INVESTEC GROUP | 2019

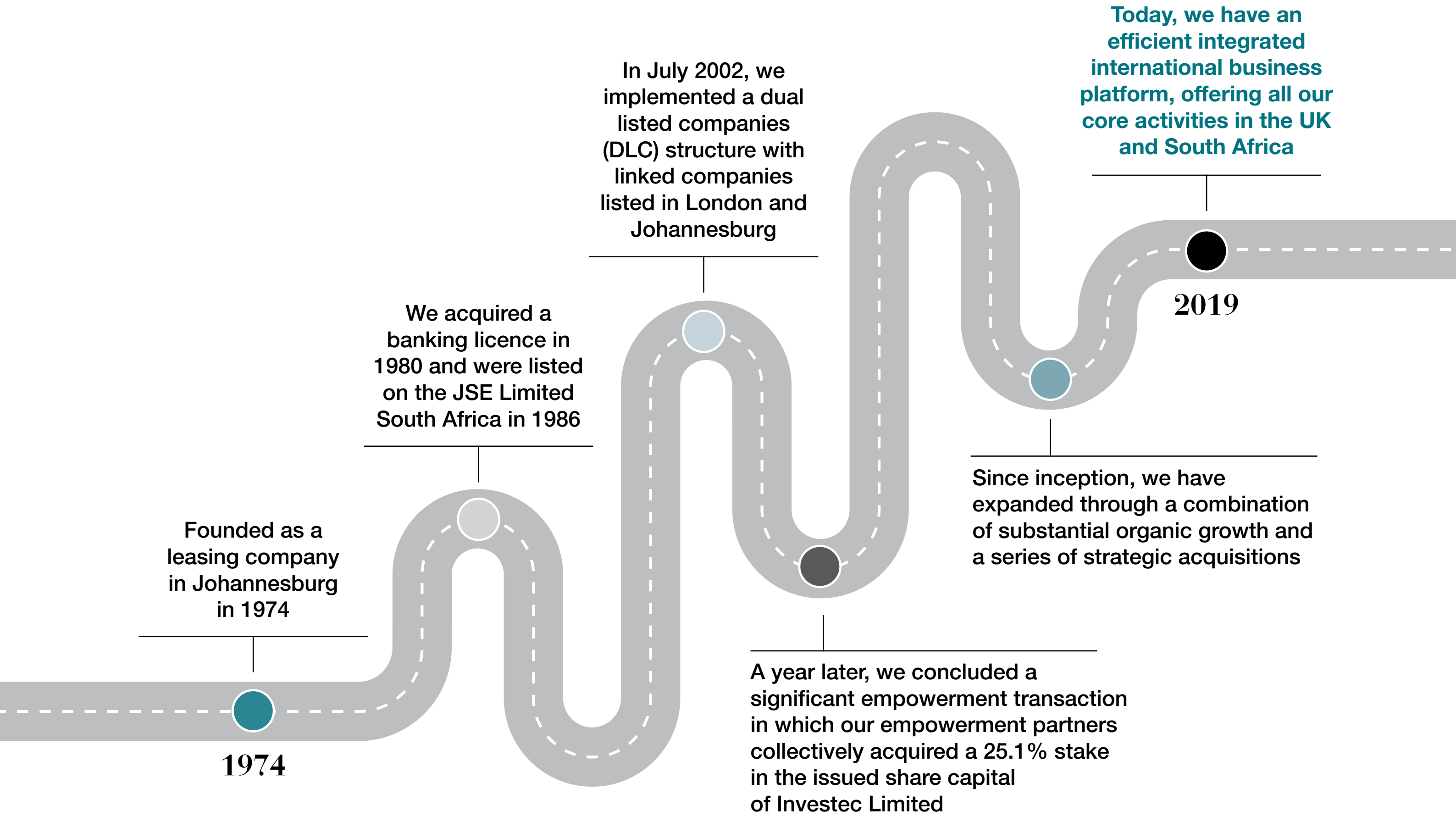
Q and A fact sheet

Investec

Investec (comprising Investec Limited and Investec plc) is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, the UK and Europe, South Africa and Asia/Australia as well as certain other countries.

We focus on delivering distinctive profitable solutions to our clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

Our journey



Overall group performance – year to 31 March 2019

Investec released its 2019 year-end results. Key points from the announcement include:

Group operational performance supported by our client franchises

- The group has delivered a sound operational performance supported by substantial net inflows, good loan book growth in home currency, and a significantly improved performance from the UK Specialist Banking business.
- This is against a challenging operating environment with weak economic growth in both South Africa and the UK, the group's two core banking markets, as well as mixed equity market performance over the year.
- The Asset Management business generated substantial net inflows supporting higher average funds under management and annuity fees.
- The Bank and Wealth business benefitted from client acquisition and growth in key earnings drivers.
- The Specialist Banking business performance was supported by loan book growth. A reduction in impairments was partly offset by a weak performance from the investment portfolio.
- The Wealth & Investment business generated positive discretionary net inflows. Reported results were affected by certain non-recurring items.
- Operating costs grew faster than revenue. Revenue growth and cost containment remain priorities as outlined over the past year.
- ROE improved from 12.1% to 12.9%.

Overview of results

Group adjusted operating profit increased 9.4% year-on-year to £664.5 million. The combined South African businesses reported adjusted operating profit 1.8% ahead of the prior period in Rands, whilst the combined UK and Other businesses posted a 36.1% increase in adjusted operating profit in Pounds Sterling. Overall group results have been negatively impacted by the depreciation of the average Rand: Pound Sterling exchange rate of 4.8% over the year. Key earnings drivers have been negatively impacted by the depreciation of the closing Rand: Pound Sterling exchange rate of 13.1% over the year.

Financial features

The following tables provide a comparison of the group's results as reported in Pounds Sterling and the group's results on a neutral currency basis.

	Results in Pounds Sterling				
	Actual as reported Year to 31 March 2019	Actual as reported Year to 31 March 2018	Actual as reported % change	**Neutral currency^ Year to 31 March 2019**	Neutral currency % change
Operating profit before taxation* (million)	£665	£608	9.4%	£684	12.6%
Earnings attributable to shareholders (million)	£531	£506	5.1%	£549	8.6%
Adjusted earnings attributable to shareholders** (million)	£519	£491	5.8%	£536	9.2%
Adjusted earnings per share**	55.1p	53.2p	3.6%	56.9p	7.0%
Basic earnings per share	52.0p	51.2p	1.6%	53.7p	4.9%
Dividends per share	24.5p	24.0p	2.1%	n/a	n/a

* *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*
** *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*
^ *For income statement items we have used the average Rand: Pound Sterling exchange rate that was applied in the prior year, i.e. 17.21.*

	Results in Pounds Sterling				
	Actual as reported at 31 March 2019	Actual as reported at 31 March 2018	Actual as reported % change	**Neutral currency^^ at 31 March 2019**	Neutral currency % change
Net asset value per share	434.1p	452.5p	(4.1%)	456.5p	1.0%
Net tangible asset value per share	386.0p	401.5p	(3.9%)	408.1p	1.6%
Total equity (million)	£5 251	£5 428	(3.3%)	£5 554	2.3%
Total assets (million)	£57 724	£57 617	0.2%	£62 331	8.2%
Core loans and advances (million)	£24 941	£25 132	(0.8%)	£26 833	6.8%
Cash and near cash balances (million)	£13 288	£12 825	3.6%	£14 113	10.0%
Customer deposits (million)	£31 307	£30 987	1.0%	£33 688	8.7%
Third party assets under management (million)	£167 172	£160 576	4.1%	£173 950	8.3%

^^ *For balance sheet items we have assumed that the Rand: Pounds Sterling closing exchange rate has remained neutral since 31 March 2018.*

Liquidity and funding

As at 31 March 2019 the group held £13.3 billion in cash and near cash balances (£7.0 billion in Investec plc and R118.4 billion in Investec Limited) which amounted to 42.4% of customer deposits. Cash balances increased in the UK largely driven by prefunding ahead of the restructure of the Irish branch. The group continues to focus on maintaining an optimal overall liquidity and funding profile. Loans and advances to customers as a percentage of customer deposits amounted to 78.4% (31 March 2018: 79.6%). The group comfortably exceeds regulatory liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Investec Bank Limited (solo basis) ended the period to 31 March 2019 with the three-month average of its LCR at 135.6% and an NSFR of 115.6%. Further detail with respect to the bank's LCR and NSFR in South Africa is provided on the group's website. For Investec plc and Investec Bank plc (solo basis) the LCR is calculated using our own interpretations of the EU Delegated Act. The LCR reported to the PRA at 31 March 2019 was 313% for Investec plc and 291% for Investec Bank plc (solo basis). Ahead of the implementation of the final NSFR rules, the group has applied its own interpretations of regulatory guidance and definitions from the BCBS final guidelines to calculate the NSFR which was 128% for Investec plc and 126% for Investec Bank plc (solo basis). The reported NSFR and LCR may change over time with regulatory developments and guidance.

Capital adequacy and leverage ratios

The group maintained a sound capital position with common equity tier one (CET 1) ratios of 10.8% for Investec plc and 10.5% for Investec Limited. Investec Limited has received regulatory permission to adopt the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019, resulting in a pro-forma CET 1 ratio of 11.6% had the FIRB approach been applied as of 31 March 2019. Leverage ratios are robust and remain comfortably ahead of the group's target of 6%.

A summary of capital adequacy and leverage ratios

	Investec plc°*	IBP°*	**Investec Limited*^**	IBL*^
As at 31 March 2019				
Common equity tier 1 (as reported)□	10.8%	11.4%	10.5%	11.2%
Common equity tier 1 ('fully loaded')^^	10.4%	10.9%	10.5%	11.1%
Tier 1 (as reported)□	12.6%	13.1%	11.2%	11.5%
Total capital adequacy ratio (as reported)°	15.7%	17.1%	14.9%	15.8%
Leverage ratio** – current	7.9%	8.0%	7.6%#	7.7%#
Leverage ratio** – 'fully loaded'^^	7.5%	7.7%	7.3%#	7.6%#
As at 1 April 2018				
Common equity tier 1 (as reported)□	10.5%	11.4%	10.0%	10.7%
Common equity tier 1 (fully loaded)^^	10.3%	11.2%	9.8%	10.6%
Tier 1 (as reported)□	12.4%	12.9%	10.8%	11.0%
Total capital adequacy ratio (as reported)°	15.0%	16.1%	14.5%	15.4%
Leverage ratio – current	8.3%	8.3%	7.4%#	7.6%#
Leverage ratio – 'fully loaded'^^	8.0%	8.2%	6.9%#	7.3%#
As at 31 March 2018				
Common equity tier 1 (as reported)	11.0%	11.9%	10.2%	10.9%
Common equity tier 1 ('fully loaded')^^^	11.0%	11.9%	10.2%	10.9%
Tier 1 (as reported)	12.9%	13.4%	11.0%	11.2%
Total capital adequacy ratio (as reported)	15.4%	16.6%	14.6%	15.5%
Leverage ratio** – current	8.5%	8.6%	7.5%#	7.7%#
Leverage ratio** – 'fully loaded'^^^	8.4%	8.6%	7.1%#	7.5%#

* *Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

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

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable charges and dividends when calculating the CET 1 ratio as required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of this deduction totalling £63 million (31 March 2018: £65 million) for Investec plc and £19 million (31 March 2018: £18 million) for IBP would lower the CET 1 ratio by 41bps (31 March 2018: 45bps) and 13bps (31 March 2018: 13bps) respectively.*

^ *Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's common equity tier 1 ratio would be 27bps and 14bps lower. At 31 March 2018, Investec Limited's and IBL's common equity tier 1 ratio would be 25bps and 13bps lower*

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

^^ *The CET 1 fully loaded ratio and the fully loaded leverage ratio assumes full adoption of IFRS 9 and full adoption of all CRDIV rules of South African Prudential Authority regulations. As a result of the adoption of IFRS 9 Investec 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 investment.*

^^^ *The fully loaded CET 1 ratio and leverage ratio assumes full adoption of all CRD IV rules or South African Prudential Authority regulations.*

\# *Based on revised BIS rules.*

Deposit guarantees

Investec does not guarantee client deposits, however, deposit guarantee schemes do exist in some of the geographies in which the group operates:

UK and Other

- In terms of the Financial Services Compensation Scheme, the UK government guarantees a maximum deposit of £85 000 per individual per institution
- Investec Bank (Channel Islands) Limited is a participant in both the Guernsey and Jersey Banking Deposit Compensation schemes. These schemes offer protection for 'qualifying deposits/eligible deposits' up to £50 000, subject to certain limitations. The maximum total amount of compensation is capped at £100 million in any five-year period.

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

South Africa

There are no deposit guarantees in South Africa.

Asset quality and exposures

- The bulk of Investec's credit and counterparty risk arises through its private client and corporate client activities. The group lends to high net worth and high income individuals, mid-to large-sized corporates, public sector bodies and institutions
- We have a preference for primary exposure in the group's two main operating geographies, i.e. South Africa and the UK and specific countries where we have subsidiaries or branches
- The majority of our credit and counterparty exposures reside within our two core geographies, namely the UK and South Africa
- Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to avoid or minimise over exposure and concentration risk
- Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on historical and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations. Furthermore we have little appetite for unsecured debt and require that good quality collateral is provided in support of obligations
- We are client-centric in our approach and originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship with our clients. In certain instances we may elect to sell certain assets down and/or securitise them
- The total ECL impairment charges amounted to £66.5 million, a substantial reduction from £148.6 million (under the IAS 39 incurred loss model) in the prior year, primarily reflecting a reduction in legacy impairments. The group's credit loss ratio is within its long term average range at 0.31% (2018: 0.61%).
- Since 1 April 2018 gross core loan Stage 3 exposures have reduced by 29% to £521 million driven by a reduction of legacy exposures. Net Stage 3 exposures as a percentage of net core loans subject to ECL was 1.3% (1 April 2018: 2.0%).

Property-related exposures

- Investec does have property-related lending exposures
- For the most part Investec's exposure to the property markets arises from collateral that we have taken through our various activities in the structured property finance and growth and acquisition finance areas
- Investec has a strong client-centric focus with a credit assessment process that focuses not only on the value of the underlying property but also the client's ability to repay and the sustainability of income through the cycle.

Gearing

Investec is not a highly geared bank. A number of the banks that have come into difficulty in the past have been in excess of 40 times geared. Investec's gearing ratio is 9.4 times.

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. Both 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.

Credit ratings

A summary of our credit ratings is provided below:

Rating agency		Investec* Limited	Investec* Bank Limited – a subsidiary of Investec Limited	Investec plc	Investec Bank plc – a subsidiary of Investec plc
Fitch	**Long-term ratings**				
	Foreign currency	BB+	BB+		BBB+
	National		AA(zaf)		
	Short-term ratings				
	Foreign currency	B	B		F2
	National		F1+(zaf)		
Moody's	**Long-term deposit ratings**				
	Foreign currency		Baa3	Baa1	A1
	National		Aa1.za		
	Short-term deposit ratings				
	Foreign currency		P-3	P-2	P-1
	National		P-1.za		
Standard & Poors	**Long-term deposit ratings**				
	Foreign currency		BB		
	National		za.AA+		
	Short-term deposit rating				
	Foreign currency		B		
	National		za.A-1+		
Global Credit Ratings	**Long-term ratings**				
	International long-term rating		BB+		BBB+
	National long-term rating		AA(za)		
	Short-term ratings				
	International short-term rating				A2
	National short-term rating		A1+(za)		

* *The credit ratings of Investec Limited and Investec Bank Limited are also affected by the South African sovereign rating. A South African bank cannot have a higher foreign currency rating than the sovereign rating.*

Our strategy

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist bank and asset manager.

This distinction 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. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

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.

The Investec distinction

CLIENT FOCUSED APPROACH

- Clients are at 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.

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
- Embrace the sustainability trend
- 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 organisation to more fully serve client needs
- Bolster digital capabilities

Strategic review and demerger of the Investec Asset Management business

As announced on 14 September 2018 following a strategic review, the group made a decision to demerge and separately list the Investec Asset Management (IAM) business. The demerger and the listing of IAM is subject to regulatory and shareholder approvals, and is expected to be completed during the second half of 2019.

Our diversified and balanced business model supporting long-term strategy

Broadly defined, we operate across three areas of specialisation focused on well defined target clients:

Asset Management	Specialist Banking	Wealth & Investment
Operating completely independently		
Corporate / institutional / government		Private client (high net worth / high income) / charities / trusts
• Investment management services to external clients	• Lending • Transactional banking • Treasury solutions • Advisory • Investment activities • Deposit raising activities	• Investment management services • Independent financial planning advice

We aim to maintain an **appropriate balance** between revenue earned from capital light activities and revenue earned from capital intensive activities.

This ensures that we are **not over reliant** on any one part of our businesses to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and supports our long-term strategy.

CAPITAL LIGHT ACTIVITIES

56%

Contributed to group income

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

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.

Recognition

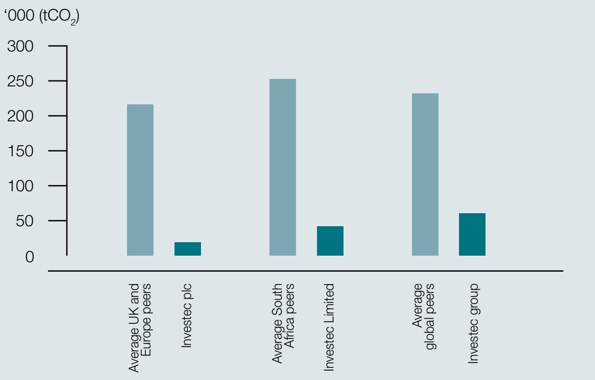
- Voted third most attractive employer in South Africa in the 2018 Universum awards in the business/commerce sector
- Ranked 27th in the world and fourth in the UK for progress in gender equality and reporting by Equileap in 2018
- Signatory to the 30% Club in South Africa and the UK and to the HM Treasury Women in Finance Charter
- Finalist in the 2018 Thomson Reuters Southern Africa Excellence Awards in the Most Impactful Business: Doing Good and Doing Well category
- Received gold in the Global Good Awards for Best Education Project for the partnership with Arrival Education (UK) in 2018
- UK head office won the Chairman's Cup for waste management processes in the City of London's Clean City Awards in 2018 for the third time.

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
- Our ESG policies incorporate environmental and social considerations into our lending and investment processes
- We have a climate change statement that supports the transition to a low-carbon economy. Together with UK Climate Investments, Investec committed R1 billion to a dedicated renewable energy investment vehicle called Revego Africa Energy
- We are one of the first signatories to the Youth Employment Service (YES) initiative in South Africa, and placed more than 1 200 youth with 11 partners during the year
- We signed up to the United for Wildlife financial taskforce which leverages existing global financial crime architecture to combat illegal wildlife trade
- 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

Sustainability indices

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

- Investec plc ranked in the Dow Jones Sustainability Investment (DJSI) Index as one of 15 industry leaders on the DJSI World and one of nine in the DJSI Europe indices
- Included in the FTSE4Good Index
- Constituent of the ECPI Index
- Constituent of the FTSE/JSE Responsible Investment Index Series
- Rated AAA on the MSCI Global Sustainability Index Series
- Member of the STOXX Global ESG Leaders Indices.

Sustainable Development Goals

We have committed to support delivery of the Sustainable Development Goals (SDGs) in building a more resilient and inclusive world.

- We can make the greatest socio-economic and environmental contribution by partnering with our clients and stakeholders to have a tangible impact on reducing inequality
- Through extensive stakeholder engagement in the past year, we believe our businesses are best positioned to focus on six core priority SDGs (out of 17)
- We continue to test these priorities and will report accordingly as our SDG journey progresses.

For further information:

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