Investec

OUT OF THE ORDINARY

Creating enduring worth

Investec plc Group

Pillar 3 quarterly disclosure report - 31 December 2023

CONTENTS

ABBREVIATIONS

In the sections that follow, the following abbreviations are used:

AT1	Additional Tier 1
CCB	Capital Conservation Buffer
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
DLC	Dual Listed Company
DLC BRCC	DLC Board Risk and Capital Committee
ECL	Expected Credit Loss
EU	European Union
FCA	Financial Conduct Authority
FHC	Financial Holding Company
FPC	Financial Policy Committee
Group	Investec plc and its subsidiaries
HQLA	High-Quality Liquid Assets
JSE	Johannesburg Stock Exchange
LCR	Liquidity Coverage Ratio
LSE	London Stock Exchange
NSFR	Net Stable Funding Ratio
PRA	Prudential Regulation Authority
RWAs	Risk Weighted Assets
SA	Standardised Approach
SREP	Supervisory Review Process
SME	Small and Medium Sized Enterprises
T2	Tier 2
UK	United Kingdom

01

Introduction

INTRODUCTION

Investec plc is a Specialist Banking Group with access to a diversified wealth management offering to deliver an extensive range of products and services.

The Investec distinction is embodied in our entrepreneurial culture, supported by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative. We do not seek to be all things to all people. Our aim is to build well-defined, value-adding businesses focused on serving the needs of select market niches where we can compete effectively and build scale and relevance.

Our unique positioning is reflected in our iconic brand, our high-touch and high-tech approach and our positive contribution to society, macro-economic stability and the environment. Ours is a culture that values purposeful thinking and stimulates extraordinary performance. We take pride in the strength of our leadership team, our people are empowered and committed to our values and culture.

During July 2002, Investec Group Limited (since renamed Investec Limited) implemented a dual listed company (DLC) structure and listed its offshore business on the London Stock Exchange (LSE).

In terms of our DLC structure, Investec Limited is the holding company of our businesses in South Africa and Mauritius, and Investec plc is the holding company of our non-Southern African businesses. Investec Limited is listed on the Johannesburg Stock Exchange Limited (JSE) South Africa (since 1986) and Investec plc on the LSE (since 2002). Investec plc is a FTSE 250 company.

Investec plc and Investec Limited are separate legal entities, but are bound together by contractual agreements and mechanisms. Investec operates as a single unified 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.

Regulation and supervision

Investec plc is an approved United Kingdom (UK) Financial Holding Company (FHC). In line with the Capital Requirements Directive (CRD) V requirements and Capital Requirements Regulation (CRR) II amendments requiring FHC and Mixed FHC of Prudential Regulation Authority (PRA)-regulated subsidiaries to become approved holding companies, Investec plc applied in June 2021 for approval in accordance with Part 12B of the Financial Services and Markets Act 2000. The approval was effective 14 October 2021. Investec plc is now responsible for ensuring compliance with prudential requirements on a consolidated basis. Investec Bank plc, the main banking subsidiary of Investec plc, continues to be authorised by the PRA and regulated by the Financial Conduct Authority (FCA) and the PRA.

Investec plc calculates capital resources and requirements using the Basel 3 framework, as implemented in the European Union (EU) through the CRD IV, as amended by CRR II and CRD V. Following the end of the Brexit transitional period, the EU rules (including binding technical standards) have been onshored and now form part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018.

Subsidiaries of Investec plc may be subject to additional regulations, as implemented in other relevant jurisdictions.

The Basel 3 framework is structured around three 'pillars' namely Pillar 1 minimum capital requirements, Pillar 2 supervisory review process and Pillar 3 market discipline. Pillar 3 aims to complement the other two pillars by developing a set of disclosure requirements that will allow market participants to gauge the capital adequacy of a firm.

Policy

The Pillar 3 disclosures in this document are prepared in accordance with the Disclosure (CRR) part of the PRA rulebook, which took effect 1 January 2022, at the Investec plc consolidated Group level, which includes Investec plc and its subsidiaries (the Group) as at 31 December 2023, with comparative figures provided for 30 September 2023, 30 June 2023, 31 March 2023, and 31 December 2022 where relevant.

The Group is classified as a 'large institution' and is therefore subject to quarterly Pillar 3 reporting.

The Pillar 3 disclosures are published in a standalone disclosure report and are available to view on the Investec website at www.investec.com. The Pillar 3 disclosures of the Group are governed by the Investec plc Pillar 3 disclosure policy, which is approved by the DLC Board Risk and Capital Committee (DLC BRCC), a delegated sub-committee of the Investec plc Board. The Board delegates responsibility for review and approval of these disclosures to DLC BRCC.

Large subsidiary disclosures are published semi-annually. The sub-set of Pillar 3 disclosures for Investec Bank plc as at 30 September 2023 are included in Appendix A of the Investec plc Group and Investec Bank plc Interim Pillar 3 disclosure report. The disclosure report can be found on the Investec Group's website.

Philosophy and approach to capital and liquidity

Investec plc has maintained a conservative approach to capital and liquidity for many years, long before many of the regulations came into effect. The Group holds capital in excess of regulatory requirements and remains well capitalised. At 31 December 2023, the Common Equity Tier 1 (CET1) ratio of the Group was 11.5%. As Investec plc is on the Standardised Approach (SA), our risk weighted assets (RWAs) represent a large portion of our total assets. As a result, we inherently hold more capital than firms who apply the Advanced Internal Ratings-Based Approach.

The Group retains one of the highest leverage ratios amongst its peers, whilst meeting the Basel 3 liquidity requirements for some time. The leverage ratio – calculated as regulatory capital over regulatory balance sheet assets for the Group – was 8.9% at 31 December 2023.

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. As such, the Group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices.

We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash to customer deposit ratio of 25%.

At 31 December 2023, the Group's point in time Liquidity Coverage Ratio (LCR) was 339% and the point in time Net Stable Funding Ratio (NSFR) was 138%, well above the minimum regulatory minimum of 100%. The LCR and NSFR ratios disclosed in table 1 Key Metrics (UK KM1) reflects the trailing 12-month and 4-quarter average ratios respectively.

Minimum capital requirements

Investec plc's minimum CET1 requirement at 31 December 2023 is 8.6% comprising a 4.5% Pillar 1 minimum requirement, a 2.5% Capital Conservation Buffer (CCB), a 0.3% Pillar 2A requirement and a 1.3% Countercyclical Capital Buffer (CCyB). The Group's institution-specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. The UK CCyB rate increased as per below and caused an increase in Investec plc's minimum CET1 requirement.

Regulatory environment

Regulatory developments

From 5 July 2023, the UK CCyB rate increased from 1% to 2%. The Financial Policy Committee (FPC) agreed when they met in July 2023, to maintain the UK CCyB rate at 2%, ensuring banks have sufficient capacity to absorb future shocks without unduly restricting lending.

On 30 November 2022, the PRA published a consultation paper on the Implementation of the Basel 3.1 standards, which set out the proposed rules and expectations that cover parts of the Basel 3 standards that remain to be implemented in the UK and relate to the calculation of RWAs.

The Basel 3.1 standards aim to restore credibility in risk-weighted ratios, by introducing more robust and risk-sensitive standardised approaches, whilst curtailing the RWA benefits Internal Models can provide. The proposals aim to advance the PRA's primary objective to promote the safety and soundness of the firms that it regulates. By improving the measurement of risk, the PRA are of the view that it will help ensure firms are adequately capitalised given the risks they are exposed to. Whilst the PRA are proposing limited adjustments to the international standards in order to adhere to the global reforms, they have proposed the removal of several onshored EU discretions, such as the small and medium sized enterprise (SME) supporting factor.

The consultation closed for comment on 31 March 2023 with the rule changes initially planned to take effect from 1 January 2025. However, on 27 September 2023, the PRA released a statement confirming that the final rules will be published in two parts. The first set of rules will be published in Q4 2023 and will cover market risk, credit valuation adjustment (CVA) risk, counterparty credit risk (CCR) and operational risk. The second set of rules will be published in Q2 2024 and will cover the remaining elements: credit risk, the output floor and the reporting and disclosure requirements. Additionally, the PRA has confirmed that implementation will be delayed by six months to 1 July 2025, with full compliance required by 1 January 2030.

On 12 December 2023, the PRA published part 1 of the near-final rules in policy statement 17/23, confirming the implementation date as 1 July 2025 with full implementation by 1 January 2030. The second set of rules is due to be published in Q2 2024. Once HM Treasury has passed legislation to revoke the relevant parts of the onshored CRR, the PRA will issue a final final policy statement, containing all of the Basel 3.1 standards.

The PRA have also indicated in the Basel 3.1 consultation that the Pillar 2A framework will need to be recalibrated as a result of the changes to the standardised approaches for the different risk types. The PRA confirmed in the latest policy statement that an off-cycle review of firm-specific Pillar 2 capital requirements will be conducted ahead of day 1 implementation.

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Key metrics

KEY METRICS

Overview of key metrics

This table shows key regulatory capital and liquidity metrics and ratios as well as available own fund amounts, RWAs, additional own fund requirements and leverage.

Table 1: Key metrics (UK KM1)

Ref^	£'million	31 Dec 2023*	30 Sep 2023	30 Jun 2023*	31 Mar 2023	31 Dec 2022*
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2 183	2 127	2 001	2 071	1 963
	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 167	2 107	1 981	2 023	1 913
2	Tier 1 capital	2 433	2 377	2 251	2 321	2 213
	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 417	2 357	2 231	2 273	2 163
3	Total capital	3 144	3 088	2 992	3 060	2 953
	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3 144	3 068	2 973	3 013	2 905
	Risk weighted exposure amounts					
4	Total risk weighted assets	19 034	18 504	18 220	17 767	17 864
	Total risk weighted exposure amount as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	19 019	18 485	18 201	17 718	17 814
	Capital ratios					
5	Common Equity Tier 1 ratio (%)	11.5%	11.5%	11.0%	11.7%	11.0%
	Common Equity Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	11.4%	11.4%	10.9%	11.4%	10.7%
6	Tier 1 ratio (%)	12.8%	12.8%	12.4%	13.1%	12.4%
	Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.7%	12.8%	12.3%	12.8%	12.1%
7	Total capital ratio (%)	16.5%	16.7%	16.4%	17.2%	16.5%
	Total capital ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.4%	16.6%	16.3%	17.0%	16.3%
	Additional own funds requirements based on SREP (as a percentage of risk weighted exposure amounts)					
UK 7a	Additional CET1 SREP requirement (%)	0.3%	0.3%	0.3%	0.3%	0.3%
UK 7b	Additional AT1 SREP requirement (%)	0.1%	0.1%	0.1%	0.1%	0.1%
UK 7c	Additional T2 SREP requirements (%)	0.1%	0.1%	0.1%	0.1%	0.1%
UK 7d	Total SREP own funds requirements (%)	8.6%	8.5%	8.6%	8.6%	8.6%
	Combined buffer requirement (as a percentage of risk weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Institution-specific countercyclical capital buffer (%)	1.3%	1.3%	0.7%	0.6%	0.6%
11	Combined buffer requirement (%)	3.8%	3.8%	3.2%	3.1%	3.1%
UK 11a	Overall capital requirements (%)	12.3%	12.3%	11.7%	11.7%	11.7%
12	CET1 available after meeting the total SREP own funds requirements (%)**	2.9%	2.9%	2.4%	3.1%	2.4%
	Leverage ratio^^					
13	Leverage ratio total exposure measure	27 357	27 495	26 507	25 216	25 551
14	Leverage ratio	8.9%	8.6%	8.7%	9.2%	8.7%
	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.8%	8.6%	8.7%	9.0%	8.5%

^ The references identify the lines prescribed in the PRA template. Lines represented in this table are those lines which are applicable and have a value assigned to it. All other lines have been suppressed.
^^ The leverage ratios are calculated on an end-quarter basis.
* The 31 December 2023, 30 June 2023 and 31 December 2022 capital amounts and capital ratios exclude quarterly profits and associated foreseeable charges and dividends for the respective period. In accordance with the PRA rules, profits may only be included in a firm's capital position once the profits have been independently verified by an external audit firm. Note 30 September 2023 and 31 March 2023 comparatives include verified profits and associated foreseeable charges and dividends for that period.
** Line 12 CET1 available after meeting the total Supervisory Review Process (SREP) own funds requirements (%) is equal to CET1 ratio (line 5) minus total SREP own funds requirements (line UK 7d).

KEY METRICS

Table 1: Key metrics (UK KM1) (CONTINUED)

Ref^	£'million	31 Dec 2023*	30 Sep 2023	30 Jun 2023*	31 Mar 2023	31 Dec 2022*
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	6 541	6 543	6 364	6 436	6 456
UK 16a	Cash outflows - Total weighted value	3 216	3 246	3 310	3 379	3 595
UK 16b	Cash inflows - Total weighted value	1 535	1 577	1 653	1 778	1 904
16	Total net cash outflows (adjusted value)	1 680	1 669	1 657	1 601	1 691
17	Liquidity coverage ratio (%)**	394%	401%	393%	411%	392%
	Net Stable Funding Ratio					
18	Total available stable funding	21 389	21 357	20 988	20 783	
19	Total required stable funding	14 974	14 771	14 767	14 561	
20	NSFR ratio (%)***	143%	145%	142%	143%	

^ The references identify the lines prescribed in the PRA template. Lines represented in this table are those lines which are applicable and have a value assigned to it. All other lines have been suppressed.
* The 31 December 2023, 30 June 2023 and 31 December 2022 capital amounts and capital ratios exclude quarterly profits and associated foreseeable charges and dividends for the respective period. In accordance with the PRA rules, profits may only be included in a firm's capital position once the profits have been independently verified by an external audit firm. Note 30 September 2023 and 31 March 2023 comparatives include verified profits and associated foreseeable charges and dividends for that period.
** The LCR ratio disclosed in this table is the trailing 12-month average ratio.
*** The NSFR ratio disclosed in this table is the trailing 4-quarter average ratio.

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Risk weighted assets

RISK WEIGHTED ASSETS

Overview of RWAs

RWAs increased by 3% or £530 million to £19.0 billion over the quarter, predominantly within credit risk RWAs.

Credit risk RWAs increased by £469 million, reflecting asset growth in Aviation Finance, Project Finance and Commercial & Residential Real Estate Investment.

Counterparty credit risk (CCR) RWAs increased by £24 million compared to 30 September 2023, primarily driven by interest rate and commodity derivatives.

Market risk RWAs increased by £40 million, mainly due to a increase in foreign exchange options and collective investment undertaking position risk.

Operational risk RWAs remained flat at £2.0 billion.

The table shows RWAs and minimum capital requirement by risk type and regulatory approach.

Table 4: Overview of risk weighted exposure amounts (UK OV1)

		Risk weighted exposure amounts (RWEAs)		Total own fund requirements*
Ref^	**£'million**	**31 December 2023**	30 September 2023	**31 December 2023**
1	Credit risk (excluding CCR)	15 957	15 487	1 277
2	Of which the standardised approach	15 957	15 487	1 277
6	Counterparty credit risk - CCR	470	446	38
7	Of which the standardised approach	416	379	33
UK 8a	Of which exposures to a CCP	6	9	—
UK 8b	Of which credit valuation adjustment - CVA	33	47	3
9	Of which other CCR	15	11	1
15	Settlement risk	2	4	—
16	Securitisation exposures in the non-trading book (after the cap)	139	141	11
18	Of which SEC-ERBA (including IAA)	5	3	—
19	Of which SEC-SA approach	133	138	11
UK 19a	Of which 1 250%/ deduction^^	4	4	—
20	Position, foreign exchange and commodities risks (Market risk)	442	402	35
21	Of which the standardised approach	442	402	35
23	Operational risk	2 024	2 024	162
UK 23b	Of which standardised approach	2 024	2 024	162
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	661	646	53
29	**Total*** **	**19 034**	**18 504**	**1 523**

^ The references identify the lines prescribed in the PRA template. Only applicable lines with assigned values are reported. All other lines have been suppressed.
^^ Investec plc has chosen to deduct from CET1 capital securitisation positions that attract a RW of 1 250%. Line UK 19a will not be included in line 16 Securitisation exposures in the non-trading book (after the cap).
* Total own funds requirements measured at 8% of RWAs.
** The RWAs are already included in total credit risk.
*** Line 29 Total is the sum of Lines 1, 6, 15, 16, 20 and 23.

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Liquidity risk

LIQUIDITY RISK

Liquidity coverage ratio

The LCR is designed to ensure that banks have sufficient high-quality liquid assets to meet their liquidity needs throughout a 30 calendar day severe stress. The table below is as prescribed in the PRA Pillar 3 liquidity instruction guidelines on LCR Disclosure Annex XIV, and in accordance with Article 451a(2) (CRR). As required within the guidelines, the table shows values and figures as the simple averages of month end observations over the 12 months preceding the end of each quarter.

As at 31 December 2023 the point in time LCR was 339% (30 September 2023: 393%) and well above the 100% regulatory requirement. The trailing 12-month average LCR to 31 December 2023 was 394% (30 September 2023: 401%).

Table 28: Quantitative information of LCR (UK LIQ1)

		Total unweighted value (average)				Total weighted value (average)			
Ref^	**£'million Quarter ending on**	**31 Dec 2023**	**30 Sep 2023**	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2023**	**30 Sep 2023**	**30 Jun 2023**	**31 Mar 2023**
UK 1b	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
	HIGH-QUALITY LIQUID ASSETS								
1	Total high-quality liquid assets (HQLA)					**6 541**	**6 543**	**6 364**	**6 436**
	CASH - OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:^^	12 760	12 620	12 191	11 966	662	692	715	742
3	Stable deposits	2 050	2 047	2 065	2 180	103	102	103	109
4	Less stable deposits	2 781	2 895	3 033	3 161	432	452	473	492
5	Unsecured wholesale funding	2 671	2 762	2 807	2 906	1 217	1 254	1 257	1 302
7	Non-operational deposits (all counterparties)	2 664	2 755	2 800	2 904	1 210	1 247	1 250	1 300
8	Unsecured debt	7	7	7	2	7	7	7	2
9	Secured wholesale funding					21	24	46	48
10	Additional requirements	2 636	2 586	2 578	2 514	841	817	817	815
11	Outflows related to derivative exposures and other collateral requirements	363	373	394	418	363	373	394	418
12	Outflows related to loss of funding on debt products	36	39	41	42	36	39	41	42
13	Credit and liquidity facilities	2 237	2 174	2 143	2 054	443	405	382	355
14	Other contractual funding obligations	569	578	612	574	413	397	406	392
15	Other contingent funding obligations	671	666	698	727	63	62	68	80
16	**TOTAL CASH OUTFLOWS**					**3 216**	**3 246**	**3 309**	**3 379**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	582	599	636	583	264	313	351	365
18	Inflows from fully performing exposures	998	1 006	1 014	1 092	897	915	926	1 005
19	Other cash inflows	629	597	633	670	374	349	375	408
20	**TOTAL CASH INFLOWS**	**2 209**	**2 202**	**2 283**	**2 345**	**1 535**	**1 577**	**1 652**	**1 778**
UK-20a	Fully exempt inflows	—	—	—	5	—	—	—	—
UK-20c	Inflows subject to 75% cap	2 209	2 202	2 283	2 340	1 535	1 577	1 653	1 778
	TOTAL ADJUSTED VALUE								
UK-21	**LIQUIDITY BUFFER***					**6 541**	**6 543**	**6 364**	**6 436**
22	**TOTAL NET CASH OUTFLOWS***					**1 680**	**1 669**	**1 657**	**1 601**
23	**LIQUIDITY COVERAGE RATIO***					**394%**	**401%**	**393%**	**411%**

^ The references identify the lines prescribed in the PRA template. Only applicable lines with assigned values are reported. All other lines have been suppressed. Cells shaded dark grey are out of scope in accordance with the PRA requirements.
^^ Row 2 is made up of total retail deposits (i.e. stable deposits, less stable deposits and LCR exempt retail deposits).
* The figures are calculated based on the trailing 12-month averages and therefore the totals in the table above will not tie back to the figures disclosed.