



Investec Bank plc fact sheet

20 May 2010

Out of the Ordinary[®]

 **Investec**

About Investec Bank plc

Overview of Investec and Investec Bank 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 100 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.

Investec Bank plc (IBP) is the main banking subsidiary of Investec plc and is organised as a network comprising four business divisions: Property Activities, Private Banking, Investment Banking, and Capital Markets. 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 and is a member of the London Stock Exchange.

Performance

Over the past year IBP has concentrated on improving the quality of its balance sheet whilst at the same time moving the business onto the front foot. IBP reported attributable profits of £52.7mn (31 March 2009: £11.5mn) for the year ended 31 March 2010.

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

Liquidity and funding

IBP 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 2010, the bank had £4.8bn of cash and near cash to support its activities. 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 31 March 2010, loans amounted to £3.6bn and deposits were £6.3bn. 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 68.9% to £9.3bn at 31 March 2010 (31 March 2009: £5.5bn).

Capital adequacy

IBP holds 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 31 March 2010, the capital adequacy ratio of IBP was 16.9% and the tier 1 ratio was 12.3%.

UK Government Credit Guarantee Scheme and other deposit guarantees

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 in terms of the Credit Guarantee Scheme 2008. 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.

Investec Bank (Channel Islands) Limited is a participant in the Guernsey Banking Deposit Compensation Scheme (GBDCS). All individual private client deposit accounts are held in Guernsey and are covered by the GBDCS up to a maximum of £50 000 per person.

The Australian government has provided a guarantee on all deposits up to A\$1mn until 12 October 2011 and with no fee applying. Additionally the Australian government has implemented a scheme under which institutions can voluntarily secure a guarantee for deposits greater than A\$1mn or for eligible wholesale funding instruments in exchange for the payment of an annual fee. This scheme can be used for funding with a term of up to 60 months, and the level of fee paid differs based on the ratings level of the relevant institution.

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, whilst the Capital Markets division primarily transacts with mid to large sized corporates, public sector bodies and institutions.

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 4.96% at 31 March 2010 (31 March 2009: 4.70%). The credit loss ratio is 1.7% in line with previous guidance provided (31 March 2009: 1.5%). IBP has limited exposure to rated and unrated structured credit investments ("toxic assets") which amount to less than 3% of assets. Credit risk, however, remains appropriately managed and net defaults (after collateral and impairments) are covered 100%.

Gearing

IBP is not a highly geared bank. A number of banks that have come into difficulty have been in excess of 40 times geared. IBP's comparative ratio would be 14 times.

Credit ratings

IBP has an investment grade credit rating with a long-term rating of BBB from Fitch and Baa3 from Moodys.

Key financial statistics

	Year to 31 March 2010	% change	Year to 31 March 2009
Operating income (£'000)	550 344	22.0%	451 203
Operating expenses (£'000)	383 708	12.4%	341 517
Operating profit before taxation and after minorities (£'000)	49 747	58.0%	31 483
Operating profit before taxation, after minorities and before impairments (£'000)	182 933	29.1%	141 719
Attributable earnings (£'000)	52 717	>100.0%	11 510
Cost to income ratio	69.7%		75.7%
Total capital resources (incl sub-debt) (£'mn)	1 720	2.7%	1 674
Total shareholders' equity (£'mn)	1 182	19.9%	986
Total assets (£'mn)	16 981	22.8%	13 828*
Core loans and advances to customers (£'mn)	7 225	(1.5%)	7 335
Customer deposits (£'mn)	9 265	68.9%	5 486
Capital adequacy ratio	16.9%		15.9%
Tier 1 ratio	12.3%		10.3%
Default loans (net of impairments) as a % of core loans and advances	4.96%		4.70%
Credit loss ratio	1.71%		1.52%

* The prior year balance sheet has been restated to adjust the values of derivative assets and liabilities where, whilst the legal right to settle net exists, it is not market practice to do so. This restatement had no impact on equity.

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