Investec

Investec Bank plc

Tier 2 Investor Presentation

July 2018

The information in this presentation relates to the year ending 31 March 2018, unless otherwise indicated.

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Overview

Tier 2 issuance from a well-established profitable business

Investec Bank plc (IBP)	• Operating in the UK since 1992 • **Wholly owned subsidiary of Investec plc (UK FTSE 250 listed entity** since 2002 with current market cap of c.£5.5bn^) – 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 A2 positive outlook (Moody's) and BBB+ stable outlook (Fitch) • **Balanced and defensive business model** comprising Specialist Banking and Wealth & Investment – 51% of operating profit* from non-banking activities • **Creditors ring-fenced** from Investec Limited (Southern African holdco) and its subsidiaries • **Capital and liquidity are not fungible** between Investec plc and Investec Limited – each entity required to be self-funded and self-capitalised in adherence with the regulations in their respective jurisdictions
Proposed Tier 2 issuance	• Tier 2 issuance from Investec Bank plc and simultaneous tender for up to GBP287.5m nominal of existing Tier 2 notes • Transaction intended to **optimise and further strengthen the capital base of the issuer** • New issue will be a **GBP 10 year non-call 5 year Tier 2 of benchmark size** • Expected New Issue Ratings **BBB / Baa3 (Fitch / Moody's)**, same as the existing Tier 2 notes • Supported by **strong IBP CET1 and Tier 1 ratios**

*At 31 March 2018 (before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests)

^Combined market capitalisation as at 6 July 2018 for the Investec group, comprising Investec plc and Investec Limited

Investec Bank plc

Investec Bank plc is an established **specialist bank** and private client **wealth manager** with its **primary business in the UK**

Total assets	Net core loans	Total equity	Customer deposits	Third Party FUM	Employees (approx.)
£20.1bn	£9.7bn	£2.2bn	£12.0bn	£37.3bn	3,700

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 48% of IBP's revenue
- High level of **annuity revenue**^ accounting for 64% of total operating income
- **Strong growth in third party FUM** (up 3.7% YoY)
- **Significant reduction in legacy portfolio** to £313mn (3.2% of net core loans)

Sound balance sheet

- **Never required shareholder or government support**
- **Robust capital base: 11.8% CET1 ratio** and **strong leverage ratio** (8.5% on a fully loaded basis) as of 31 March 2018*
- IBP benefits from a substantial unlevered asset, being Wealth & Investment (FUM: £36.9bn)
- **Low gearing:** 9.1x
- **Strong liquidity ratios** with high level of readily available, high-quality liquid assets representing 47% of customer deposits (cash and near cash: £5.6bn)
- **Diversified funding base** with strong retail deposit franchise and limited use of 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 an IBP consolidated basis as at 31 March 2018; after the deduction of foreseeable charges and dividends as required by the CRR and EBA technical standards
FUM = Third party funds under management

Agenda

An overview of Investec Bank plc (IBP)

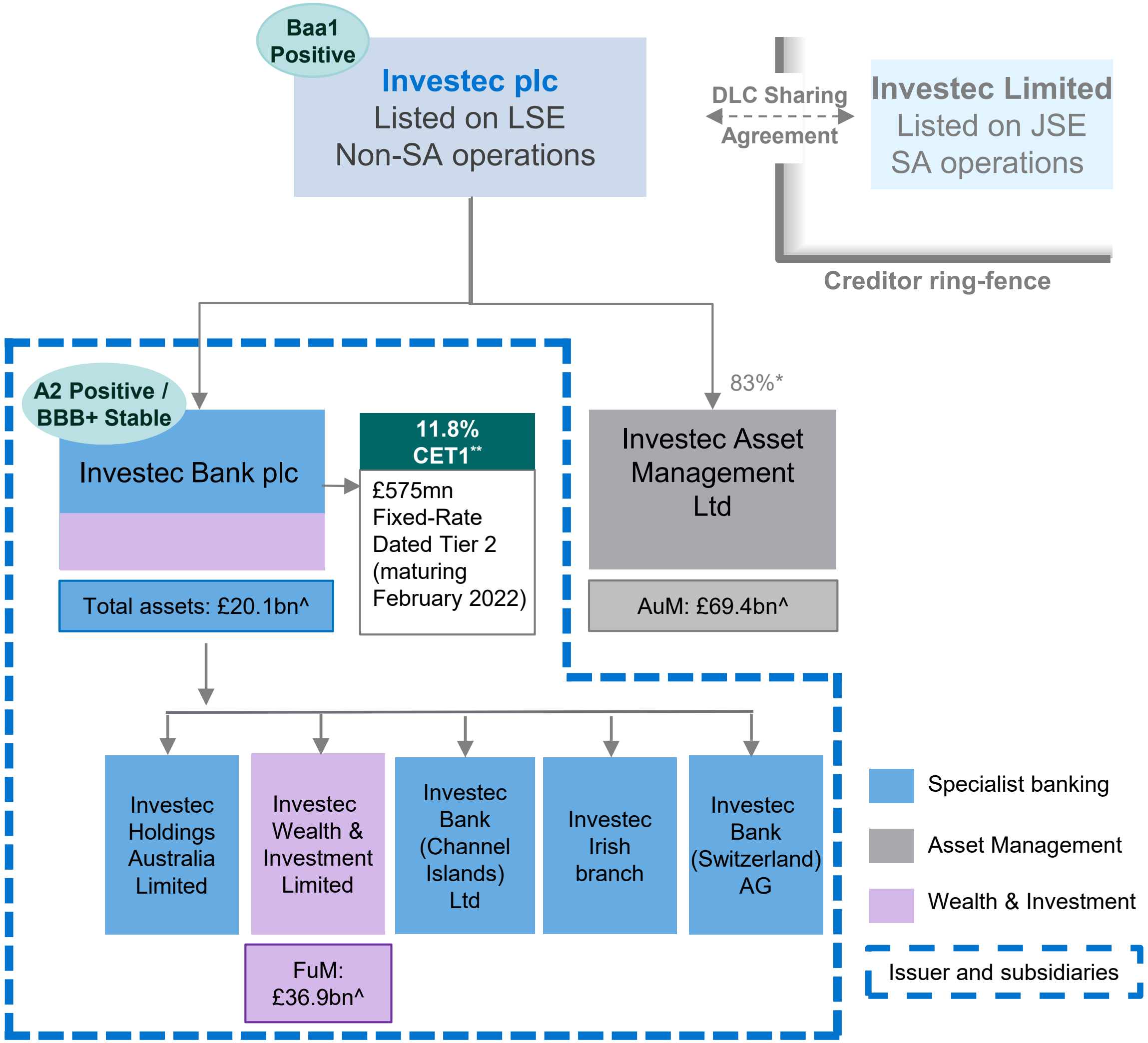
Investec and IBP: structure and main operating subsidiaries

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**
- **IBP** (the issuer of the proposed Tier 2 notes) is **authorised by the PRA** and is **regulated by the FCA and the PRA** on a consolidated basis

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-18**	**Mar-17**	**Mar-16**
Investec Wealth & Investment	**£36.9bn**	**£35.6bn**	**£29.8bn**
Investec Asset Management	**£69.4bn**	**£61.4bn**	**£51.1bn**
Other	£0.3bn	£0.3bn	£0.3bn
Total third party assets under management	**£106.6bn**	**£97.3bn**	**£81.2bn**

All shareholdings are 100% unless otherwise stated. Only main operating subsidiaries are indicated

*17% is held by senior management in the company (31 March 2017: 16%)
^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 2018
**CET1 ratios as at 31 March 2018; after the deduction of foreseeable charges and dividends as required by the CRR and EBA technical standards

IBP: balanced business model supporting our long-term strategy

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

	Specialist Banking	Wealth & Investment
Client	**Corporate / Institutional / Government**	**Private client (high net worth / high income) / charities / trusts**
Business	**Specialist Banking** • Lending • Transactional banking • Deposit raising activities • Treasury and trading • Advisory • Investment activities	**Wealth & Investment** • Investment management services • Independent financial planning advice
Region	UK and Europe, Australia, Hong Kong, India, USA	UK, Channel Islands (Guernsey), Ireland, Hong Kong, Switzerland
Value Proposition	• High-quality specialist banking solutions with leading positions in selected areas • High touch personalised service – supported by **technology and execution capability** • Ability to leverage **international, cross-border platforms** • Well positioned to capture opportunities between the developed and the emerging world – **internationally mobile** • Balanced and diversified business model • Strong ability to originate, manufacture and distribute • Generated 49% of operating profit* in the current financial year	• Business built over a long period of time, organically and inorganically – current focus is on organic growth in key markets • Well-established platforms in the regions in which we operate • Five distinct channels: direct, intermediaries, charities, international and digital • **Low risk, capital light, annuity income generation** • **£36.9bn in funds under management** • Generated 51% of operating profit* in the current financial year

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

IBP: strategic objectives

Maintain healthy capital ratios

- Always held capital in excess of regulatory requirements
- Targets:
  - Common Equity Tier 1 ratio >10% (11.8% at 31 March 2018)
  - Tier 1 ratio >11% (13.2% at 31 March 2018)
  - Total capital adequacy: 14% – 17% (16.5% at 31 March 2018)
  - Leverage ratio >6% (8.5% at 31 March 2018)
- 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%
- Maintain diversified sources of funding

Perpetuate the quality of the balance sheet

Focus on revenue drivers

- Continue to build and develop our client franchises and client base in the UK – primary focus on direct relationships with entrepreneurs, mid-sized corporates and high net worth clients
- Generate high-quality income through diversified revenue streams and businesses
- Continue to 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 76.8% at 31 March 2018 (blend of banking and wealth management businesses)
- Targeting cost to income of below 70%
- We are focusing on managing costs, although we are investing in infrastructure and resources to grow the franchise, notably the build-out of the private client offerings
- Our solid corporate franchise should continue to support sound growth in revenue

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 48% 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

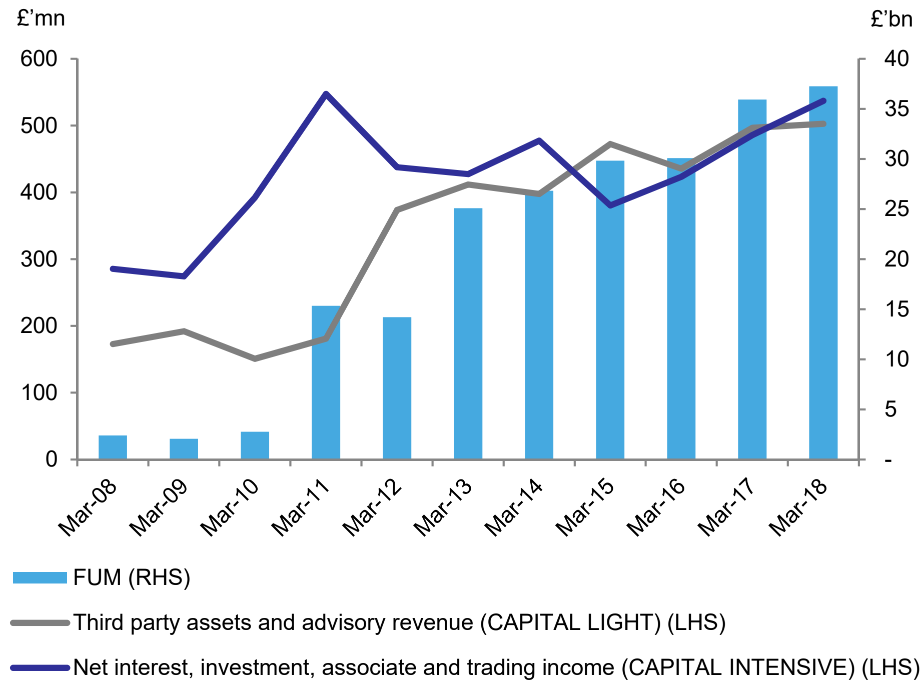
£503mn

48% of total revenue

Net fees and commissions
£495mn
47% of total revenue

Other
£8mn
1% of total revenue

IBP revenues and funds under management



CAPITAL INTENSIVE BUSINESSES

£537mn

52% of total revenue

Net interest income
£350mn
34% of total revenue

Customer flow and other trading income
£117mn
11% of total revenue

Investment and associate income
£70mn
7% of total revenue

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

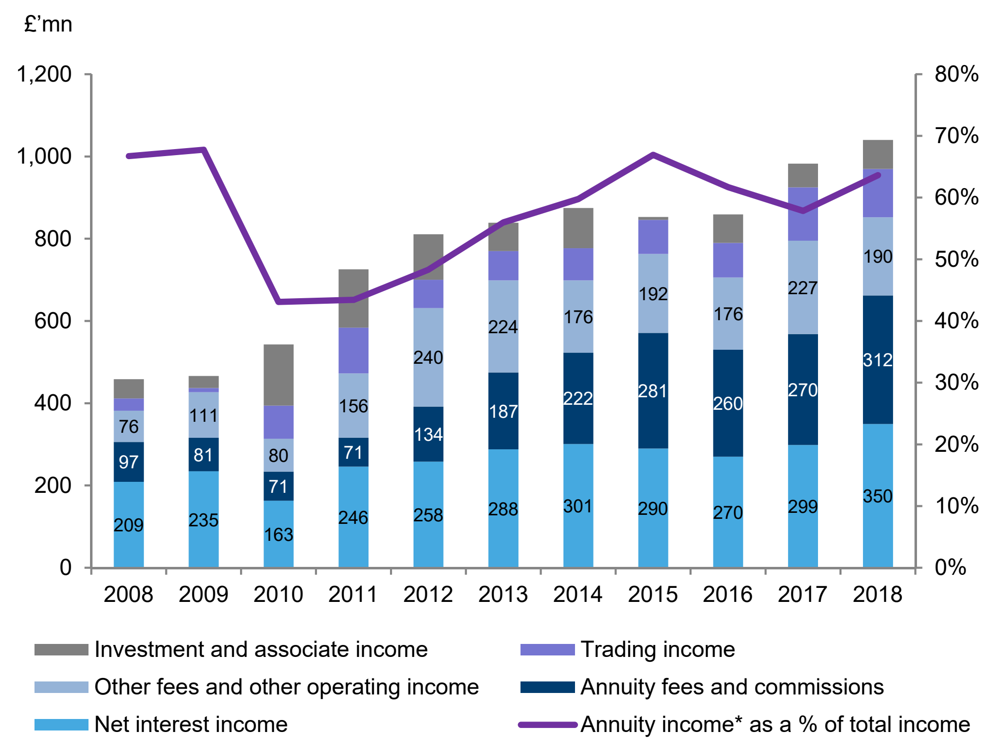
IBP: key strategic developments over the past year

	FY 2018 developments	
Continued to grow our Specialist Banking key earnings drivers	• The banking business benefited from sound levels of corporate and private client activity driving strong loan book growth and net interest income over the year • The private banking business continued to focus on the build-out of its UK platform with the bulk of its incremental investment having completed in the current financial year • The further development of the private banking proposition has enabled us to create a well rounded and integrated HNW client offering • The corporate business continued to generate a sound level of earnings across its franchise businesses • Overall property exposure as a percentage of book and our legacy exposures reduced in line with our plans • We successfully managed down our cost of funding over the year, while maintaining appropriate and conservative liquidity levels and without disrupting our funding channels	• Loan growth of 12.4% to £9.7bn • Deposits increased by 6.0% to £12.0bn • Strong cash balances, growing 15.4% to £5.6bn
Wealth & Investment continued to generate solid net inflows	• The Wealth & Investment business generated strong net inflows, which together with favourable market levels supported growth in annuity revenue • FUM grew by 3.8% to £36.9bn • Click & Invest (online discretionary investment management service) launched in June 2017. The service has received a positive reaction from the marketplace, and was ranked first place in an independent survey of the digital portfolio management market • Regulation remained a key focus area, with the implementation of MiFID II and GDPR • The business continued to pursue opportunities to recruit experienced investment managers who are attracted by the strength of our offering • Continued to invest in digital platforms, notably Click & Invest, as well as IT and compliance areas	• FUM up 3.8% to £36.9bn • Net inflows of £1.8bn (in line with management's 5% target for net organic growth per annum)

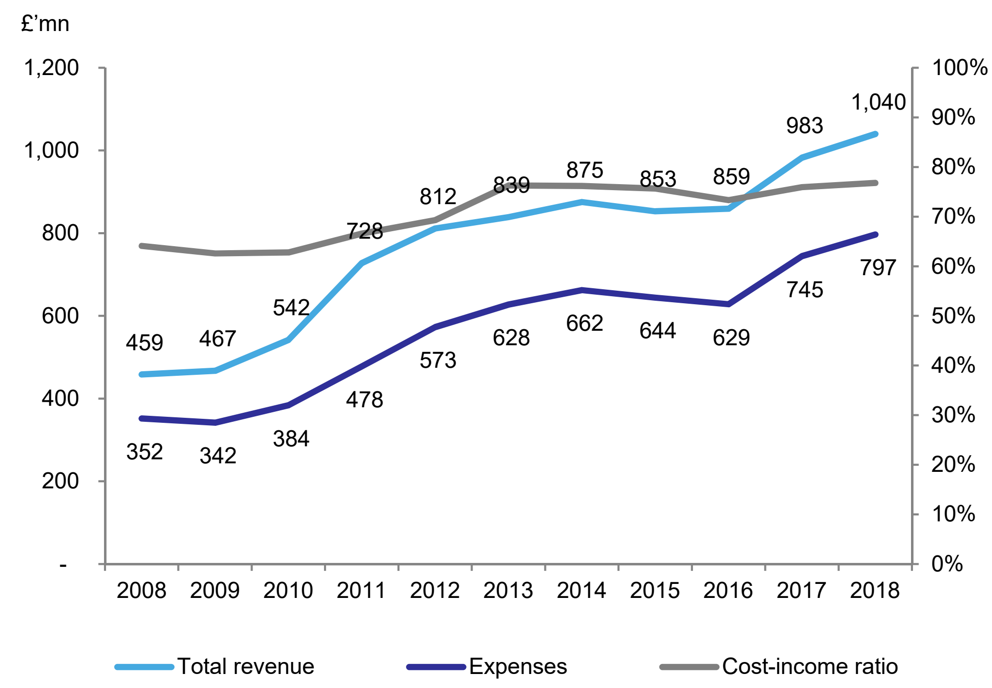
IBP’s operating fundamentals

IBP: profitability supported by diversified revenue streams

Annuity income



Revenue versus expenses



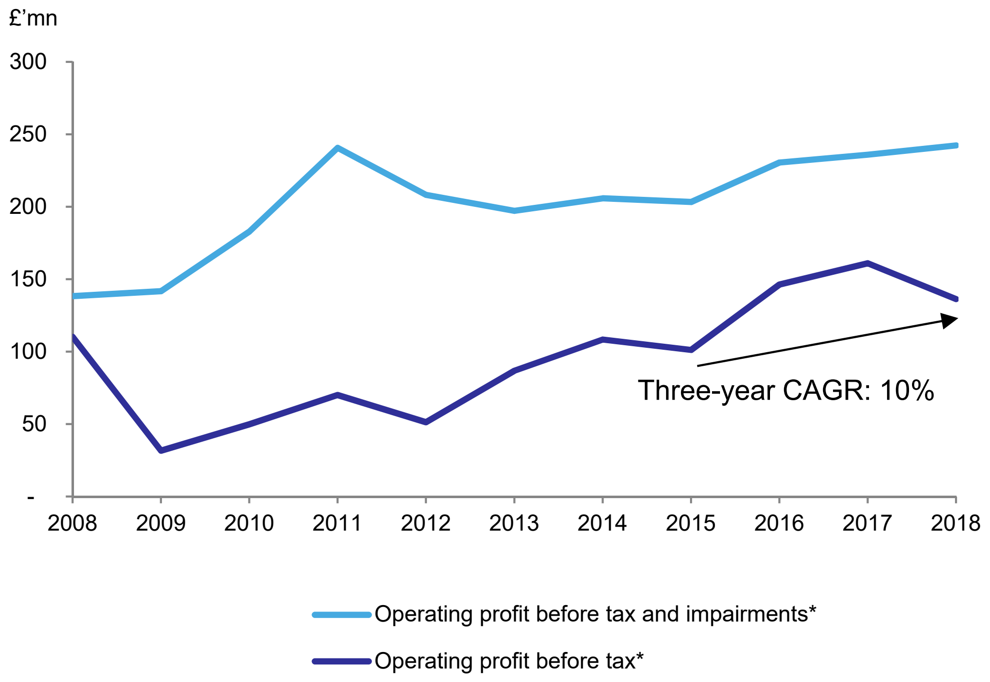
- **High level of annuity income*** (increased by £92mn over the last 3 years; 3 year CAGR of 5% and currently 64% of total operating income) which has been enhanced by the growth in our wealth management business
- **Total capital light activities account for 48% of IBP's income**

- We are focusing on managing costs while building for the future
- Our cost to income ratio will remain elevated as we continue to **invest in a number of growth strategies across the businesses** which should yield returns in the medium term, notably in building-out our private client offerings

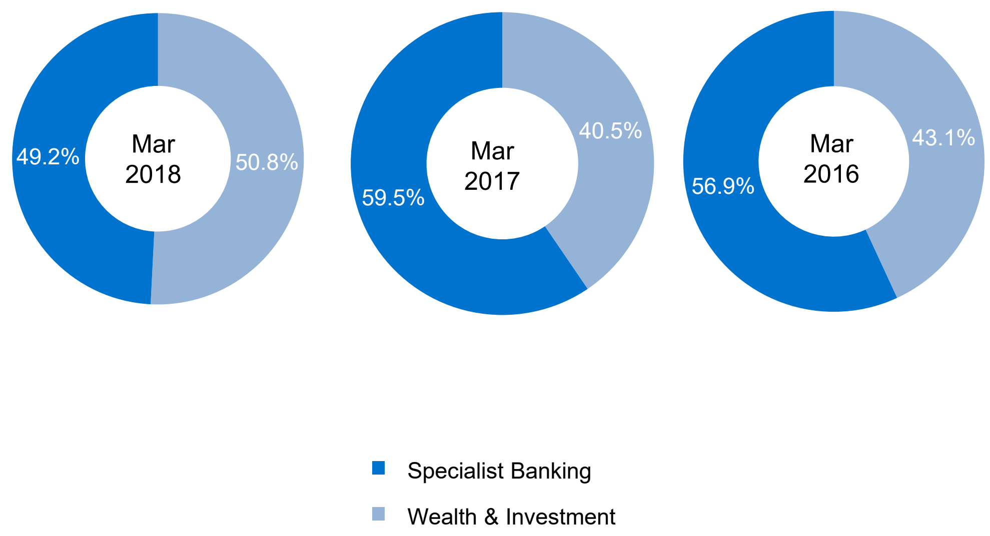
*Where annuity income is net interest income and annuity fees

IBP: profitability supported by diversified revenue streams

Operating profit before tax*



Business mix percentage contribution to operating profit*



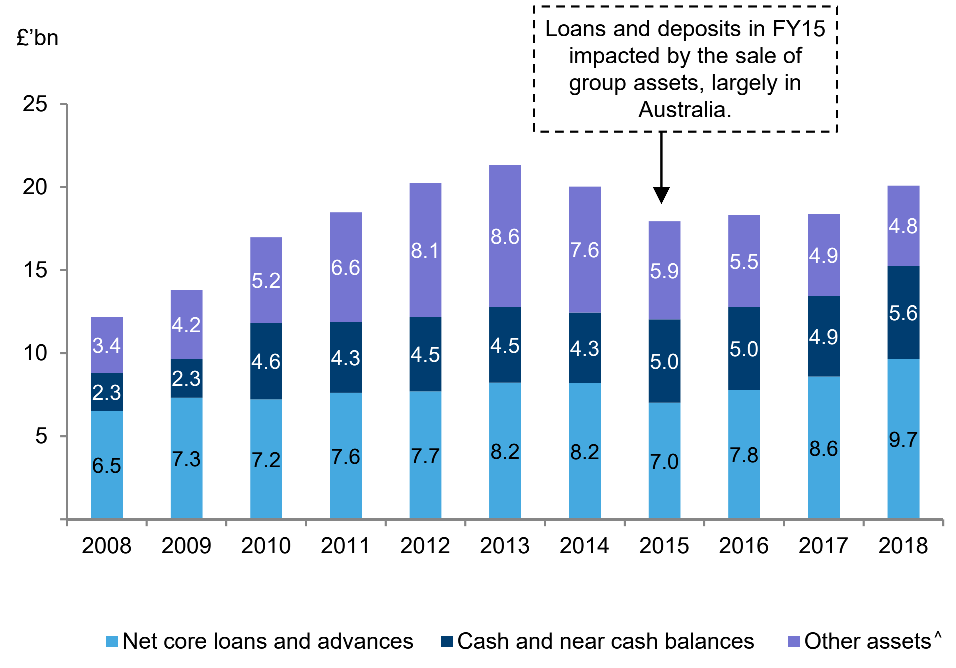
- **We have grown operating profit** (increased by £35mn over the past three years to £136mn; CAGR of 10%)
- Since 2008 results have been impacted by elevated impairments driven by the legacy portfolio. This is again evident in the 2018 financial year as increased impairments were recognised in anticipation of accelerated exits on certain legacy assets. This is not expected to be repeated going forward. Notwithstanding this, we remained profitable throughout the crisis and have built a solid client franchise business which has supported growth in revenue

- Operating profit is **well balanced between businesses**
- **Significant contribution from Wealth & Investment to operating profit**

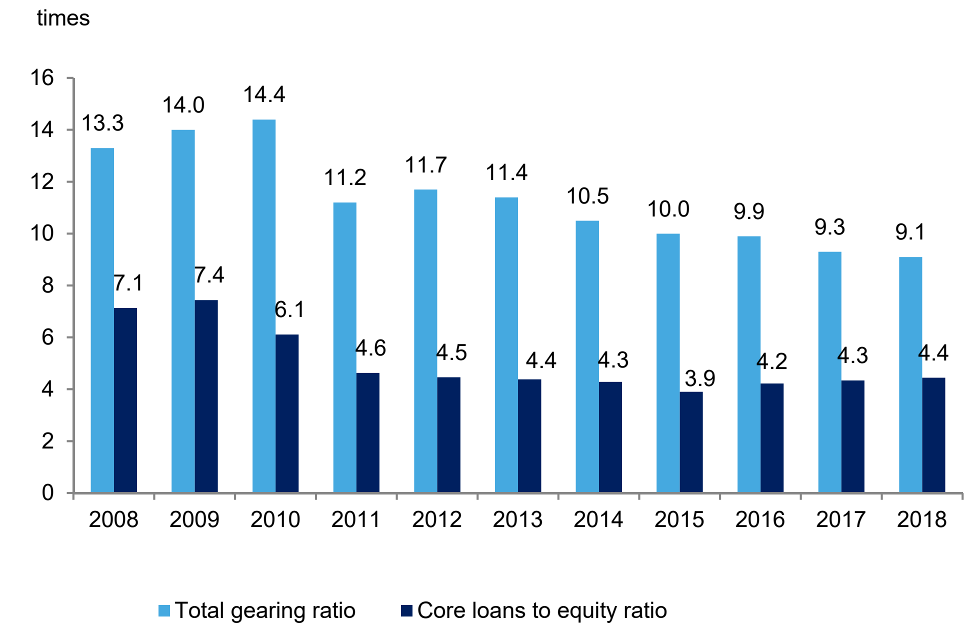
*Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests

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% since 2008)
- Strongest growth in cash and near cash balances (CAGR of 9.5% since 2008)

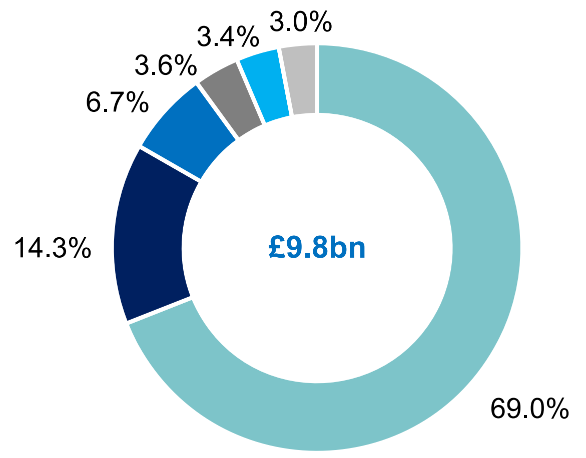
- We have **maintained low gearing ratios*** with total gearing at 9.1x and an average of 11.3x since 2008

^ For a breakdown of "Other assets" as at 31 March 2018, please refer to the balance sheet presented on page 36
*Gearing ratio calculated as Total Assets divided by Total Equity

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 clients
- **Ongoing portfolio makes up 96.8% of net core loans**
- **Actively managing down UK legacy portfolio*** (3.2% of net core loans and advances at 31 March 2018) – for further details see page 19

Gross core loans by country of exposure at 31 March 2018

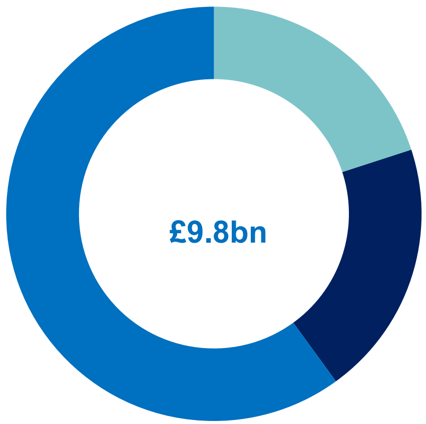


Gross core loans by risk category at 31 March 2018

Corporate and other

60%

Corporate lending and acquisition finance	15.6%
Small ticket asset finance	14.1%
Fund finance	10.5%
Other corporate, institutional, govt. loans	6.6%
Project finance	4.9%
Large ticket asset finance	5.0%
Asset-based lending	3.4%
Resource finance	0.1%



Lending collateralised against property

20%

Commercial property investment	9.7%
Residential property development	5.3%
Residential investment	2.5%
Commercial property development	1.4%
Commercial vacant land and planning	0.6%
Residential vacant land and planning	0.7%

High net worth and other private client

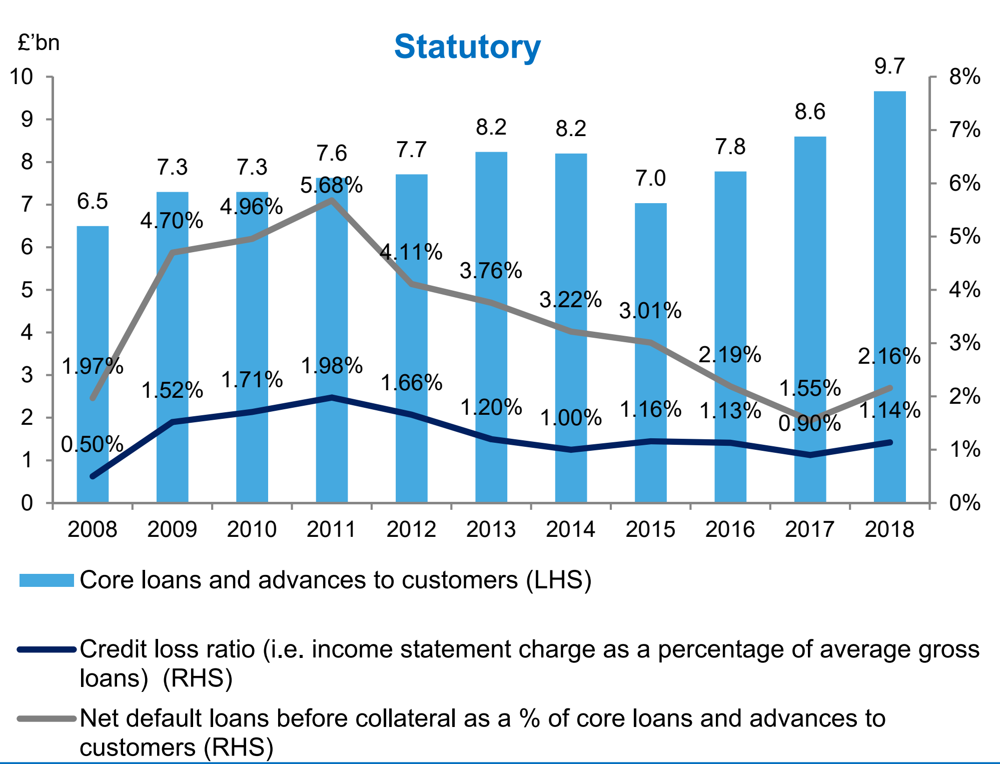
20%

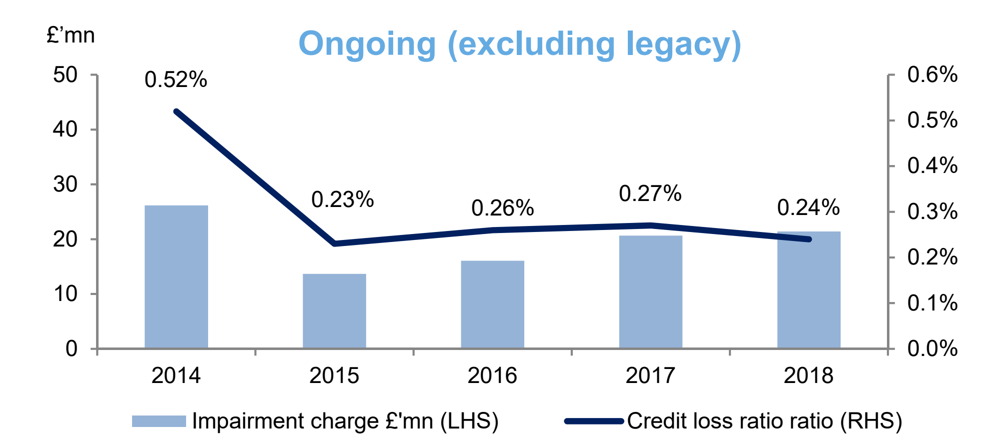
HNW and private client mortgages	15.1%
HNW and specialised lending	4.5%

*UK legacy assets are pre-2008 business with very low/negative margins and assets relating to discontinued business

IBP: sound and improving asset quality

Core loans and asset quality





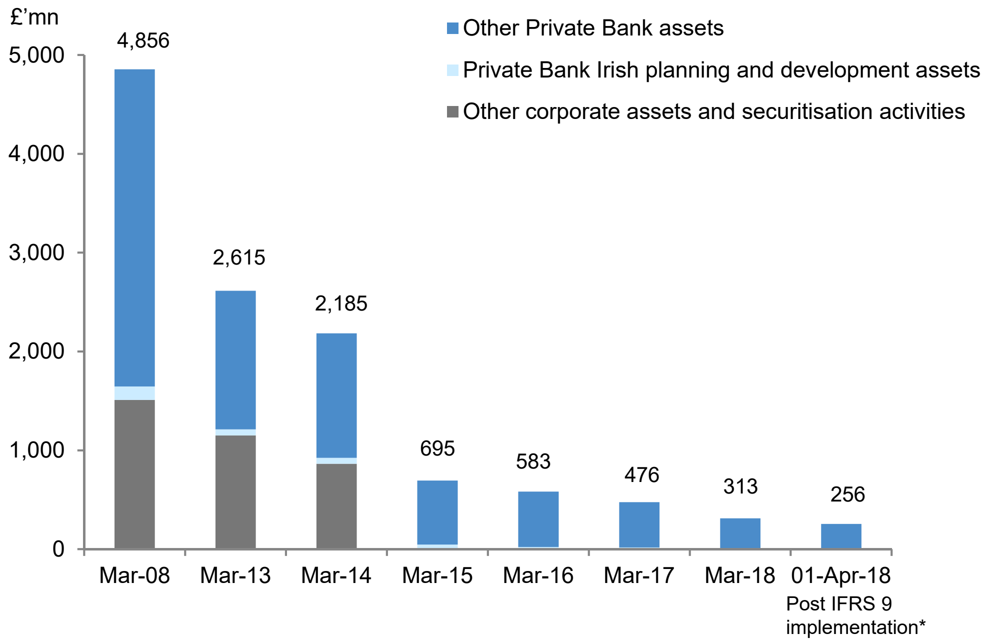
- **Statutory asset quality has improved as the legacy portfolio* has been managed down**
  - **Impairments** on loans and advances amounted to £106.1mn for the year ended 31 March 2018 (31 March 2017: £75.0mn)
  - The **credit loss charge** as a percentage of average gross core loans and advances amounted to 1.14% (31 March 2017: 0.90%)
  - **The percentage of default loans** to core loans and advances** amounted to 2.16% (31 March 2017: 1.55%)
  - The **ratio of collateral to default loans^** remains satisfactory at 1.40x (31 March 2017: 1.44x)
- **The ongoing portfolio continues to have low levels of impairments and defaults**
  - Credit loss charge on the ongoing portfolio of 0.24% (2017: 0.27%)
  - Defaults** as a percentage of ongoing core loans and advances amounted to 1.27% (31 March 2017: 0.11%)

*For further details see page 19
**Net of impairments but before taking collateral into account
^Net of impairments

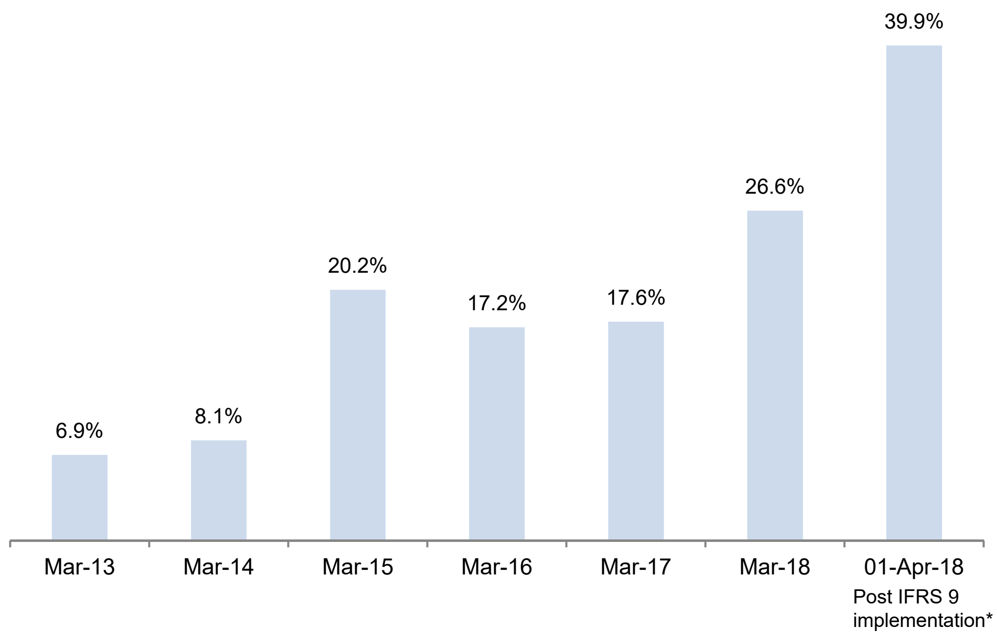
IBP: UK legacy portfolio continues to reduce

- Our UK legacy portfolio is pre-2008 business with very low/negative margins, and assets relating to discontinued business
- We have actively managed a reduction in the legacy portfolio to £313mn (3.2% of total net core loan exposures) at 31 March 2018 (31 March 2017: £476mn; 5.5% of net core loan exposures)
- The legacy business over the year reported a loss before tax of £94.1mn (2017: £65.2mn) reflecting an increase in impairments for accelerated exits anticipated to occur on certain legacy assets
- Following additional impairments raised as a result of the implementation of IFRS 9, our exposure (net of impairments) to the legacy portfolio has further reduced to £256mn at 1 April 2018. Total effective coverage on the overall legacy portfolio has therefore substantially increased to 39.9% at 1 April 2018 from 26.6% at 31 March 2018 (31 March 2017: 17.6%)

Significant reduction of legacy assets



Substantial increase in overall legacy portfolio coverage



*Additional information on the impact of the implementation of IFRS 9 is provided on pages 31 to 32

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

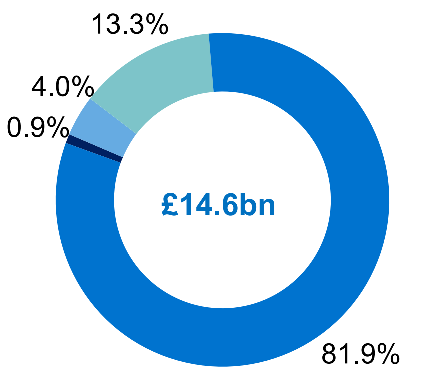
Conservative and prudent funding strategy

- **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*

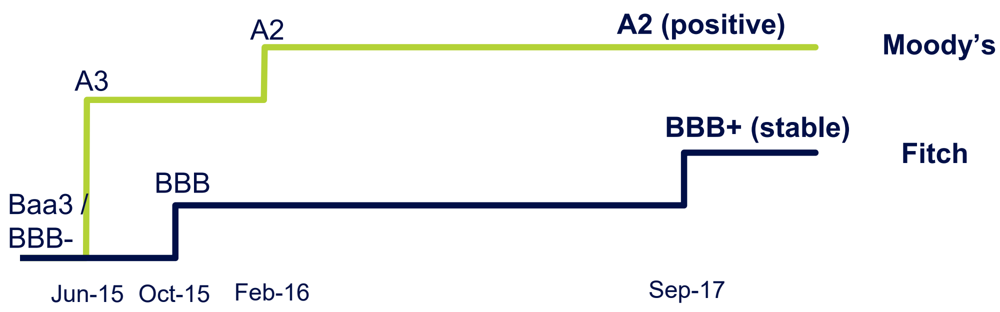
- **Moody's** upgraded IBP's long-term deposit rating to A3 from Baa3 in June 2015, **to A2** in **February 2016** and changed to **positive outlook in September 2017**
- In October 2015, IBP's long-term default rating was upgraded by **Fitch** to BBB (stable outlook) from BBB-, then upgraded in **September 2017 to BBB+ (stable outlook)**
- Investec plc's long-term issuer rating was upgraded by Moody's from Ba1 to Baa3 in June 2015, to Baa2 in February 2016, to Baa1 in April 2016, and changed to positive outlook in September 2017

Selected funding sources



£'mn	31 Mar 2018
Customer deposits	11,970
Debt securities in issue^	1,943
Subordinated liabilities	580
Liabilities arising on securitisation of other assets	128
Total	**14,621**

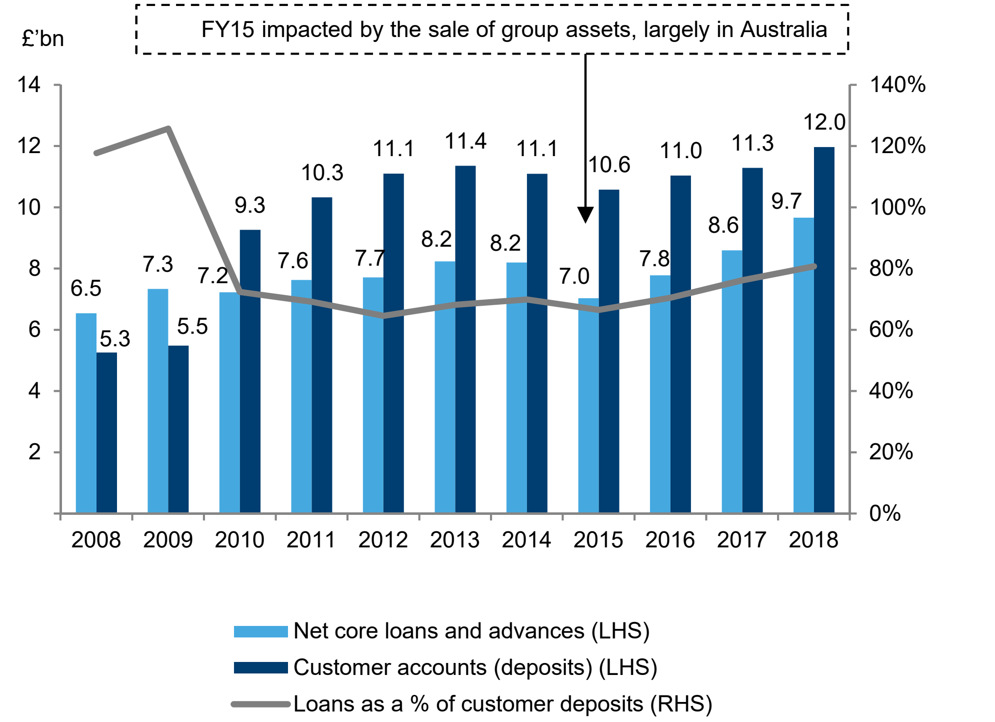
IBP's long-term ratings



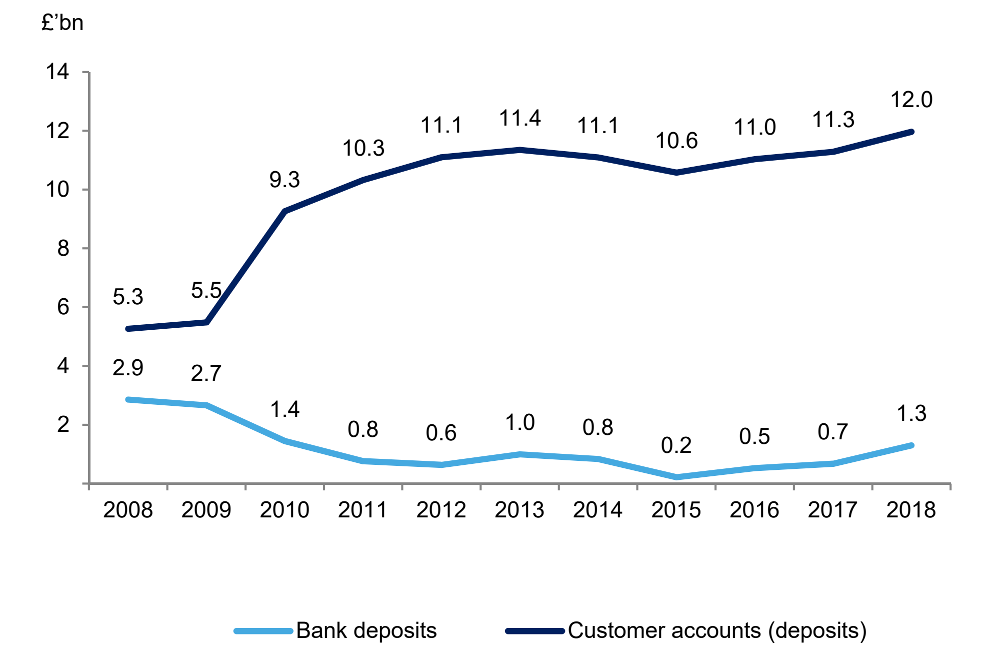
*A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation
^Of which £969mn relates to retail customers

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 127% (c.9% CAGR) since 2008 to £12.0bn at 31 March 2018**
- Advances as a percentage of customer deposits amounted to 80.7%

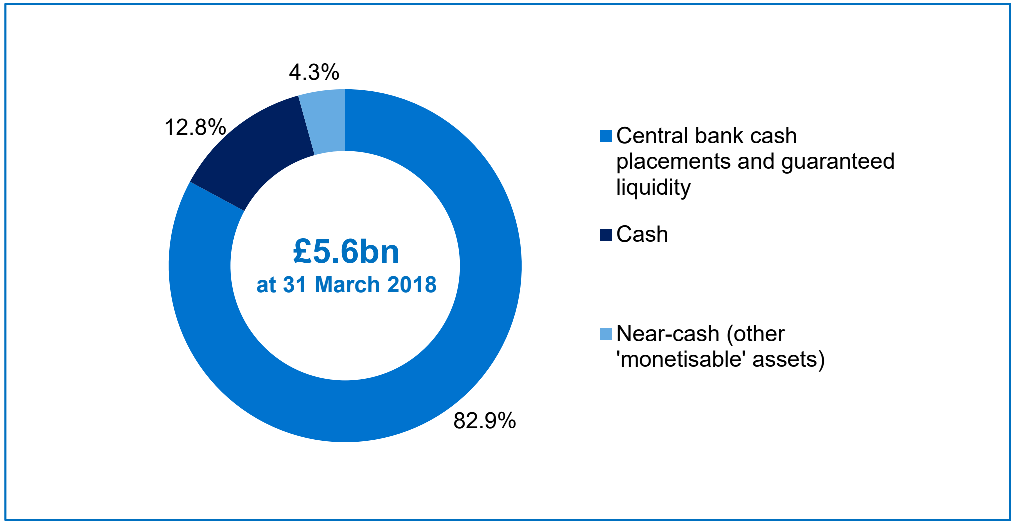
- Increase in retail deposits and reduced reliance on wholesale deposits
- Fixed and notice customer deposits have continued to grow and our customers display a strong 'stickiness' and willingness to reinvest in our suite of term and notice products

IBP: maintaining robust surplus liquidity

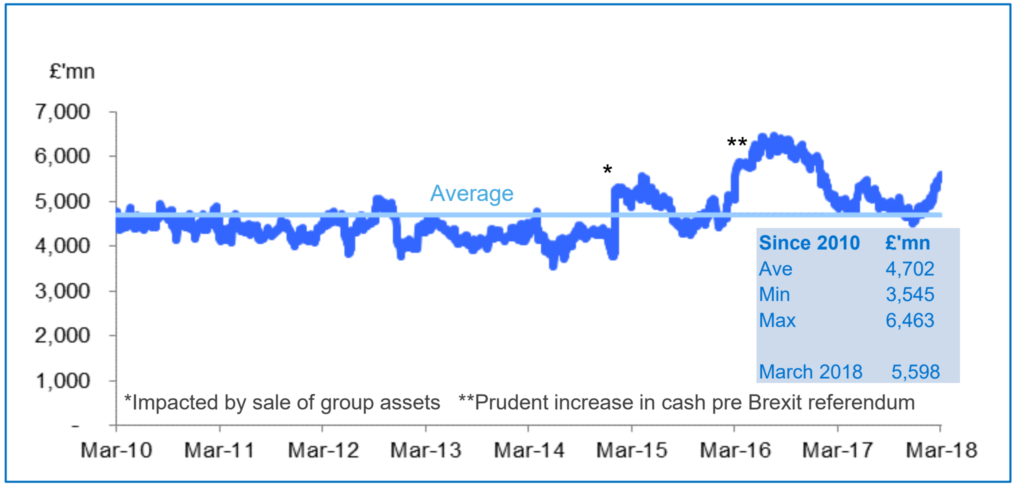
- We **maintain** a high level of readily available, high-quality **liquid assets** – targeting a minimum cash to customer deposit ratio of 25%. These balances have increased significantly since 2008 to £5.6bn at 31 March 2018 **(representing 47% of customer deposits)**

- Based on the group's own interpretations^ of the EU Delegated Act and the BCBS's final guidelines, Investec Bank plc (solo basis) published a **LCR** of 301% and an **NSFR** of 133% - **well ahead of the minimum regulatory requirements**

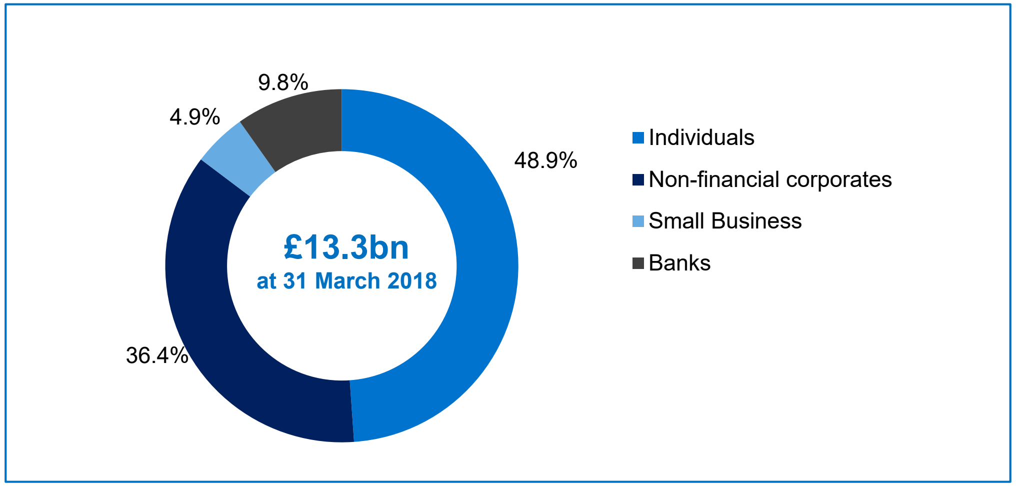
Cash and near cash composition



High level of cash and near cash balances



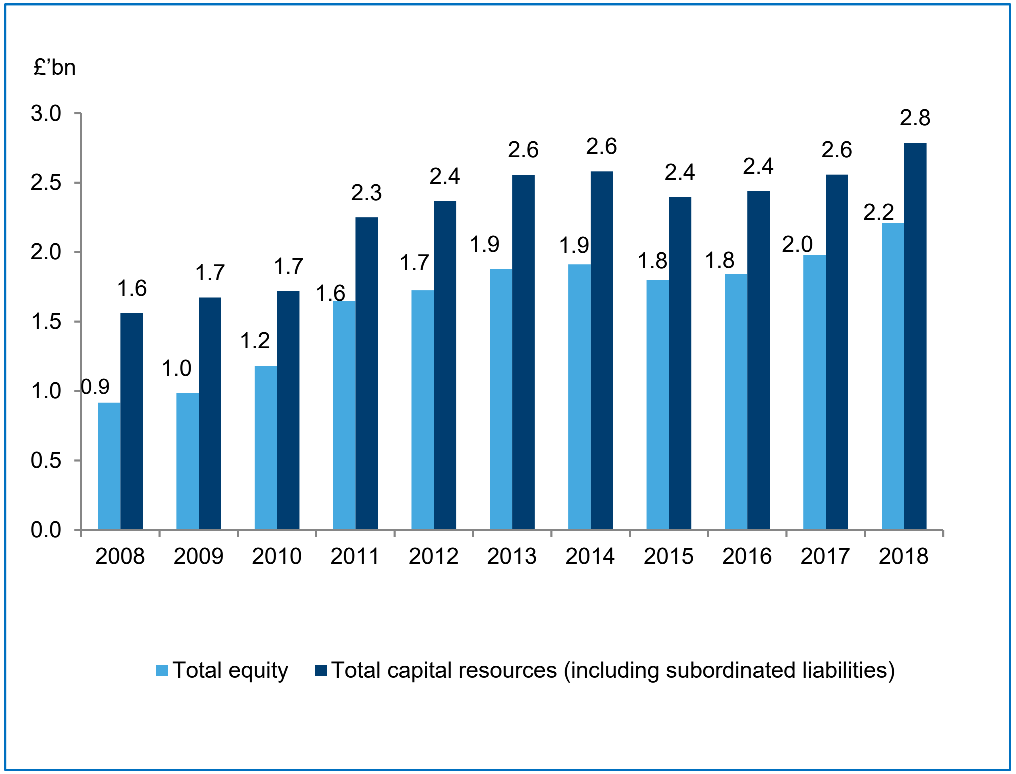
Depositor concentration by type



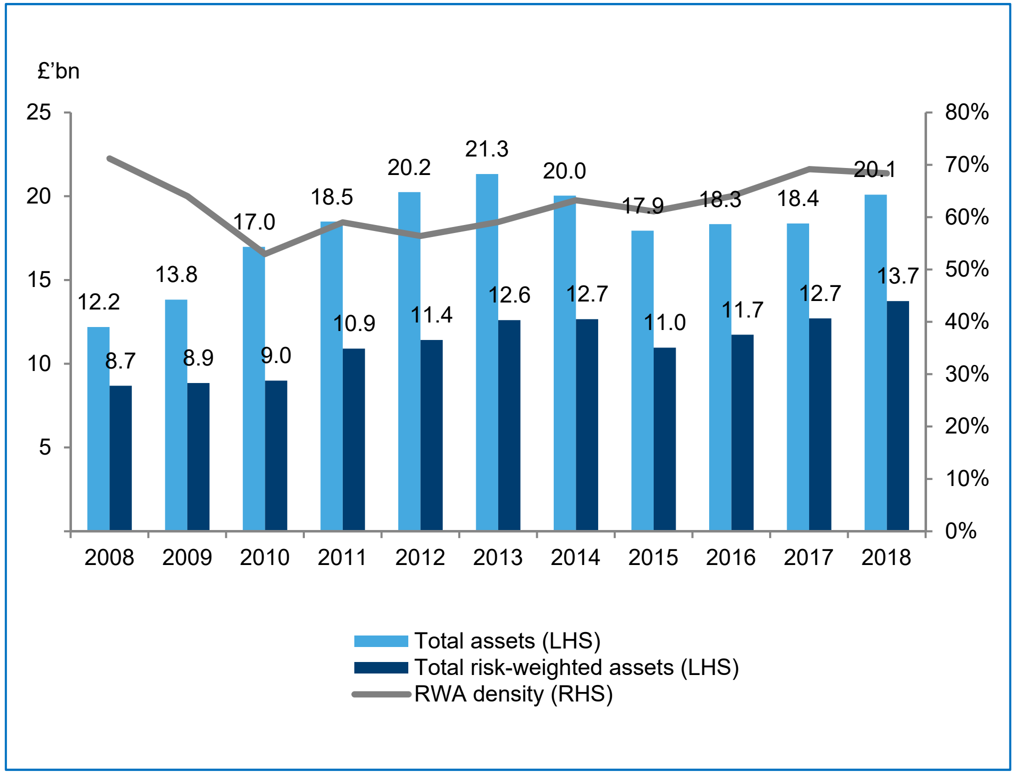
^Since 1 January 2018, banks within the EU have been required to maintain a minimum Liquidity Coverage Ratio (LCR) ratio of 100%. For IBP (solo basis), the LCR is calculated following the European Commission (EC) Delegated Regulation 2015/61 and our own interpretations where the regulation calls for it. The reported LCR may change over time with updates to our methodologies and interpretations. The LCR reported to the PRA at 31 March 2018 was 301% for IBP (solo basis). The BCBS published their final paper on Net Stable Funding Ratio (NSFR) in October 2014. In November 2016, the EC released a number of proposals amending the CRR referred to as the 'CRR2/CRDV' package. This includes a number of EU specificities with respect to the NSFR. The implementation date of the ratio will be two years after the date entry into force of the proposed regulation, at which point banks will be required to maintain a minimum NSFR of 100%. The NSFR therefore remains subject to an observation period in advance of such implementation and we will continue to monitor these rules until final implementation. The internally calculated NSFR for Investec Bank plc (solo basis) is based upon the BCBS paper and our own internal interpretations, as such, it is subject to change in response to regulatory updates and our methodologies.

IBP: sound capital base and capital ratios

Total capital



Total risk-weighted assets: high RWA density



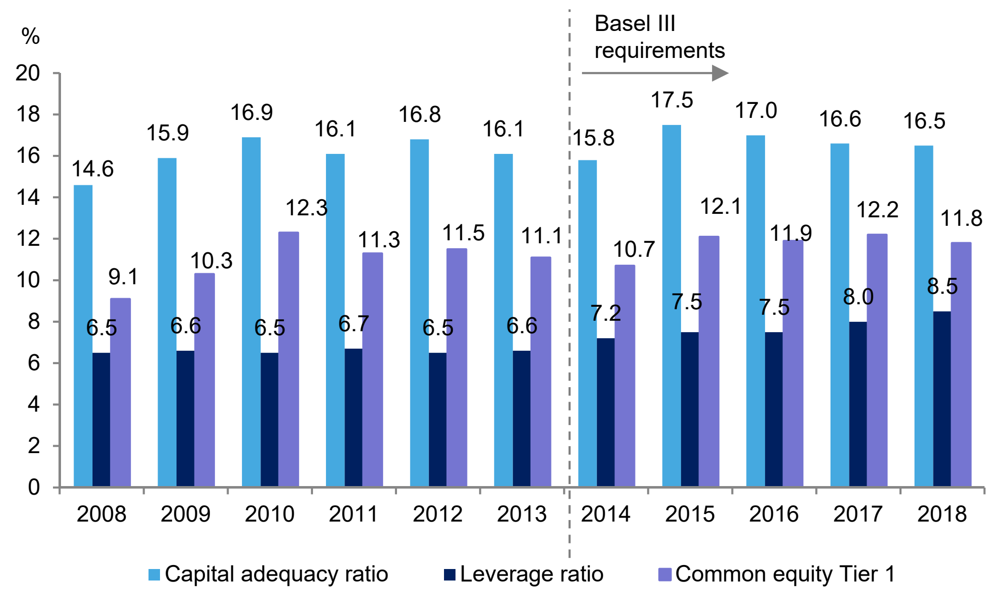
- **We have continued to grow our capital base** and did not require recourse to government or shareholders during the crisis
- Our total shareholders' equity has grown by c140% since 2008 to £2.2bn at 31 March 2018 (CAGR of 9.2%)
- The proposed transaction is expected to further enhance the efficiency 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 68%, 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 2018	31 Mar 2017	Target
Common equity tier 1 (as reported)	11.8%	12.2%	>10%
Common equity tier 1 (post IFRS 9 implementation on 1 April 2018)^^	11.3%	n/a	
Common equity tier 1 (fully loaded)^	11.8%	12.2%	
Tier 1 (as reported)	13.2%	12.2%	>11%
Total capital adequacy ratio (as reported)	16.5%	16.6%	14% to 17%
Leverage ratio** – current	8.5%	8.0%	>6%
Leverage ratio** – fully loaded^	8.5%	8.0%	
Leverage ratio** – current UK Leverage ratio framework #	10.2%	9.3%	

*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 (31 March 2017: 28bps) higher. The leverage ratio prior to 2014 has been estimated.
^There is no difference between the 'reported' basis and the 'fully loaded' basis.
**The leverage ratios are calculated on an end-quarter basis.
#IBP is not subject to the UK leverage ratio framework, however, due to recent changes to the UK leverage ratio framework to exclude from the calculation of the total exposure measure those assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity, this has been included for comparative purposes.
^^Additional information on the impact of the implementation of IFRS 9 is provided on pages 31 to 32

Transaction summary

Transaction Summary: Tender Offer and New Issue

Transaction Summary

- Tender Offer for outstanding IBP Tier 2 notes due 2022, capped at GBP287.5mn nominal amount
- IBP **issuance of CRD IV compliant Tier 2 capital**, denominated in Sterling
- Priority Option Codes will be available for investors seeking to tender bonds and receive allocation in the new issue – investors should contact any of the dealer managers in this regard
- Tender documentation available from the tender agent, Lucid Issuer Services (investec@lucid-is.com)
- Acceptance of the tender offer is subject to the closing of the new issue (New Financing Condition)
- Investec is offering existing investors to repurchase their notes at a tender spread of **Gilts+230bps**, plus accrued interest

Transaction Rationale:

- **Enhances the long-term total capital adequacy ratio** (16.5% as at 31 March 2018) by replacing amortising capital with fully efficient Tier 2
- **Further optimisation of capital structure** in consideration of issuer's targets
- Manages IBP's debt redemptions by smoothing maturity / call profile
- Enables the issuer to optimise its future interest expense

Outstanding Tier 2 Notes

Issuer	Investec Bank plc
Issue Date	11/02/2011
Amount Outstanding	GBP575mn
Maturity Date	17/02/2022
Coupon	9.625%
Issue Spread	Gilts+539.3bps

Expected Transaction Timeline

Tender offer Announced
9 July 2018

Tender expiry*
16 July 2018

Tender Results
On or around 17 July 2018

New Issue
On or around 17 July 2018

Tender & New Issue Settlement
Expected 24 July 2018

*Investors should be aware that custodian and clearing system constraints mean they may have to submit instructions some days in advance of the tender Expiration Deadline

Tier 2 new issue indicative summary terms*

Issuer	Investec Bank plc
Notes	GBP [●] Fixed Rate Reset Callable Subordinated Notes (the "**Notes**")
Issuer Ratings	A2 (positive) (Moody's) / BBB+ (stable) (Fitch)
Expected Issue Ratings	BBB (Fitch) / Baa3 (Moody's)
Size	[Benchmark]
Maturity	[●] July 2028 (10 years)
Early Redemption Date & Resettable Note Reset Date	[●] July 2023 (5 years)
Status	The Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank pari passu, without any preference, amongst themselves, only senior to AT1 and share capital
Interest on Resettable Notes	Each Note bears interest on its outstanding nominal amount as at the Issue Date: a) From (and including) the Interest Commencement Date to (but excluding) the Resettable Note Reset Date, at the Initial Rate of Interest; and b) From (and including) the Resettable Note Reset Date to, and including the Maturity Date, at the Reset Rate of Interest
Redemption at the Option of the issuer	• One-time issuer redemption option on Early Redemption Date subject to Condition 5 (j) • Issuer redemption option on occurrence of Capital Disqualification Event or for Taxation Reasons (full or partial), subject to Condition 5(j)
Optional Redemption Amount	Par plus accrued interest
Reset rate of interest	Gilt Rate + Resettable Note Margin
Governing Law	English Law
Point of non-viability (PONV)	Statutory UK bail-in Powers (please refer to EMTN Programme)
Listing / Min Denoms	London Stock Exchange Regulated Market / £100,000 + £1,000
Form / Documentation	Investec Bank plc £6,000,000,000 EMTN Programme dated 11 October 2017 as supplemented on 11 December 2017, 29 June 2018 and 9 July 2018
MiFID Product Governance	Professional Investors and ECPs only target market. All distribution channels
Prohibition of Sales to EEA Retail Investors:	No PRIIPs key information document (KID) has been prepared as not available to retail investors in EEA

*Summary terms for information purposes only; Investors should refer to the Base Prospectus, supplements and Final Terms for the Notes for the full terms and conditions, including definitions of capitalised terms. Terms and conditions remain subject to amendment and completion

Further information

IBP: two core areas of activity

Wealth & Investment: Key income drivers and performance statistics

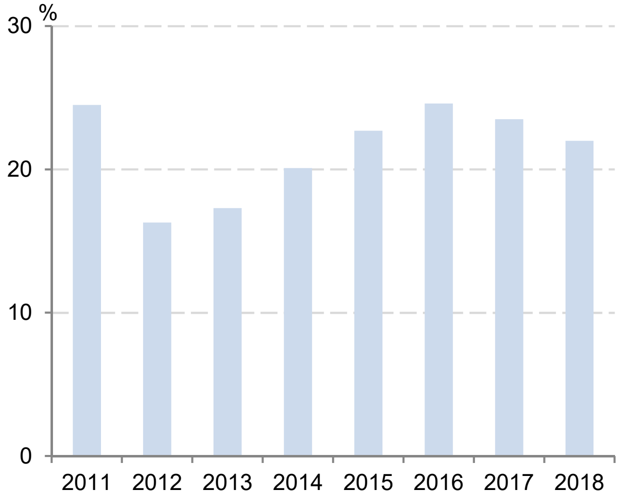
Key income drivers (besides market levels)

- 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

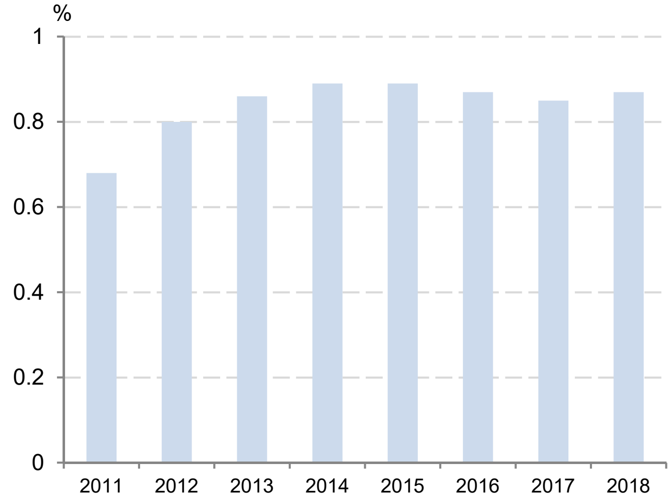
Current positioning

- Number of employees: 1,345
- Operating margin: 22.0%
- FUM: £36.9bn
- Net inflows as a % of opening FUM: 5.0% (£1.8bn net inflows)
- Pre-tax profit: £69.3mn
- % contribution to IBP operating profit*: 51%

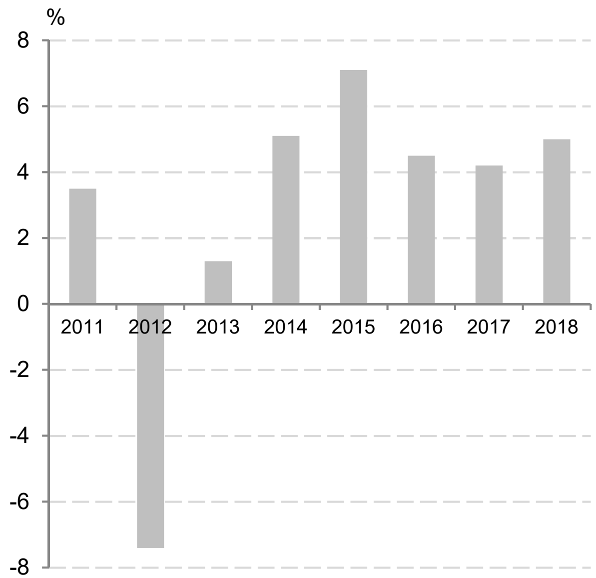
Operating margin



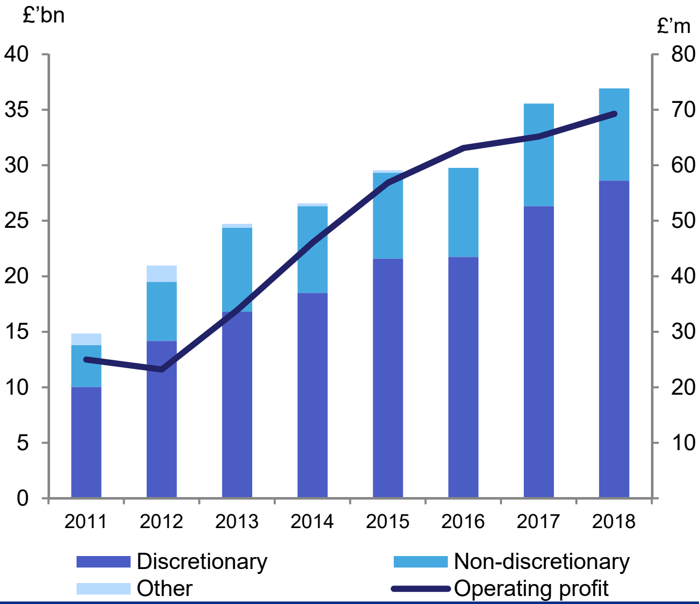
Average income^ as a % of FUM



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

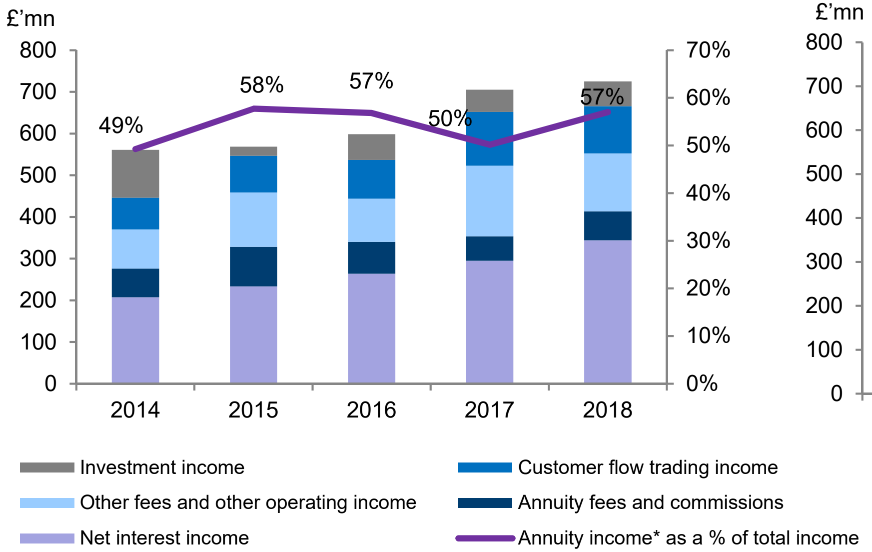
Key income drivers
(besides market, economic and rate levels)

- **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

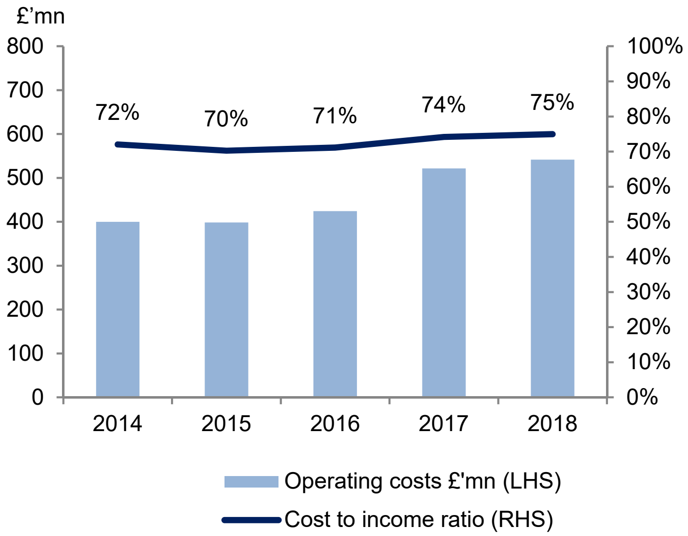
Current positioning

- Number of employees: 2,320
- Cost to income: 75.0%
- NIM: 2.21% (2017: 2.04%)
- Pre-tax profit: £161.2mn
- % contribution to IBP ongoing operating profit*: 70%

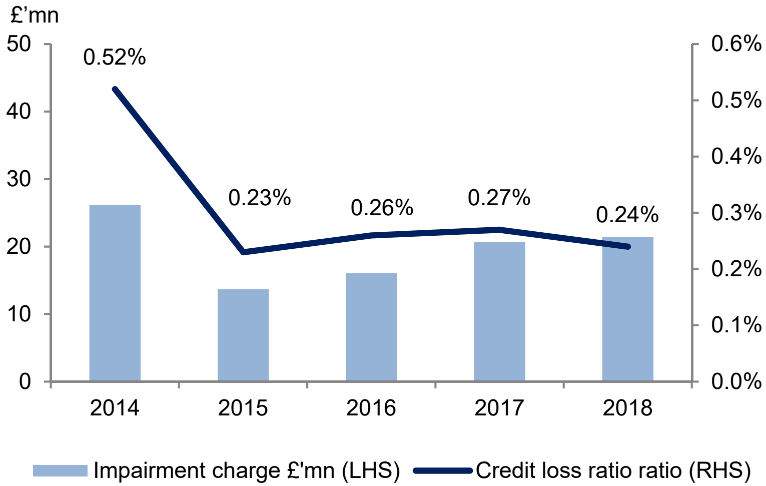
Revenue



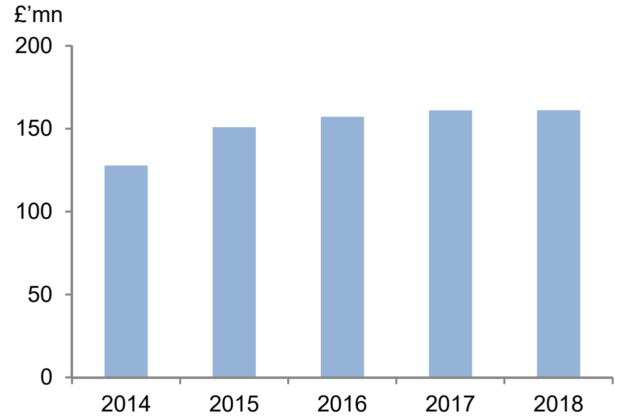
Costs



Impairments



Net profit before tax



Unless otherwise stated, all Information on this page relates to the IBP ongoing Specialist Banking business, which excludes the results of the legacy business as defined on page 19

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

Overview of the IFRS 9 transition impact on IBP

Balance sheet impairment allowance and provisions

- Total balance sheet impairment allowance and provisions increased by £105mn from £158mn at 31 March 2018 to £263mn at 1 April 2018. This was driven by an increase in legacy impairments of £58mn and an increase in ongoing impairments of £68mn, partially offset by a reduction of £21mn as a result of changes in classification and measurement of certain of the bank's financial assets to fair value
- The increase in impairment allowance and provisions reduced IBP's CET 1 ratio by c.69bps on full adoption of IFRS 9 or c.3bps on a day one impact transitional basis

Balance sheet impairment allowance and provisions

- Changes in classification and measurement to fair value of certain of the bank's other financial assets resulted in a decrease to equity of £11mn (post tax), with a c.8bps impact on the IBP CET 1 ratio

Reclassification of subordinated liabilities to fair value

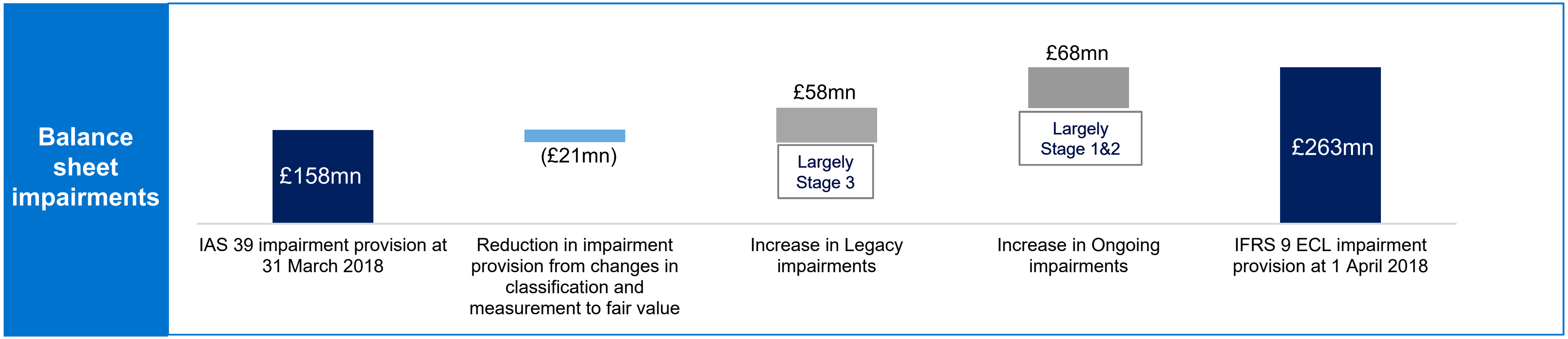
- Following the adoption of IFRS 9 IBP has elected to designate its subordinated liabilities to fair value
- From this designation, the interest rate portion of the subordinated debt reduced equity by £48mn (post tax) with a c.38bps impact on the day one transitional CET 1 ratio which will come back into retained earnings over the duration of the remaining term of the instrument (maturing Feb 2022)
- In addition, an amount of £55mn (post tax) has been transferred to an own credit reserve which does not have an impact on capital ratios

- **Taken together,** the adoption of IFRS 9 resulted in a decrease in IBP's transitional CET 1 ratio of c.49bps from 11.8% to 11.3%, ahead of the Investec group target and in excess of minimum regulatory requirements
- IBP confirmed to the PRA that it will use the transitional arrangements to absorb the full impact permissible of IFRS 9 in regulatory capital calculations
- The charts that follow provide a graphical illustration of the above

Overview of the IFRS 9 transition impact on IBP

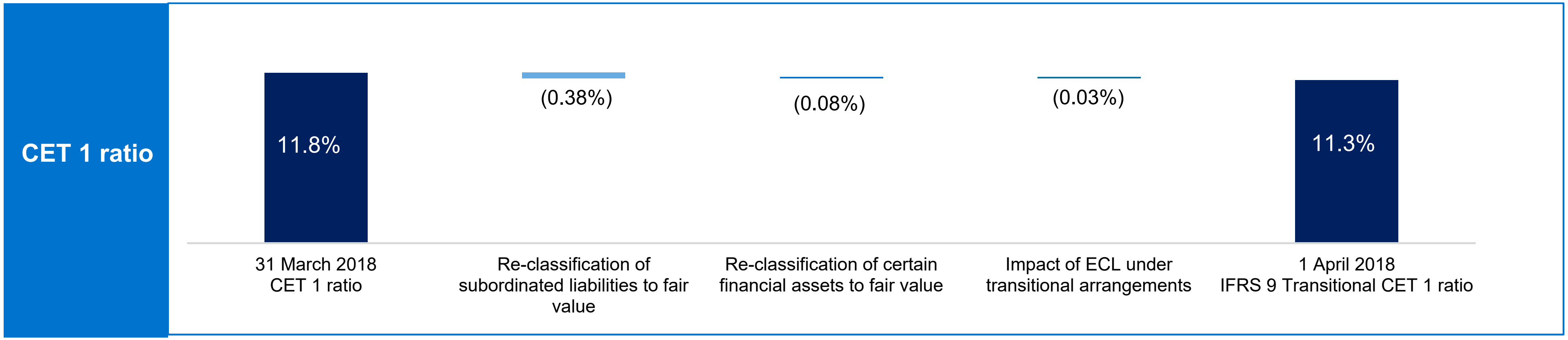
IAS 39 to IFRS 9 impairment allowance

- The following chart highlights the key drivers of the overall increase in the bank's impairment provision under IFRS 9 relative to IAS 39



Day one impact on CET 1 ratio

- The following chart highlights the day one impact on CET 1 ratio



Appendix – summary financials

IBP: salient financial features

	Year to 31 March 2018	Year to 31 March 2017	% change
Total operating income before impairment losses on loans and advances (£'000)	1,040,147	982,690	5.8%
Operating costs (£'000)	797,049	744,716	7.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	136,347	161,057	(15.3%)
Earnings attributable to ordinary shareholder (£'000)	97,841	117,793	(16.9%)
Cost to income ratio	76.8%	75.9%	
Total capital resources (including subordinated liabilities) (£'000)	2,788,840	2,559,287	9.0%
Total equity (£'000)	2,209,167	1,979,931	11.6%
Total assets (£'000)	20,097,225	18,381,414	9.3%
Net core loans and advances (£'000)	9,663,172	8,598,639	12.4%
Customer accounts (deposits) (£'000)	11,969,625	11,289,177	6.0%
Cash and near cash balances (£'000)	5,598,418	4,852,710	15.4%
Funds under management (£'mn)	37,276	35,941	3.7%
Capital adequacy ratio	16.5%	16.6%	
Tier 1 ratio	13.2%	12.2%	
Common equity tier 1 ratio	11.8%	12.2%	
Leverage ratio - current	8.5%	8.0%	
Leverage ratio - "fully loaded"	8.5%	8.0%	
Defaults (net of impairments) as a % of net core loans and advances	2.16%	1.55%	
Net defaults (after collateral and impairments) as a % of net core loans and advances	-	-	
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	1.14%	0.90%	
Total gearing ratio (i.e. total assets to total equity)	9.1x	9.3x	
Loans and advances to customers: customer deposits	80.7%	76.2%	

IBP: income statement

£'000	Year to 31 March 2018	Year to 31 March 2017
Interest income	598,494	562,092
Interest expense	(248,876)	(263,340)
Net interest income	**349,618**	**298,752**
Fee and commission income	504,606	502,106
Fee and commission expense	(10,094)	(13,260)
Investment income	68,943	55,900
Share of post tax operating profit of associates	1,444	1,741
Trading income arising from:		
- customer flow	114,502	129,706
- balance sheet management and other trading activities	2,838	(138)
Other operating income	8,290	7,883
Total operating income before impairment losses on loans and advances	**1,040,147**	**982,690**
Impairment losses on loans and advances	(106,085)	(74,956)
Operating income	**934,062**	**907,734**
Operating costs	(797,049)	(744,716)
Depreciation on operating leased assets	(2,350)	(2,141)
Operating profit before goodwill and acquired intangibles	**134,663**	**160,877**
Impairment of goodwill	-	(3,134)
Amortisation of acquired intangibles	(13,273)	(14,386)
Operating profit	**121,390**	**143,357**
Profit before taxation	**121,390**	**143,357**
Taxation on operating profit before goodwill	(27,651)	(29,049)
Taxation on acquired intangibles and acquisition/disposal/integration of subsidiaries	2,418	3,305
Profit after taxation	**96,157**	**117,613**
Loss attributable to non-controlling interests	1,684	180
Earnings attributable to shareholder	**97,841**	**117,793**

IBP: balance sheet

£'000	31 March 2018	31 March 2017
Assets		
Cash and balances at central banks	3,487,768	2,853,567
Loans and advances to banks	772,984	922,764
Reverse repurchase agreements and cash collateral on securities borrowed	750,428	536,173
Sovereign debt securities	1,155,472	952,902
Bank debt securities	107,938	184,626
Other debt securities	288,349	408,149
Derivative financial instruments	610,201	610,371
Securities arising from trading activities	701,728	522,760
Investment portfolio	472,083	454,566
Loans and advances to customers	9,663,172	8,598,639
Other loans and advances	417,747	556,464
Other securitised assets	132,172	138,628
Interests in associated undertakings	6,414	23,818
Deferred taxation assets	84,599	78,945
Other assets	1,013,440	1,089,390
Property and equipment	53,183	58,857
Investment properties	14,500	14,500
Goodwill	261,075	259,965
Intangible assets	103,972	116,330
	20,097,225	**18,381,414**

IBP: balance sheet (continued)

£'000	31 March 2018	31 March 2017
Liabilities		
Deposits by banks	1,295,847	673,586
Derivative financial instruments	533,319	583,562
Other trading liabilities	103,496	136,041
Repurchase agreements and cash collateral on securities lent	168,640	223,997
Customer accounts (deposits)	11,969,625	11,289,177
Debt securities in issue	1,942,869	1,640,839
Liabilities arising on securitisation of other assets	127,853	128,838
Current taxation liabilities	135,517	146,743
Deferred taxation liabilities	22,120	26,557
Other liabilities	1,009,099	972,787
	17,308,385	**15,822,127**
Subordinated liabilities	579,673	579,356
	17,888,058	**16,401,483**
Equity		
Ordinary share capital	1,186,800	1,186,800
Share premium	143,288	143,288
Capital reserve	162,789	162,789
Other reserves	7,344	18,782
Retained income	512,006	470,272
Shareholder's equity excluding non-controlling interests	**2,012,227**	**1,981,931**
Other additional Tier 1 securities in issue	200,000	-
Non-controlling interests in partially held subsidiaries	(3,060)	(2,000)
Total equity	**2,209,167**	**1,979,931**
Total liabilities and equity	**20,097,225**	**18,381,414**

IBP: segmental analysis of operating profit

For the year to 31 March 2018 £'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	5,181	344,437	349,618
Fee and commission income	297,629	206,977	504,606
Fee and commission expense	(722)	(9,372)	(10,094)
Investment income	10,446	58,497	68,943
Share of post tax operating profit of associates	416	1,028	1,444
Trading income arising from			
- customer flow	1,032	113,470	114,502
- balance sheet management and other trading activities	(7)	2,845	2,838
Other operating income	235	8,055	8,290
Total operating income before impairment losses 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**
Cost to income ratio	78.0%	76.3%	76.8%
Total assets (£'mn)	996	19,101	20,097

IBP: segmental analysis of operating profit

For the year to 31 March 2017 £'000	Wealth & Investment	Specialist Banking	Total group
Net interest income	4,368	294,384	298,752
Fee and commission income	268,429	233,677	502,106
Fee and commission expense	(582)	(12,678)	(13,260)
Investment income	2,169	53,731	55,900
Share of post tax operating profit of associates	1,509	232	1,741
Trading income arising from			
- customer flow	740	128,966	129,706
- balance sheet management and other trading activities	215	(353)	(138)
Other operating income	-	7,883	7,883
Total operating income before impairment losses on loans and advances	**276,848**	**705,842**	**982,690**
Impairment losses on loans and advances	-	(74,956)	(74,956)
Operating income	**276,848**	**630,886**	**907,734**
Operating costs	(211,658)	(533,058)	(744,716)
Depreciation on operating leased assets	-	(2,141)	(2,141)
Operating profit before goodwill and acquired intangibles	**65,190**	**95,687**	**160,877**
Loss attributable to non-controlling interests	-	180	180
Operating profit before goodwill, acquired intangibles and after non-controlling interests	**65,190**	**95,867**	**161,057**
Cost to income ratio	76.5%	75.8%	75.9%
Total assets (£'mn)	952	17,429	18,381

IBP: asset quality under IAS 39

£'000	31 March 2018	31 March 2017
Gross core loans and advances to customers	**9,815,012**	**8,725,515**
Total impairments	**(151,840)**	**(126,876)**
Specific impairments	(89,863)	(83,488)
Portfolio impairments	(61,977)	(43,388)
Net core loans and advances to customers	**9,663,172**	**8,598,639**
Average gross core loans and advances to customers	**9,270,264**	**8,325,046**
Current loans and advances to customers	9,376,976	8,394,580
Past due loans and advances to customers (1 - 60 days)	40,315	48,003
Special mention loans and advances to customers	37,085	22,585
Default loans and advances to customers	360,636	260,347
Gross core loans and advances to customers	**9,815,012**	**8,725,515**
Total income statement charge for impairments on core loans and advances	**(105,864)**	**(74,995)**
Gross default loans and advances to customers	360,636	260,347
Specific impairments	(89,863)	(83,488)
Portfolio impairments	(61,977)	(43,388)
Defaults net of impairments	**208,796**	**133,471**
Aggregate collateral and other credit enhancements on defaults	291,834	192,760
Net default loans and advances to customers (limited to zero)	**-**	**-**
Ratios:		
Total impairments as a % of gross core loans and advances to customers	1.55%	1.45%
Total impairments as a % of gross default loans	42.10%	48.73%
Gross defaults as a % of gross core loans and advances to customers	3.67%	2.98%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.16%	1.55%
Net defaults as a % of net core loans and advances to customers	-	-
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	1.14%	0.90%

IBP: capital adequacy

£'mn*	31 March 2018	31 March 2017
Common equity tier 1 capital	**1,621**	**1,552**
Additional tier 1 issuance	200	
Total tier 1 capital	**1,821**	**1,552**
Tier 2 capital	**445**	**560**
Total regulatory capital	**2,266**	**2,112**
Risk-weighted assets	**13,744**	**12,716**
Capital requirements	**1,099**	**1,017**

A summary of capital adequacy and leverage ratios

	31 March 2018*	31 March 2017*
Common equity tier 1 (as reported)	11.8%	12.2%
Common equity tier 1 (post IFRS 9 implementation on 1 April 2018)^^	11.3%	n/a
Common equity tier 1 ('fully loaded')^	11.8%	12.2%
Tier 1 (as reported)	13.2%	12.2%
Total capital adequacy ratio (as reported)	16.5%	16.6%
Leverage ratio** - current	8.5%	8.0%
Leverage ratio** - 'fully loaded'^	8.5%	8.0%
Leverage ratio** - current UK leverage ratio framework#	10.2%	9.3%

* The capital adequacy disclosures for IBP include the deduction of foreseeable charges and dividends when calculating common equity tier 1 (CET1) capital as now required under the Capital Requirements Regulation (CRR) and EBA technical standards. IBP's CET1 ratio would be 13bps (31 March 2017: 28bps) higher before the deduction of foreseeable dividends.

^ There is no difference between the 'reported' basis and the 'fully loaded' basis.

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

IBP is not subject to the UK leverage ratio framework, however, due to recent changes to the UK leverage ratio framework to exclude from the calculation of the total exposure measure those assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity, this has been included for comparative purposes.

^^ Additional information on the impact of the implementation of IFRS 9 is provided on pages 31 to 32.

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