Investec

OUT OF THE ORDINARY

Creating enduring worth

Investec Group

Q & A fact sheet
November 2023

OVERVIEW OF INVESTEC

Investec (comprising Investec Limited and Investec plc) 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. In the UK, wealth management services are offered through our strategic long-term partnership with Rathbones.

We are a domestically relevant, internationally connected banking and wealth & investment group.

Our purpose is to create enduring worth.

The Group was established in 1974 and currently has approximately

7400+ employees.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions. Our focus today is on growth in our chosen markets.

Our journey so far

1974
Founded as a leasing company in Johannesburg

1980
We acquired a banking licence

1986
We were listed on the JSE Limited South Africa

2002
In July 2002, we implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg

2003
We concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited

2020
We successfully completed the demerger of Investec Asset Management which separately listed as Ninety One in March 2020

2022
The Board approved a proposed share purchase and a share buyback programme of up to R7 billion (c.£350 million) to be executed over a period of 18 months from November 2022. We also distributed 15% of our shareholding in Ninety One

2023
We successfully completed the all-share combination of Investec Wealth & Investec Limited UK and Rathbones Group to create the UK's leading discretionary wealth manager with Investec Group holding a 41.25% economic interest in Rathbones.

In June 2023, we increased our shareholding in Capitalmind to c.60%, following the 30% position which we acquired in 2021.

Today, we are a simplified and focused business well positioned to pursue identified growth opportunities, supported by our One Investec strategy.

OVERVIEW OF INVESTEC
CONTINUED

Overall Group performance for the six months ended 30 September 2023

Fani Titi, Group Chief Executive commented:

"The Group has delivered strong results against a difficult macroeconomic backdrop which was characterised by high inflation, elevated global interest rates and persistent market volatility. This performance was underpinned by continued success in our client acquisition strategies, loan book growth and the rising interest rate environment. Our client franchises reported solid performance while the aggregate Group financial results also reflect the impact of the conclusions of the strategic actions executed over the past 18 months. Our balance sheet remains strong and highly liquid, positioning us well to support our clients in navigating the uncertain macroeconomic backdrop and achieve our financial targets."

Significant strategic actions taken include

- Combination of Investec Wealth & Investment UK (IW&I UK) with the Rathbones Group, reflected as a discontinued operation in line with applicable accounting principles, notwithstanding the strategic shareholding in Rathbones which will be equity accounted for as an associate going forward
- An approximately R6.8 billion or c.£300 million share buy-back and share repurchase programme, in line with the Group's strategy to optimise capital in South Africa
- Disposal of the property management companies to Burstone Group Limited (formerly known as Investec Property Fund (IPF)) and consequent deconsolidation of IPF and reflection of IPF as a discontinued operation. Going forward, IPF will be accounted for at fair value through profit and loss
- The restructure of The Bud Group Holdings (formerly known as IEP) in the prior year to facilitate Investec's orderly exit
- The distribution of a 15% shareholding in Ninety One in the prior year.

Investec released its interim results on 16 November 2023.

Key financial metrics

£'millions	Revenue	Cost to income	CLR	Adjusted operating profit	Adjusted EPS	HEPS	ROE	ROTE	DPS (pence)	NAV per share (pence)	TNAV per share (pence)
1H2024	1 043.8	53.3%	0.32%	441.4	38.7	36.9	14.6%	16.4%	15.5p	556.7	470.4
1H2023	960.7	55.6%	0.16%	397.1	32.9	32.0	12.9%	13.8%	13.5p	509.5	476.9
% change in £	8.6%			11.2%	17.6%	15.3%			14.8%	9.3%	(1.4%)
% change in Rands	28.8%			31.7 %	39.3%	29.6%			26.6%	25.3%	13.1%

Totals and variance determined in £'000 which may result in rounding differences.

Group financial summary:

- Revenue benefitted from a double-digit growth in net interest income driven by strong corporate loan growth and rising global interest rates. Non-interest revenue from our banking and SA wealth and investment businesses increased despite the significant economic headwinds that continued to prevail in our core geographies, supported by increased client activity. This was partially offset by the effects of the strategic actions, comprising the cessation of equity accounting of Ninety One post distribution and The Bud Group following the restructure in 2022 and the deconsolidation of IPF
- The cost to income ratio* improved to 53.3% (1H2023: 55.6%) as revenue grew well ahead of costs. Total operating costs grew by 4.1% and increased by 12.3% in neutral currency. Continued investment in our people and technology to support growth and inflationary pressures drove an increase in fixed costs. Variable remuneration increased in line with business performance
- Pre-provision adjusted operating profit increased 14.3% to £487.7 million (1H2023: £426.5 million), benefitting from the strength and diversity of our client franchises
- Asset quality remained solid with exposures well covered by collateral. Expected credit loss (ECL) impairment charges increased to £46.3 million (1H2023: £29.4 million), resulting in a credit loss ratio (CLR) of 32bps (1H2023: 16bps), towards the upper end of the Group's through-the-cycle (TTC) range of 25bps to 35bps. We have seen idiosyncratic client stresses with no evidence of trend deterioration in the overall credit quality of the book
- Return on equity (ROE) of 14.6% (1H2023: 12.9%) is within the Group's 12% to 16% target range, return on tangible equity (ROTE) for the period under review was 16.4% (1H2023: 13.8%)
- Net asset value (NAV) per share increased to 556.7p (31 March 2023: 510.3p), reflecting the strong earnings generation in the period under review and the net gain recognised on completion of the IW&I UK combination with Rathbones. Tangible net asset value (TNAV) per share declined to 470.4p (31 March 2023: 474.6p). This is due to our decision to adjust the carrying value of our strategic investment in the Rathbones Group to reflect our proportionate share of tangible equity in Rathbones, resulting in an intangible net asset value of c.77p per share.

*Group cost-to-income ratio reduced by 2.0% in 1H2023 and 2.4% in 1H2023 due to change in accounting treatment for IW&I UK and IPF. Cost-to-income ratio excluding contribution from IW&I UK and IPF in 1H2024 and 1H2023 is 55.3% and 58.0% respectively.

OVERVIEW OF INVESTEC
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Key drivers

Net core loans increased 4.0% annualised to £31.0 billion (31 March 2023: £30.4 billion) and grew by 8.7% annualised on a neutral currency basis; largely driven by corporate lending in both core geographies and private client lending in South Africa
Customer deposits increased 1.9% annualised to £39.9 billion (31 March 2023: £39.6 billion), an increase of 6.8% annualised in neutral currency

- Funds under management (FUM) in Southern Africa increased by 2.0% to £20.2 billion (31 March 2023: £19.8 billion), mainly driven by discretionary net inflows of R7.3 billion and FX translation gains on dollar denominated portfolios, partly offset by non-discretionary net outflows of R2.6 billion
- Investec Wealth & Investment UK FUM is now reported as part of the Rathbones Group following the completion of the combination in September 2023. Rathbones FUMA totalled £100.7 billion at 30 September 2023

Balance sheet strength and strategic execution:

- The Group maintained strong capital and liquidity allowing us to navigate the current volatile and uncertain environment, support our clients and build to scale our identified growth initiatives
- The completion of the all-share combination of Investec Wealth & Investment UK (IW&I UK) with Rathbones plc created a scalable platform that will power future growth for the Group in the attractive UK Wealth segment
- The implementation of various capital optimisation strategies remain a priority for the Group, with further progress made on the share repurchase programme, as well as the disposal of the property management companies to Burstone Group (formerly known as IPF). To date, Investec has repurchased approximately 64.7 million shares or c.6.4% of shares in issue when the programme was announced, deploying c.R6.8 billion or c.£300 million of excess capital
- The Board has proposed an interim dividend of 15.5p per share (1H2023: 13.5p), an increase of 14.8% from prior period.

Outlook

The Group is well positioned to continue supporting its clients notwithstanding the uncertain macroeconomic outlook. We have strong capital and liquidity to navigate the current environment and pursue our identified growth initiatives in our chosen markets.

FY2024 guidance

Based on the macroeconomic outlook for our two core geographies, the Group currently expects:

- The revenue momentum to be underpinned by moderate book growth, elevated interest rates, continued client acquisition and activity levels
- The cost-to-income ratio to be below 55%
- The credit loss ratio to remain within the through-the-cycle (TTC) range of 25bps to 35bps
  - South Africa to normalise towards the lower-end of the TTC range of 20bps to 30bps
  - The UK to report a credit loss ratio between 50bps and 60bps
- ROE to be above the mid-point of the Group's target range of 12% to 16%.

FINANCIAL INFORMATION

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand: Pound Sterling exchange rate over the period has depreciated by 18.6% against the comparative six month period ended 30 September 2023, and the closing rate has depreciated by 4.8% since 31 March 2023. The following tables provide an analysis of the impact of the Rand on our reported numbers.

	Results in Pounds Sterling					**Results in Rands**		
Total Group	**Six months to 30 Sept 2023**	Six months to 30 Sept 2022	% change	**Neutral currency^ Six months to 30 Sept 2023**	Neutral currency % change	**Six months to 30 Sept 2023**	Six months to 30 Sept 2022	% change
Adjusted operating profit before taxation (million)	£453	£405	11.9%	£491	21.2%	R10 640	R8 024	32.6%
Earnings attributable to shareholders (million)	£615	£478	28.7%	£638	33.5%	R14 435	R9 470	52.4%
Adjusted earnings attributable to shareholders (million)	£330	£298	10.6%	£357	19.8%	R7 737	R5 911	30.9%
Adjusted earnings per share	38.7p	32.9p	17.6%	41.9p	27.4%	908c	652c	39.3%
Basic earnings per share	69.6p	50.6p	37.5%	72.1p	42.5%	1635c	1003c	63.0%
Headline earnings per share	36.9p	32.0p	15.3%	39.7p	24.1%	859c	663c	29.6%

	Results in Pounds Sterling					**Results in Rands**		
	At 30 Sept 2023	At 31 March 2023	% change	**Neutral currency^^ At 30 Sept 2023**	Neutral currency % change	**At 30 Sept 2023**	At 31 March 2023	% change
Net asset value per share	556.7p	510.3p	9.1%	557.7p	9.3%	12 801c	11 196c	14.3%
Tangible net asset value per share	470.4p	474.6p	(0.9%)	471.3p	(0.7%)	10 816c	10 414c	3.9%
Total equity (million)	£5 237	£5 334	(1.8%)	£5 333	—%	R120 417	R117 043	2.9%
Total assets (million)*	£57 254	£57 297	(0.1%)	£58 583	2.2%	R1 316 475	R1 257 255	4.7%
Core loans (million)	£30 991	£30 381	2.0%	£31 695	4.3%	R712 564	R666 633	6.9%
Cash and near cash balances (million)	£16 436	£16 361	0.5%	£16 806	2.7%	R377 928	R359 006	5.3%
Customer accounts (deposits) (million)	£39 936	£39 556	1.0%	£40 895	3.4%	R918 272	R867 968	5.8%

^ For income statement items we have used the average Rand: Pound Sterling exchange rate that was applied in the prior period, i.e. 19.80
^^ For balance sheet items we have assumed that the Rand: Pound Sterling closing exchange rate has remained neutral since 31 March 2023.
* Restated.

FINANCIAL INFORMATION
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Funding and liquidity

Customer deposits increased 1.9% annualised to £39.9 billion (31 March 2023: £39.6 billion) and increased by 6.8% annualised in neutral currency. Customer deposits increased by 8.4% annualised to £19.9 billion for Investec plc and increased by 5.3% annualised to R460.4 billion for Investec Limited since March 2023. Cash and near cash of £16.4 billion (£8.7 billion in Investec plc and R177.7 billion in Investec Limited) at 30 September 2023 represent approximately 41.2% of customer deposits. Loans and advances to customers as a percentage of customer deposits was 76.9% (1H2023: 76.4%, FY2023: 76.1%)

The Group comfortably exceeds Board-approved internal targets and Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR

- Investec Bank Limited (consolidated Group) ended the six month period to 30 September 2023 with the three-month average of its LCR at 183% and an NSFR of 113%
- Investec plc reported a LCR of 393% and a NSFR of 146% at 30 September 2023.

Capital adequacy and leverage ratios

Capital and leverage ratios remain sound, ahead of regulatory requirements. The CET1 and leverage ratio were 13.2% and 5.9% for Investec Limited (Advanced Internal Ratings Based scope) and 11.7% and 8.7% for Investec plc (Standardised approach) respectively.

A summary of capital adequacy and leverage ratios

	Standardised		IRB scope^^^		Standardised		IRB scope^^^	
	Investec plc^v*	IBP^v*	Investec Limited*^	IBL*^	Investec plc^v*	IBP^v*	Investec Limited*^	IBL*^
	30 September 2023				31 March 2023			
Common Equity Tier 1 ratio**	11.7%	12.8%	13.2%	16.3%	12.0%	12.9%	14.7%	17.1%
Common Equity Tier 1 ratio (fully loaded)***	11.6%	12.7%	13.2%	16.3%	11.7%	12.6%	14.7%	17.1%
Tier 1 ratio**	13.0%	14.2%	14.3%	17.3%	13.4%	14.3%	15.9%	18.2%
Total capital ratio**	16.8%	18.2%	17.0%	20.3%	17.5%	18.7%	18.3%	21.2%
Risk weighted assets (million)**	18 504	18 028	289 148	271 727	17 767	17 308	283 600	261 263
Leverage exposure measure (million)	27 495	27 225	701 096	690 221	25 216	24 945	696 319	662 702
Leverage ratio	8.7%	9.4%	5.9%	6.8%	9.4%	9.9%	6.5%	7.2%
Leverage ratio (fully loaded)***	8.7%	9.4%	5.9%	6.8%	9.2%	9.8%	6.5%	7.2%

* Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.

** The Common Equity Tier 1 (CET1), Tier 1 and total capital adequacy ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (in the UK this includes the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

v The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the Group operates. For Investec plc and IBP this does not include the deduction of foreseeable charges and dividends when calculating the CET1 ratio as required under the Capital Requirements Regulation. The impact of this deduction totalling £45 million (31 March 2023: £55 million) for Investec plc and £56 million (31 March 2023: £36 million) for IBP would lower the CET1 ratio by 24bps (31 March 2023: 31bps) and 31bps (31 March 2023: 21bps) respectively.

^ Investec Limited's and IBL's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's and IBL's CET1 ratio would be 49bps (31 March 2023: 117bps) and 70bps (31 March 2023: 164bps) lower respectively. The leverage would be 21bps (31 March 2023: 49bps) and 27bps (31 March 2023: 65bps) lower respectively.

^^^ Investec Limited uses the Internal Ratings Based (IRB) Approach to quantify credit RWA. As at 30 September 2023, 52% (31 March 2023: 53%) of the portfolio applies the AIRB approach, 30% (31 March 2023: 28%) applies the FIRB approach and the remaining 18% (31 March 2023: 19%) of the portfolio is subject to the standardised approach.

FINANCIAL INFORMATION
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Deposit guarantees

Investec does not guarantee client deposits, however, deposit guarantee schemes do exist in some of the geographies in which the Group operates:

UK and Other

- In terms of the Financial Services Compensation Scheme, the UK government guarantees a maximum deposit of £85 000 per individual per institution.
- Investec Bank (Channel Islands) Limited is a participant in both the Guernsey and Jersey Banking Deposit Compensation schemes. These schemes offer protection for 'qualifying deposits/eligible deposits' up to £50 000, subject to certain limitations. The maximum total amount of compensation is capped at £100 million in any five-year period. Further details are available on request or alternatively on the Guernsey Scheme's website: www.dcs.gg, or on the Jersey States website which will also highlight the banking groups covered.

South Africa

The Corporation for Deposit Insurance will become fully operational from 1 April 2024.

Asset quality and exposures

- The bulk of Investec's credit and counterparty risk arises through its private client and corporate client activities. The Group lends to high net worth and high income individuals, mid- to large-sized corporates, public sector bodies and institutions
- We have a preference for primary exposure in the Group's two main operating geographies, South Africa and the UK, and specific countries where we have subsidiaries or branches
- The majority of our credit and counterparty exposures reside within our two core geographies, namely the UK and South Africa
- Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to avoid or minimise over exposure and concentration risk
- Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on historical and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations. Furthermore we have little appetite for unsecured debt and require that good quality collateral is provided in support of obligations.
- We are client-centric in our approach and originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship with our clients. In certain instances we may elect to sell certain assets down and/or securitise them
- Total ECL impairment charges increased to £46.3 million (1H2023: £29.4 million) and the Group's annualised credit loss ratio increased to 0.32% (31 March 2023: 0.23%). Asset quality remains solid, with exposures to a carefully defined target market well covered by collateral. The increase in the ECL impairment charges was primarily driven by specific impairments on exposures that migrated into Stage 3 in both geographies. Recoveries from previously written off exposures remained high in South Africa
- In South Africa, Stage 3 exposures increased to 3.8% of gross core loans subject to ECL at 30 September 2023 (31 March 2023: 2.8%%) mainly due to a few single name exposures migrating from both Stage 1 and Stage 2. There has been a decrease in Stage 2 to 2.9% of gross core loans subject to ECL at 30 September 2023 (31 March 2023: 5.0%), mainly due to various corporate exposures which have improved post COVID-19 as well as the Stage 3 migration mentioned above
- In the UK, Stage 3 exposures total £445.0 million at 30 September 2023 or 2.8% of gross core loans subject to ECL (31 March 2023: 2.3%). The underlying loan portfolios continue to perform well with no evident signs of deteriorating trends in specific sectors.

Property-related exposure

- Investec does have property-related lending exposures.
- For the most part Investec's exposure to the property markets arises from collateral that we have taken through our various activities in the structured property finance and growth and acquisition finance areas
- Investec has a strong client-centric focus with a credit assessment process that focuses not only on the value of the underlying property but also the client's ability to repay and the sustainability of income through the cycle.

FINANCIAL INFORMATION
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Investec's DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise. Both companies have the same boards of directors and management
- Shareholders have common economic and voting interests as if Investec Limited and Investec plc were a single company:
  - equivalent dividends on a per share basis
  - joint electorate and class right voting
- Creditors are, however, ring-fenced to either Investec Limited or Investec plc as there are no cross-guarantees between the companies.

Rating agency	Investec Limited	IBL A subsidiary of Investec Limited	Investec plc	IBP A subsidiary of Investec plc
Fitch				
Long-term ratings				
Foreign currency	BB-	BB-		BBB+
National	AA+(zaf)	AA+(zaf)		
Short-term ratings				
Foreign currency	B	B		F2
National	F1+(zaf)	F1+(zaf)		
Outlook	Stable	Stable		Stable
Moody's				
Long-term ratings				
Foreign currency		Ba2	Baa1	A1
National		Aa1.za		
Short-term ratings				
Foreign currency		NP	P-2	P-1
National		P-1.za		
Outlook		Stable	Stable	Stable
S&P				
Long-term ratings				
Foreign currency		BB-		
National		za.AA		
Short-term ratings				
Foreign currency		B		
National		za.A-1+		
Outlook		Positive		
Global Credit Ratings				
Long-term ratings				
International scale, local currency		BB		
National scale		AA+(za)		
Short-term ratings				
International scale, local currency		B		
National scale		A1+(za)		
Outlook (International scale)		Stable		
Outlook (National scale)		Stable		

Further information on Investec's credit ratings may be found on our website.

STRATEGIC DIRECTION

Driving sustainable long-term growth

Building on the successes to simplify, focus and grow the business over the last few years, we are well placed to pursue disciplined growth in the long-term pursuit of our purpose of creating enduring worth.

This growth will be pursued through our deep specialisations, with more emphasis being placed on what we can do for our clients if we act in an integrated way to bring the best of Investec to every relationship and interaction.

This involves further pursuing cross client franchise integration strategies and significantly improving internal operating efficiencies.

The One Investec mindset

One Investec embodies our commitment to bring the best of Investec to every client relationship and interaction. It is premised on our obsession with client service and deep specialisation delivered in an integrated manner.

- Is a commitment to drawing on the full breadth and depth of relevant capabilities to meet the needs of each client, regardless of specialisation or geography
- Is about improving internal operating efficiencies; ensuring that investments in infrastructure and technology support our differentiated service offering across the entire Group
- Demands a disciplined approach to optimising returns, not merely for one region or client franchise but for the Group as a whole

Fuelling a robust growth agenda

Growth objectives

- Continued execution with discipline to drive **optimisation of returns**
- Accelerate and scale **new growth initiatives**
- Further develop **connected client eco-systems** across business units & geographies

Underpinned by

- Deepening our **entrepreneurial culture** (Out of the Ordinary)
- Continuous **digitalisation**
- **Strategic** use of **data**

SUSTAINABILITY

Sustainability highlights

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

Progress made on our impact SDGs

Net-zero commitments

13 CLIMATE ACTION

- Committed to **zero thermal coal exposures** in our loan book by 31 March 2030
- **Thermal coal** as a % of loans and advances is 0.07% (Mar-23: 0.10%)
- **Fossil fuels** as a % of loans and advances is 2.26% (Mar-23: 1.84%)

Equality commitments

10 REDUCED INEQUALITIES

- **50% ethnic diversity** and **55% women** on our Group Board
- **1mn meals** in response to the cost of living crisis in the UK
- **R454mn procurement** from black women-owned suppliers in SA

Sustainable finance

Specialist Banking

- **Ranked 7th** in the Corporate Knights Sustainable Revenues Ranking, 2022
- **Won Best Specialist ESG Research** in the ESG Investing Awards in the UK, 2022

Wealth & Investment

- **Raised R2.82bn** through the launch of two managed charity portfolios in SA
- **Ranked 1st** for Best Private Bank and Wealth Manager in Africa for philanthropy services 2022, by the Financial Times
- Investec UK Charities team **ranked 8th** by the Charity Finance Fund Management Survey by size of charitable funds managed

Consistently well-positioned in international ESG rankings and ratings

S&P Global	SUSTAINALYTICS a Morningstar company RATED	MSCI ESG RATINGS AAA	CDP DISCLOSURE INSIGHT ACTION
Top 5% in the global diversified financial services sector (inclusion since 2006)	Top 7% of diversified banks and included in the Global Sustainability Leader Index	Top 2% in the financial services sector in the MSCI Global Sustainability Index	Score A- against an industry average of B-

Corporate ESG Performance Prime RATED BY ISS ESG	GLOBAL100 2023 THE WORLD'S MOST SUSTAINABLE CORPORATIONS	FTSE4Good	JSE FTSE Russell
Top 20% of the ISS ESG global universe **Rated Prime – best in class**	Top 100 in Global sustainable companies in the world	Included in the FTSE UK 100 ESG Select Index (out of 641) Included in the FTSE4Good Index	Top 30 in the FTSE/JSE Responsible Investment Index

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