

Out of the Ordinary



Investec plc
Q and A fact sheet

2018



Overview of Investec and Investec plc

Investec 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. Investec focuses on delivering distinct profitable solutions for its clients in three core areas of activity, namely: Asset Management, Wealth & Investment and Specialist Banking

In July 2002, the Investec group implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg. Investec plc is a FTSE 250 company.

Investec plc (housing the non-Southern African operations) and Investec Limited (housing the Southern African operations) form a single economic enterprise where shareholders have common economic and voting interests. Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Key financial statistics

For the year to 31 March	2018	2017	% change
Total operating income before impairment losses on loans and advances (£'000)	1 380 220	1 306 941	5.6%
Operating costs (£'000)	1 074 112	1 005 130	6.9%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests (£'000)	199 357	224 894	(11.4%)
Earnings attributable to ordinary shareholders (£'000)	135 231	159 728	(15.3%)
Cost to income ratio	78.0%	77.0%	–
Total capital resources (including subordinated liabilities) (£'000)	2 920 374	2 610 875	11.9%
Total shareholders' equity (£'000)	2 340 701	2 031 519	15.2%
Total assets (£'000)	20 611 752	18 788 617	9.7%
Net core loans and advances (£'000)	9 687 224	8 620 742	12.4%
Customer accounts (deposits) (£'000)	11 637 497	11 021 581	5.6%
Cash and near cash balances (£'000)	5 813 418	5 026 198	15.7%
Funds under management (£'million)	106 647	97 320	9.6%
Capital adequacy ratio	15.0%	14.6%	
Tier 1 ratio	12.5%	11.1%	
Common equity tier 1 ratio	10.6%	10.9%	
Leverage ratio	8.2%	7.5%	
Leverage ratio – 'fully loaded'	8.1%	7.4%	
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 (i.e. total assets to total equity)	8.8x	9.2x	
Loans and advances to customers: customer accounts (deposits)	83.2%	78.2%	

Credit ratings

Investec plc has a long-term rating of Baa1 (positive) from Moody's. Investec Bank plc, the main banking subsidiary of Investec plc, has a long-term rating of A2 (positive outlook) from Moody's and BBB+ (stable outlook) from Fitch.

Financial performance

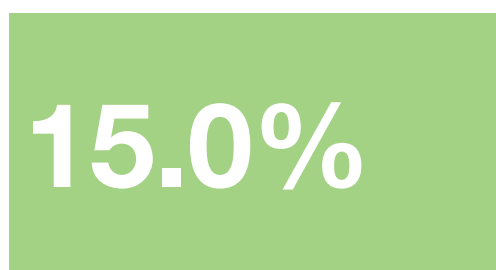
Investec plc reported an operating profit before non-operating items and taxation (but after other non-controlling interests) of £199.4 million for the year to 31 March 2018 (2017: £224.9 million).

The Specialist Bank has continued to see good growth in loan portfolios and client activity which supported solid growth in net interest income. These results were however offset by lower investment and trading income, following particularly strong investment banking and client flow activity levels in the prior period. The Wealth & Investment business and Asset Management business benefited from higher average funds under management and positive net inflows. Growth in costs primarily reflects planned investment in growing the client franchise businesses, notably for the continued build out of the private client banking offering.

Increased impairments were taken on the legacy loan portfolio in anticipation of accelerated exits of certain assets in line with the group's strategy of managing down this portfolio.

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

Capital adequacy



Investec plc holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. The bank has never required shareholder or government support. At 31 March 2018, the capital adequacy ratio of Investec plc was 15.0% and the tier 1 ratio was 12.5%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 ratio and leverage ratio are 10.6% and 8.1%, respectively (where 'fully loaded' is based on Basel III requirements as fully phased in by 2022). These disclosures incorporate the deduction of foreseeable dividends as required by the regulations. Excluding this deduction, the common equity tier 1 ratio would be 45bps higher.

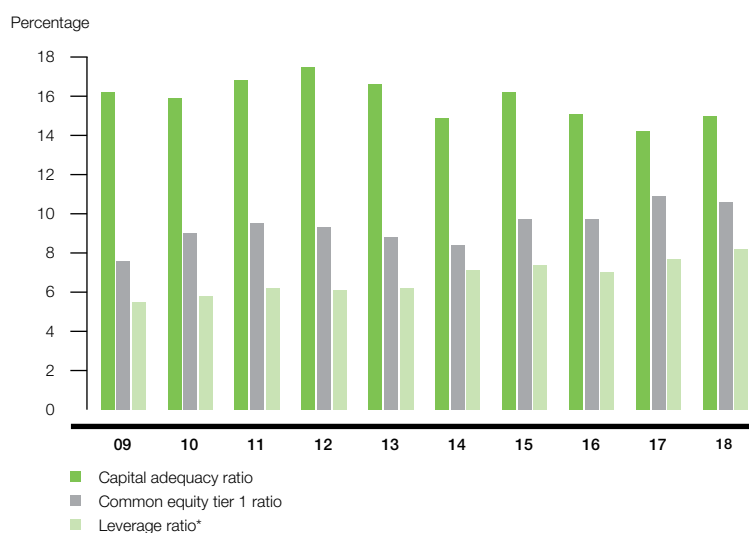
We are on the Standardised Approach in terms of Basel, thus our risk-weighted assets represent a large portion of our total assets.

Gearing



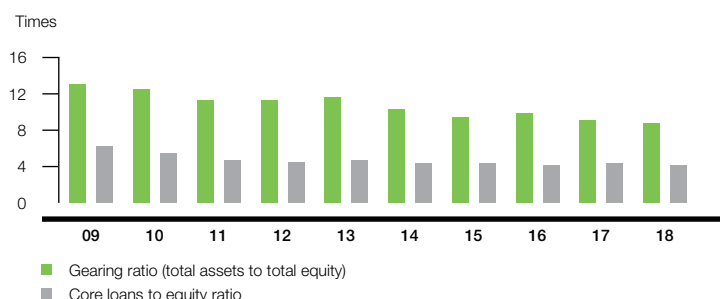
Investec plc is not a highly geared bank. A number of banks that have come into difficulty over the past few years have been in excess of 40 times geared. Investec plc's comparative ratio would be 8.8x times.

Basel capital ratios – standardised approach



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

Gearing ratio



Asset quality and exposures

1.14%
(credit loss ratio)

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

Impairments on loans and advances amounted to £106.1 million for the year to 31 March 2018 (2017: £75.0 million). The credit loss charge as a percentage of average gross core loans and advances amounted to 1.14% at 31 March 2018 (31 March 2017: 0.90%).

Core loans and asset quality



Total defaults as at 31 March 2018 amounted to £360.6 million (31 March 2017: £260.3 million), the increase is largely due to a few specific defaults. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 2.16% (31 March 2017: 1.55%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.40 times (31 March 2017: 1.44 times).

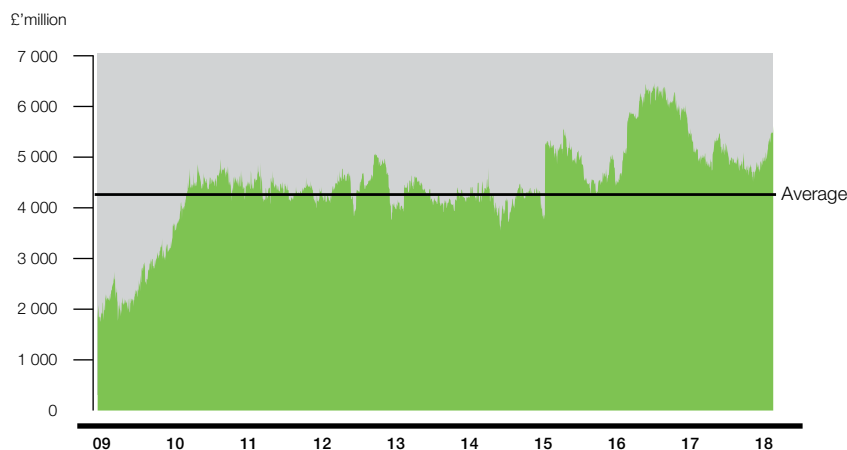
Liquidity and funding

5.8bn
(cash and near cash)

Investec plc has a liquidity management philosophy that has been in place for many years. The bank continues to focus on maintaining a high level of readily available high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%. At 31 March 2018, Investec plc had £5.8 billion of cash and near cash to support its activities, representing approximately 50% of customer deposits.

Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. Investec plc targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits amounted to £11.6 billion as at 31 March 2018 (2017: £11.0 billion). Investec plc's loan to deposit ratio was 83.2% at 31 March 2018 (2017: 78.2%).

Cash and near cash trend



Deposit guarantees

In terms of the Financial Services Compensation Scheme, the UK government guarantees a maximum deposit of £85 000 per individual per institution.

Investec Bank (Channel Islands) Limited is a participant in both the Guernsey and Jersey Banking Deposit Compensation Schemes. These schemes offer protection for 'qualifying deposits/eligible deposits' up to £50 000, subject to certain limitations. The maximum total amount of compensation is capped at £100 million in any five-year period.

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

Our corporate responsibility philosophy

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on or prolongs the life of our planet.

We care about our People

Attracting and developing a strong, diverse and capable workforce.

£6.4 million

Spend on employee learning and development (2017: £8.2 million)

Commitment

- The UK business signed up to the HM Treasury Women in Finance Charter committing to the development of senior female talent pipeline.

We care about our Communities

Unselfishly contributing to our communities through education and entrepreneurship.

£1.7 million

Spend on CSI at March 2018 (2017: £1.9 million)

Recognition

- Winner of the following Business Charity Awards:
 - Community Impact 2017
 - Business of the Year 2017
- Winner of the National CSR Award for Best Community (Legacy) Project 2017
- Winner of the Bromley by Bow partner of the year award
- Bromley by Bow Centre, was awarded the Lord Mayor's Community Partners Dragon Award 2017 for its partnership with Investec in a social enterprise incubator, Beyond Business.

We care about our Environment

Having a positive environmental impact through our operations and business activities.

£1.2 billion

Participated in the **renewable energy sector** (2017: £1.8 billion)

Recognition

- Our 2 Gresham Street office won the Chairman's Cup in the Corporation of London's Clean City Awards Scheme
- The Energy Management System (EnMS) that covers 23 of our offices in the UK, Ireland and Channel Islands was certified ISO50001
- Our 2 Gresham Street's Environmental Management System (EMS) remains certified to ISO 14001.

External recognition and memberships

	2018	2017	2016
Carbon Disclosure Project (CDP) (Investec is a member and Investec Asset Management is a signatory Investor)	B	A-	A-
Dow Jones Sustainability Investment Index (score out of 100)	73	69	69
ECPI Index	Constituent	n/a	n/a
FTSE4Good	Included	Included	Included
JSE Limited Socially Responsible Investment Index	Constituent	Constituent	Constituent
MSCI Global Sustainability Index Series (Investec plc)	AAA	AAA	AAA
Intangible value assessment (IVA) rating	Member	Member	Member
STOXX Global ESG Leaders indices	Participant	Active	Active
United Nations Principles for Responsible Investment (UNPRI)	Signatory	Signatory	Signatory



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