



Investec Limited

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

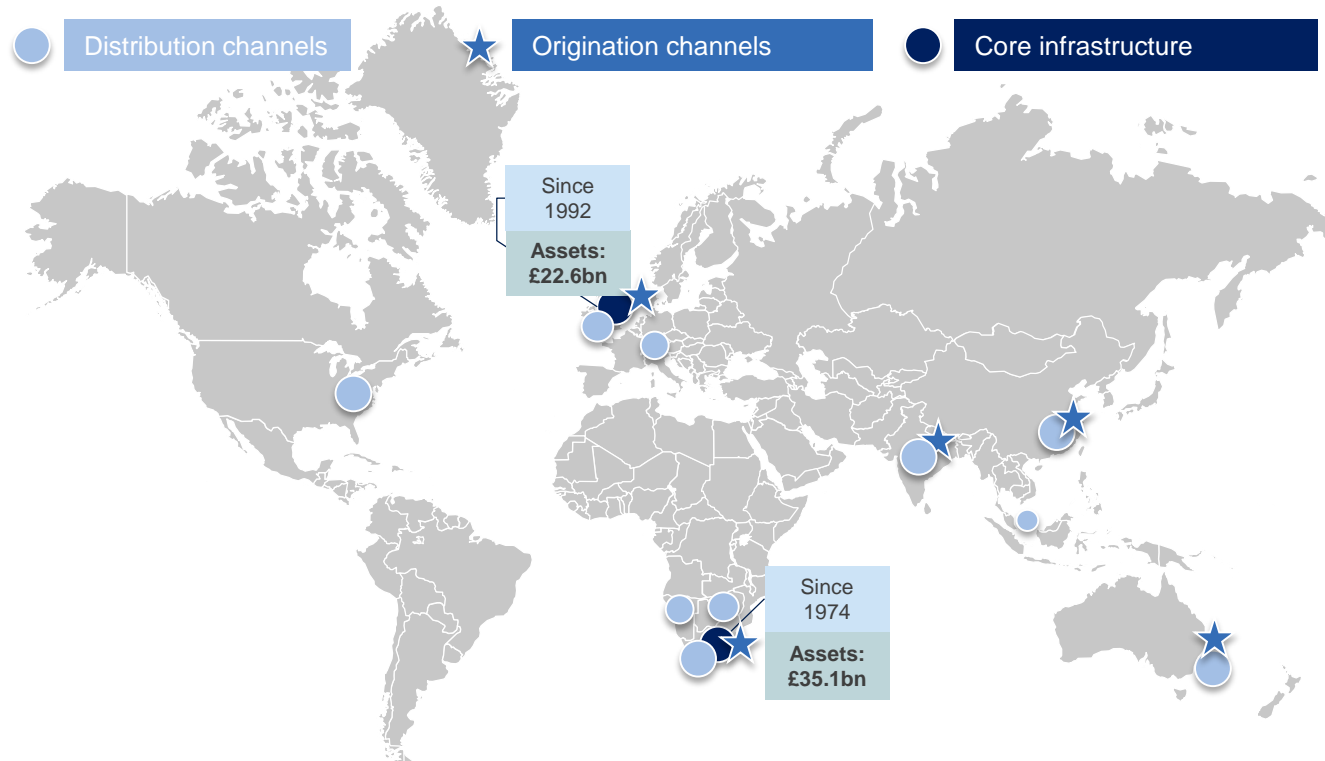


An overview of the Investec Group

Investec: a distinctive specialist bank and asset manager

Facilitating the creation of wealth and management of wealth

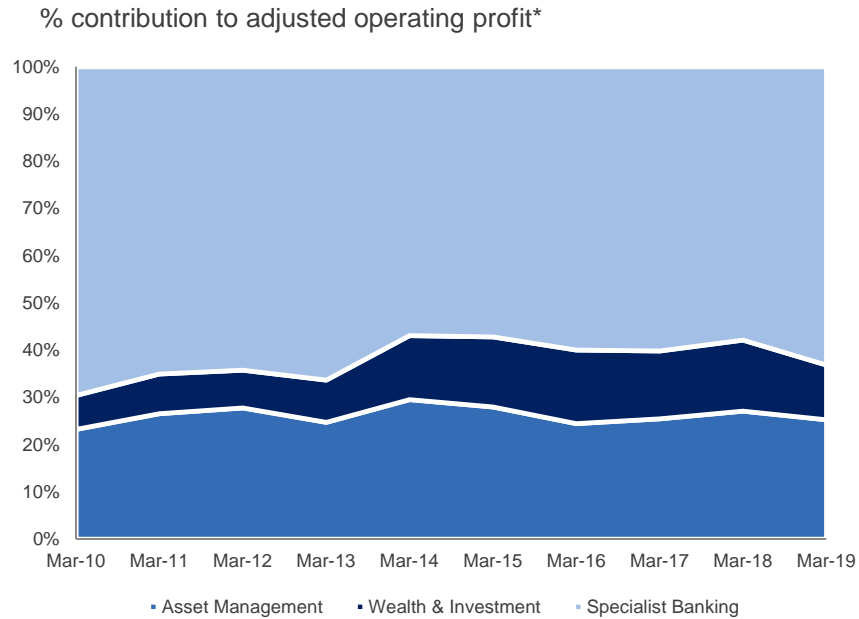
- Established in 1974
- Today, efficient integrated international business platform employing approximately **10 500*** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of £57.7bn; total equity £5.3bn; total FUM £167.2bn



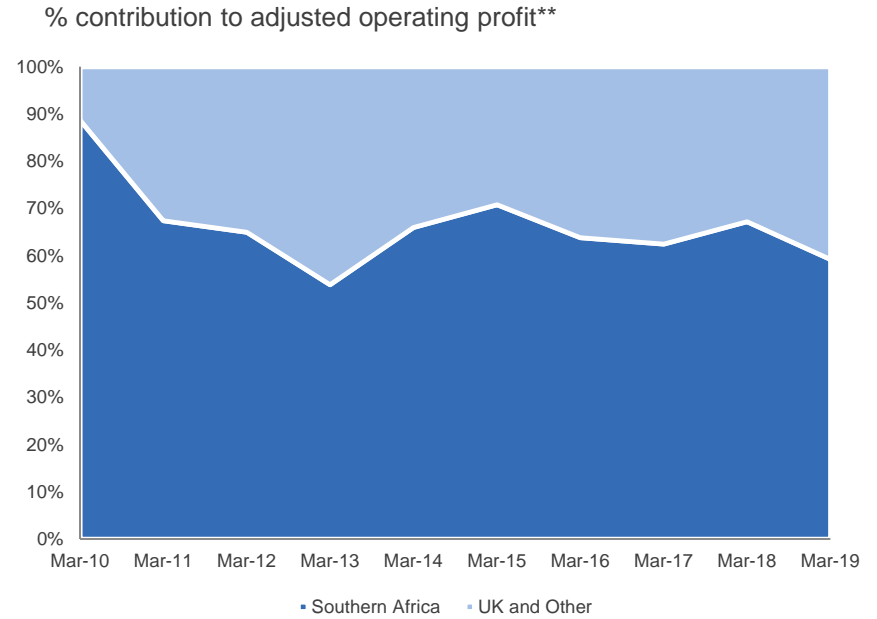
*Including temporary employees and contractors

Solid recurring income base supported by a diversified portfolio

Across businesses



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 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

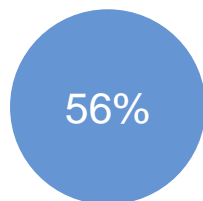
Wealth & Investment

- 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.

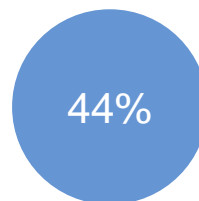
Capital light activities



Contributed to group income

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

Capital intensive activities



Contributed to group income

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

Fee and commission income



Types of income



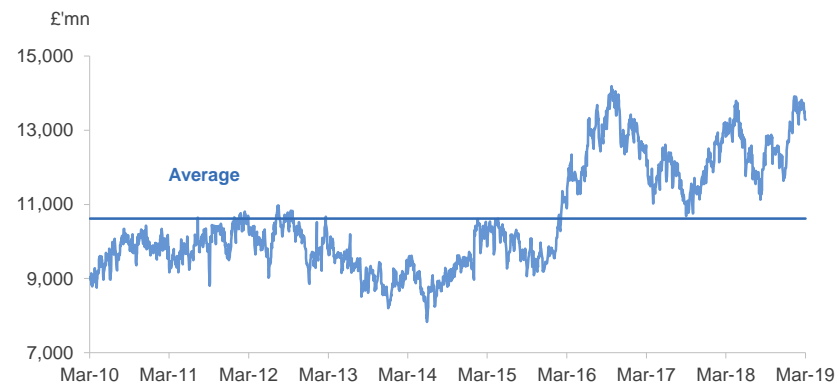
Net interest, investment, associate and trading income

We continue to have a sound balance sheet

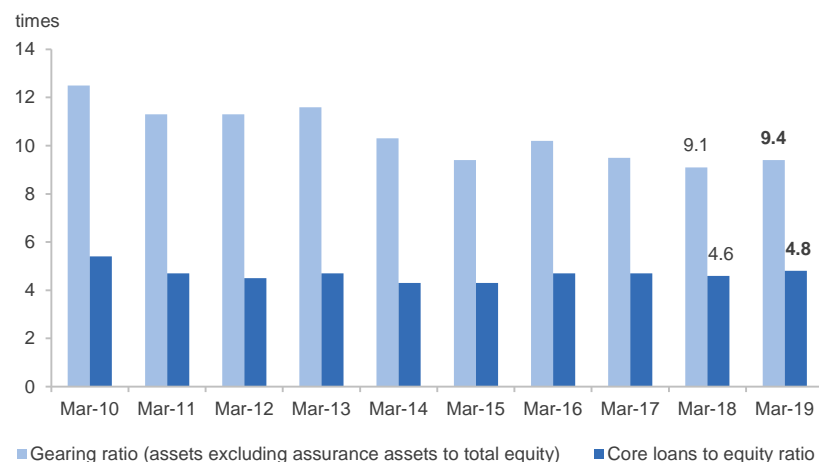
Key operating fundamentals

- Senior management “hands-on” culture
- A high level of readily available, **high quality liquid assets**: targeting > 25% 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

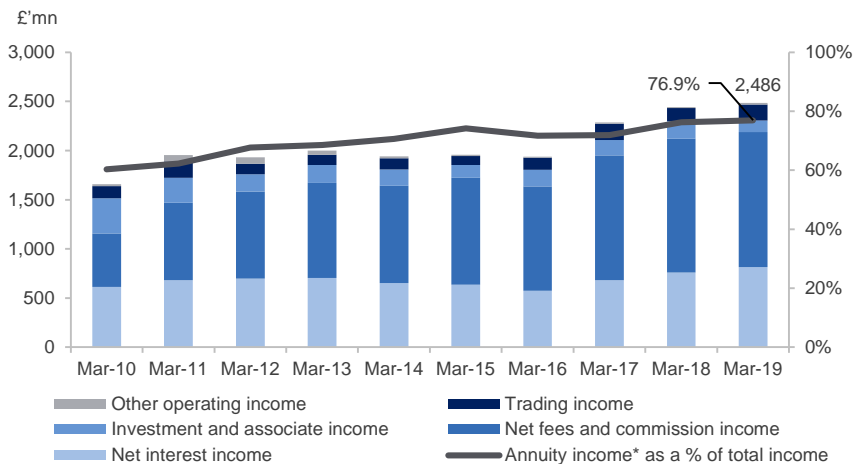


Low gearing ratios

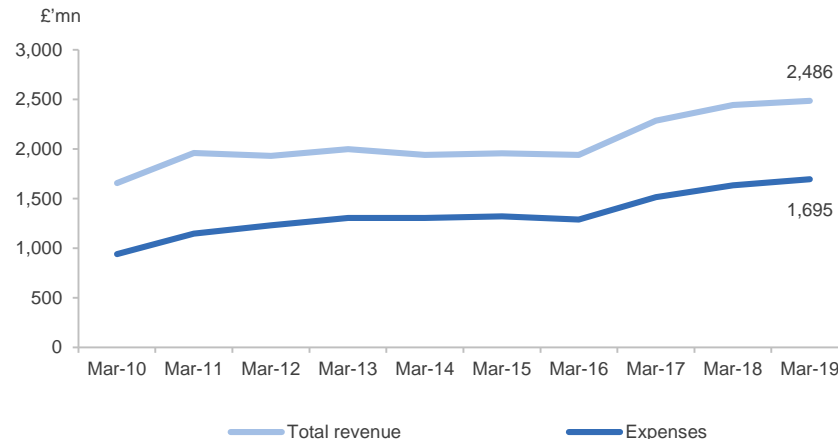


We have a sound track record

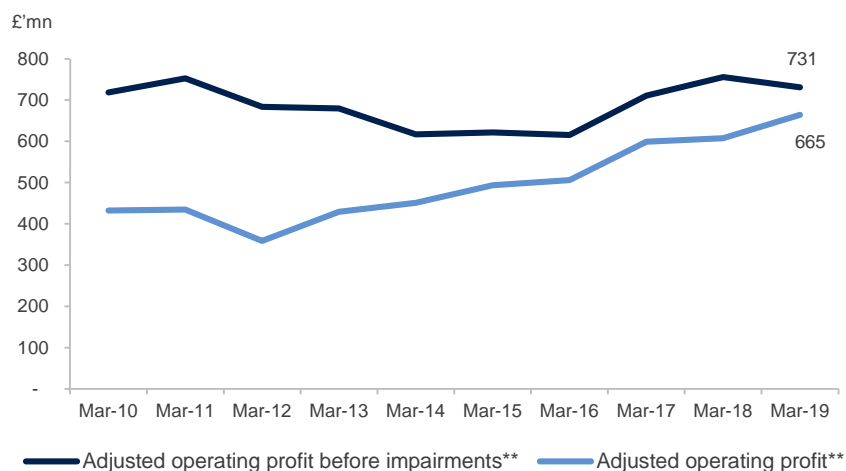
Recurring income



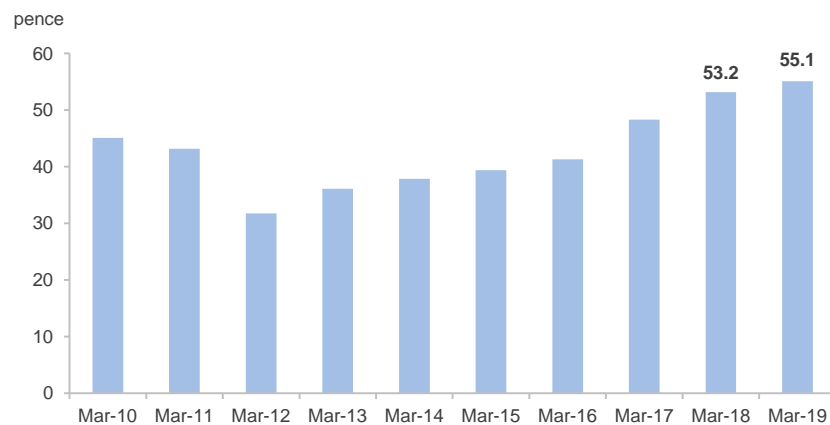
Revenue versus expenses



Adjusted operating profit** before impairments



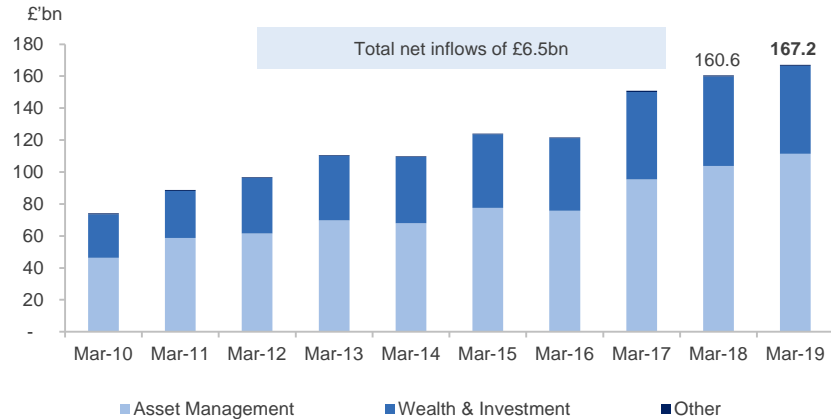
Adjusted EPS^



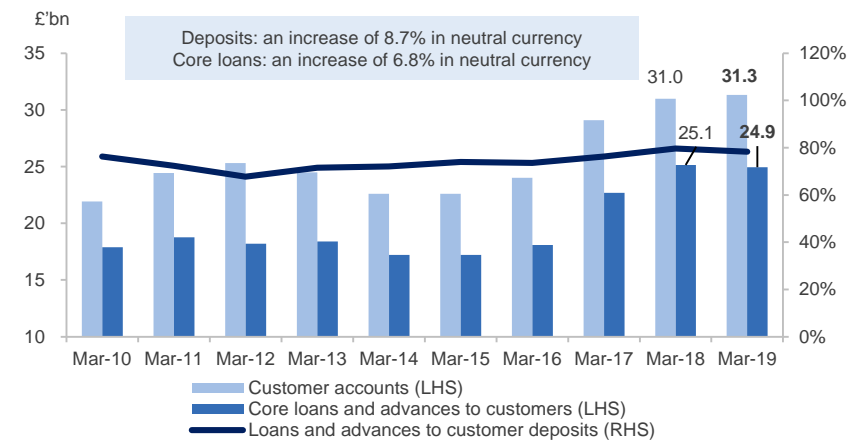
*Where annuity income is net interest income and annuity fees. **Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. ^Where adjusted EPS is earnings per share before goodwill, acquired intangibles and non-operating items and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

We have a sound track record

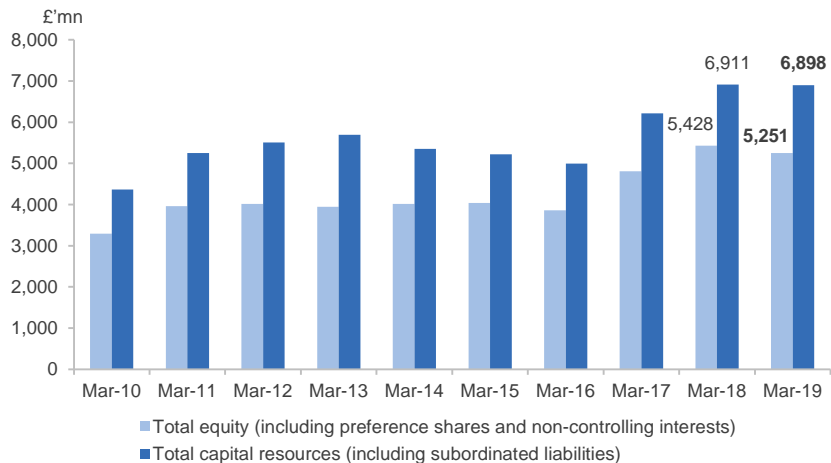
Third party assets under management



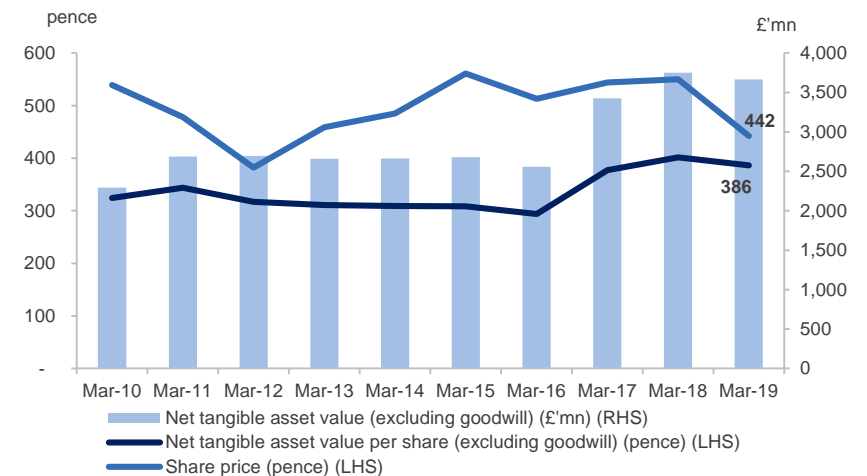
Core loans and advances and deposits



Total equity and capital resources



Net tangible asset value



We have invested in our Brand



...our Communities

...our People



... and the Planet





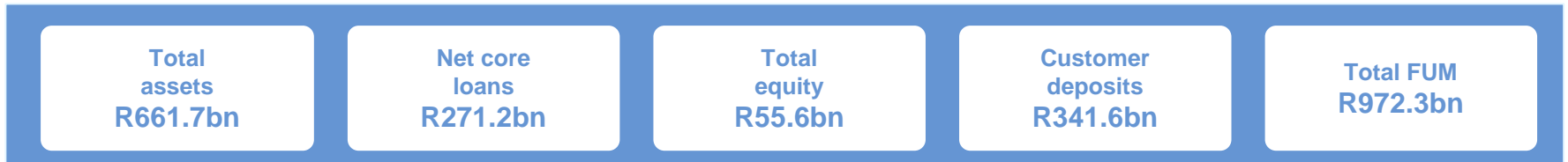
An overview of Investec Limited

Overview of Investec Limited

Investec Limited is a **distinctive specialist bank** and **asset manager** with primary business in **Southern Africa**.

We focus on delivering distinct profitable solutions for our clients in three core areas of activity, namely:

Asset Management, Wealth & Investment and Specialist Banking



Well established franchise

- **Established in 1974** in the Republic of South Africa
- Regulated by the South African Prudential Authority
- Obtained a banking licence in 1980 and listed on the Johannesburg Stock Exchange in 1986
- Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions
- Today, efficient integrated business platform employing approximately 5 400 permanent employees
- **5th largest banking group** in South Africa (by assets)
- One of the largest asset managers with **track record of growth and innovation**
- **Top wealth manager** and part of a global platform
- **Leading position** in corporate and institutional and private client banking activities

Core activities and operational foot print

Asset Management Value Proposition

- An organically built global investment manager with emerging market origins
- Competitive investment performance in chosen specialities
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership
- A commitment to investing for a sustainable future
- Independently managed entity within the Investec group.

Wealth & Investment Value Proposition

- Built via the acquisition and integration of businesses and organic growth over a long period of time
- Established platform in South Africa
- Distinct distribution channels: direct, intermediaries, charities, international and digital
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

Specialist Banking Value Proposition

- High-quality specialist banking solutions to corporate and private clients with leading positions in selected areas
- 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.

Where we operate



South Africa

Strong brand and positioning

One of the largest asset managers with track record of growth and innovation

Top wealth manager with the ability to leverage off the global platform

Fifth largest bank by assets

Leading position in corporate, institutional and private client banking activities

Mauritius

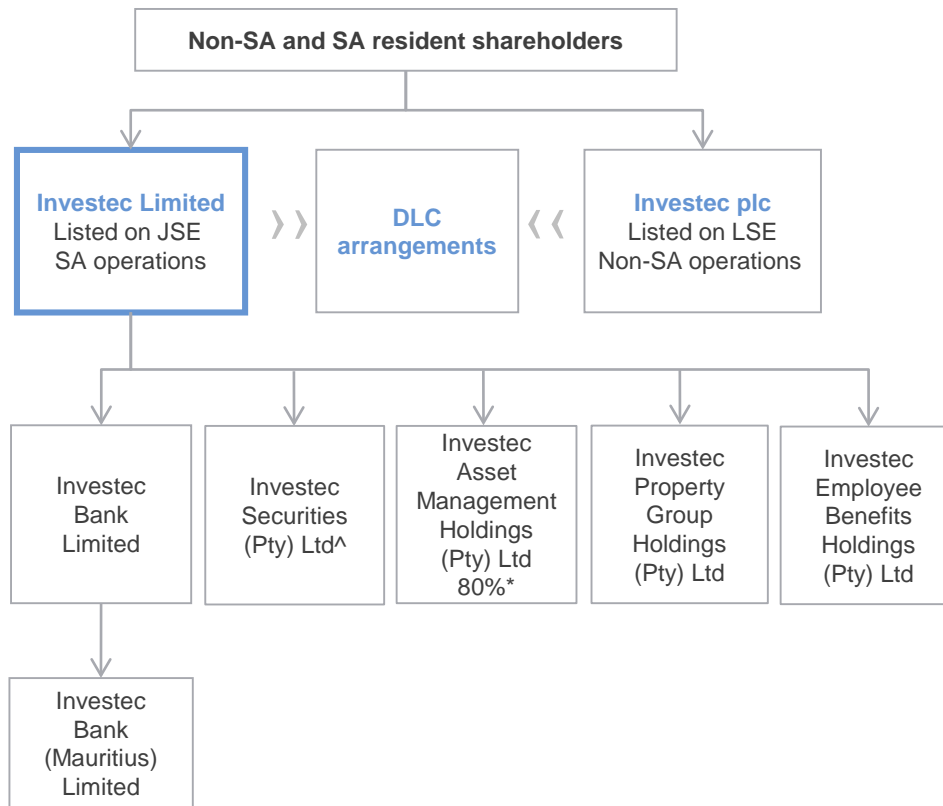
Established 1997

Focus on corporate, institutional and private client banking activities

Key strengths

Sound balance sheet	<ul style="list-style-type: none">• Robust capital base: 10.5% CET1 ratio and strong leverage ratio of 7.6% (7.3% on a fully loaded basis)• Investec Limited received regulatory permission to adopt the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019, resulting in 11.6% pro-forma CET1 ratio had the FIRB approach been applied at 31 Mar 2019• Low gearing: 9.1x• Strong liquidity ratios with high level of readily available cash. The liquidity position remains sound with a total cash and near cash balance of R118.4bn representing 34.7% 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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

Investec Limited 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



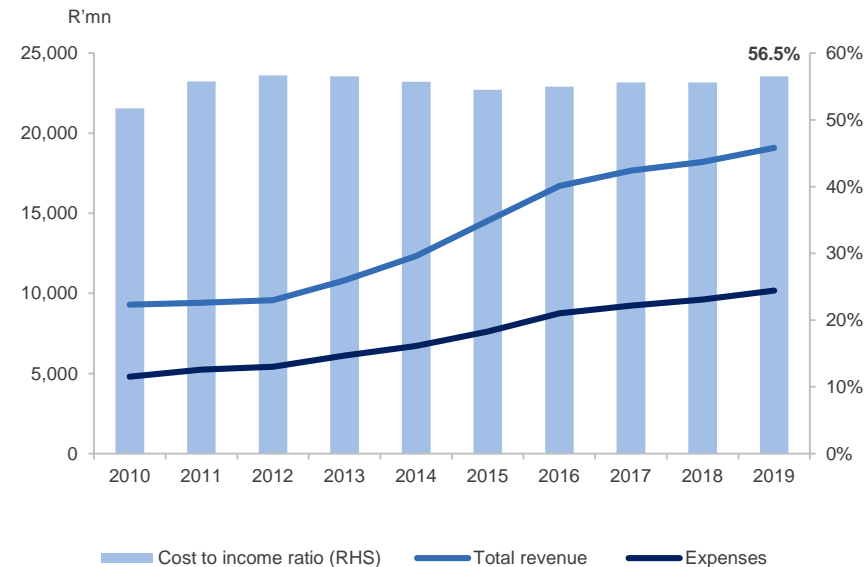
Investec Limited operating fundamentals

We have a strong franchise that supports a solid revenue base

Annuity income*



Revenue versus expenses^

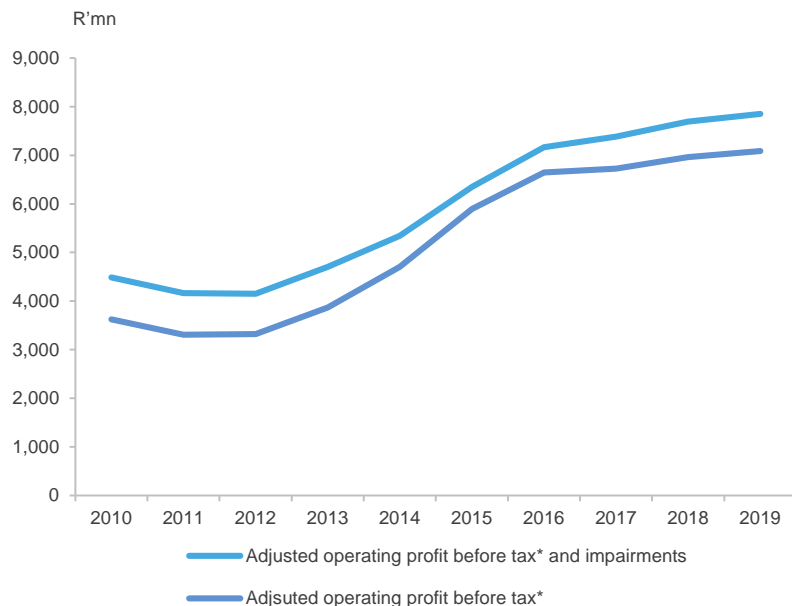


- A diversified business model continues to support a **large recurring income base** comprising net interest income and annuity fees
- Recurring revenue base, totaling 81.1% of operating income in 2019
- **Growth** in total revenue between 2015 and 2019 has largely been driven by **increased lending activities and a broadening of our client franchise**
- 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 of below 55%
- Cost to income ratio is 56.5% for 2019 (55.6% 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

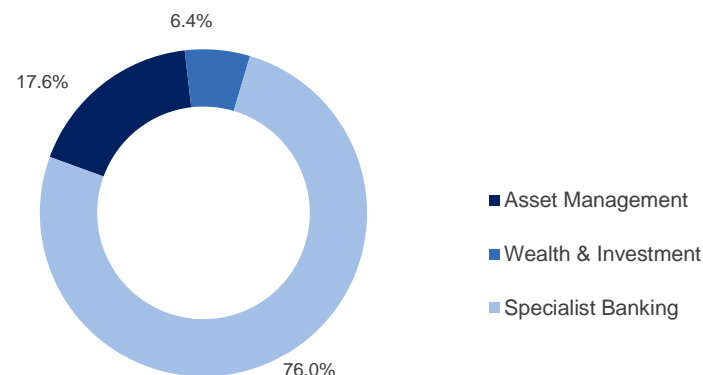
Adjusted operating profit before tax*



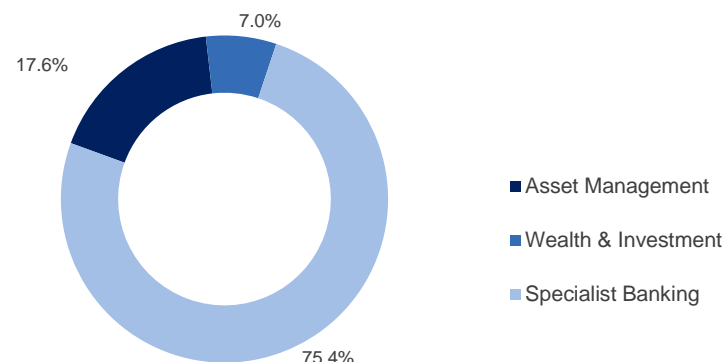
- Operating profit before* tax has **grown** 95.6% since 2010 to R7 088mn in 2019
- Between 2010 and 2013 our results were impacted by an **increase in impairments**. These are back to normalised levels.
- Recent growth in net profit before tax has been supported by positive business momentum, reflected in an **increase in our client base and loans and advances**

Contribution to adjusted operating profit** before tax

At 31 March 2019



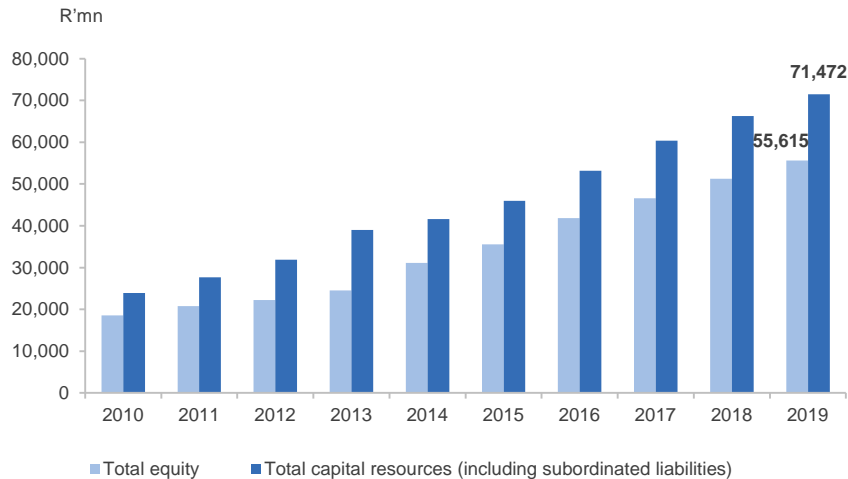
At 31 March 2018



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

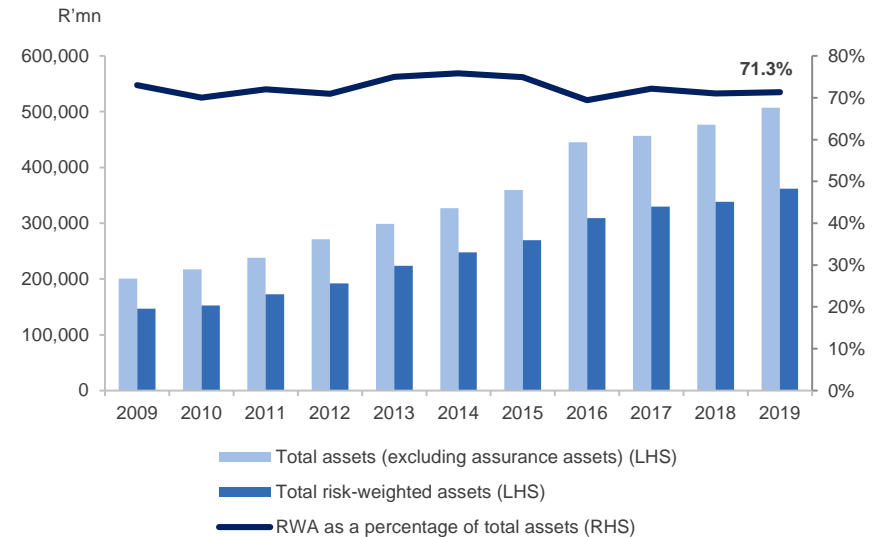
Sound capital base and capital ratios

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 have grown by c.200%** since 2010 to R71 472mn at 31 March 2019 (CAGR of 11.6% per year)

Total risk-weighted assets: high RWA density



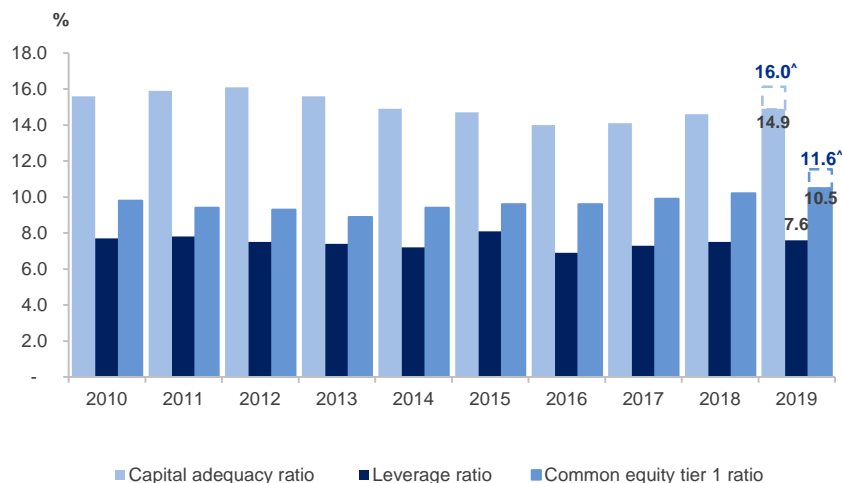
- As we use the Standardised Approach for our Basel III risk RWA calculations, our RWA **represents a large portion of our total assets** as we inherently hold more capital
- Total RWAs / Total assets is 71.3% as at 31 March 2019, which is higher relative to many SA banks on the Advanced Approach
- Effective 1 April 2019, we have approval to adopt the FIRB[^] approach – as a transitional step to implementing AIRB. This will have a positive impact on capital ratios.
- Total RWA / Total assets is 62.8% at 31 March 2019 had FIRB been applied

[^]Foundation Internal Ratings-Based 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 14.9% and a common equity tier 1 ratio of 10.5%
- Our fully loaded Basel III common equity tier 1 ratio is estimated to be 10.5% and our fully loaded leverage ratio is 7.3%
- As mentioned above, we have 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

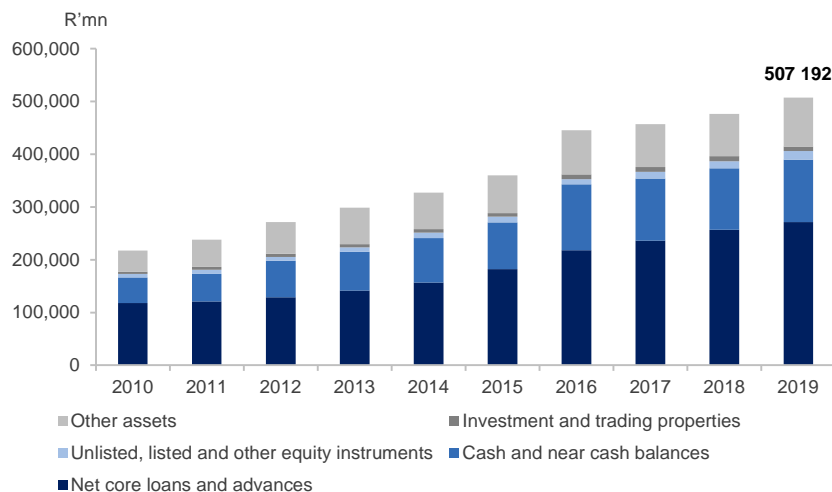
	FIRB		Standardised	
	31 Mar 2019	31 Mar 2019	1 April 2018	Target
A summary of ratios*				
Common equity tier 1 (as reported)	11.6%	10.5%	10.0%	>10%
Common equity tier 1 (fully loaded) [^]		10.5%	9.8%	
Tier 1 (as reported)	12.4%	11.2%	10.8%	>11%
Total capital adequacy ratio (as reported)	16.0%	14.9%	14.5%	14% to 17%
Leverage ratio** (current)		7.6%	7.4%	>6%
Leverage ratio** (fully loaded) [^]		7.3%	6.9%	

[^]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.

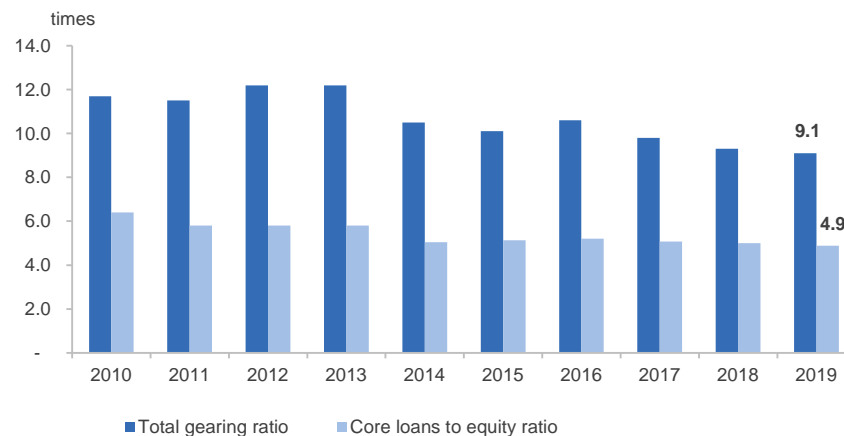
** The leverage ratios are calculated on an end-quarter basis and are based on revised BIS rules.

Consistent asset growth, gearing ratios remain low

Total assets[^] composition



Gearing* remains low



- We have recorded a **CAGR of 9.7% 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

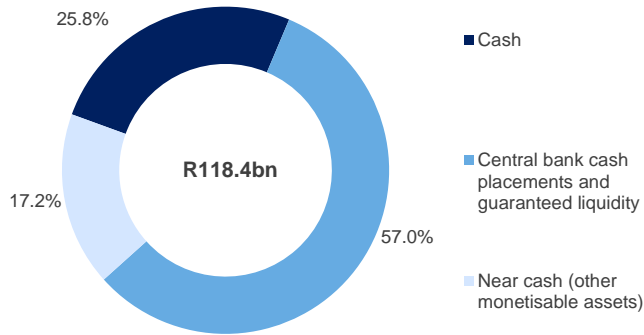
- We have **maintained low gearing ratios*** with total gearing at 9.1x and an average of 10.7x over the past 10 years

[^]Total assets excluding assurance assets

*Gearing ratio calculated as total assets (excluding assurance assets) divided by total equity

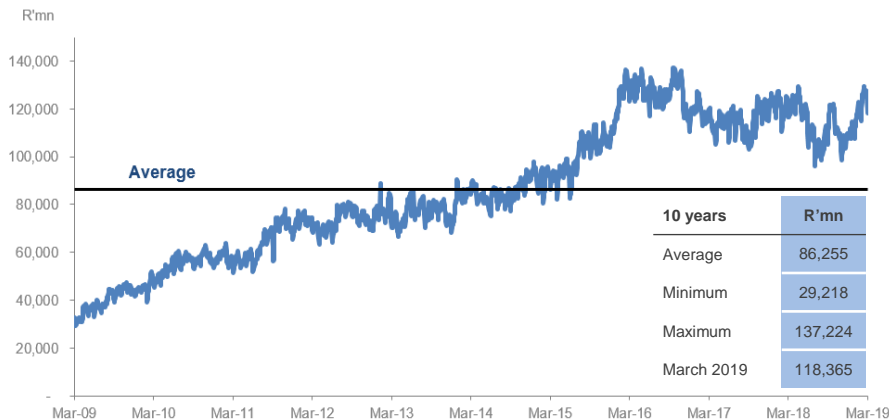
Substantial surplus liquidity

Cash and near cash balances at 31 March 2019

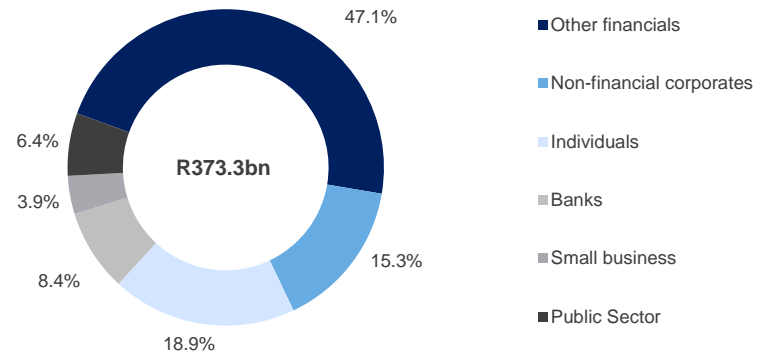


- We maintain a **high level of readily available, high quality liquid assets**, targeting a minimum cash to customer deposit ratio of 25%. Cash and near cash balances have increased significantly since 2010 (10.6% CAGR) to R118.4bn at 31 March 2019 (representing 34.7% of customer deposits)
- We delivered **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



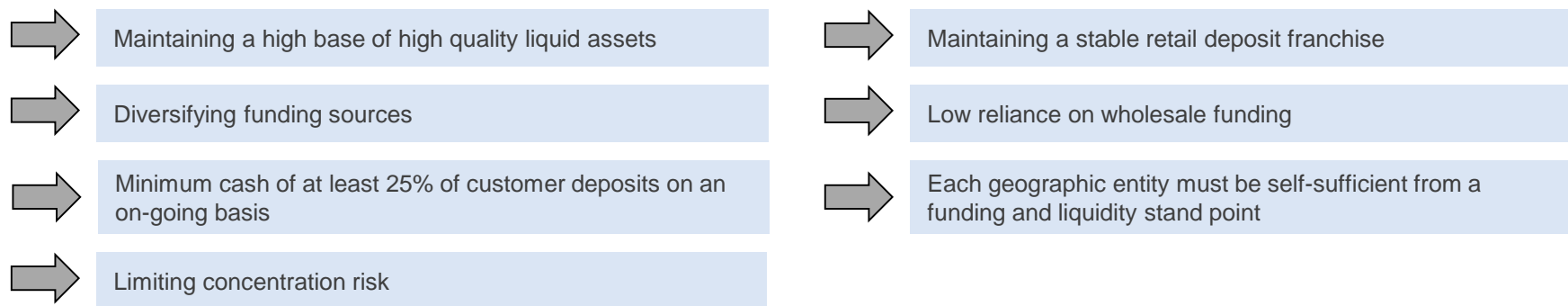
Depositor concentration at 31 March 2019



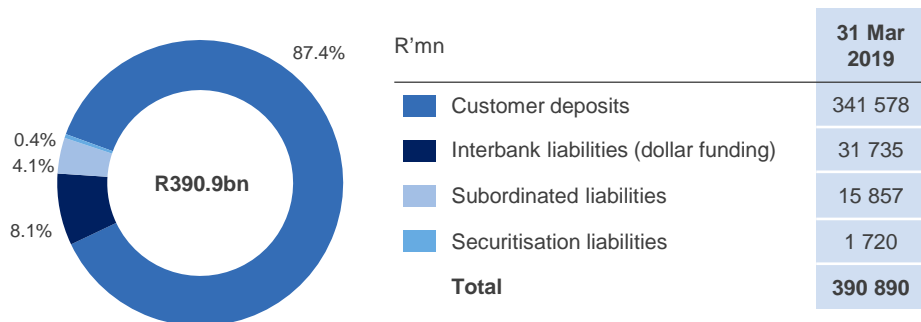
Diversified funding strategy

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

Conservative and prudent funding strategy



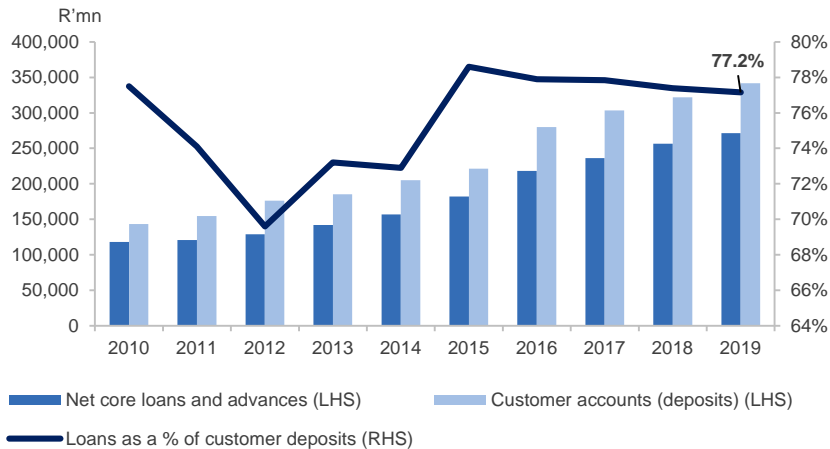
Selected funding sources at 31 March 2019



- Customer deposits account for 87.4% of selected funding sources** as at 31 March 2019
- Customer deposits are supplemented by deposits from banks (8.1%), securitisation liabilities (0.4%) and subordinated debt (4.1%)
- 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

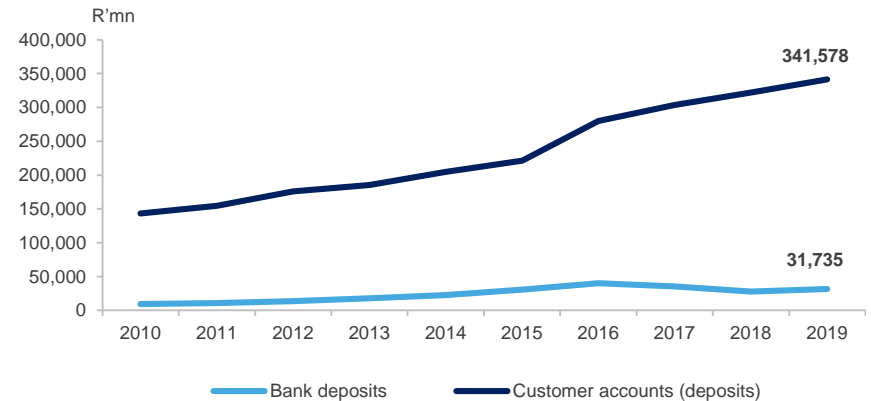
Surplus liquidity

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



- Customer deposits have **grown by 138.7%** (c.10.1% CAGR p.a.) since 2010 to R341.6bn at 31 March 2019
- Loans and advances as a percentage of customer deposits **amounts to 77.2%**

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

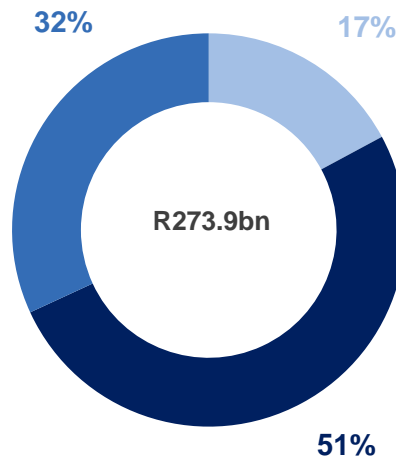
Exposures in a select target market

- **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

Other corporate, institutional, govt. loans	18.9%
Acquisition finance	4.8%
Project finance	2.5%
Asset based lending	2.2%
Fund finance	1.9%
Asset finance	1.4%
Resource finance and commodities	0.2%



Lending collateralised against property

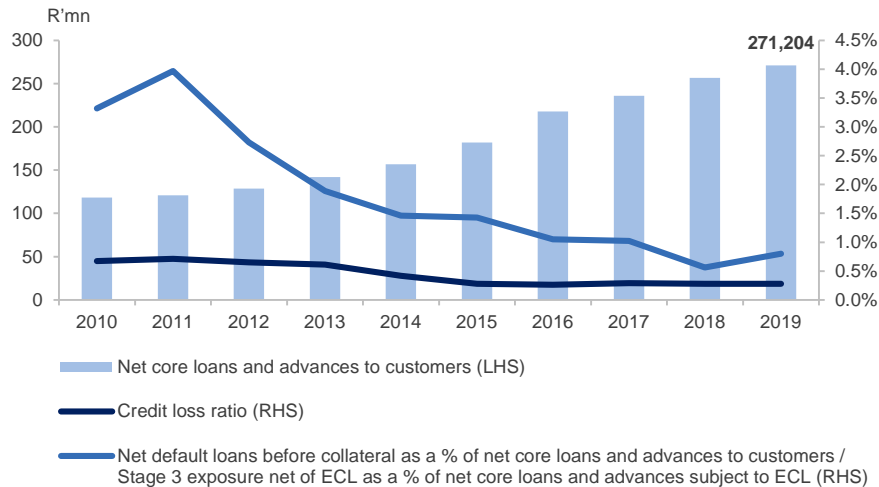
Commercial property investment	13.8%
Commercial property development	1.8%
Residential property development	1.1%
Residential vacant land and planning	0.3%
Commercial vacant land and planning	0.2%

High net worth and other private client

HNW and private client - mortgages	26.9%
HNW and specialised lending	24.1%

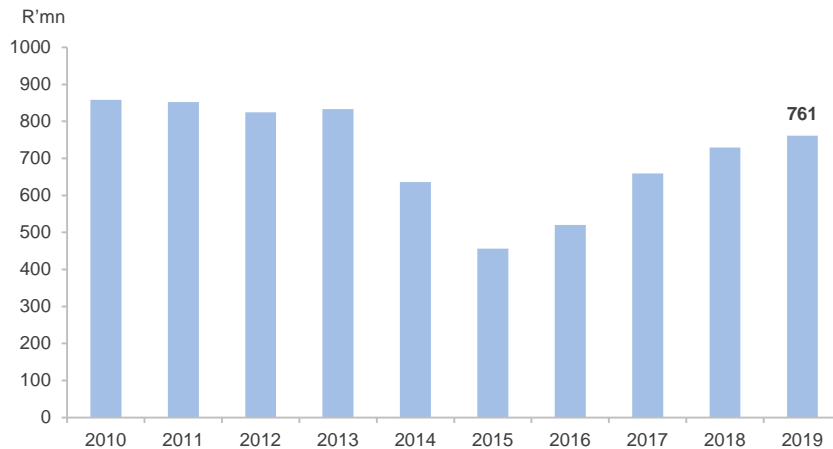
Sound and improving asset quality

Core loans and asset quality



- Credit quality on core loans and advances for the year ended 31 March 2019:
 - The total income statement **ECL impairment** charges amounted to R761 million for the year ended 31 March 2019 (2018 impairment losses: R729 million).
 - The **credit loss ratio#** was stable at **0.28%** at 31 March 2019 (1 April 2018: 0.28%).
 - Stage 3 exposures net of ECL at 31 March 2019 amounted to R2 072 million (1 April 2018: R1 745 million).
 - **Stage 3 exposure net of ECL** as a percentage of net core loans and advances as at 31 March 2019 amounted to **0.8%** (1 April 2018: 0.7%)

Trend in impairment losses / ECL impairment charges*



* 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 of Investec Limited

Fitch	Rating	Outlook
Viability rating:	bb+	
Support rating:	5	
Long-term foreign currency issuer default rating:	BB+	Negative
Short-term foreign currency issuer default rating:	B	
Long-term National rating:	AA(zaf)	Stable
Short-term National rating:	F1+(zaf)	

- Investec Limited'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 it operates**, unless it is largely foreign-owned and the foreign holding company is domiciled in a country with a higher rating than South Africa

Historical credit ratings of Investec Limited

Long-Term Foreign Currency Issuer Default Rating	Current	Apr-17*	Dec-15
Fitch	BB+	BB+	BBB-

Historical credit ratings of Investec Bank Limited (IBL)

Long-Term Foreign Currency Issuer Default 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.



Investec Limited 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	Foreign	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 Limited			BB+		bb+	5					
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	Foreign	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 Limited			B				
Investec Bank Limited	B	za.A-1+	B	F1+(zaf)	P-3	P-1.za	A1+(za)

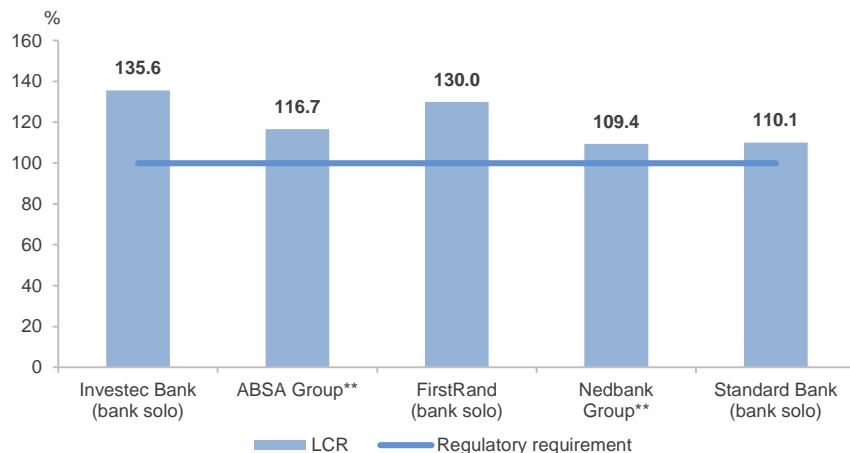
Rating definitions:

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.

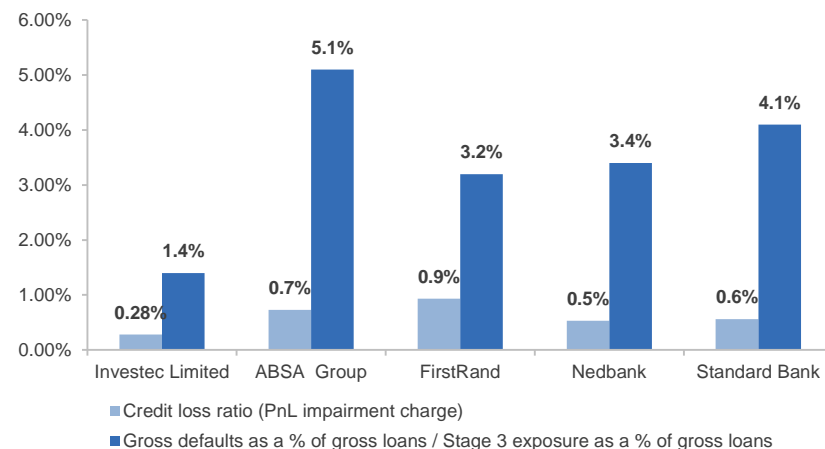
Peer group companies*

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.

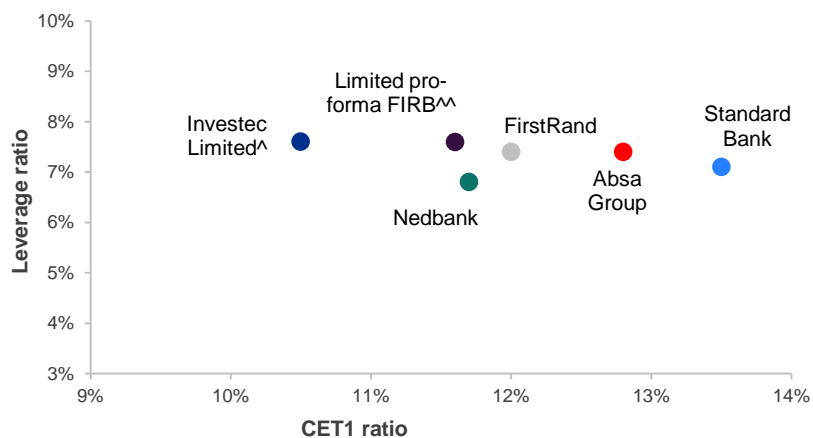
Liquidity: regulatory liquidity coverage ratio



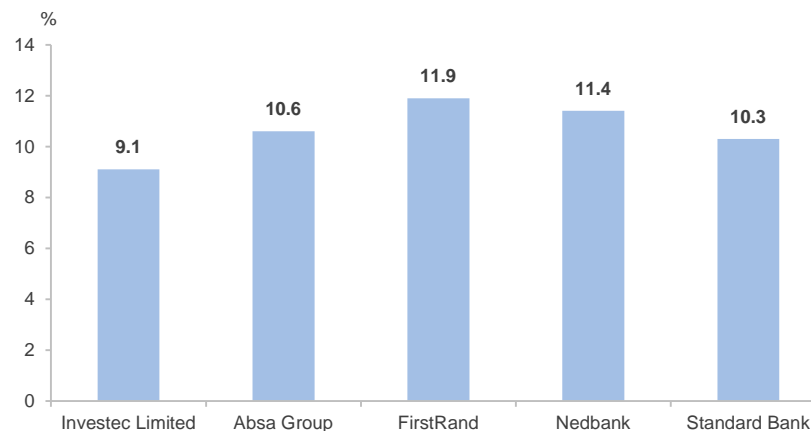
Asset quality ratios



Capital ratios



Gearing ratio



*Source: Latest company interim / annual and quarterly results **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 excluding assurance assets divided by total equity.
- Under IFRS 9, the credit loss ratio is calculated as expected credit loss impairment charges (ECL) on gross core loans and advances as a percentage of average gross core loans and advances subject to ECL (IAS 39: the income statement impairment charge on advances as a percentage of average gross advances to customers).
- Default loans (Stage 3 exposures) largely comprise loans that are impaired and/or over 90 days in arrears.



Investec Limited Appendices

Investec Limited: salient financial features

Key financial statistics	31 March 2019	31 March 2018	% change
Total operating income before expected credit losses/impairment losses (R'million)	19 086	18 217	4.8%
Operating costs (R'million)	10 188	9 619	5.9%
Operating profit before acquired intangibles (R'million)	8 137	7 869	3.4%
Headline earnings attributable to ordinary shareholders (R'million)	5 704	5 490	3.9%
Cost to income ratio*	56.5%	55.6%	
Total capital resources (including subordinated liabilities) (R'million)	71 472	66 292	7.8%
Total shareholders equity (R'million)	55 615	51 279	8.5%
Total assets (R'million)	661 669	617 710	7.1%
Net core loans and advances (R'million)	271 204	256 702	5.6%
Customer accounts (deposits) (R'million)	341 578	321 823	6.1%
Loans and advances to customers as a % of customer accounts (deposits)	77.2%	77.4%	
Cash and near cash balances (R'million)	118 365	116 533	1.6%
Funds under management (R'million)	972 285	896 237	8.5%
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	9.1x	9.3x	

Key asset quality and capital ratios	31 March 2019	1 April 2018
Capital adequacy ratio	14.9%	14.5%
Tier 1 ratio	11.2%	10.8%
Common equity tier 1 ratio	10.5%	10.0%
Leverage ratio – current	7.6%	7.4%
Leverage ratio – 'fully loaded'^	7.3%	6.9%
Stage 3 exposure as a % of gross core loans and advances to customers subject to ECL	1.4%	1.1%
Stage 3 exposure net of ECL as a % of net core loans and advances to customers subject to ECL	0.8%	0.7%
Credit loss ratio#	0.28%	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).

Investec Limited: income statement

R'million	31 March 2019	31 March 2018	% change
Interest income	34 099	32 509	4.9%
Interest expense	(26 229)	(25 240)	3.9%
Net interest income	7 870	7 269	8.3%
Fee and commission income	9 346	9 245	1.1%
Fee and commission expense	(606)	(459)	32.0%
Investment income	240	1 000	(76.0%)
Share of post taxation profit of associates	1 163	777	49.7%
Trading income/(loss) arising from			
– customer flow	613	414	48.1%
– balance sheet management and other trading activities	419	(41)	1122%
Other operating income	41	12	241%
Total operating income before expected credit losses/impairment losses	19 086	18 217	4.8%
Expected credit loss impairment charges*	(761)	–	
Impairment losses on loans and advances*	–	(729)	
Operating income	18 325	17 488	4.8%
Operating costs	(10 188)	(9 619)	5.9%
Operating profit before acquired intangibles	8 137	7 869	3.4%
Impairment of goodwill	(3)	–	
Amortisation of acquired intangibles	(51)	(51)	–
Operating profit	8 038	7 818	2.8%
Financial impact of group restructures and acquisition of subsidiaries	(9)	(100)	(91.0%)
Profit before taxation	8 074	7 718	4.6%
Taxation on operating profit before goodwill and acquired intangibles	(694)	(367)	89.1%
Taxation on acquired intangibles	18	14	28.6%
Profit after taxation	7 398	7 365	0.4%
Profit attributable to Asset Management non-controlling interests	(176)	(156)	12.8%
Profit attributable to other non-controlling interests	(1 049)	(907)	15.7%
Earnings attributable to shareholders	6 173	6 302	(2.0%)

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

Investec Limited: 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	22 125	19 617	12.8%
Non-sovereign and non-bank cash placements	12 192	9 972	22.3%
Reverse repurchase agreements and cash collateral on securities borrowed	21 346	24 217	(11.9%)
Sovereign debt securities	60 893	62 363	(2.4%)
Bank debt securities	12 502	7 947	57.3%
Other debt securities	13 580	10 405	30.5%
Derivative financial instruments	7 736	12 541	(38.3%)
Securities arising from trading activities	20 079	12 289	63.4%
Investment portfolio	10 070	8 110	24.2%
Loans and advances to customers	263 537	246 760	6.8%
Own originated loans and advances to customers securitised	7 667	7 625	0.6%
Other loans and advances	329	265	24.2%
Other securitised assets	294	299	(1.7%)
Interests in associated undertakings	6 284	6 495	(3.2%)
Deferred taxation assets	1 890	1 331	42.0%
Other assets	14 281	13 292	7.4%
Property and equipment	3 043	2 973	2.4%
Investment properties	18 425	19 439	(5.2%)
Goodwill	211	211	–
Intangible assets	418	412	1.5%
	507 192	475 743	6.6%
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	154 477	141 071	9.5%
	661 669	616 814	7.3%

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

Investec Limited: balance sheet

R'million	31 March 2019	1 April 2018*	% change
Liabilities			
Deposits by banks	31 735	27 793	14.2%
Derivative financial instruments	11 111	15 907	(30.2%)
Other trading liabilities	11 132	14 238	(21.8%)
Repurchase agreements and cash collateral on securities lent	15 234	8 395	81.5%
Customer accounts (deposits)	341 578	321 791	6.1%
Debt securities in issue	12 328	6 885	79.1%
Liabilities arising on securitisation of own originated loans and advances	1 720	2 274	(24.4%)
Current taxation liabilities	574	551	4.2%
Deferred taxation liabilities	54	171	(68.4%)
Other liabilities	10 254	12 340	(16.9%)
	435 720	410 345	6.2%
Liabilities to customers under investment contracts	154 422	141 013	9.5%
Insurance liabilities, including unit-linked liabilities	55	58	(5.2%)
	590 197	551 416	7.0%
Subordinated liabilities	15 857	15 013	5.6%
	606 054	566 429	7.0%
Equity			
Ordinary share capital	1	1	–
Share premium	13 576	12 820	5.9%
Treasury shares	(1 881)	(1 552)	21.2%
Other reserves	2 055	1 185	73.4%
Retained income	29 398	25 994	13.1%
Shareholders' equity excluding non-controlling interests	43 149	38 448	12.2%
Other Additional Tier 1 securities in issue	1 010	900	12.2%
Non-controlling interests	11 456	11 037	3.8%
– Perpetual preferred securities issued by subsidiaries	1 534	1 534	–
– Non-controlling interests in partially held subsidiaries	9 922	9 503	4.4%
Total equity	55 615	50 385	10.4%
Total liabilities and equity	661 669	616 814	7.3%

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

Investec Limited: asset quality

R'million	31 March 2019	1 April 2018
Gross core loans and advances to customers	271 859	254 359
Stage 1	257 297	242 048
Stage 2	10 768	9 450
<i>of which past due greater than 30 days</i>	354	313
Stage 3	3 794	2 861
Gross exposure (%)		
Stage 1	94.6%	95.2%
Stage 2	4.0%	3.7%
Stage 3	1.4%	1.1%
Stage 3 net of ECL	2 072	1 745
Aggregate collateral and other credit enhancements on stage 3	3 055	3 553
Stage 3 net of ECL and collateral	–	–
Stage 3 as a % gross core loans and advances to customers subject to ECL	1.4%	1.1%
Stage 3 ECL impairments as a % of Stage 3 exposure	71.2%	69.1%
Stage 3 net of ECL as a % of net core loans and advances to customers subject to ECL	0.8%	0.7%

Investec Limited: capital adequacy

R'million	Pro-forma FIRB*	Standardised	
	31 March 2019	31 March 2019	1 April 2018
Tier 1 capital			
Shareholders' equity per balance sheet	43 149	43 149	38 448
Perpetual preference share capital and share premium	(3 183)	(3 183)	(3 183)
Non-controlling interests per balance sheet	9 922	9 922	9 503
Non-controlling interests excluded for regulatory purposes	(9 922)	(9 922)	(9 503)
Regulatory adjustments to the accounting basis	931	1 155	1 358
Deductions	(3 825)	(2 971)	(2 773)
Common equity tier 1 capital	37 072	38 150	33 850
Additional tier 1 capital before deductions			
Additional tier 1 instruments	5 727	5 727	5 617
Phase out of non-qualifying additional tier 1 instruments	(3 302)	(3 302)	(2 830)
Non-qualifying surplus capital attributable to non-controlling interests	(136)	(78)	(72)
Non-controlling interest in non-banking entities	85	85	70
Tier 1 capital	39 446	40 582	36 635
Tier 2 capital			
Collective impairment allowances	483	876	716
Tier 2 instruments	15 857	15 857	15 013
Non-qualifying surplus capital attributable to non-controlling interests	(4 774)	(3 568)	(3 300)
Total regulatory capital	51 012	53 747	49 064
Risk-weighted assets	318 533	361 750	337 892
Capital ratios			
Common equity tier 1 ratio	11.6%	10.5%	10.0%
Tier 1 ratio	12.4%	11.2%	10.8%
Total capital adequacy ratio	16.0%	14.9%	14.5%
Leverage ratio - current	N/A	7.6%	7.4%
Leverage ratio - fully loaded	N/A	7.3%	6.9%

*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

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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 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.