Investec

Bank

# A snapshot of the Investec group, Investec Bank plc and Investec Bank (Channel Islands) Limited

Founded in 1974, Investec began when a group of entrepreneurs opened a leasing business in Johannesburg. Today, Investec is an international, specialist bank and asset manager dual-listed on the London and Johannesburg Stock Exchanges, with approximately 7 000 employees and total assets of £49bn.

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 (Channel Islands) Limited which is a subsidiary of Investec Bank plc (IBP), the main banking subsidiary of Investec plc (a FTSE 100 company). IBP is organised as a network comprising five business divisions: Wealth & Investment, Property Activities, Private Banking, Investment Banking and Capital Markets. IBP is regulated by the Financial Services Authority (FSA) and is a member of the London Stock Exchange.

## An overview of Investec Bank (Channel Islands) Limited and regulation in the Channel Islands

The majority of Investec Bank (Channel Islands) Limited's activities form part of IBP's Private Banking division. As at 31 March 2011 Investec Bank (Channel Islands) Limited had £132mn of capital and reserves, total assets of £1.6bn and a loan book of £545mn.

The finance industry in the Channel Islands is regulated by the Guernsey and Jersey Financial Services Commissions, whose mandate it is, to administer legislation that protects depositors and oversee all aspects of the financial community in their respective jurisdiction. Banks are strictly regulated and controlled by these regulators. The Channel Islands are recognised by global regulatory authorities as having a stable, well-regulated environment with a skilled workforce and excellent communications with the rest of the world.

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 5 year period. Full details are available on request or alternatively on the Guernsey Scheme's website www.dcs.gg or on the Jersey States website www.gov.je which will also highlight the banking groups covered.

## Sound operating fundamentals - IBP 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 31 March 2011, IBP had £4.3bn of cash and near cash to support its activities. Safeguarding depositor interests is sacrosanct.

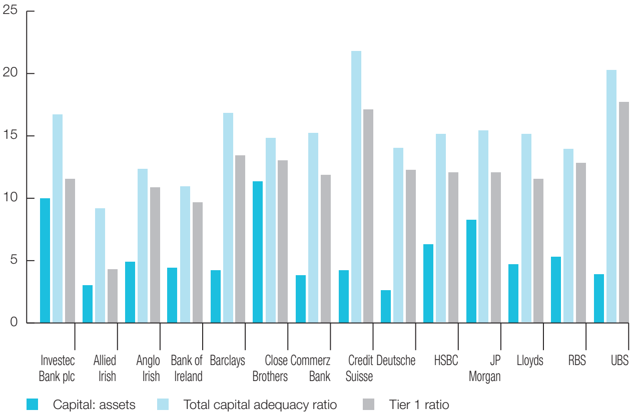
Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. The Private Bank funds its entire loan book with customer deposits. As at 31 March 2011, loans amounted to £3.4bn and deposits were £6.1bn. IBP targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. The bank has increased deposits by 11.5% since 31 March 2010 to £10.3 billion at 31 March 2011.

### Capital adequacy

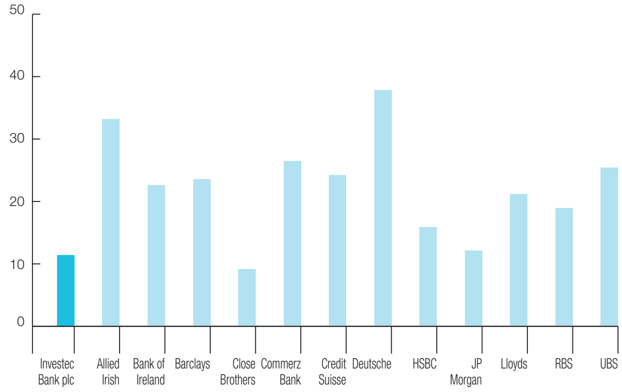
IBP holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised in a vastly changing banking world. As at 31 March 2011, the capital adequacy ratio of IBP was 16.1% and the tier 1 ratio was 11.3%

Gearing
IBP 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. IBP's comparative ratio would be 11.2 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
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.

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 improving asset quality and credit risk. The uncertain pace of economic recovery has slowed the improvement in the level of non-performing loans and defaults have continued to increase. Defaults (net of impairments and before collateral) as a percentage of core loans and advances have increased to 5.68% at 31 March 2011 (2010: 4.96%). The credit loss ratio has increased to 1.98% (2010: 1.71%). IBP has limited exposure to rated and unrated structured credit investments which amount to approximately 3% of assets. Credit risk, however, remains appropriately managed and defaults (net of impairments) are fully collaterialised.

Performance
IBP reported a 41.0% increase in operating profit before non-operating items and taxation to £70.2mn for the year ended 31 March 2011.

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

Credit ratings
As at 31 March 2011 IBP has an investment grade credit rating with a long-term rating of BBB from Fitch and Baa3 from Moodys.

## Further information

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

Investor Relations
Tel: (44) 20 7597 5546
e-mail: investorrelations@investec.com
Internet address: www.investec.com

For more information on our private banking offering:

Investec Bank (Channel Islands) Limited
The Financial Intermediaries team
Investec Bank (Channel Islands) Limited, PO Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP
Tel: (44) 1481 723 506
Internet address: www.investec-ci.com

Date of print: August 2011

IR006 09/11