

# Impala Thames Water 4% Fixed-to-Floating Rate Notes 2025

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Issuer Series	IMP THA WTR CAY 4%/FLTG RTE NTS 19/06/25
ISIN / SEDOL	XS1082769321 / BNLPWJ7
Format	Senior Secured, Dated, Unsubordinated
Security	Thames Water Utilities Cayman Finance Ltd 4% 2025 Senior Secured Debt
Security Rating	A3 / A-
Maturity Date	19 June 2025
Coupon (paid quarterly)	4% p.a. from and including Issue Date to but excluding 19 June 2017 3-month Libor + 0.50% p.a. from and including 19 June 2017 to but excluding Maturity Date
Issue Price	100.00
Minimum Denominations	£1,000 plus increments of £100
Listing & Trading	London Stock Exchange
Pricing	Committed on the LSE, Bloomberg
Issue Date	10 July 2014

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The Impala Thames Water 4% Fixed-to-Floating Rates Notes 2025 are issued by Investec Bank plc.

## Why Thames Water?

### Thames Water Group

- Thames Water is the largest water company in the UK: £11.6bn Regulatory Capital Value / £1.9bn turnover, providing water to 9 million customers and sewage treatment for 15 million clients
- Highly regulated business (Ofwat), Thames Water generates stable and predictable cashflows
- Benefits from a natural monopoly position in the most affluent and economically stable region in the UK (Greater London and Thames Valley)

### Underlying Security Issuer: Thames Water Utilities Cayman Finance Ltd (OpCo)

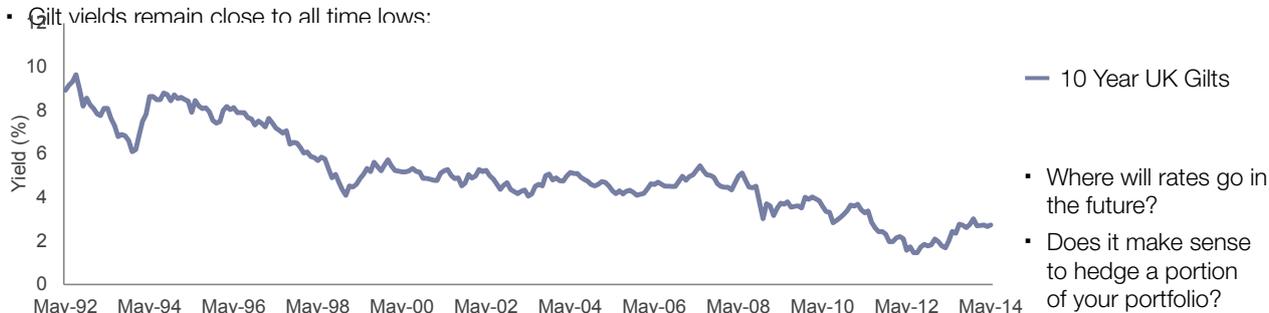
- The underlying bond issuer is one of the two Operating Companies ("OpCos") issuing bonds to finance the regulated assets of Thames Water ("Thames Water Utilities Ltd"). The bonds benefit from the safest position in the ring-fenced financing structure and rank senior secured to the regulated assets (i.e. Class A bonds)
- Thames Water Utilities Ltd benefits from strong financial flexibility, with leverage at 77% against a maximum covenant 85% and adjusted interest cover of 1.8x against a covenant of minimum 1.2x
- Solid liquidity profile with predictable and stable cash flows, generous cash balance and committed undrawn RCF

Sources: Investec, Moody's April 2014, S&P July 2013 and Thames Water Utilities Limited March 2014 Annual Report

Continued overleaf

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

- The initial fixed rate for 3 years enables investors to lock-in an attractive fixed coupon in the earlier years of their investment
- The floating rate coupon offered for the final 8 years of the investment addresses the market expectations of rising interest rates over the medium term
- The new Impala note reduces the duration of the Thames Water bond from 8.7 to 2.74 years
- Bond investors are concerned about the impact of Gilt yields increasing, especially over the medium-to-long term, resulting in greater price volatility in fixed rate bonds. These concerns have intensified recently given the sharp rise in yields
- Gilt yields remain close to all time lows:



- Investing in bonds which have a floating rate of income reduces interest rate exposure whilst ensuring income reflects changes in interest rates
- Impala notes bridge the gap between investor demand for floating rate bonds and their limited availability in the market
- This issuance also offers an attractive fixed rate for the first 3 years

## Summary of risks and considerations

- Investors will retain credit exposure to the underlying credit, Thames Water UCF Senior Secured debt. The price of the Impala Thames Water note will therefore be affected by changes in the underlying credit
- The issuer is Investec Bank plc. In the event that Investec or the underlying credit becomes insolvent, investors will have exposure to the underlying fixed coupon bond (Thames Water UCF 4% 2025), in addition to the mark-to-market of the swap put in place by Investec.
- The Impala notes, 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 fixed coupon bond
- Investec undertake, under normal market conditions, to make a live daily market on the Impala notes
- Full risks associated with the proposed Impala note are set out in the £2,000,000,000 Impala Structured Notes Prospectus dated 23 July 2013 (as supplemented from time to time).





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