



## A snapshot of the Investec group and Investec Bank plc - December 2009

Founded in 1974, Investec began when a group of entrepreneurs opened a leasing business in Johannesburg. Today, Investec is an international, specialist banking group dual-listed on the London and Johannesburg Stock Exchanges, with over 5,900 employees and total assets of £37 billion.

In terms of Investec's Dual Listed Companies Structure, Investec plc (which houses the non-South African operations) and Investec Limited (which houses 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.

The entity gathering your deposits is Investec Bank plc (IBP) which is the main banking subsidiary of Investec plc. IBP is organised as a network comprising four business divisions: Private Banking, Capital Markets, Investment Banking and Property Activities. Investec Bank (Australia) Limited, Investec Bank (Channel Islands) Limited and a branch in Ireland are the main operating subsidiaries of IBP. IBP is regulated by the Financial Services Authority (FSA) and is a member of the London Stock Exchange.

### Sound operating fundamentals - balance sheet strength maintained without recourse to shareholders, new investors or government assistance

#### Liquidity, funding and deposit gathering

Deposits raised from individuals and businesses are primarily used to fund IBP's core lending activities (see below). IBP has a liquidity management philosophy that has been in place for many years. In this regard, the bank is required to invest a significant portion of deposits gathered in readily available, high quality liquid assets. The bank targets a minimum cash to customer deposit ratio of 20% and at 30 September 2009, IBP had £3.1 billion of cash and near cash to support its activities. Safeguarding depositor interests is sacrosanct.

Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. The Private Bank funds its entire loan book with customer deposits. As at 30 September 2009, loans amounted to £3.6 billion and deposits were £4.9 billion. IBP targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. The bank has been successful in increasing deposits by 25.3% to £6.9 billion at 30 September 2009 (31 March 2009: £5.5 billion).

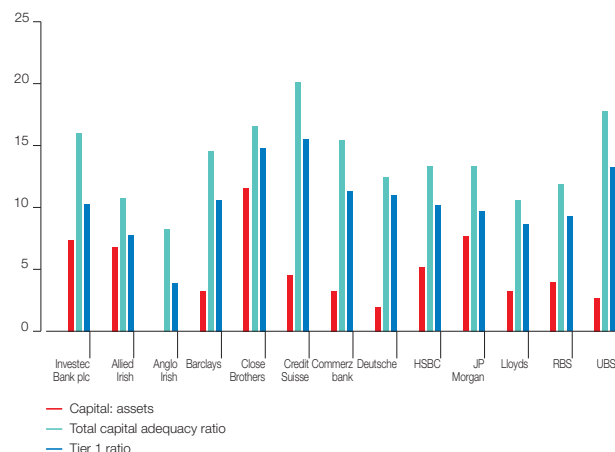
#### Capital adequacy

IBP has always held capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised in a vastly changing banking world. As at 30 September 2009, the capital adequacy ratio of IBP was 15.7% and the tier 1 ratio was 11.1%

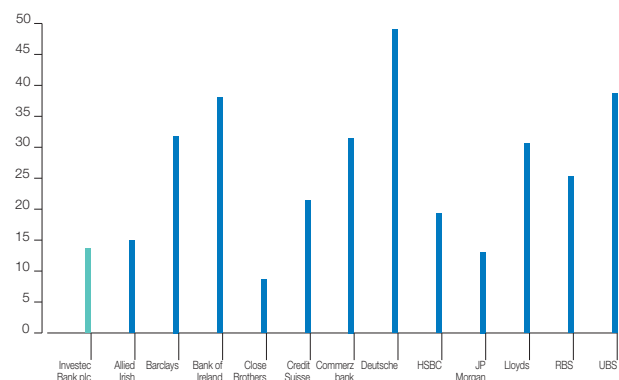
#### Gearing

IBP is not a highly geared bank. A number of banks that have come into difficulty over the last year have been in excess of 40 times geared. IBP's comparative ratio would be 13 times. Peer group comparisons are provided in the graphs below. These are sourced from latest company interim/annual financial results.

Capital ratios %: (larger number is better)



Leverage ratio: (smaller number is better)



#### **UK Government Credit Guarantee Scheme and other deposit guarantees/safeguards**

IBP has not required government support and the FSA has acknowledged its sound balance sheet and stable operating fundamentals which resulted in the bank being eligible to issue up to 3 year debt guaranteed by the UK Government. IBP is not participating in the UK Government Bank Recapitalisation Scheme as it was considered to have sufficient tier 1 capital to participate in the government guarantee scheme without government assistance. In terms of the Financial Services Compensation Scheme the UK government guarantees a maximum deposit of £50 000 per individual per institution.

#### **Our lending model - asset quality and exposures**

The bulk of IBP's credit and counterparty risk arises through its Private Banking and Capital Markets Activities. The Private Bank lends to high net worth and high income individuals and their businesses, whilst the Capital Markets division primarily transacts with mid to large sized corporates, public sector bodies and institutions. Investec has a low appetite for unsecured debt.

IBP continues to focus on asset quality and credit risk. Impairments and defaults on core advances have increased in light of weak economic conditions. Defaults (net of impairments and before collateral) as a percentage of core loans and advances have increased to 5.4% at 30 September 2009 (31 March 2009: 4.7%). The credit loss ratio has remained at 1.6% in line with previous guidance provided (31 March 2009: 1.6%). IBP has limited exposure to rated and unrated structured credit investments ("toxic assets") which amount to less than 2% of assets.

#### **Performance**

Operating fundamentals, although improving, remain mixed and activity levels are below historic trends. IBP's strategy of maintaining a recurring revenue base; operational diversity; strong capital ratios; low leverage ratios; and strict management of liquidity and risk has however, enabled it to navigate through the present challenging operating environment. IBP reported attributable profits of £33.3 million for the six months ended 30 September 2009. Further detail on IBP's interim results can be found on Investec's website at [www.investec.com](http://www.investec.com)

### **Further information**

For queries regarding information on IBP and Investec contained in this document:

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Date of print: December 2009