digital • Strategy to internationalise within jurisdictions where the Investec group already has an established business • Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients. • **Low risk, capital light, annuity income generation** • **£39.1bn in funds under management** • Generated 27% of adjusted operating profit* in FY 2019

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

IBP: key objectives

Perpetuate the quality of the balance sheet

Maintain healthy capital ratios

- Always held capital in excess of regulatory requirements
- Targets:
  - Common Equity Tier 1 ratio >10% (11.2% at 31 March 2019)
  - Tier 1 ratio >11% (12.9% at 31 March 2019)
  - Total capital adequacy: 14% – 17% (17.0% at 31 March 2019)
  - Leverage ratio >6% (7.9% at 31 March 2019)
- Capital strength maintained without recourse to shareholders, new investors or government assistance

Maintain robust liquidity management philosophy

- Appropriately manage our levels of surplus liquidity and cost of funding
- Maintain high level of readily available, high-quality liquid assets - minimum cash to customer deposit ratio of 25% (50.3% as at 31 March 2019)
- Maintain diversified sources of funding

Focus on revenue drivers

- Continue to build our client franchises and client base in the UK – focus on direct relationships with entrepreneurs, mid-sized corporates and high net worth clients
- Generate high-quality income through diversified revenue streams and businesses
- Leverage our private client platform (across banking and wealth management)
- Continue to grow FUM
- Moderate loan growth, emphasis on diversified portfolios
- Increase transactional activity

Maintain operational efficiency

- IBP cost to income ratio was 77.9% at 31 March 2019 (blend of banking and wealth management businesses)
- Targeting cost to income of below 65% for the IBP Specialist bank and between 73-77% for IBP Wealth & Investment
- Our cost to income ratio has been elevated as we have been investing in infrastructure and resources to grow the franchise, notably the build-out of the Private Bank
- With the investment in the Private Bank largely complete, management is committed to an increased focus on cost discipline

IBP: focusing on capital light activities

- We have realigned our business model over the past few years and focused on **growing our capital light businesses**
- We have **significantly increased our third party funds under management** – a key capital light annuity income driver – in the Wealth & Investment business
- Our total capital light activities **account for 50% of IBP's revenue**

CAPITAL LIGHT ACTIVITIES

Third party asset management, advisory and transactional income

- Wealth management
- Advisory services
- Transactional banking services
- Funds

CAPITAL INTENSIVE ACTIVITIES

Net interest, customer flow trading, investment and associate income

- Lending portfolios
- Trading income largely from client flow as well as balance sheet management and other
- Investment portfolios

CAPITAL LIGHT BUSINESSES

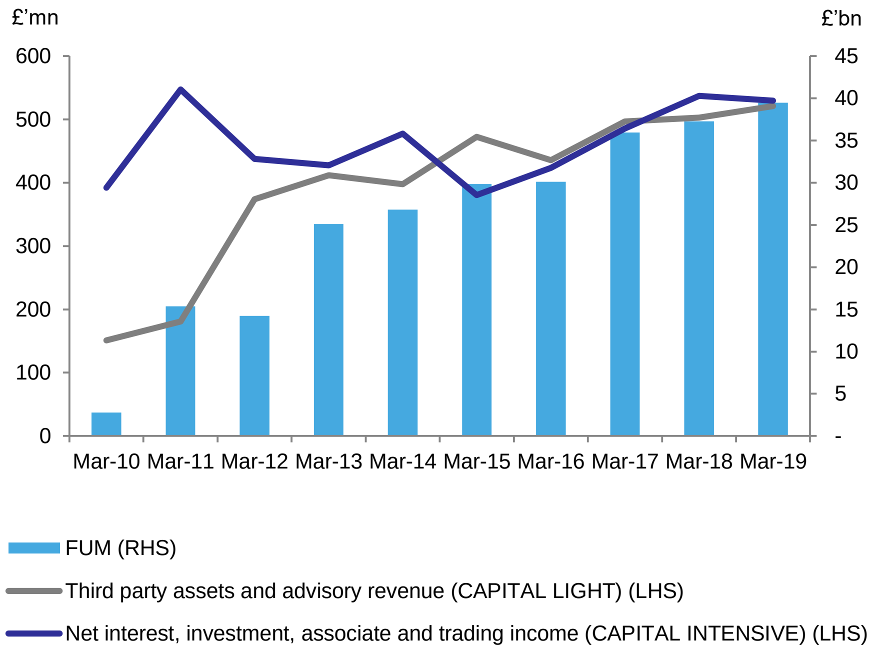
£521mn

50% of total revenue

Net fees and commissions
£511mn
49% of total revenue

Other
£10mn
1% of total revenue

IBP revenues and funds under management



CAPITAL INTENSIVE BUSINESSES

£528mn

50% of total revenue

Net interest income
£391mn
37% of total revenue

Customer flow and other trading income
£100mn
10% of total revenue

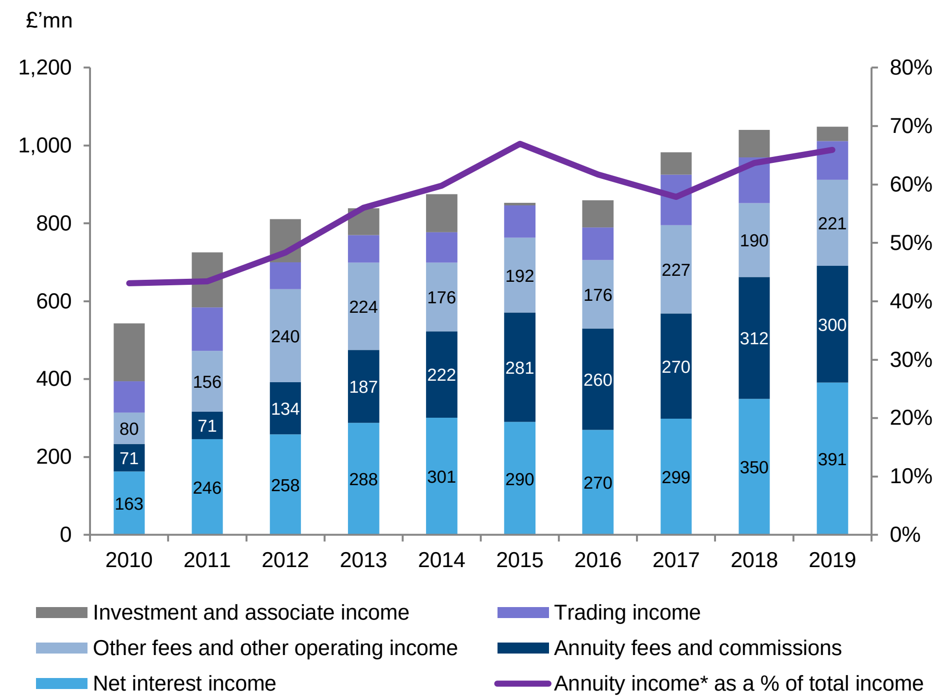
Investment and associate income
£37mn
3% of total revenue

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

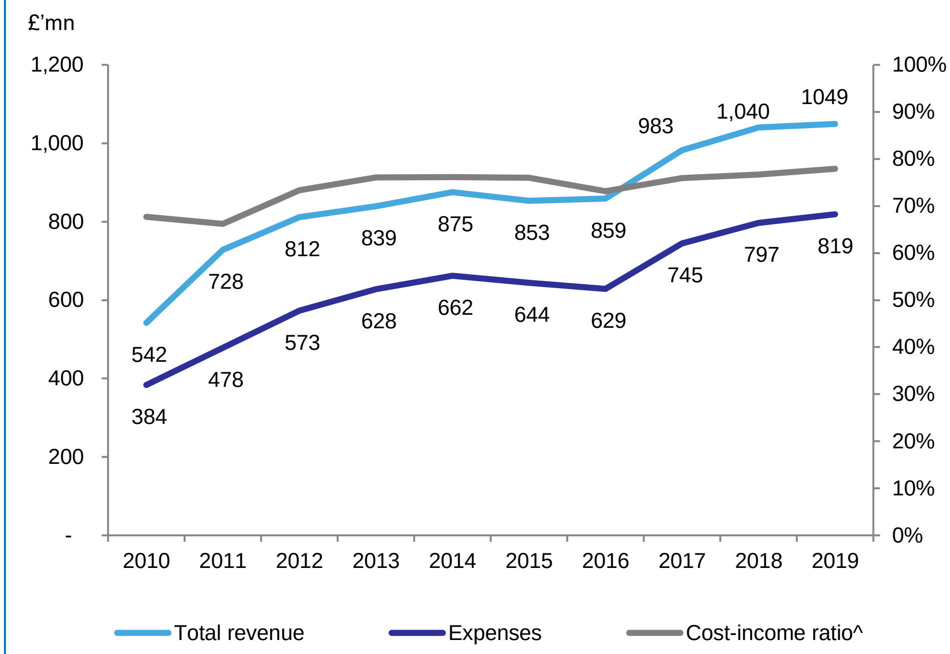
IBP’s operating fundamentals

IBP: profitability supported by diversified revenue streams

Annuity income



Revenue versus expenses



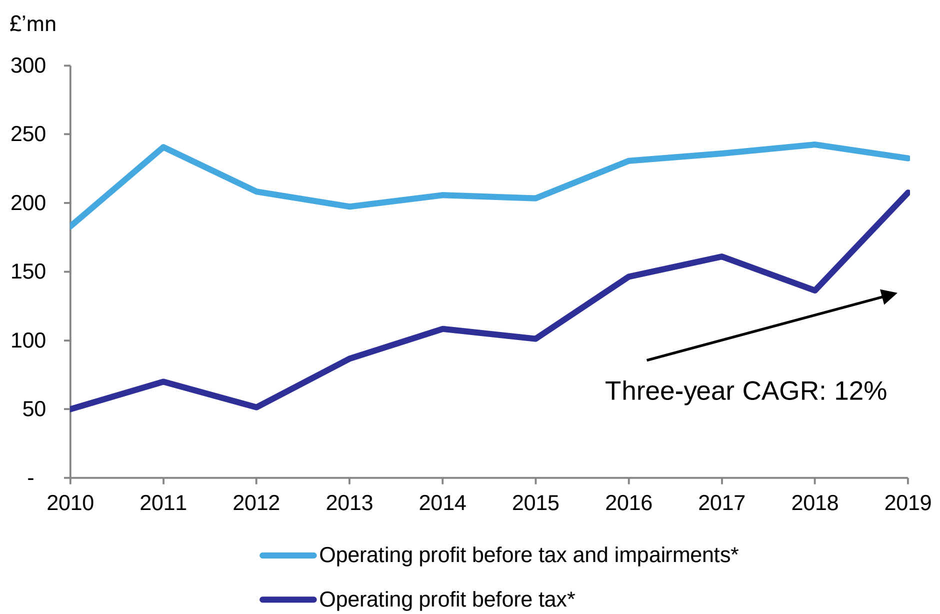
- **High level of annuity income*** (currently 66% of total operating income) which has been enhanced by the growth in our wealth management business
- **Total capital light activities account for 50% of IBP's income**

- We are focusing on managing costs while building for the future
- Our cost to income ratio has been elevated as we have been **investing in infrastructure and resources to grow the franchise**, notably the build-out of the private client offerings

*Where annuity income is net interest income and annuity fees. ^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 depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests).

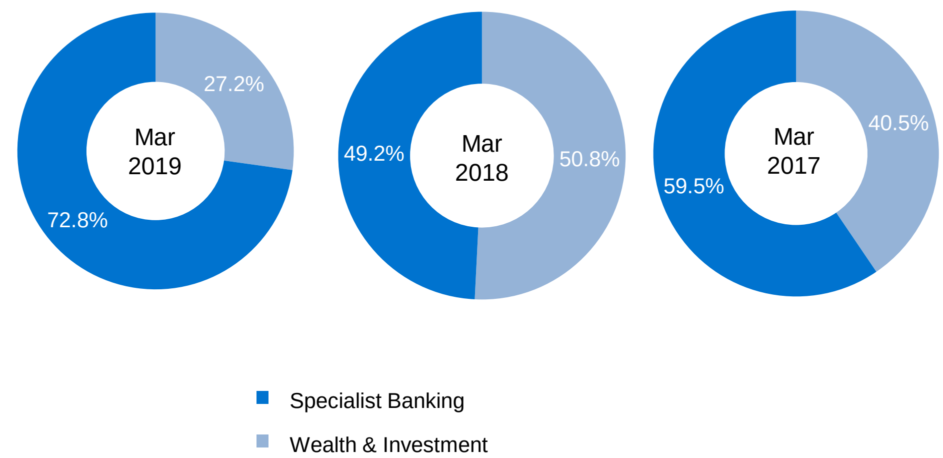
IBP: profitability supported by diversified revenue streams

Operating profit before tax*



- **We have grown operating profit** (increased by £61mn over the past three years to £208mn; CAGR of 12%)
- Since 2008 results have been impacted by elevated impairments driven by the legacy portfolio. This is particularly evident in the 2018 financial year as increased impairments were recognised in anticipation of accelerated exits on certain legacy assets. This is not expected to be repeated, as evident in the 2019 financial year there was no repeat of prior substantial legacy losses.
- It is also worth noting that we remained profitable throughout the crisis and have built a solid client franchise business which has supported growth in revenue.

Business mix percentage contribution to operating profit*

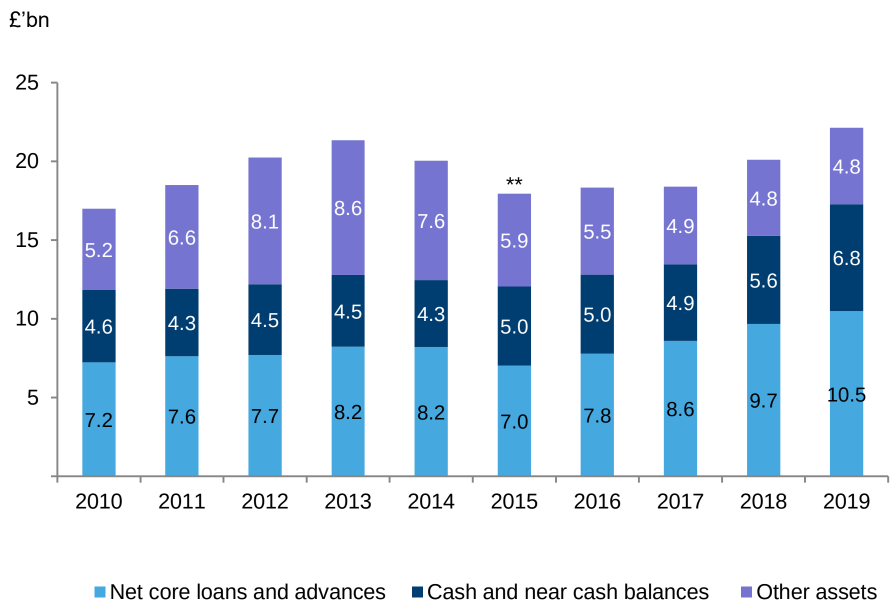


- Operating profit is balanced between Specialist banking and wealth & Investment businesses
- Higher contribution from the Specialist banking business in 2019 financial year largely driven by improved banking performance

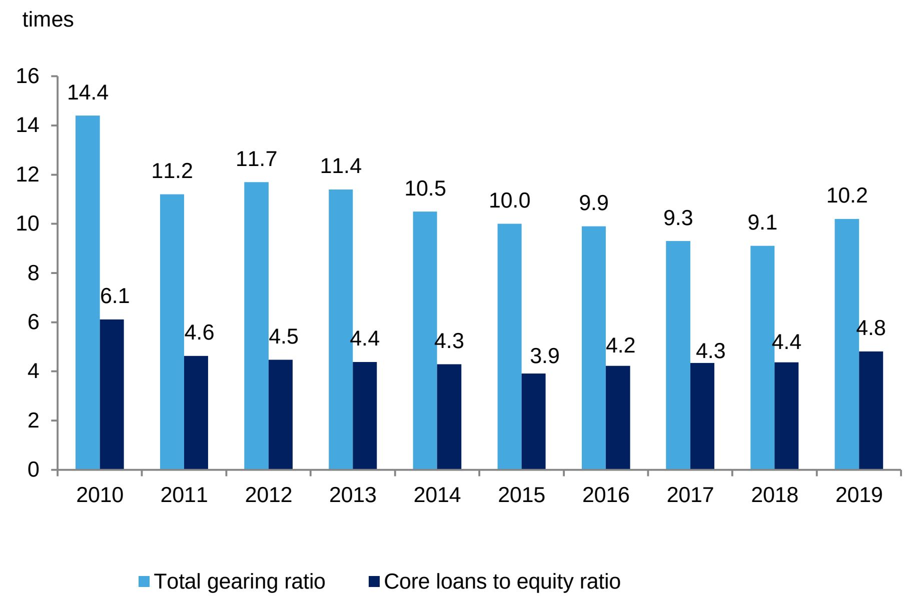
*Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests

IBP: consistent asset growth, gearing ratios remain low

Total assets composition



Gearing* remains low



- Our core loans and advances have grown moderately over the past 10 years (CAGR of 4.2% since 2010)
- Steady growth in cash and near cash balances (CAGR of 4.4% since 2010)

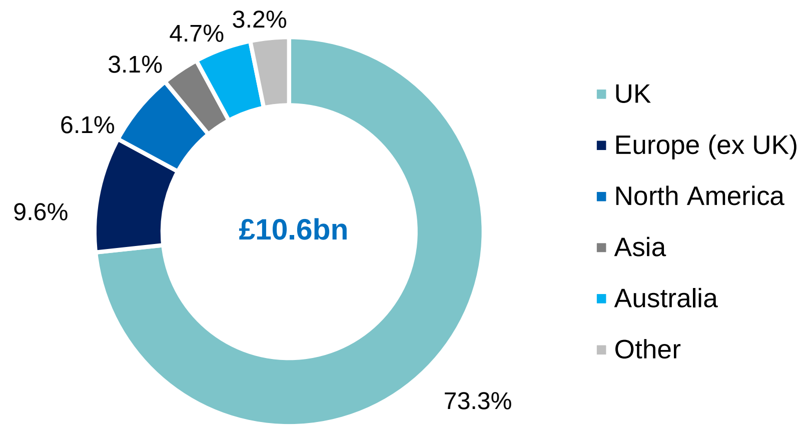
- We have **maintained low gearing ratios*** with total gearing at 10.2x and an average of 10.8x since 2010

*Gearing ratio calculated as Total Assets divided by Total Equity ** Loans and deposits in FY15 impacted by the sale of group assets, largely in Australia

IBP: 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
- The majority of exposures reside **within the UK**
- We typically originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship with our client

Gross core loans by country of exposure at 31 March 2019

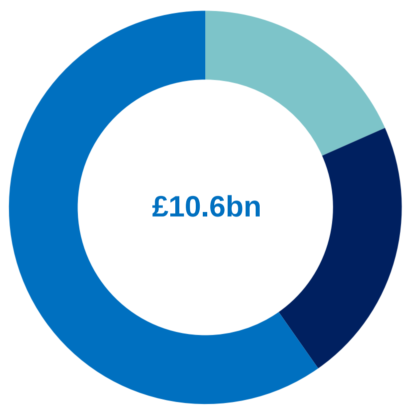


Gross core loans by risk category at 31 March 2019

Corporate and other

60%

Asset finance	18.2%
Corporate lending and acquisition finance	15.6%
Fund finance	11.4%
Other corporate, institutional, govt. loans	6.0%
Project finance	4.7%
Asset based lending	3.4%
Resource finance and commodities	0.2%



18%

Lending collateralised against property

Commercial property investment	9.9%
Residential investment	3.8%
Residential property development	3.1%
Commercial property development	1.1%
Residential vacant land and planning	0.4%
Commercial vacant land and planning	0.1%

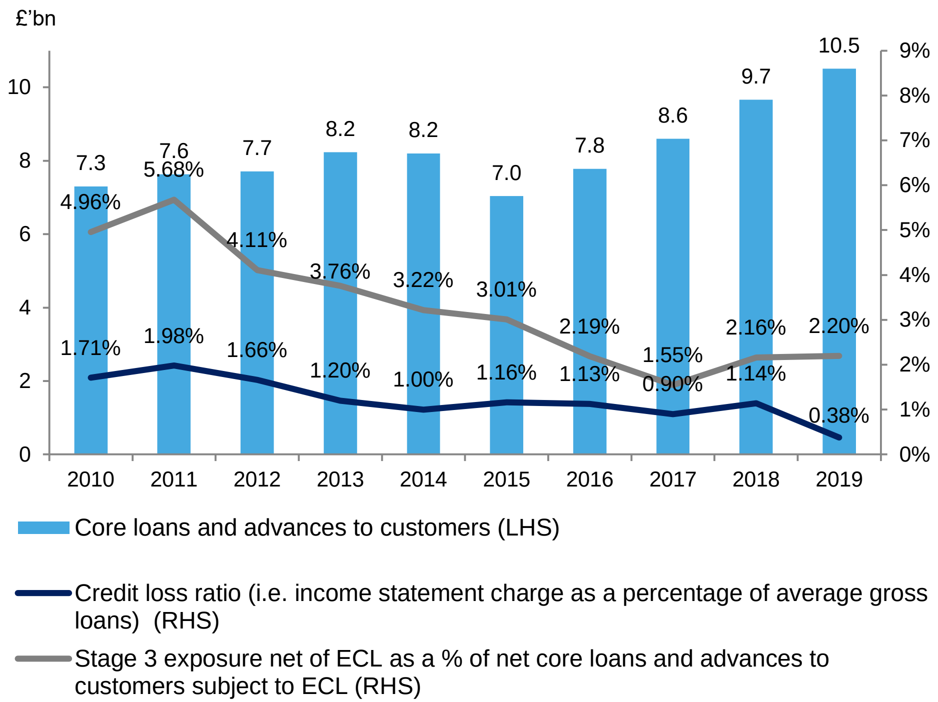
22%

High net worth and other private client

HNW and private client mortgages	17.2%
HNW and specialised lending	4.8%

IBP: sound and improving asset quality

Core loans and asset quality



- **Credit quality on core loans and advances for the year ended 31 March 2019:**
  - **Total income statement ECL impairment charges** amounted to £25.0mn, a substantial reduction from £106.1mn in the prior period, primarily reflecting a reduction in legacy impairments
  - The **credit loss ratio#** amounted to 0.38% (1 April 2018: 1.14%), now within its **long term average range**
  - **Stage 3 exposures net of ECLs decreased from £372mn at 1 April 2018 to £211mn** predominantly driven by a reduction in legacy exposures
  - **Stage 3 exposure net of ECLs as a % of net core loans and advances subject to ECLs** amounted to 2.2% (1 April 2018: 4.3%)

#Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL

IBP: diversified funding strategy and credit ratings

- Investec's funding consists **primarily of customer deposits**
- Investec adopts a **conservative and prudent funding strategy**
- **Positive rating trajectory:** over the past few years both IBP and Investec plc have received ratings upgrades

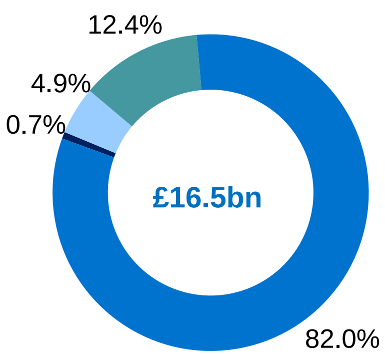
Conservative and prudent funding strategy

- **Maintaining a high base of high-quality liquid assets**
- **Diversifying funding sources**
- **Limiting concentration risk**
- **Low reliance on wholesale funding**
- **Maintaining a stable retail deposit franchise**

Credit ratings*

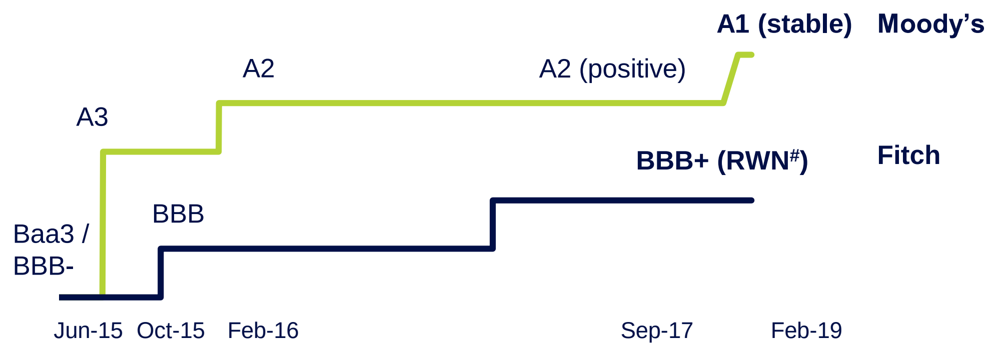
- In February 2019, **Moody's** upgraded IBP's long-term deposit rating to A1 (stable outlook) from A2 (positive outlook) and its baseline credit assessment (BCA) to baa1 from baa2.
- On 1 March 2019, **Fitch** placed the Long Term Issuer Default Ratings (IDR) of 19 UK Banking Groups (including IBP) on Rating Watch Negative (RWN). This follows Fitch placing the UK sovereign's AA IDR on RWN as a result of Brexit uncertainty. In September 2017, **Fitch** upgraded IBP's Long-Term Issuer Default Rating (IDR) to **BBB+** from BBB and its Viability Rating (VR) to bbb+ from bbb.
- Investec plc's long-term issuer rating was upgraded by Moody's to Baa2 in February 2016, and to Baa1 in April 2016.

Selected funding sources



£'mn	31 Mar 2019
Customer deposits	13,499
Debt securities in issue^	2,050
Subordinated liabilities	804
Liabilities arising on securitisation of other assets	114
Total	**16,467**

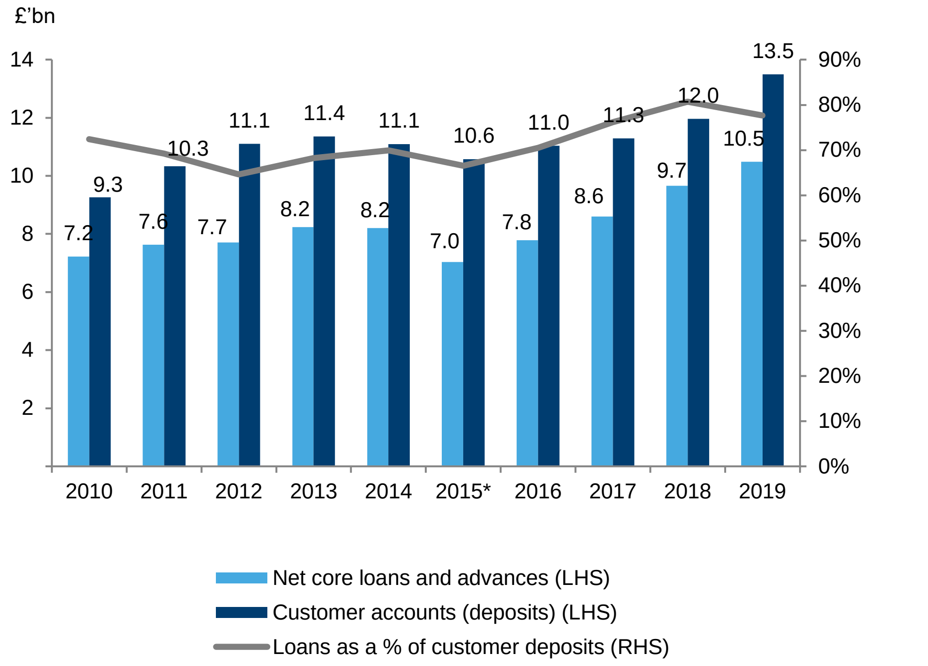
IBP's long-term ratings



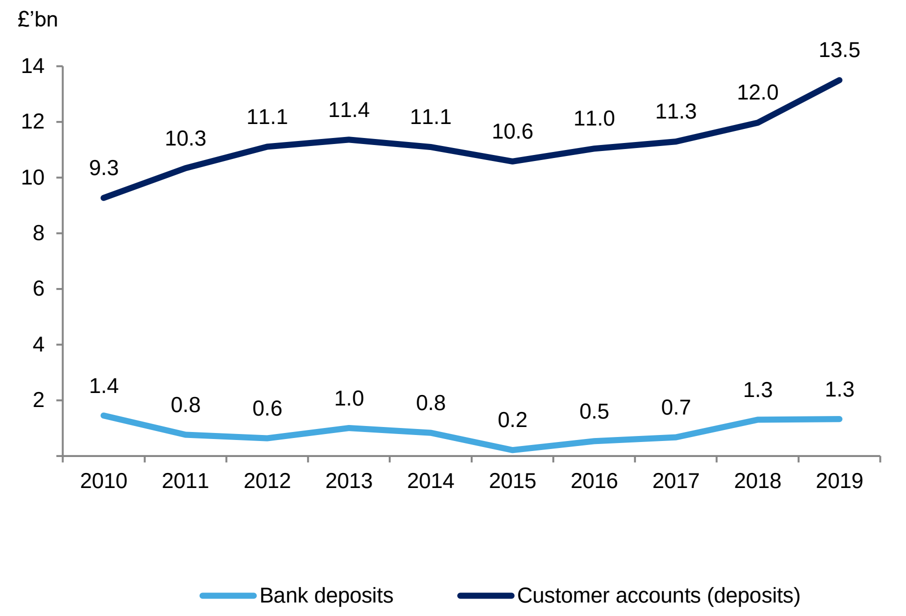
*A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.
^of which 933mn relates to retail customers. [#]Rating Watch Negative

IBP: primarily customer deposit funded with low loan to deposit ratio

Fully self-funded: healthy loan to deposit ratio



Total deposits: growing customer deposits



- **Customer deposits have grown by 46% (c.4% CAGR) since 2010 to £13.5bn at 31 March 2019**
- Advances as a percentage of customer deposits amounted to 77.7%

- Increase in retail deposits and reduced reliance on wholesale deposits
- Fixed and notice customer deposits have continued to grow and our customers display a strong 'stickiness' and willingness to reinvest in our suite of term and notice products

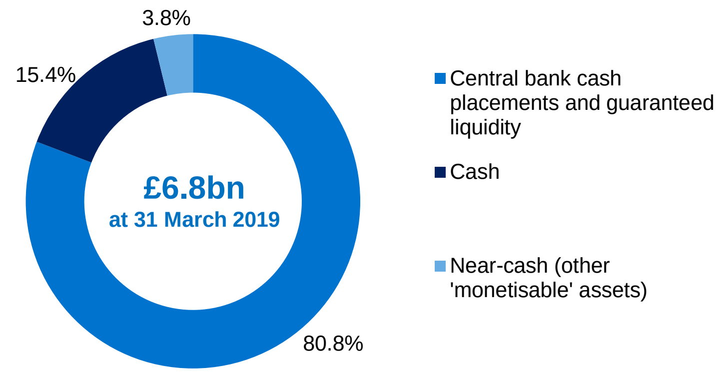
*FY15 impacted by the sale of group assets, largely in Australia

IBP: maintaining robust surplus liquidity

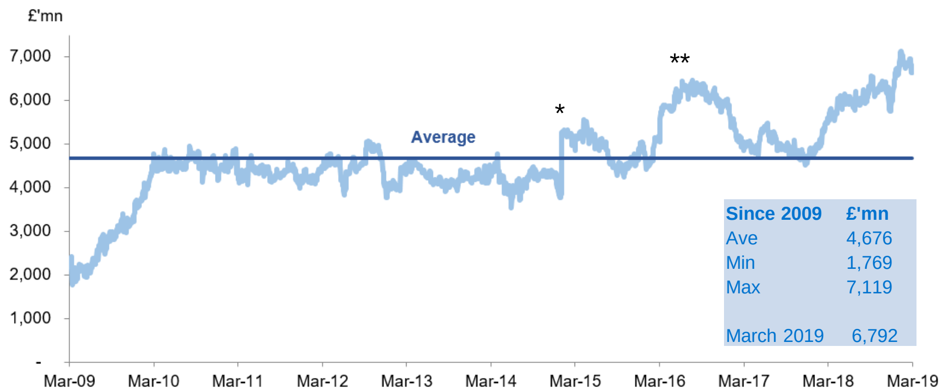
- We **maintain** a high level of readily available, high-quality **liquid assets** – targeting a minimum cash to customer deposit ratio of 25%. These balances have increased since 2010 (£4.6bn) to £6.8bn at 31 March 2019 **(representing 50% of customer deposits)**

- At 31 March 2019 the **Liquidity Coverage Ratio** reported to the Prudential Regulatory Authority for IBP (solo basis) was **291%** and the **Net Stable Funding Ratio^ was 126%** - both metrics well ahead of current minimum regulatory requirements

Cash and near cash composition



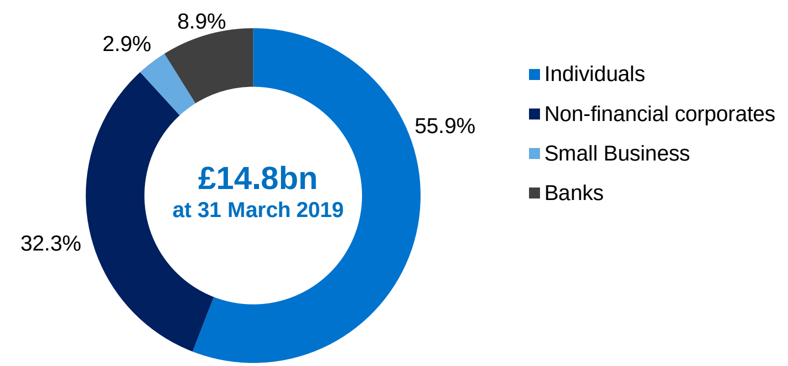
High level of cash and near cash balances



Since 2009	£'mn
Ave	4,676
Min	1,769
Max	7,119
March 2019	6,792

*Impacted by sale of group assets **Prudent increase in cash pre Brexit referendum

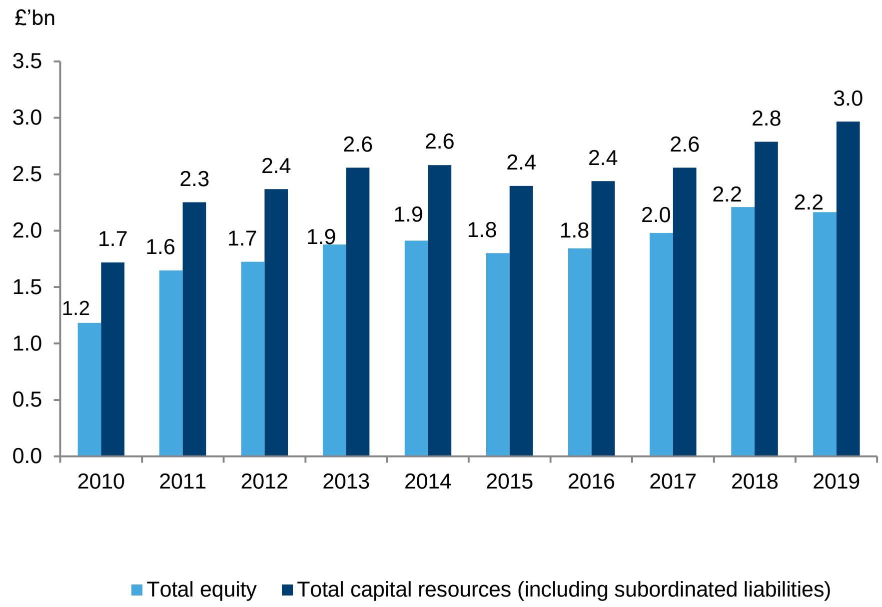
Depositor concentration by type



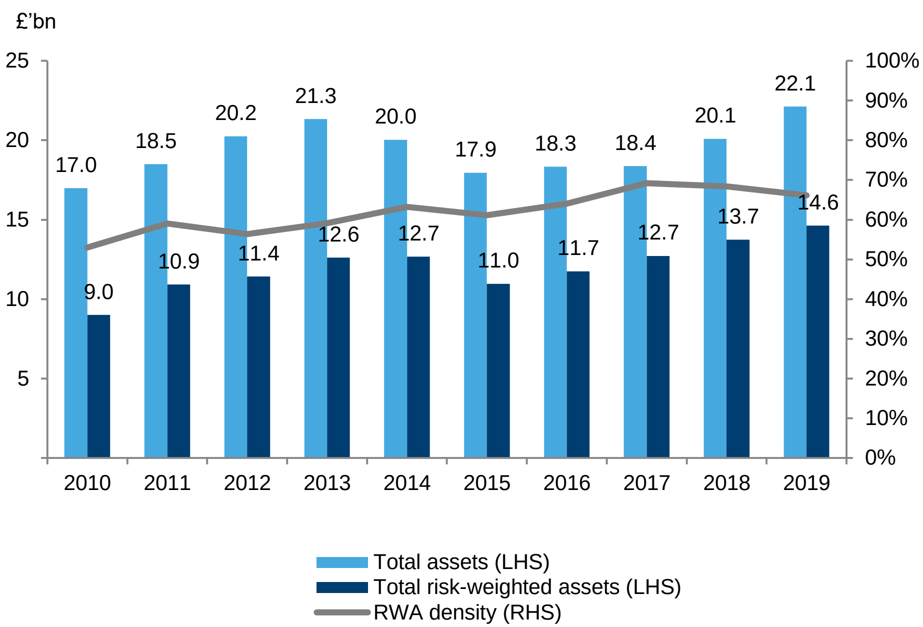
^The LCR is calculated using our own interpretations of the EU Delegated Act. Ahead of the implementation of the final NSFR rules, the bank has applied its own interpretations of regulatory guidance and definitions from the BCBS final guidelines, to calculate the NSFR. The reported LCR and NSFR may change over time with regulatory developments and guidance

IBP: sound capital base and capital ratios

Total capital



Total risk-weighted assets: high RWA density



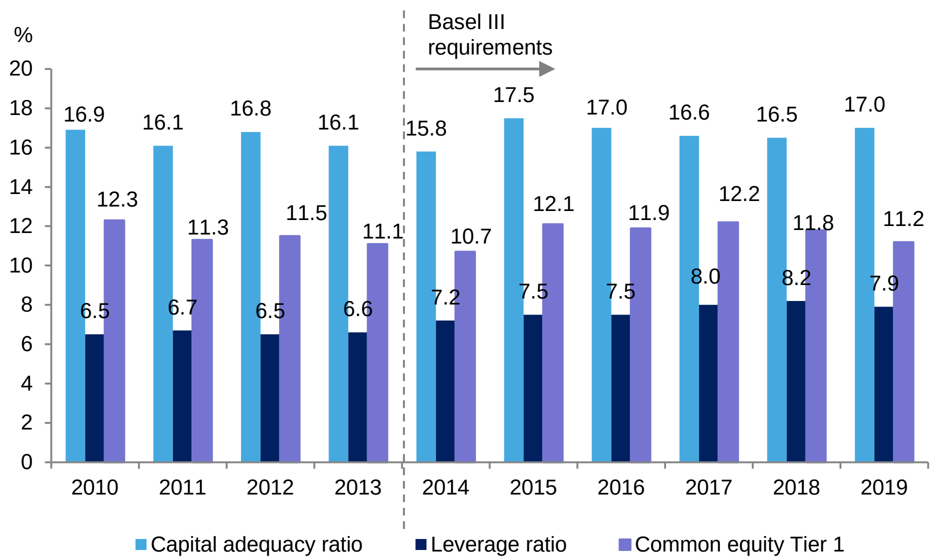
- **We have continued to grow our capital base** and did not require recourse to government or shareholders during the crisis
- Our total equity has grown by 83**%** since 2010 to £2.2bn at 31 March 2019 (CAGR of c.7%)
- The proposed transaction is expected to further enhance the efficiency of total capital resources

- As we use the Standardised Approach for our Basel III risk RWA calculations, our RWA represent a large portion of our total assets
- IBP's Total RWAs / Total assets is 66%, which is higher relative to many UK banks on the Advanced Approach
- As a result we **inherently hold more capital**

IBP: sound capital base and capital ratios (continued)

- Investec has **always held 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**
- In December 2016, the Bank of England set the preferred resolution strategy for IBP to be 'modified insolvency'. As a result, the BoE has therefore set **IBP's MREL requirement as equal to its regulatory capital requirements** (Pillar 1 + Pillar 2A) and as such no MREL issuance/impact is expected
- **IBP is not expected to be subject to the Banking Reform Act ring-fencing requirements**, which are applicable to all large UK deposit takers, as it falls below the £25bn *de minimis* threshold for core deposits

Basel capital ratios*



Capital development

A summary of ratios*	31 Mar 2019	1 Apr 2018	Target
Common equity tier 1 (as reported)^	11.2%	11.3%	>10%
Common equity tier 1 (fully loaded)^^	10.8%	11.0%	
Tier 1 (as reported)^	12.9%	12.8%	>11%
Total capital adequacy ratio (as reported)^	17.0%	16.0%	14% to 17%
Leverage ratio** (current)	7.9%	8.2%	>6%
Leverage ratio** (fully loaded)^^	7.7%	8.1%	

^The reported CET 1, T1 and total capital adequacy amounts and ratios are calculated applying the IFRS 9 transitional arrangements.

^^Based on the group's understanding of current regulations, 'fully loaded' is based on CRR requirements as fully phased in by 2022, including full adoption of IFRS 9. As a result of the adoption of IFRS 9 Investec Bank plc elected to designate its subordinated fixed rate medium-term notes due in 2022 at fair value. By the time of full adoption of IFRS 9 in 2023, these subordinated liabilities will have reached final maturity and will be redeemed at par value. The remaining interest rate portion of the fair value adjustment at 31 March 2019 of £17.7 million (post-taxation), has therefore been excluded from the fully loaded ratios as it will be released into profit and loss over the remaining life of the instrument.

** The leverage ratios are calculated on an end-quarter basis.

*Since 2014 capital information is based on Basel III capital requirements as applicable in the UK. Comparative information is disclosed on a Basel II basis. Since 2014 ratios incorporate the deduction of foreseeable charges and dividends as required in terms of the regulations. Excluding this deduction IBP's CET1 ratio would be 13bps higher. The leverage ratio prior to 2014 has been estimated.

Further information

IBP: two core areas of activity

Wealth & Investment: Key income drivers and performance statistics

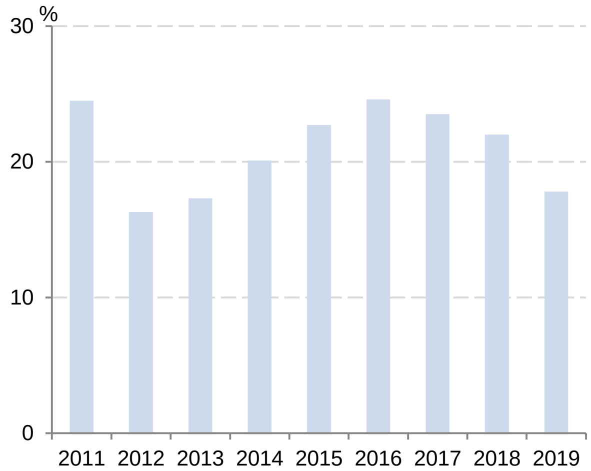
Key income drivers
(besides market levels)

- Investment management fees earned on FUM (largely equity mandates)
- Commissions earned for execution
- Largely discretionary FUM with average fees 80bps to 90bps
- Target for average net inflows: 5% of opening FUM for UK business

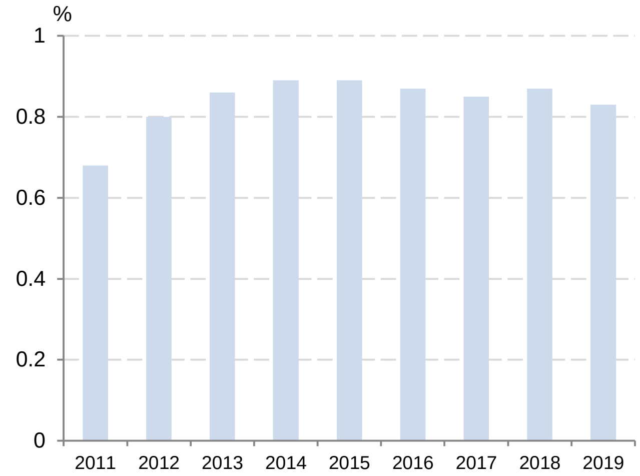
Current positioning

- Number of employees: 1,411
- Operating margin: 17.8%
- FUM: £39.1bn
- Net inflows as a % of opening FUM: 0.4% (£0.14bn net inflows for the year ended 31 March 2019)
- Pre-tax profit: £56.4mn (2018: £69.3mn)
- % contribution to IBP adjusted operating profit*: 27%

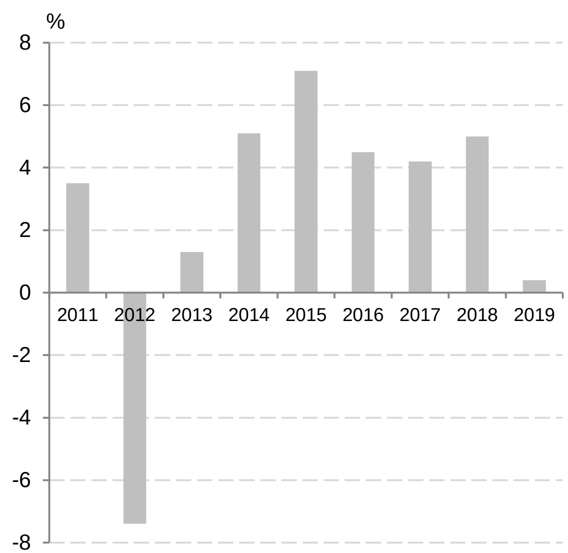
Operating margin



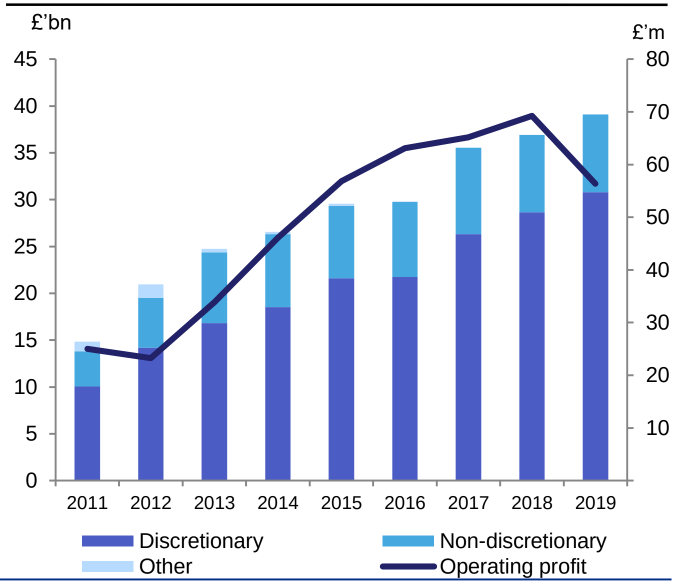
Average income^ as a % of FUM



Net inflows as a % of opening FUM



Funds under management



^The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not take into account the impact of market movements throughout the period on funds under management or the timing of acquisitions and disposals during the respective periods
*Before goodwill, acquired intangibles, non-operating items and taxation

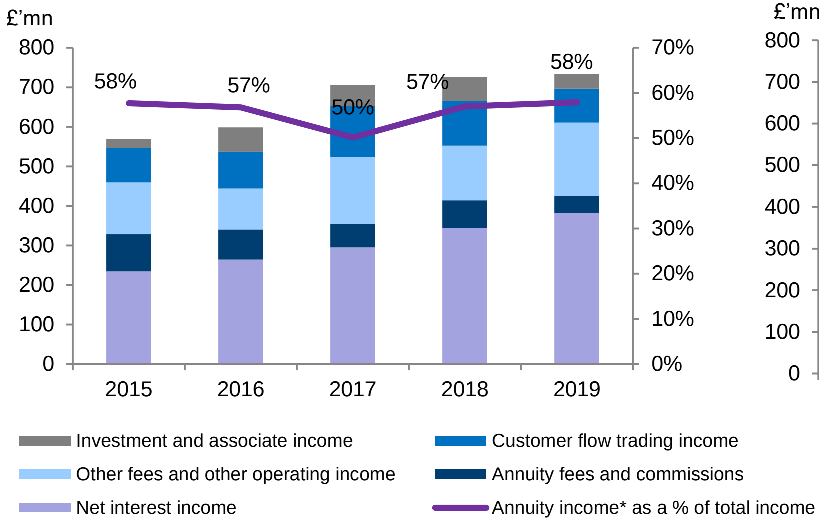
IBP: two core areas of activity (continued)

Specialist Banking ongoing: Key income drivers and performance statistics

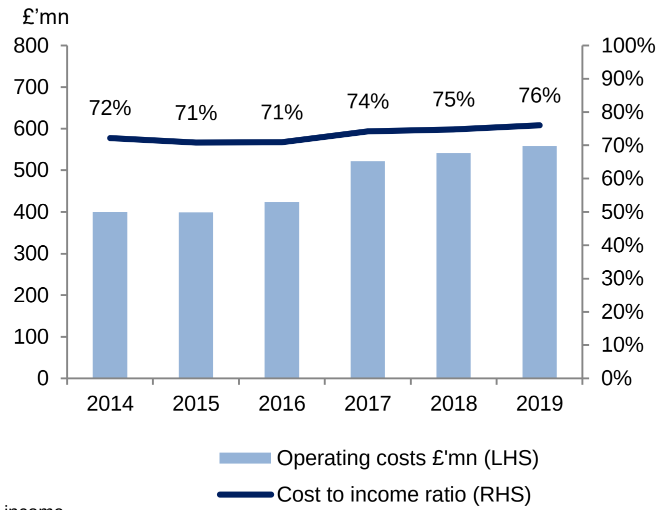
Key income drivers (besides market, economic and rate levels)

- **Net interest:** levels of loans; surplus cash; deposits
- **Fees and commissions**: levels of private and corporate client activity
- **Investment income:** realised and unrealised returns earned on our investment and fixed income portfolios
- **Customer flow trading income:** level of client activity

Revenue



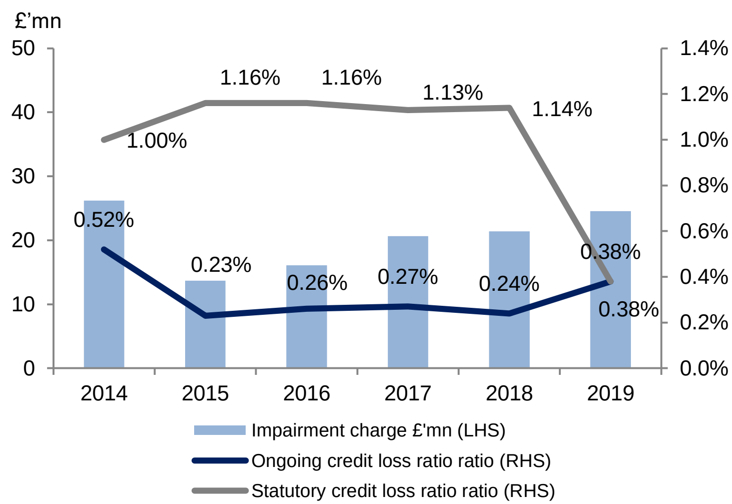
Costs



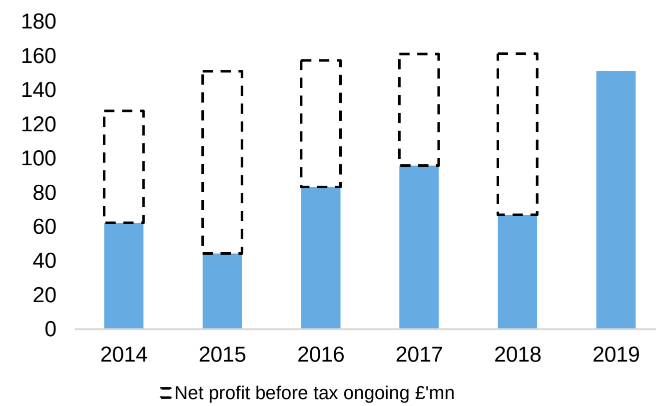
Current positioning

- Number of employees: 2,445
- Cost to income: 76.0%
- NIM: 2.22% (2018: 2.21%)
- Pre-tax profit: £151.1mn (2017: £67.1mn)
- % contribution to IBP adjusted operating profit**: 73%

Impairments



Net profit before tax



Trends in the above graphs are for the year ended 31 March, and reflect the Ongoing specialist banking business.

**Operating profit before goodwill, acquired intangibles, non-operating items and taxation but after non-controlling interests

Appendix – summary financials

IBP: salient financial features

Key financial statistics	31 March 2019	31 March 2018	% change
Total operating income before expected credit losses/impairment losses (£'000)	1 049 300	1 040 147	0.9%
Operating costs (£'000)	819 169	797 049	2.8%
Adjusted operating profit (before goodwill and acquired intangibles, non-operating items, taxation and after non-controlling interests) (£'000)	207 482	136 347	52.2%
Earnings attributable to ordinary shareholders (£'000)	159 277	97 841	62.8%
Cost to income ratio* (%)	77.9%	76.8%	
Total capital resources (including subordinated liabilities) (£'000)	2 966 927	2 788 840	6.4%
Total equity (£'000)	2 163 228	2 209 167	(2.1%)
Total assets (£'000)	22 121 020	20 097 225	10.1%
Net core loans and advances (£'000)	10 486 678	9 663 172	8.5%
Customer accounts (deposits) (£'000)	13 499 234	11 969 625	12.8%
Loans and advances to customers as a % of customer deposits	77.7%	80.7%	
Cash and near cash balances (£'000)	6 792 462	5 598 418	21.3%
Funds under management (£'mn)	39 482	37 276	5.9%
Total gearing ratio (i.e. total assets to equity)	10.2x	9.1x	

Key asset quality and capital ratios	31 March 2019	1 April 2018
Capital adequacy ratio	17.0%	16.0%
Tier 1 ratio	12.9%	12.8%
CET 1 ratio	11.2%	11.3%
Leverage ratio – current	7.9%	8.2%
Leverage ratio – 'fully loaded'^	7.7%	8.1%
Stage 3 exposure as a % of gross core loans and advances to customers subject to ECL	3.2%	6.3%
Stage 3 exposure net of ECL as a % of net core loans and advances to customers subject to ECL	2.2%	4.3%
Credit loss ratio#	0.38%	1.14%*

*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 depreciation on operating leased assets and net of operating profits or losses attributable to other non-controlling interests).

^ Based on 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 * As at 31 March 2018

Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of average gross core loans and advances subject to ECL

IBP: income statement

For the year ended (£'000)	31 Mar 2019	31 Mar 2018	% change
Interest income	727 742	598 494	21.6%
Interest expense	(336 363)	(248 876)	35.2%
Net interest income	**391 379**	**349 618**	**11.9%**
Fee and commission income	523 247	504 606	3.7%
Fee and commission expense	(12 366)	(10 094)	22.5%
Investment income	34 236	68 943	(50.3%)
Share of post taxation operating profit	2 830	1 444	96.0%
Trading income arising from			
- customer flow	86 766	114 502	(24.2%)
- balance sheet management and other trading activities	12 732	2 838	348%
Other operating income	10 476	8 290	26.4%
Total operating income before expected credit losses/impairment losses	**1 049 300**	**1 040 147**	**0.9%**
Expected credit loss impairment charges*	(24 991)	-	
Impairment losses on loans and advances*	-	(106 085)	
Operating income	**1 024 309**	**934 062**	**9.7%**
Operating costs	(819 169)	(797 049)	2.8%
Depreciation on operating leased assets	(2 137)	(2 350)	(9.1)%
Operating profit before goodwill and acquired intangibles	**203 003**	**134 663**	**50.7%**
Amortisation of acquired intangibles	(12 958)	(13 273)	(3.2%)
Operating profit	**190 045**	**121 390**	**56.6%**
Financial impact of group restructures	(12 853)	-	
Profit before taxation	**190 045**	**121 390**	**56.6%**
Taxation on operating profit before goodwill and acquired intangibles	(27 216)	(27 651)	(1.6%)
Taxation on goodwill and acquired intangibles	4 822	2 418	99.4%
Profit after taxation	**154 798**	**96 157**	**61.0%**
Loss attributable to non-controlling interests	4 479	1 684	166%
Earnings attributable to shareholder	**159 277**	**97 841**	**62.8%**

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

IBP: balance sheet

For the year ended (£'000)	31 March 2019	1 April 2018*	% change
Assets			
Cash and balances at central banks	4 445 430	3 487 716	27.5%
Loans and advances to banks	954 938	772 231	23.7%
Reverse repurchase agreements and cash collateral on securities borrowed	633 202	750 102	(15.6%)
Sovereign debt securities	1 298 947	1 155 472	12.4%
Bank debt securities	52 265	113 274	(53.9%)
Other debt securities	508 142	281 939	80.2%
Derivative financial instruments	642 530	604 848	6.2%
Securities arising from trading activities	798 224	701 728	13.8%
Investment portfolio	486 493	472 083	3.1%
Loans and advances to customers	10 488 022	9 539 858	9.9%
Other loans and advances	246 400	415 666	(40.7%)
Other securitised assets	118 143	132 172	(10.6%)
Interests in associated undertakings	8 855	6 414	38.1%
Deferred taxation assets	133 344	148 636	(10.3%)
Other assets	847 604	1 013 440	(16.4%)
Property and equipment	94 714	53 183	78.1%
Investment properties	14 500	14 500	-
Goodwill	260 858	261 075	(0.1%)
Intangible assets	88 409	103 972	(15.0%)
	22 121 020	**20 028 309**	**10.4%**

* The 1 April 2018 balance sheet has been presented on an IFRS 9 basis and the comparative as at 31 March 2018 on an IAS 39 basis.

IBP: balance sheet (continued)

£'000	31 March 2019	1 April 2018*	% change
Liabilities			
Deposits by banks	1 318 776	1 295 847	1.8%
Derivative financial instruments	719 027	533 319	34.8%
Other trading liabilities	80 217	103 496	(22.5%)
Repurchase agreements and cash collateral on securities lent	314 335	168 640	86.4%
Customer accounts (deposits)	13 499 234	11 969 625	12.8%
Debt securities in issue	2 050 141	1 942 869	5.5%
Liabilities arising on securitisation of own originated loans and advances	113 711	127 853	(11.1%)
Current taxation liabilities	136 818	135 517	1.0%
Deferred taxation liabilities	21 341	22 120	(3.5%)
Other liabilities	900 493	1 014 956	(11.3%)
	19 154 093	**17 314 242**	**10.6%**
Subordinated liabilities	803 699	716 564	12.2%
	19 957 792	**18 030 806**	**10.7%**
Equity			
Ordinary share capital	1 186 800	1 186 800	-
Share premium	143 288	143 288	-
Capital reserve	162 789	162 789	-
Other reserves	(19 647)	(56 014)	(64.9%)
Retained income	447 924	363 700	23.2%
Shareholder's equity excluding non-controlling interests	**1 921 154**	**1 800 563**	**6.7%**
Additional Tier 1 securities in issue	250 000	200 000	25.0%
Non-controlling interests in partially held subsidiaries	(7 926)	(3 060)	159.0%
Total equity	**2 163 288**	**1 997 503**	**8.3%**
Total liabilities and equity	**22 121 020**	**20 028 309**	**10.4%**

* The 1 April 2018 balance sheet has been presented on an IFRS 9 basis and the comparative as at 31 March 2018 on an IAS 39 basis.

IBP: segmental analysis of operating profit

For the year to 31 March 2019 £'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	9 189	382 190	391 379
Fee and commission income	306 165	217 082	523 247
Fee and commission expense	(724)	(11 642)	(12 366)
Investment income	1 185	33 051	34 236
Share of post taxation profit of associates	-	2 830	2 830
Trading income arising from			
- customer flow	793	85 973	86 766
- balance sheet management and other trading activities	(1)	12 733	12 732
Other operating income	342	10 134	10 476
Total operating income before expected credit losses	**316 949**	**732 351**	**1 049 300**
Expected credit loss impairment charges*	(24)	(24 967)	(24 991)
Operating income	**316 925**	**707 384**	**1 024 309**
Operating costs	(260 561)	(558 608)	(819 169)
Depreciation on operating leased assets	-	(2 137)	(2 137)
Operating profit before goodwill and acquired intangibles	**56 364**	**146 639**	**203 003**
Loss attributable to non-controlling interests	-	4 479	4 479
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**56 364**	**151 118**	**207 482**
Selected returns and key statistics			
Cost to income ratio	82.2%	76.0%	77.9%
Total assets (£'million)	866	21 255	22 121

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

IBP: segmental analysis of operating profit

For the year to 31 March 2019 £'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	5 181	344 437	349 618
	297 629	206 977	504 606
Fee and commission income	(722)	(9 372)	(10 094)
Fee and commission expense	10 446	58 497	68 943
Investment income	416	1 028	1 444
Share of post taxation operating profit			
Trading income arising from	1 032	113 470	114 502
- customer flow	(7)	2 845	2 838
- balance sheet management and other trading activities	235	8 055	8 290
Other operating income			
Total operating income before impairment on loans and advances	**314 210**	**725 937**	**1 040 147**
Impairment losses on loans and advances	-	(106 085)	(106 085)
Operating income	**314 210**	**619 852**	**934 062**
Operating costs	(244 940)	(552 109)	(797 049)
Depreciation on operating leased assets	-	(2 350)	(2 350)
Operating profit before goodwill and acquired intangibles	**69 270**	**65 393**	**134 663**
Loss attributable to non-controlling interests	-	1 684	1 684
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**69 270**	**67 077**	**136 347**
Selected returns and key statistics			
Cost to income ratio	78.0%	76.3%	**76.8%**
Total assets (£'million)	996	19 101	**20 097**

IBP: asset quality under IFRS 9

£'million	31 March 2019	1 April 2018
Gross core loans and advances to customers subject to ECL	**9 864**	**8 877**
Stage 1	8 969	7 721
Stage 2	576	592
of which past due greater than 30 days	*13*	*18*
Stage 3	319	564
*Ongoing (excluding Legacy) stage 3**	*149*	*221*
Gross core loans and advances to customers subject to ECL (%)		
Stage 1	91.0%	87.0%
Stage 2	5.8%	6.7%
Stage 3	3.2%	6.3%
*Ongoing (excluding Legacy) stage 3**	*1.5%*	*2.6%*
Stage 3 net of ECL	211	372
Of which (excluding Legacy) stage 3 net of ECL*	*114*	*176*
Aggregate collateral and other credit enhancements on stage 3	228	414
Stage 3 net of ECL and collateral	-	-
Stage 3 as a % of gross core loans and advances to customers subject to ECL	3.2%	6.3%
Of which (excluding Legacy) stage 3 net of ECL*	*1.5%*	*2.6%*
Total ECL impairments as a % of stage 3 exposure	46.7%	43.8%
Stage 3 net of ECL as a % of net core loans and advances to customers subject to ECL	2.2%	4.3%
Of which (excluding Legacy) stage 3 net of ECL*	*1.2%*	*2.0%*

* Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy, which comprises of pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking

IBP: capital adequacy

£'million	31 March 2019 *	1 April 2018 *
Tier 1 capital		
Shareholders' equity	1 889	1 777
Non-controlling interests	(8)	(3)
Regulatory adjustments to the accounting basis	110	145
Deductions	(348)	(361)
Common equity tier 1 capital	**1 643**	**1 558**
Additional tier 1 capital	250	200
Tier 1 capital	**1 893**	**1 758**
Tier 2 capital	**596**	**445**
Total regulatory capital	**2 489**	**2 203**
Risk-weighted assets^^	**14 631**	**13 777**
Capital ratios^^		
Common equity tier 1 ratio	11.2%	11.3%
Tier 1 ratio	12.9%	12.8%
Total capital ratio	17.0%	16.0%

*The capital adequacy disclosures for Investec Bank plc include the deduction of foreseeable charges and dividends when calculating common equity tier (CET) 1 capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital adequacy disclosures included in the Interim Report, which follow our normal basis of presentation and do not include the deduction for foreseeable charges and dividends when calculating CET 1 capital. Investec Bank plc's CET 1 ratio would be 13bps (31 March 2018: 13bps) higher on this basis.
^^ CET 1, Tier 1 (T1), total capital adequacy ratios and risk-weighted assets are calculated applying the IFRS 9 transitional arrangements