

## Impala Secured BT Bond 4.20% Fixed-to-Floating 2025

10 March 2015

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Issuer	Investec Bank plc
ISIN / SEDOL	XS1204597758 / BWCGX22
Format	Senior Secured, Dated, Unsubordinated
Security	TelSec Var 2031 Secured Class C Debt
Security Rating	BBB / BBB
Maturity Date	10 December 2025
Coupon (paid quarterly)	4.20% p.a. to 10 Mar 2020; thereafter 3-month GBP Libor + 2.50% p.a. to 10 December 2025
Issue Price	100.00
Minimum Denominations	£1,000 plus increments of £100
Listing & Trading	London Stock Exchange
Pricing	Committed on the LSE, Bloomberg
Close Date	24 March 2015
Issue Date	1 April 2015

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### Why Secured BT?

#### BT

- UK's leading provider of local, long-distance and international telecommunications services in the UK, and one of the world's leading providers of communication solutions and services, operating in 170 countries
- FTSE 100 company with a market capitalization of £37bn (26/2/15) and total assets of £24bn
- There are considerable barriers to entry given the need for intensive capex and nationwide network coverage
- Rated BBB with a strong financial position with large headroom under covenants and solid liquidity

#### Security Issuer: TelSec (PropCo)

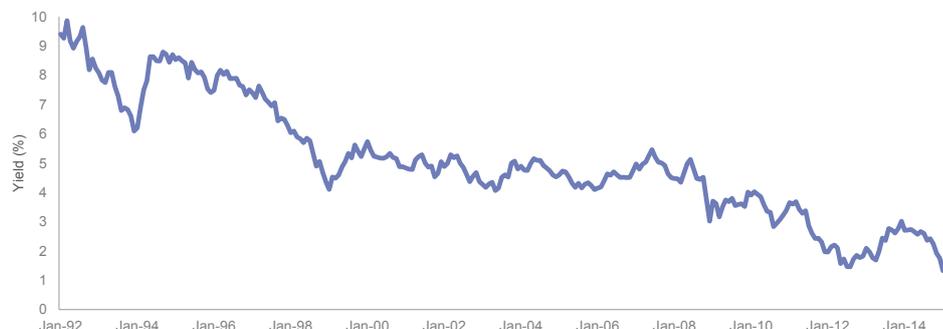
- The bonds benefit from a solid security package on top of an unsecured claim on BT plc
- Security package includes BT's operating assets: first right on 5,399 UK properties
- All properties are let to a single tenant, BT under a 35 year lease
- LTV on the basis of vacant possession is 94% on the Secured Class C Debt

Source: Investec, Credit Rating Reports and BT Annual Report March 2014

Continued overleaf

## Why is the Impala note being offered as a Fixed-to-Floating Rate Bond?

- The initial fixed rate for 5 years enables investors to lock-in an attractive fixed coupon (4.20%) in the first half of the investment horizon
- The floating rate coupon offered for the final 5 years of the investment addresses the market expectation of rising interest rates over the medium term. 3-month Libor is expected to be at 2.1% (Bloomberg, 10 March 2015) in 5 years' time
- The new Impala bond reduces the maturity of the TelSec Secured bond from 13.8 to 10.7 years (weighted average life) and has a duration of 4.4 years
- Bond investors are concerned about the impact of Gilt yields rising, especially over the medium-to-long term, resulting in greater price volatility in fixed rate bonds. These concerns have intensified recently given the volatility in yields
- Gilt yields are close to all time lows:



- Where will rates go in the future?

Source: Bloomberg

- Investing in bonds which have a floating rate of income reduces interest rate exposure whilst ensuring income reflects changes in interest rates

## Risk and considerations

- Investors will retain credit exposure to TelSec Secured Class C Debt, “the underlying credit”. The price of the Impala Secured BT bond will therefore be affected by changes in the underlying credit
- In the event that Investec or the underlying credit becomes insolvent, investors will have exposure to TelSec Var 2031, “the underlying bond”, in addition to the mark-to-market of the swap put in place by Investec
- The Impala bonds, although listed on the Official List of the UKLA and admitted to trading on the LSE, can only ever be as liquid as the underlying bond
- Investec undertake, under normal market conditions, to make a live daily market on the Impala bonds





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