Investec

OUT OF THE ORDINARY

Creating enduring worth

Investec plc Group

Pillar 3 quarterly disclosure report - 30 June 2023

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ABBREVIATIONS

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

CCB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DLC	Dual Listed Company
DLC BRCC	DLC Board Risk and Capital Committee
EU	European Union
FCA	Financial Conduct Authority
FHC	Financial Holding Company
FPC	Financial Policy Committee
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
SME	Small and Medium Sized Enterprises
UK	United Kingdom

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Introduction

INTRODUCTION

Investec is a distinctive bank and wealth manager, driven by commitment to our core philosophies and values. We deliver exceptional service to our clients, striving to create long-term value for all our stakeholders and contributing meaningfully to our people, communities and planet.

The Investec distinction is embodied in our entrepreneurial culture, balanced 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.

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

During July 2002, Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (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 30 June 2023, with comparative figures provided for 30 September, 31 December 2022 and 31 March 2023, where relevant.

Investec plc triggered the ‘large institution’ definition, with total assets for the consolidated Group exceeding the €30 billion threshold over two consecutive reporting quarters. Therefore, effective from 30 September 2022, the Group is 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 31 March 2023 are included in Appendix A of the Investec plc Group and Investec Bank plc annual Pillar 3 disclosure report 2023. The disclosure report can be found on the Investec Group’s website.

Philosophy and approach to capital and liquidity

The Group 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 intends to perpetuate this philosophy to ensure it remains well capitalised. At 30 June 2023, the Common Equity Tier 1 (CET1) ratio of the Group was 11.0%. 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 has never required shareholder or government support throughout the COVID-19 pandemic and 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 8.7% at 30 June 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.

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We carry a high level of liquidity in all our banking subsidiaries in order to be able to subsist with unforeseen circumstances, targeting a minimum cash to customer deposit ratio of 25%.

At 30 June 2023, the Group's point in time Liquidity Coverage Ratio (LCR) was 379% and the Net Stable Funding Ratio (NSFR) was 142%, well above the minimum regulatory minimum of 100%. The LCR ratio disclosed in the table 1 Key Metrics (UK KM1) reflects the 12-month average ratio.

Minimum capital requirements

Investec plc's minimum CET1 requirement at 30 June 2023 is 8.0% comprising a 4.5% Pillar 1 minimum requirement, a 2.5% Capital Conservation Buffer (CCB), a 0.31% Pillar 2A requirement and a 0.7% 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

On 12 December 2022, the Financial Policy Committee (FPC) increased the UK CCyB rate from 0% to 1%. On 5 July 2022, the FPC announced that it is further increasing the UK CCyB rate from 1% to 2%, with effect from 5 July 2023. From the FPC meetings held on 28 November 2022, 8 December 2022 and 23 March 2023 the FPC noted that, despite the global and UK economic outlooks having deteriorated and financial conditions having tightened, the UK banking system can absorb the impact of the expected weakening in the economic situation while continuing to meet credit demand from creditworthy households and businesses. The FPC therefore confirmed they will be maintaining the UK CCyB rate at 2% (effective 5 July 2023).

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 rule changes are expected to take effect from 1 January 2025. 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.

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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	30 Jun 2023*	31 Mar 2023	31 Dec 2022*	30 Sep 2022	31 Mar 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	2 001	2 071	1 963	1 956	1 931
	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	1 981	2 023	1 913	1 909	1 854
2	Tier 1 capital	2 251	2 321	2 213	2 206	2 181
	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 231	2 273	2 163	2 159	2 104
3	Total capital	2 992	3 060	2 953	2 837	2 809
	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 973	3 013	2 905	2 778	2 723
	Risk weighted exposure amounts					
4	Total risk weighted assets	18 220	17 767	17 864	18 025	16 980
	Total risk weighted exposure amount as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	18 201	17 718	17 814	17 978	16 903
	Capital ratios					
5	Common Equity Tier 1 ratio (%)	11.0%	11.7%	11.0%	10.8%	11.4%
	Common Equity Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.9%	11.4%	10.7%	10.6%	11.0%
6	Tier 1 ratio (%)	12.4%	13.1%	12.4%	12.2%	12.8%
	Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.3%	12.8%	12.1%	12.0%	12.4%
7	Total capital ratio (%)	16.4%	17.2%	16.5%	15.7%	16.5%
	Total capital ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.3%	17.0%	16.3%	15.5%	16.1%
	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%	0.4%
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%	0.2%
UK 7d	Total SREP own funds requirements (%)	8.6%	8.6%	8.6%	8.5%	8.8%
	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 (%)	0.70%	0.63%	0.61%	0.03%	0.03%
11	Combined buffer requirement (%)	3.20%	3.13%	3.11%	2.53%	2.53%
UK 11a	Overall capital requirements (%)	11.7%	11.7%	11.7%	11.1%	11.3%
12	CET1 available after meeting the total SREP own funds requirements (%)**	2.4%	3.1%	2.4%	2.3%	2.6%
	Leverage ratio^^					
13	Leverage ratio total exposure measure	26 507	25 216	25 551	27 692	24 181
14	Leverage ratio	8.7%	9.2%	8.7%	8.0%	9.0%
	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.7%	9.0%	8.5%	7.8%	8.7%

^ 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 30 June 2023 and 31 December 2022 capital amounts and capital ratios exclude quarterly profits and associated foreseeable charges and dividends for the period 1 April 2023 to 30 June 2023 and 1 October 2022 to 31 December 2022. 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 31 March 2023, 30 September 2022 and 31 March 2022 comparatives include verified profits and associated foreseeable charges and dividends for that period.
** Line 12 CET1 available after meeting the total 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	30 Jun 2023*	31 Mar 2023	31 Dec 2022*	30 Sep 2022	31 Mar 2022
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	6 364	6 436	6 456	6 253	5 022
UK 16a	Cash outflows - Total weighted value	3 310	3 379	3 595	3 692	3 766
UK 16b	Cash inflows - Total weighted value	1 653	1 778	1 904	1 998	2 262
16	Total net cash outflows (adjusted value)	1 657	1 601	1 691	1 694	1 504
17	Liquidity coverage ratio (%)**	393%	411%	392%	375%	336%
	Net Stable Funding Ratio					
18	Total available stable funding	20 988	20 783			
19	Total required stable funding	14 767	14 561			
20	NSFR ratio (%)	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. Cells shaded dark grey are out of scope in accordance with the PRA requirements.
^^ The leverage ratios are calculated on an end-quarter basis.
* The 30 June 2023 and 31 December 2022 capital amounts and capital ratios exclude quarterly profits and associated foreseeable charges and dividends for the period 1 April 2023 to 30 June 2023 and 1 October 2022 to 31 December 2022. 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 31 March 2023, 30 September 2022 and 31 March 2022 comparatives include verified profits and associated foreseeable charges and dividends for that period.
** The LCR ratio disclosed in this table is the 12-month average ratio.

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Risk weighted assets

RISK WEIGHTED ASSETS

Overview of RWAs

RWAs increased by 3% or £453 million to £18.2 billion over the quarter, predominantly within counterparty credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by £598 million, reflecting asset growth in Growth and Leverage Finance, Project Finance, and Small ticket Asset Finance. The increase is partially offset by a £138 million decrease in RWAs driven by exchange rate movements, reflecting the weakening of the US Dollar and Euro against the British Pound.

Counterparty credit risk RWAs (including credit valuation adjustment (CVA) risk) decreased by £6 million compared to 31 March 2023, primarily driven by reductions within foreign exchange derivatives and commodity derivatives.

Market risk RWAs decreased by £23 million, mainly due to a decrease 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**	**30 June 2023**	31 March 2023	**30 June 2023**
1	Credit risk (excluding CCR)	15 056	14 596	1 205
2	Of which the standardised approach	15 056	14 596	1 205
6	Counterparty credit risk - CCR	508	514	41
7	Of which the standardised approach	435	456	35
UK 8a	Of which exposures to a CCP	10	10	1
UK 8b	Of which credit valuation adjustment - CVA	40	37	3
9	Of which other CCR	23	11	2
15	Settlement risk	5	5	—
16	Securitisation exposures in the non-trading book (after the cap)	137	115	11
18	Of which SEC-ERBA (including IAA)	16	1	1
19	Of which SEC-SA approach	121	114	10
UK 19a	Of which 1 250%/ deduction^^	4	4	—
20	Position, foreign exchange and commodities risks (Market risk)	490	513	39
21	Of which the standardised approach	490	513	39
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)**	645	656	52
29	**Total*** **	**18 220**	**17 767**	**1 458**

^ 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 risk weighted assets
** 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 30 June 2023, the LCR was 379% (31 March 2023: 383%) and well above the 100% regulatory requirement. The trailing 12-month average LCR to 30 June 2023 was 393% (31 March 2023: 411%).

Table 28: Quantitative information of LCR (UK LIQ1)

		Total unweighted value (average)				Total weighted value (average)			
Ref^	**£'million Quarter ending on**	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**	**30 Jun 2023**	**31 Mar 2023**	**31 Dec 2022**	**30 Sep 2022**
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)					**6 364**	**6 436**	**6 456**	**6 253**
	CASH - OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:^^	12 191	11 966	11 768	11 380	715	742	760	746
3	Stable deposits	2 065	2 180	2 322	2 308	103	109	116	115
4	Less stable deposits	3 033	3 161	3 258	3 246	473	492	505	504
5	Unsecured wholesale funding	2 807	2 906	2 903	2 799	1 257	1 302	1 328	1 295
7	Non-operational deposits (all counterparties)	2 800	2 904	2 873	2 769	1 250	1 300	1 298	1 265
8	Unsecured debt	7	2	30	30	7	2	30	30
9	Secured wholesale funding					46	48	51	53
10	Additional requirements	2 578	2 514	2 587	2 642	817	815	949	1 091
11	Outflows related to derivative exposures and other collateral requirements	394	418	561	727	394	418	561	727
12	Outflows related to loss of funding on debt products	41	42	47	51	41	42	47	51
13	Credit and liquidity facilities	2 143	2 054	1 979	1 864	382	355	341	313
14	Other contractual funding obligations	612	574	589	576	406	392	422	427
15	Other contingent funding obligations	698	727	732	705	68	80	85	80
16	**TOTAL CASH OUTFLOWS**					**3 309**	**3 379**	**3 595**	**3 692**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	636	583	553	514	351	365	384	366
18	Inflows from fully performing exposures	1 014	1 092	1 171	1 233	926	1 005	1 082	1 145
19	Other cash inflows	633	670	709	778	375	408	438	487
20	**TOTAL CASH INFLOWS**	**2 283**	**2 345**	**2 433**	**2 525**	**1 652**	**1 778**	**1 904**	**1 998**
UK-20a	Fully exempt inflows	—	5	4	4	—	—	—	—
UK-20c	Inflows subject to 75% cap	2 283	2 340	2 429	2 521	1 653	1 778	1 904	1 998
	TOTAL ADJUSTED VALUE								
UK-21	**LIQUIDITY BUFFER***					**6 364**	**6 436**	**6 456**	**6 253**
22	**TOTAL NET CASH OUTFLOWS***					**1 657**	**1 601**	**1 691**	**1 694**
23	**LIQUIDITY COVERAGE RATIO***					**393%**	**411%**	**392%**	**375%**

^ 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 12-month averages and therefore the totals in the table above will not tie back to the figures disclosed.