Out of the Ordinary®

Investec

2014

Investec plc

Q and A fact sheet

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Specialist Banking | Asset Management | Wealth & Investment

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 United Kingdom, South Africa and Australia.

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-South 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.

Performance

Investec plc reported a 35.8% increase in operating profit before non-operating items and taxation to £154.4 million for the year ended 31 March 2014 (2013: £113.7 million). The balance sheet remains strong, supported by sound capital and liquidity ratios.

Further detail on Investec plc's results can be found on Investec's website at www.investec.com

Liquidity and funding

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 20%. At 31 March 2014, the bank had £4.3 billion of cash and near cash to support its activities, representing approximately 33.0% of its liability base. 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 have decreased 2.1% since 31 March 2013 to £11.0 billion at 31 March 2014. Investec plc's loan to deposit ratio as at 31 March 2014 was 71.0% (2013: 68.9%).

Capital adequacy

Investec plc holds capital in excess of regulatory requirements and intends to perpetuate this philosophy. The bank has never required shareholder or government support. At 31 March 2014, the capital adequacy ratio of Investec plc was 14.9%, the tier 1 ratio was 10.0%.

The bank's anticipated 'fully loaded' Basel III common equity tier 1 capital adequacy ratio and leverage ratio are 8.4% and 5.9%, respectively (where 'fully loaded' is based on Basel III requirements as fully phased in by 2022). These disclosures incorporate the deduction of forseeable dividends as required by the regulations. Excluding this deduction, the ratio would be 30bps higher.

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 £100 000 000 in any five-year period. Full 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.

Asset quality and exposures

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 geographies, namely the UK and Australia. Investec plc has no exposure to peripheral European sovereign debt.

Impairments in the UK decreased from £171.2 million to £104.8 million, whilst impairments in Australia increased from £17.8 million to £22.1 million, resulting in a total decrease in impairments on loans and advances from £189.0 million to £126.9 million.

Since 31 March 2013 the level of defaults has improved with the percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounting to 3.21% (2013: 3.75%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.13 times (2013: 1.15 times). The credit loss charge as a percentage of average gross core loans and advances has improved from 1.16% at 31 March 2013 to 0.99%.

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 10 times.

Credit ratings

At 22 May 2014 Investec plc has a long-term rating of Ba1 from Moody's. Investec Bank plc, the main banking subsidiary of Investec plc, has a long-term rating of BBB- from Fitch and Baa3 from Moody's.

Key financial statistics for the year ended 31 March 2014

	31 March 2014	31 March 2013*	% change
Operating income (£'000)	1 174 152	1 167 670	0.6%
Operating costs (£'000)	889 522	848 502	4.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests (£'000)	154 395	113 663	35.8%
Earnings attributable to ordinary shareholders (£'000)	91 248	54 569	67.2%
Cost to income ratio	76.2%	73.7%	
Total capital resources (including subordinated liabilities) (£'000)	3 006 706	2 972 008	1.2%
Total shareholders' equity (£'000)	2 265 756	2 224 763	1.8%
Total assets (£'000)	22 674 494	24 351 760	(6.9%)
Net core loans and advances (£'000)	8 222 265	8 250 114	(0.3%)
Customer accounts (deposits) (£'000)	10 956 136	11 190 582	(2.1%)
Cash and near cash balances (£'000)	4 324 449	4 604 615	(6.1%)
Funds under managment (£'million)	69 212	66 623	3.9%
Capital adequacy ratio^	14.9%	16.6%	
Tier 1 ratio^	10.0%	11.0%	
Common equity tier 1	8.3%	8.8%	
Leverage ratio	7.1%	n/a	
Defaults (net of impairments) as a % of net core loans and advances	3.21%	3.75%	
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–	
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average core loans and advances)	0.99%	1.16%	
Total gearing ratio (i.e. total assets to equity)	10.0x	10.7x	
Loans and advances to customers: customer deposits	71.0%	68.9%	

* *Restated.*

^ *Now incorporates the deduction of forseeable dividends as required in terms of the regulations. Excluding this deduction, the ratio would be 30bps higher.*

For queries regarding information in this document:

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