

# Possibilities and opportunities

Investec Bank Limited

Q & A fact sheet  
May 2022



## OVERVIEW OF INVESTEC AND INVESTEC BANK LIMITED

Investec partners with private, institutional and corporate clients, offering international banking, investments and wealth management services in two principal markets, South Africa and the UK, as well as certain other countries. The group was established in 1974 and currently has approximately 8,300+ employees.

In July 2002, the Investec group implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg.

Investec Limited (housing the Southern African operations) and Investec plc (housing the non-Southern African operations) form a single economic enterprise where shareholders have common economic and voting interests. Creditors, however, are ring-fenced to either Investec Limited or Investec plc as there are no cross guarantees between the companies.

Investec Bank Limited (IBL) is the main banking subsidiary of Investec Limited while Investec Bank (Mauritius) Limited is IBL's main operating subsidiary. IBL is regulated by the South African Prudential Authority.

## Key financial statistics

Key financial statistics	31 March 2022	31 March 2021	% change
Total operating income before expected credit loss impairment charges (R'million)	<b>14 304</b>	12 049	18.7 %
Operating costs (R'million)	<b>7 048</b>	6 469	9.0 %
Operating profit before goodwill and acquired intangibles (R'million)	<b>7 247</b>	5 013	44.6 %
Headline earnings attributable to ordinary shareholders (R'million)	<b>5 260</b>	4 133	27.3 %
Cost to income ratio	<b>49.3%</b>	53.7%	
Total capital resources (including subordinated liabilities) (R'million)	<b>55 973</b>	59 481	(5.9)%
Total equity (R'million)	<b>46 840</b>	46 545	0.6 %
Total assets (R'million)	<b>553 876</b>	509 492	8.7 %
Net core loans and advances (R'million)	<b>294 757</b>	283 240	4.1 %
Customer accounts (deposits) (R'million)	<b>420 072</b>	374 369	12.2 %
Loans and advances to customers as a % of customer accounts (deposits)	<b>68.4%</b>	73.5%	
Cash and near cash balances (R'million)	<b>159 454</b>	129 759	22.9 %
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	<b>11.4x</b>	10.6x	
Total capital ratio <sup>^</sup>	<b>20.0%</b>	17.8%	
Tier 1 ratio <sup>^</sup>	<b>16.6%</b>	13.7%	
Common equity tier 1 ratio <sup>^</sup>	<b>15.8%</b>	13.3%	
Leverage ratio <sup>^</sup>	<b>7.9%</b>	8.1%	
Leverage ratio (fully loaded) <sup>^</sup>	<b>7.9%</b>	8.1%	
Stage 3 as a % of gross core loans subject to ECL	<b>1.8%</b>	2.5%	
Stage 3 net of ECL as a % of net core loans subject to ECL	<b>1.4%</b>	2.1%	
Credit loss ratio	<b>0.00%</b>	0.18%	
Net Stable Funding Ratio % (NSFR)	<b>112.6%</b>	113.4%	
Liquidity Coverage Ratio % (LCR) <sup>*</sup>	<b>138.9%</b>	164.0%	

\* In 2020, part of the Prudential Authority's response to the expected negative impact of COVID-19 on liquidity in financial markets was to reduce the LCR requirement for banks from 100% to 80%. On 1 September 2021, the Prudential Authority communicated that the LCR requirement will increase to 90% on 1 January 2022 and back to 100% on 1 April 2022.

<sup>^</sup> Investec Bank Limited received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for the SME and Corporate models, effective 1 April 2021. 31 March 2021 numbers are reported on the FIRB approach; we have presented numbers on a pro-forma Increased AIRB Scope basis for 31 March 2021.

## FINANCIAL INFORMATION

Unless the context indicates otherwise, all comparatives referred to in the financial information relate to the financial year ended 31 March 2021 (FY2021). For the financial year ended 31 March 2022 (FY2022), IBL reported an increase in headline earnings attributable to ordinary shareholders of 27.3% to R5 260 million (FY2021: R4 133 million). IBL has sound capital and liquidity buffers.



Further details on IBL's results can be found on Investec's website at [www.investec.com](http://www.investec.com)

## Capital adequacy

# 20.0%

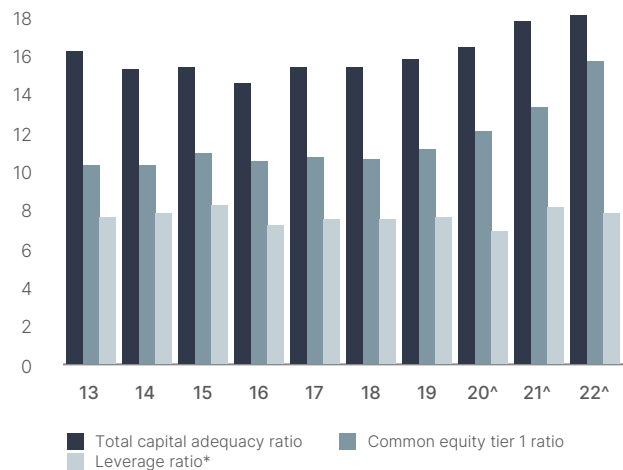
Total capital adequacy ratio

IBL holds capital in excess of regulatory requirements and intends to perpetuate this philosophy to ensure that it remains well capitalised. As at 31 March 2022, the total capital adequacy ratio of IBL was 20.0% and the common equity tier 1 ratio (CET1) was 15.8%.

Approval was received from the Prudential Authority to adopt the Advanced Internal Ratings Based (AIRB) approach for the bank's SME and Corporate models effective 1 April 2021. We have made progress in our application to adopt AIRB on remaining models where capital is still measured on FIRB. On full AIRB adoption, the CET1 ratio at 31 March 2022 would on a pro forma basis increase by 200bps to c.18%.

## Basel capital ratios

Percentage



\* The leverage ratio has only been disclosed since 2014. Historic information has been estimated.

^ FY22 is based on increased AIRB scope; FY20 and FY21 are on the FIRB approach; all prior years are on the Standardised approach.

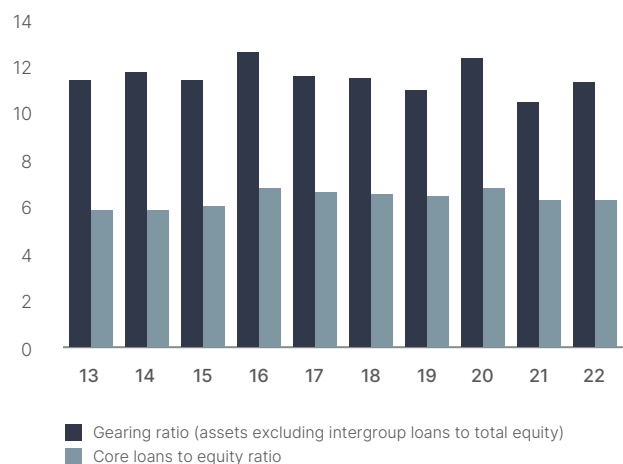
## Gearing

# 11.4x

IBL is not a highly geared bank. A number of banks that have experienced difficulty in the past have been in excess of 40 times geared. IBL's gearing ratio at 31 March 2022 was 11.4x.

## Gearing ratio

Times



## FINANCIAL INFORMATION CONTINUED

### Asset quality and exposures

# 0.00%

Credit loss ratio

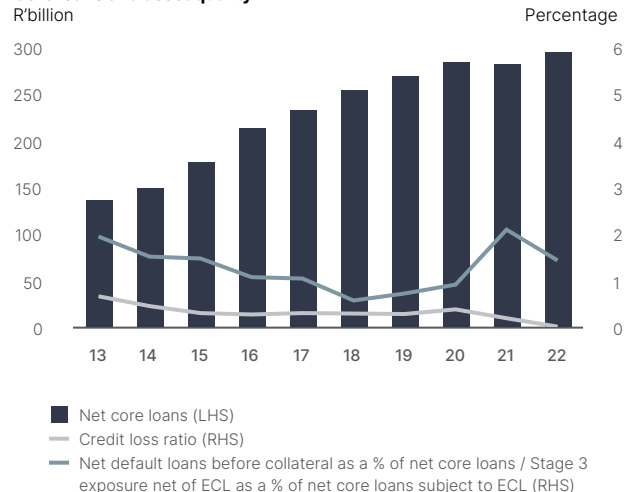
The bulk of IBL's credit and counterparty risk arises through its private and corporate client activities in South Africa. The bank lends to high net worth and high income individuals, mid-to large-sized corporates, public sector bodies and institutions.

The total ECL impairment charges amounted to R9 million for the financial year ended 31 March 2022 (2021: R567 million). The credit loss ratio was 0.00% (2021: 0.18%).

Stage 3 exposures net of ECL at 31 March 2022 amounted to R4 161 million (31 March 2021: R5 855 million).

Stage 3 exposure net of ECL as a percentage of net core loans subject to ECL as at 31 March 2022 amounted to 1.4% (31 March 2021: 2.1%).

### Core loans and asset quality

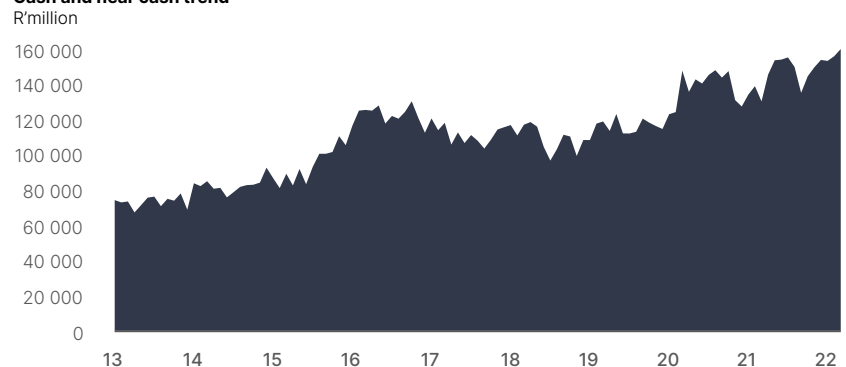


### Liquidity and funding

# R159.5 billion

Cash and near cash

### Cash and near cash trend



IBL has a liquidity management philosophy that has been in place for many years. The bank continues to focus on maintaining a stock of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%.

As at 31 March 2022, the bank had R159.5 billion 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. IBL targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency.

Customer deposits increased by 12.2% to R420.1 billion at 31 March 2022 (31 March 2021: R374.4 billion). The bank's loan to customer deposit ratio was 68.4% as at 31 March 2022 (31 March 2021: 73.5%).

There are no deposit guarantees in South Africa.



SUSTAINABILITY

# Sustainability highlights

Operate responsibly, finance and invest for a sustainable future and maintain our competitive ESG position

Governance	Sustainable finance	Positioning
<ul style="list-style-type: none"> <li>Implemented a more holistic ESG framework linked to <b>executive remuneration</b></li> <li><b>Deepened our ESG skills</b> on the DLC Social and Ethics Committee (DLC SEC) with the addition of two new Non-Executive Directors, Nicky Newton-King and Jasandra Nyker</li> </ul>	<ul style="list-style-type: none"> <li>Investec Bank Limited successfully closed a <b>\$600 million sustainability-linked</b> term loan facility (2.5x oversubscribed)</li> <li><b>\$35 million</b> raised by Investec Wealth &amp; Investment at 31 March 2022 through the launch of a Global Sustainable Equity Fund</li> </ul>	<ul style="list-style-type: none"> <li>Received a <b>low-risk rating</b> from Sustainalytics (16.6)</li> <li>Aligned to the UN SDGs: Obtained <b>5-star rating</b> from Support the Goals</li> </ul> 

Consistently well-positioned in international ESG rankings and ratings			
			
<p><b>Top 15%</b> in the global diversified financial services sector (inclusion since 2006)</p>	<p><b>Top 13%</b> of globally-assessed companies in the Global Sustainability Leaders Index</p>	<p><b>Top 2%</b> in the financial services sector in the MSCI Global Sustainability Index</p>	<p><b>Score B</b> against an industry average of B (formerly Carbon Disclosure Project)</p>

			
<p><b>Top 20%</b> of the ISS ESG global universe</p> <p><b>Top 14%</b> of diversified financial services</p>	<p><b>1 of 43</b> banks and financial services in the Global ESG Leaders Index (total of 439 components)</p>	<p><b>Included</b> in the FTSE UK 100 ESG Select Index (out of 641)</p> <p><b>Included</b> in the FTSE4Good Index</p>	<p><b>Top 30</b> in the FTSE/JSE Responsible Investment Index</p>

SUSTAINABILITY  
CONTINUED

# Addressing climate change and reducing inequalities

Through our impact on the UN Sustainable Development Goals

**13 CLIMATE ACTION**



**Climate action**


Scope 3 financed emissions	R461 million
Implemented a focused project to understand our Scope 3 financed emissions and establish a baseline, strategy and targets to reach net-zero	Banking exposure to coal (March 2021: R573mn)

A proud participant of: <b>Climate Action 100+</b> Global Investors Driving Business Transition	<b>Net-Zero Banking Alliance</b> Industry-led, UN-converted
Investec Wealth & Investment committed	Investec Group committed

**Providing profitable, impactful and sustainable products and services and innovative sustainability offerings**

Some examples are shown below


**4 QUALITY EDUCATION**



**R2.27 billion**

Funding for student accommodation


**6 CLEAN WATER AND SANITATION**



**R1.65 billion**

To secure South Africa's water resources through Trans-Caledon Tunnel Authority


**7 AFFORDABLE AND CLEAN ENERGY**



**R1 billion**

First green bond issued for renewable energy projects (3.8x oversubscribed)


**8 DECENT WORK AND ECONOMIC GROWTH**



**€82 million**

Arranged finance for Ghana road upgrade project

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**



**\$1 billion**

Lead arranger and lender for Vantage's hyperscale data centre development in South Africa

**11 SUSTAINABLE CITIES AND COMMUNITIES**



**€215 million**

Lead arranger for Ghana's healthcare infrastructure

**10 REDUCED INEQUALITIES**



**Reduced inequalities**

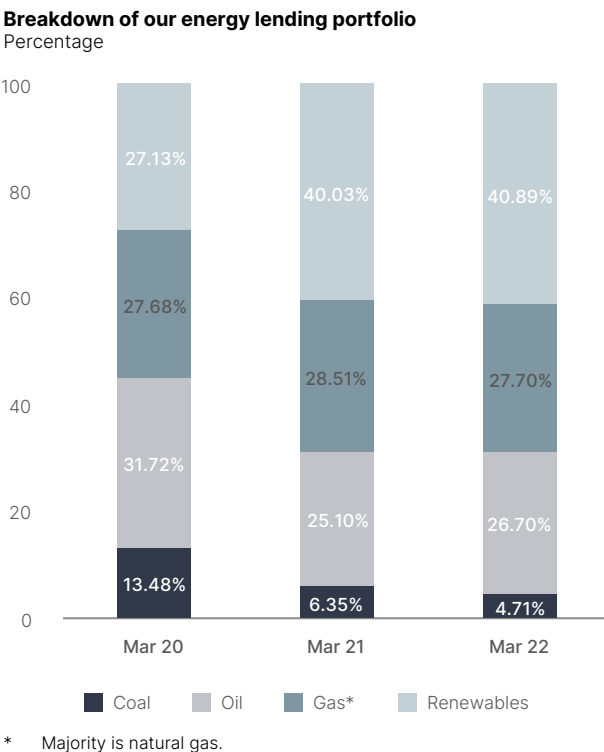
30%	50%
Women on the board	Board ethnic diversity

4th	Level 1
in the 2021 Universum employer of choice survey by students in South Africa	BBBEE rating

**Minimal exposure to coal**

0.15% Coal as a percentage of loans and advances (31 March 2021: 0.20%)

4.71% Coal as a percentage of energy lending (31 March 2021: 6.35%)



## CREDIT RATINGS

IBL's long-term and short-term credit ratings from Fitch, Moody's, Standard & Poor's and GCR are in line with its larger domestic peers and are listed below:

	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>GCR</b>
<b>Investec Bank Limited</b>				
National long-term rating	AA+(zaf)	Aa1.za	za.AA	AA(za)
National short-term rating	F1+(zaf)	P-1.za	za.A-1+	A1+(za)
Foreign currency long-term rating	BB-	Ba2	BB-	BB
Foreign currency short-term rating	B	NP	B	B
Outlook	Stable	Stable	Positive	Negative

## FOR FURTHER INFORMATION:

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