



Investec Bank Limited

2017

Credit ratings fact sheet



Contextualising Investec Bank Limited's rating – November 2017

An overview of Investec Bank Limited

Investec Bank Limited (IBL) is the main banking subsidiary of Investec Limited (South African holding company listed on the Johannesburg Stock Exchange). Investec Limited owns 100% of the ordinary shares in IBL.

IBL operates as a Specialist Bank in South Africa and Mauritius, providing a wide array

of banking products and services to a niche client base, largely comprising professional private clients, high-net-worth individuals, mid-to-large size corporates and institutions. IBL is the fifth largest bank in South Africa, as measured in terms of size of on-balance sheet assets. The bank however, does not target the mass-retail market in the country and in the majority of its chosen niches would be a dominant player in terms of brand and market share.

Stability in IBL's ratings

A history of IBL's ratings is shown in the table below. IBL's ratings have remained stable over many years reflecting the financial

soundness of the bank over a long period of time (see key financial metrics of the bank further below). Past rating adjustments have largely been associated with changes in views by the rating agencies of the credit worthiness of the 'South African sovereign'. Adjustments in the sovereign rating of South Africa lead to an automatic adjustment in the ratings of the major banks in the country. It is generally accepted that a bank cannot have a higher rating than the sovereign of the country in which they operate, unless they are largely foreign-owned and the foreign holding company is domiciled in a country with a higher rating than South Africa.

IBL credit ratings history

	Nov-17	Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
Moody's						
Baseline credit assessment (BCA) and Adjusted BCA	baa3*^	baa2	baa2			
Global ratings						
Long-term deposit rating	Baa3*^	Baa2	Baa2	Baa2	Baa1	A3
Short-term deposit rating	P-3*^	P-2	P-2	P-2	P-2	P-2
National scale ratings						
Long-term deposit rating	Aa1.za	Aa1.za**	A1.za	A1.za	Aa3.za	Aa3.za
Short-term deposit rating	P-1.za	P-1.za	P-1.za	P-1.za	P-1.za	P-1.za
Long-term senior unsecured and issuer rating	P(Baa3)*^	P(Baa2)	P(Baa2)	P(Baa2)	P(Baa1)	P(A3)
Senior subordinated rating	P(Ba1)*^	P(Baa3)	P(Baa3)	P(Baa3)	P(Baa2)	P(Baa2)
Outlook	Rating under review*^	Negative	Stable	Stable	Negative	Negative
Fitch						
Viability rating	bb+^	bbb-	bbb-	bbb-	bbb-	bbb
Support rating	3	3	3	3	3	2
Foreign currency issuer default ratings (IDR)						
Long-term foreign currency IDR	BB+^	BBB-	BBB-	BBB-	BBB-	BBB
Short-term foreign currency IDR	B^	F3	F3	F3	F3	F3
National scale issuer default ratings						
National long-term rating	AA(zaf)	AA(zaf)	AA-(zaf)	A+(zaf)	A+(zaf)	A+(zaf)
National short-term rating	F1+(zaf)	F1+(zaf)	F1+(zaf)	F1(zaf)	F1(zaf)	F1(zaf)
Senior unsecured debt: long-term foreign currency rating	BB+^	BBB-	BBB-	BBB-	BBB-	BBB
Outlook	Stable^	Negative	Stable	Stable	Stable	Negative
Standard & Poors						
Foreign currency						
Long-term deposit rating	BB^	BBB-	BBB-	BBB-		
Short-term deposit rating	B^	A-3	A-3	A-3		
National						
Long-term rating	za.AA-^	za.AA-	za.AA-	za.AA		
Short-term rating	za.A-1+	za.A-1	za.A-1	za.A-1		
Outlook	Stable	Negative	Negative	Stable		
Global Credit Ratings						
International, local currency						
Long-term rating	BB+^	BBB-	BBB-	BBB	BBB	BBB
National						
Long-term rating	AA(za)	AA(za)	AA-(za)	AA-(za)	AA-(za)	AA-(za)
Short-term rating	A1+(za)	A1+(za)	A1+(za)	A1+(za)	A1+(za)	A1+(za)

** National long-term deposit rating change due to the repositioning of the national scale ratings by Moody's.

^ Changes reflect downgrades of the sovereign rating of South Africa.

* 28 November 2017, rating action taken by Moody's and reflects their view on the sovereign rating of South Africa.

Peer group rating comparisons

Below is a comparison of ratings across some of the banks in South Africa.

	Investec Bank Limited (IBL)	Absa Bank Limited	FirstRand Bank Limited	Nedbank Limited	Standard Bank Limited
Moody's					
Baseline credit assessment (BCA) and Adjusted BCA	baa3	baa3	baa3	baa3	baa3
Global ratings					
Long-term deposit rating	Baa3	Baa3	Baa3	Baa3	Baa3
Short-term deposit rating	P-3	P-3	P-3	P-3	P-3
National scale ratings					
Long-term deposit rating	Aa1.za	Aa1.za	Aaa.za	Aa1.za	Aa1.za
Short-term deposit rating	P-1.za	P-1.za	P-1.za	P-1.za	P-1.za
Long-term senior unsecured and issuer rating	P(Baa3)	P(Baa3)	P(Baa3)	P(Baa3)	P(Baa3)
Senior subordinated rating	P(Ba1)	n/a	P(Ba1)	P(Ba1)	n/a
Outlook	Rating under review*	Negative	Negative	Negative	Negative
Fitch					
Viability rating	bb+	bb+	bb+	bb+	bb+
Support rating	3	3	3	3	3
Foreign currency issuer default ratings (IDR)					
Long-term foreign currency IDR	BB+	BB+	BB+	BB+	BB+
Short-term foreign currency IDR	B	B	B	B	B
National scale issuer default ratings (IDR)					
National long-term rating	AA(zaf)	AA(zaf)	AA(zaf)	AA(zaf)	AA(zaf)
National short-term rating	F1+(zaf)	F1+(zaf)	F1+(zaf)	F1+(zaf)	F1+(zaf)
Outlook	Stable	Stable	Stable	Stable	Stable
Standard & Poors					
Foreign currency					
Long-term deposit rating	BB	n/a	BB+	BB+	n/a
Short-term deposit rating	B	n/a	B	B	n/a
National					
Long-term rating	za.AA-	za.AA	za.AA	za.AA	n/a
Short-term rating	za.A-1+	za.A-1+	za.A-1+	za.A-1+	n/a
Outlook	Stable	n/a	Negative	Negative	n/a
Global Credit Ratings					
International, local currency					
Long-term rating	BB+	BB+	BB+	BB+	BB+
National					
Long-term rating	AA(za)	AA+(za)	AA(za)	AA(za)	AA+(za)
Short-term rating	A1+(za)	A1+(za)	A1+(za)	A1+(za)	A1+(za)

Rating definitions:

Short-term ratings should be used for investments less than a one-year time horizon and long-term ratings for periods greater than a year. Foreign currency ratings should be used when one is considering foreign-denominated investments. Investments in Rand should be assessed against local currency and national ratings, (zaf) being Fitch's notation and .za for Moody's, Standard & Poor's and Global Credit Ratings notation for South African ratings.

Note: Comparative ratings have been sourced from the respective company websites and recent press releases as at November 2017 and may be subject to changes for which we cannot be held accountable. It is advisable to discuss the ratings of the various companies with the companies themselves, as this information merely reflects our interpretation thereof.

* 28 November 2017, rating action taken by Moody's and reflects their view on the sovereign rating of South Africa.

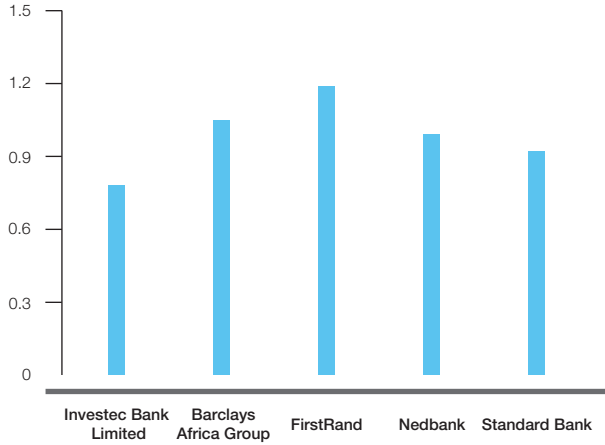
Further peer group information

On a stand-alone basis (i.e. looking at the financial strength of the Big 5 banks, excluding assumptions around Sovereign support) there is very little differential between the key risk metrics of the Big 5 banks as depicted in the graphs on the following page.

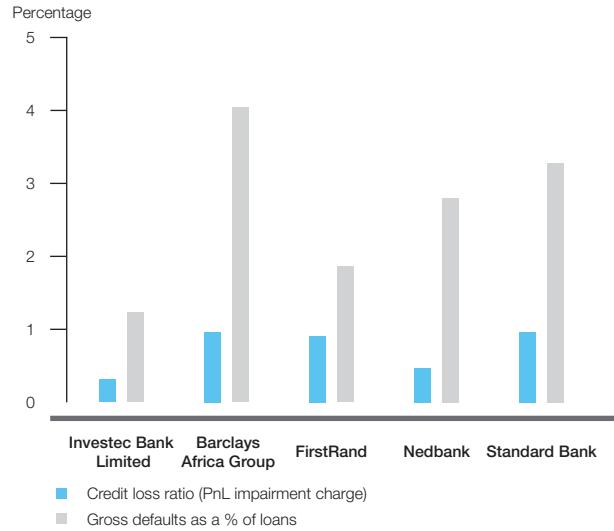
Investec remains the most liquid of the Big 5 banks and is a net provider of funds to the interbank market in South Africa. Investec has a very conservative approach to liquidity, which has been in place for many years. As at 30 September 2017, the bank had R102.6 billion of cash and near cash balances on its balance sheet, which approximates to roughly 33c of every R1 deposit received being held in liquid assets. IBL group has one of the highest liquidity coverage ratios (LCR) at 127.0% at 30 September 2017. IBL holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. IBL is not a highly geared bank. A number of banks that have come into difficulty over the past few years have been in excess of 40 times geared. IBL's comparative ratio would be 11.2 times.

Peer comparison

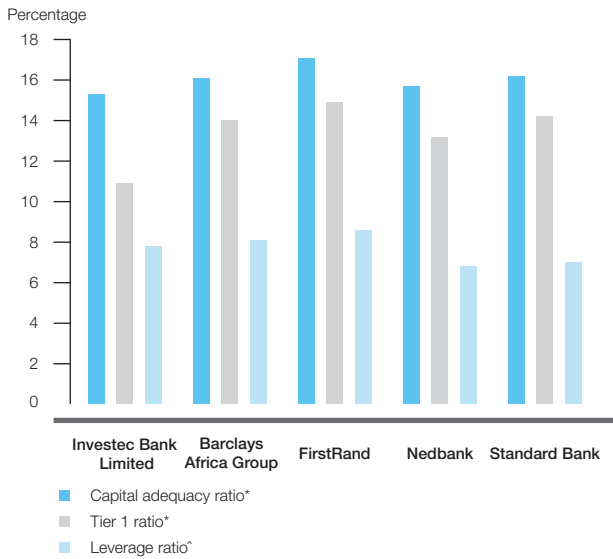
Funding: Advances to: Customer deposits (smaller number is better)



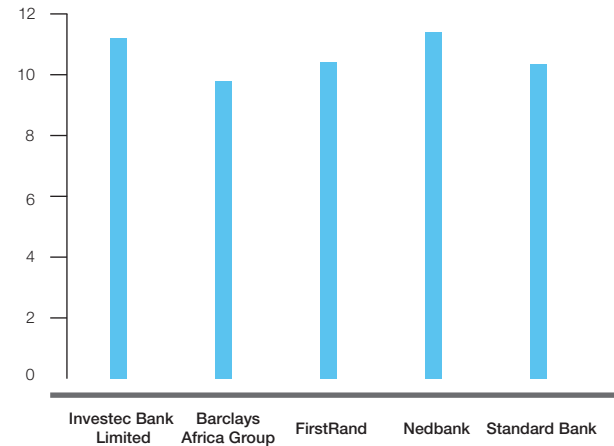
Asset quality ratios: (smaller number is better)



Capital ratios %: (larger number is better)



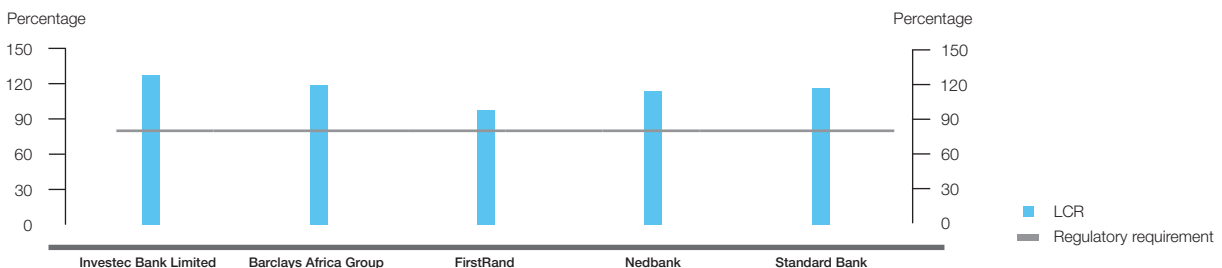
Gearing ratio: Assets: Equity (smaller number is better)



* Note: IBL is on the standardised (more conservative) approach to capital in terms of Basel III compared to the Big 4 banks which are on the advanced approach. IBL's risk-weighted assets represents over 75% of total assets compared to the average of the other banks of approximately 60%.

^ Regulatory equity divided by regulatory assets.

Basel liquidity coverage ratio (LCR)



Source: Latest company interim/annual and quarterly results.

An overview of IBL's operating fundamentals

IBL's operating fundamentals have remained sound throughout the crisis as depicted in the table below.

	Six months to 30 Sept 2017	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010	% change March 2017 vs March 2010
Operating profit before taxation and headline adjustments (R'mn)	2 445	4 159	4 295	3 673	2 465	2 123	2 173	2 414	2 526	65%
Headline earnings (R'mn)	2 196	3 069	3 449	3 014	2 086	1 741	1 812	2 191	1 845	66%
Cost to income ratio	52.3%	54.7%	53.3%	53.9%	57.0%	54.8%	52.7%	49.3%	47.0%	
Total capital resources (including subordinated liabilities) (R'mn)	50 347	48 345	42 597	39 348	36 099	36 005	29 642	25 703	21 795	122%
Total shareholders' equity (R'mn)	36 823	35 165	31 865	28 899	25 601	23 509	20 933	18 837	16 454	114%
Tangible equity (excluding preference shares, goodwill and intangibles) (R'mn)	34 658	32 952	29 636	27 175	23 965	21 885	19 303	17 195	14 840	122%
Total assets (R'mn)	427 576	425 687	411 980	332 706	303 218	279 274	255 952	221 562	197 879	115%
Net core loans and advances (R'mn)	248 324	233 445	215 239	177 528	151 384	138 105	124 917	115 373	112 263	108%
Customer accounts (deposits) (R'mn)	309 996	303 397	279 736	221 377	204 903	185 311	176 094	154 772	143 390	112%
Cash and near cash balances (R'mn)	102 620	117 586	124 907	88 691	84 476	72 974	69 077	52 591	47 986	145%
Risk-weighted assets (R'mn)	322 651	313 010	295 752	257 931	238 396	217 715	184 253	163 537	139 716	124%
Capital adequacy ratio	15.3%	15.4%	14.6%	15.4%	15.3%	16.2%	16.1%	15.6%	15.5%	
Tier 1 ratio (current)	10.9%	11.1%	11.0%	11.4%	10.8%	10.9%	11.4%	11.5%	11.7%	
Common equity tier 1 ratio (current)	10.7%	10.8%	10.6%	11.0%	10.3%	^	^	^	^	
Leverage ratio (current)	7.8%	7.6%	7.2%	8.3%	7.9%	^	^	^	^	
Default loans (net of impairments) as a % of core loans and advances	0.74%	1.03%	1.06%	1.46%	1.50%	1.93%	2.79%	4.13%	3.42%	
Net defaults (after collateral and impairments) as a % of net core loans and advances	-	-	-	-	-	-	-	-	-	
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.31%	0.29%	0.26%	0.29%	0.44%	0.65%	0.69%	0.74%	0.75%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.2x	11.6x	12.6x	11.4x	11.8x	11.4x	12.0x	11.4x	11.7x	
Loans as a % of customer deposits	77.8%	74.4%	74.1%	78.1%	72.5%	73.2%	69.6%	73.9%	77.3%	

^ Information not previously disclosed.

For further information:

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