OUT OF THE ORDINARY

365 days of possibilities

Investec plc Group

Pillar 3 quarterly disclosure report – 31 December 2022

CONTENTS

ABBREVIATIONS

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

AT1	Additional Tier 1
CCB	Capital conservation buffer
CCF	Credit conversion factor
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
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 and Evaluation Process
T1	Tier 1
T2	Tier 2
UK	United Kingdom

01

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 in the areas of banking and wealth management, 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 if 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 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 granted with effect from 14 October 2021. Investec plc is now responsible for ensuring compliance with consolidated prudential requirements on a consolidated basis.
Investec Bank plc, the main banking subsidiary of the Investec plc Group, continues to be authorised by the PRA and regulated by the Financial Conduct Authority 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 2022, with comparative figures provided for 30 September and 31 March 2022, 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.

Significant subsidiary disclosures are published annually. The sub-set of Pillar 3 disclosures for Investec Bank plc as at 31 March 2022 are included in Appendix A of the Investec plc Group and Investec Bank plc annual Pillar 3 disclosure report 2022. 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 31 December 2022, 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 31 December 2022.

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 subsist with unforeseen circumstances, targeting a minimum cash to customer deposit ratio of 25%.

At 31 December 2022, the Group’s point in time Liquidity Coverage Ratio (LCR) was 330% and the Net Stable Funding Ratio (NSFR) was 145%, well above the minimum regulatory

INTRODUCTION
CONTINUED

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 31 December 2022 is 7.9% comprising a 4.5% Pillar 1 minimum requirement, a 2.5% Capital Conservation Buffer (CCB), a 0.31% Pillar 2A requirement and a 0.61% 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 13 December 2022 the UK CCyB rate increased from 0% to 1%. On 5 July 2022, the Financial Policy Committee (FPC) announced 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 and 8 December 2022 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%.

On 30 November 2022 the PRA published a consultation paper on the Implementation of the Basel 3.1 standards, which sets out the proposed rules and expectations that cover parts of the Basel 3 standards that remain to be implemented in the UK, which 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. The consultation closes on 31 March 2023, with the final rules expected to take effect from 1 January 2025.

02

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 December 2022*	30 September 2022	31 March 2022
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	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	1 913	1 909	1 854
2	Tier 1 capital	2 213	2 206	2 181
	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 163	2 159	2 104
3	Total capital	2 953	2 837	2 809
	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2 905	2 778	2 723
	Risk weighted exposure amounts			
4	Total risk weighted assets	17 864	18 025	16 980
	Total risk weighted exposure amount as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17 814	17 978	16 903
	Capital ratios			
5	Common Equity Tier 1 ratio (%)	11.0%	10.8%	11.4%
	Common Equity Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	10.7%	10.6%	11.0%
6	Tier 1 ratio (%)	12.4%	12.2%	12.8%
	Tier 1 ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	12.1%	12.0%	12.4%
7	Total capital ratio (%)	16.5%	15.7%	16.5%
	Total capital ratio (%) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	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%	0.4%
UK 7b	Additional AT1 SREP requirement (%)	0.1%	0.1%	0.1%
UK 7c	Additional T2 SREP requirements (%)	0.1%	0.1%	0.2%
UK 7d	Total SREP own funds requirements (%)	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%
9	Institution-specific countercyclical capital buffer (%)**	0.61%	0.03%	0.03%
11	Combined buffer requirement (%)	3.11%	2.53%	2.53%
UK 11a	Overall capital requirements (%)	11.7%	11.1%	11.3%
12	CET1 available after meeting the total SREP own funds requirements (%)***	2.4%	2.3%	2.6%
	Leverage ratio^^			
13	Leverage ratio total exposure measure	25 551	27 692	24 181
14	Leverage ratio	8.7%	8.0%	9.0%
	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8.5%	7.8%	8.7%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value-average)	6 456	6 253	5 022
UK 16a	Cash outflows - Total weighted value	3 595	3 692	3 766
UK 16b	Cash inflows - Total weighted value	1 904	1 998	2 262
16	Total net cash outflows (adjusted value)	1 691	1 694	1 504
17	Liquidity coverage ratio (%)****	392%	375%	336%

^ 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 2022 capital amounts and capital ratios exclude quarterly profits and associated foreseeable charges and dividends for the period 1 October 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 30 September 2022 and 31 March 2022 comparatives include verified profits for that period.
** The institution-specific CCyB increase reflects the rise in the UK CCyB rate to 1% effective 13 December 2022.
*** 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).
**** The LCR ratio disclosed in this table is the 12-month average ratio.

03

Risk weighted assets

RISK WEIGHTED ASSETS

Overview of RWAs

RWAs decreased by 1% or £161 million to £17.9 billion over the quarter, predominantly within counterparty credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by £45 million, reflecting asset growth in Corporate Secured Project Finance, Small ticket Asset Finance and Growth and Leverage Finance. The increase is partially offset by a £218 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 £121 million compared to 30 September 2022, primarily driven by foreign exchange movements and reductions in securities financing transactions.

Market risk RWAs decreased by £86 million, mainly due to a decrease in collective investment undertaking position risk.

Operational risk RWAs remained flat at £1.8 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 2022**	30 September 2022	**31 December 2022**
1	Credit risk (excluding CCR)	14 851	14 806	1 188
2	Of which the standardised approach	14 851	14 806	1 188
6	Counterparty credit risk - CCR	565	686	45
7	Of which the standardised approach	485	545	39
UK 8a	Of which exposures to a CCP	17	23	1
UK 8b	Of which credit valuation adjustment - CVA	45	67	4
9	Of which other CCR	18	51	1
15	Settlement risk	4	3	—
16	Securitisation exposures in the non-trading book (after the cap)	101	101	8
18	Of which SEC-ERBA (including IAA)	6	7	—
19	Of which SEC-SA approach	95	94	8
UK 19a	Of which 1 250%/ deduction^^	4	4	—
20	Position, foreign exchange and commodities risks (Market risk)	557	643	45
21	Of which the standardised approach	557	643	45
23	Operational risk	1 786	1 786	143
UK 23b	Of which standardised approach	1 786	1 786	143
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)**	585	584	47
29	**Total*** **	**17 864**	**18 025**	**1 429**

^ 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.

04

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 2022, the LCR was 330% (30 September 2022: 366%) and well above the 100% regulatory requirement. The trailing 12-month average LCR to 31 December 2022 was 392% (30 September 2022: 375%).

Table 28: Quantitative information of LCR (UK LIQ1)

		Total unweighted value (average)				**Total weighted value (average)**			
Ref^	**£'million Quarter ending on**	**31 Dec 2022**	**30 Sep 2022**	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2022**	**30 Sep 2022**	**30 Jun 2022**	**31 Mar 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)					**6 456**	**6 253**	**5 705**	**5 022**
	CASH - OUTFLOWS								
2	Retail deposits and deposits from small business customers, of which:^^	11 768	11 380	11 113	10 881	760	746	718	702
3	Stable deposits	2 322	2 308	2 221	2 111	116	115	111	106
4	Less stable deposits	3 258	3 246	3 211	3 208	505	504	499	499
5	Unsecured wholesale funding	2 903	2 799	2 707	2 509	1 328	1 295	1 276	1 197
7	Non-operational deposits (all counterparties)	2 873	2 769	2 677	2 479	1 298	1 265	1 246	1 167
8	Unsecured debt	30	30	30	30	30	30	30	30
9	Secured wholesale funding					51	53	37	37
10	Additional requirements	2 587	2 642	2 687	2 782	949	1 091	1 219	1 368
11	Outflows related to derivative exposures and other collateral requirements	561	727	875	1 025	561	727	875	1 025
12	Outflows related to loss of funding on debt products	47	51	51	52	47	51	51	52
13	Credit and liquidity facilities	1 979	1 864	1 761	1 705	341	313	293	291
14	Other contractual funding obligations	589	576	525	541	422	427	395	409
15	Other contingent funding obligations	732	705	629	549	85	80	69	53
16	**TOTAL CASH OUTFLOWS**					**3 595**	**3 692**	**3 714**	**3 766**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)	553	514	576	629	384	366	445	540
18	Inflows from fully performing exposures	1 171	1 233	1 271	1 275	1 082	1 145	1 183	1 179
19	Other cash inflows	709	778	797	866	438	487	496	543
20	**TOTAL CASH INFLOWS**	**2 433**	**2 525**	**2 644**	**2 770**	**1 904**	**1 998**	**2 124**	**2 262**
UK-20a	Fully exempt inflows	4	4	4	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	2 429	2 521	2 640	2 770	1 904	1 998	2 124	2 262
	TOTAL ADJUSTED VALUE								
UK-21	**LIQUIDITY BUFFER***					**6 456**	**6 253**	**5 705**	**5 022**
22	**TOTAL NET CASH OUTFLOWS***					**1 691**	**1 694**	**1 590**	**1 504**
23	**LIQUIDITY COVERAGE RATIO***					**392%**	**375%**	**362%**	**336%**

^ 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.

Investec