

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 plc (IBP) is the main banking subsidiary of Investec plc and also houses the Wealth & Investment business which is one of the largest private client wealth managers in the UK, with £37bn funds under management as at 29 February 2020, and generates substantial capital light non-banking income for IBP. Investec Wealth & Investment Limited, Investec Bank (Channel Islands) Limited, Investec Asset Finance plc, Investec Holdings (Australia) Limited, Investec Bank Switzerland AG and Investec Europe 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

| | 30 Sept 2019 | 30 Sept 2018 [^] | % change | 31 March 2019 [^] |
|--|--------------------|---------------------------|----------|----------------------------|
| Total operating income before expected credit losses (£'000) | 513 441 | 546 730 | (6.1%) | 1 089 842 |
| Operating costs (£'000) | 383 489 | 400 455 | (4.2%) | 792 380 |
| Adjusted operating profit (£'000) | 113 161 | 138 950 | (18.6%) | 274 813 |
| Earnings attributable to ordinary shareholders (£'000) | 60 690 | 97 724 | (37.9%) | 161 917 |
| Cost to income ratio (%) | 74.8% | 72.8% | | 72.6% |
| Total capital resources (including subordinated liabilities) (£'000) | 3 066 788 | 2 886 130 | 6.3% | 2 966 927 |
| Total equity (£'000) | 2 255 204 | 2 082 242 | 8.3% | 2 163 228 |
| Total assets (£'000) | 23 000 166 | 21 162 620 | 8.7% | 22 121 020 |
| Net core loans and advances (£'000) | 10 759 230 | 10 026 162 | 7.3% | 10 486 701 |
| Customer accounts (deposits) (£'000) | 13 656 843 | 12 743 472 | 7.2% | 13 499 234 |
| Loans and advances to customers as a % of customer deposits | 78.8% | 78.7% | | 77.7% |
| Cash and near cash balances (£'mn) | 6 460 | 6 294 | 2.6% | 6 792 |
| Funds under management (£'mn) | 41 539 | 39 710 | 4.6% | 39 482 |
| Total gearing ratio (i.e. total assets to equity) | 10.2x | 10.2x | | 10.2x |
| Total capital ratio | 17.1% | 16.8% | | 17.0% |
| Tier 1 ratio | 13.3% | 12.4% | | 12.9% |
| Common equity tier 1 ratio | 11.6% | 11.1% | | 11.2% |
| Leverage ratio – current | 8.0% | 7.6% | | 7.9% |
| Leverage ratio – ‘fully loaded’ | 7.8% | 7.3% | | 7.7% |
| Stage 3 exposure as a % of gross core loans and advances subject to ECL | 3.1% | 4.2% | | 3.2% |
| Stage 3 exposure net of ECL as a % of net core loans and advances subject to ECL | 2.2% | 3.0% | | 2.2% |
| Credit loss ratio [*] | 0.28% [#] | 0.42% [#] | | 0.38% |

[#] Annualised

[^] Information for March 2019 and September 2018 has been restated to exclude the financial impact and rundown of the Hong Kong direct investments business and the impact of other group restructures.

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

Financial performance

IBP reported operating profit before non-operating items and taxation (but after non-controlling interests) of £113.2 million for the six months ended 30 September 2019 (2018: £139.0 million[^]).

A diversified portfolio and a sound balance of earnings generated between capital light and balance sheet driven activities continues to support a sustainable level of recurring income. The balance sheet remains strong supported by sound capital, leverage and liquidity ratios.

[^] Restated

Further details on IBP's results can be found on Investec's website at www.investec.com

Capital adequacy

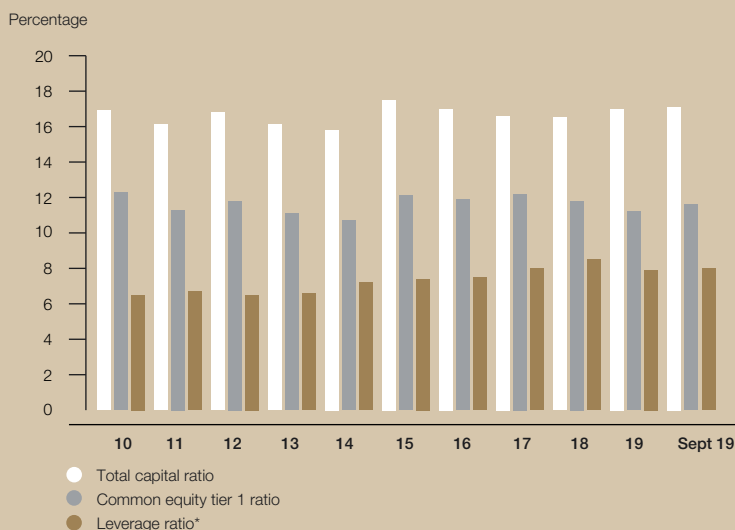
17.1%

IBP holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. The bank has never required shareholder or government support. As at 30 September 2019, the total capital ratio of IBP was 17.1% and the common equity tier 1 ratio was 11.6%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 11.2% and 7.8%, respectively (where 'fully loaded' is based on Basel III requirements as fully phased in by 2022). These disclosures incorporate the deduction of foreseeable charges and dividends as required by the regulations. Excluding this deduction, the common equity tier 1 ratio would be 12bps higher.

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

Basel capital ratios – standardised approach



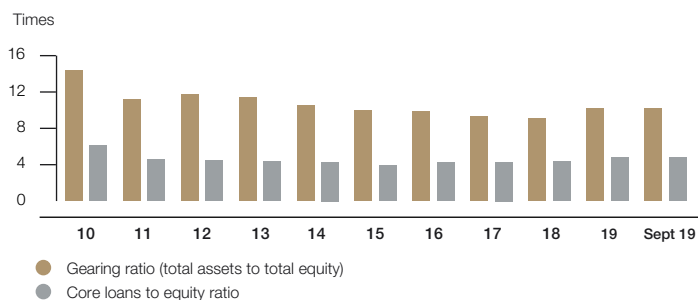
* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

Gearing

10.2x

IBP is not a highly geared bank. A number of banks that have come into difficulty in the past have been in excess of 40x geared. IBP's comparative ratio would be 10.2x.

Gearing ratio



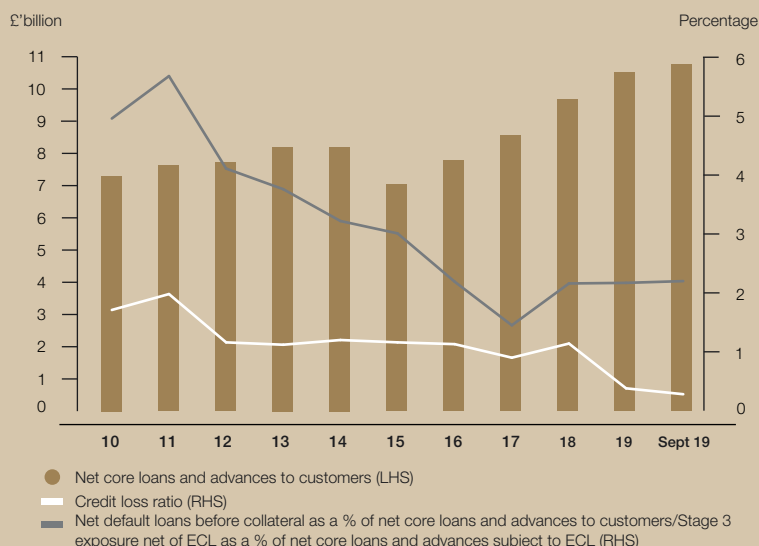
Asset quality and exposures



The bulk of IBP's credit and counterparty risk arises through its private client and corporate client activities. The bank lends to high net worth and high income individuals, mid to large sized corporates, public sector bodies and institutions. The majority of IBP's credit and counterparty exposures reside within its principal operating geography, namely the UK.

The total ECL impairment charges amounted to £16.0 million for the six months ended 30 September 2019 (2018: £10.4 million), however the annualised credit loss ratio reduced from 0.38% at 31 March 2019 to 0.28% at 30 September 2019.

Core loans and asset quality



Stage 3 exposure net of ECL at 30 September 2019 amounted to £225 million (31 March 2019: £211 million). Stage 3 exposure net of ECL as a percentage of net core loans and advances subject to ECL at 30 September 2019 amounted to 2.2% (31 March 2019: 2.2%).

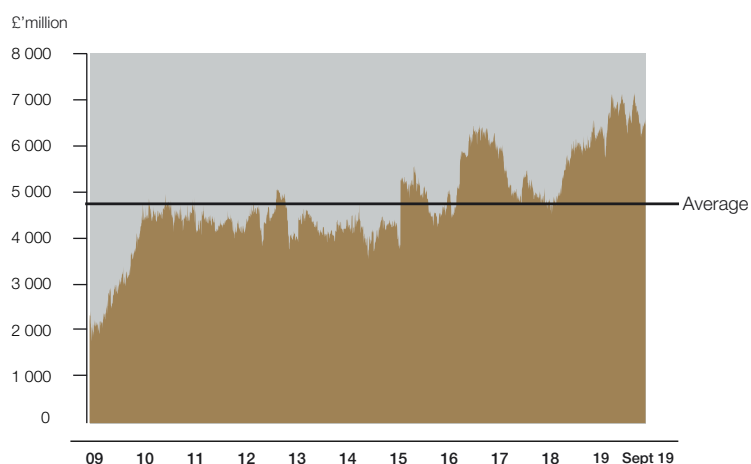
Liquidity and funding



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 30 September 2019, the bank had £6.5 billion of cash and near cash to support its activities, representing approximately 47.3% of customer deposits.

Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. IBP targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits amounted to £13.7 billion as at 30 September 2019 (31 March 2019: £13.5 billion). The bank's loan to deposit ratio was 78.8% at 30 September 2019 (31 March 2019: 77.7%).

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 or on the Jersey States website which will also highlight the banking groups covered.

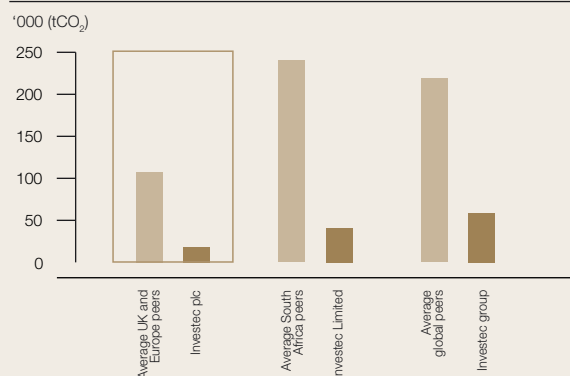
At Investec, sustainability is about building resilient profitable businesses that are focused on growing and preserving stakeholders long-term wealth, whilst contributing in a responsible way to the health of our economy, our people, our communities and the environment for a prosperous future for all.

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 to the UK Stewardship Code
- 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)
- One of eight banks in the UK to sign up to the Task Force for Climate-related Financial Disclosures (TCFDs)
- 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

- Ranked in the top 100 companies in the world in gender equality and reporting by Equileap in 2019
- Recognised by Equileap in the UK for best maternity and paternity leave in 2019
- Received gold in the Global Good Awards for Best Education Project for the partnership with Arrival Education (UK) in 2019
- Winner of the Charity Investment Team of the Year by the City of London Wealth Management Awards 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 Investment Index (DJSI)
- In the FTSE UK 100 ESG Select Index out of 640 companies in the FTSE All Share Index
- Top 40 in the FTSE/JSE Responsible Investment Index
- Top 6% in the MSCI Global Sustainability Index, scoring AAA in the financial services sector
- One of 43 banks and financial services in the STOXX Global ESG Leaders Index.

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.



CREDIT RATINGS

IBP has a long-term rating of A1 (stable outlook) from Moody's and BBB+ (Rating Watch Negative*) from Fitch.

* On 1 April 2020, Fitch took action on a number of UK banking groups (including IBP), due to the coronavirus pandemic. IBP's Long-Term Issuer Default Ratings (IDR), Viability Ratings (VR) and debt ratings were placed on Rating Watch Negative (RWN), as Fitch believes the economic fallout from the pandemic crisis represents a near-term risk to its ratings.

For further information:

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