

INVESTEC | 2020
BANK LIMITED

Credit ratings fact sheet



CONTEXTUALISING INVESTEC BANK LIMITED'S RATING - MAY 2020

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 it operates, unless it is largely foreign-owned and the foreign holding company is domiciled in a country with a higher rating than South Africa.

IBL credit ratings history

	Fitch Long-term		Moody's Long-term		Standard & Poors Long-term	
	<i>Foreign currency</i>	<i>National scale</i>	<i>Foreign currency</i>	<i>National scale</i>	<i>Foreign currency</i>	<i>National scale</i>
May 2020	BB	AA(zaf)	Ba1	Aa1.za	BB-^	za.AA
April 2020	BB	AA(zaf)	Ba1	Aa1.za	BB	za.AA
March 2020	BB^	AA-(zaf)	Ba1^	Aa1.za	BB	za.AA
November 2019	BB+	AA(zaf)	Baa3	Aa1.za	BB	za.AA^
July 2018	BB+	AA(zaf)	Baa3	Aa1.za	BB	za.AA+
November 2017	BB+	AA(zaf)	Baa3	Aa1.za	BB^	za.AA-^
August 2017	BB+	AA(zaf)	Baa3	Aa1.za	BB+	za.AA
June 2017	BB+	AA(zaf)	Baa3^	Aa1.za	BB+	za.A
April 2017	BB+^	AA(zaf)	Baa2	Aa1.za	BB+^	za.A
May 2016	BBB-	AA-(zaf)	Baa2	Aa1.za**	BBB-	za.AA-
December 2015	BBB-	AA-(zaf)	Baa2	A1.za	BBB-	za.AA-
November 2014	BBB-	AA-(zaf)	Baa2	A1.za	BBB-	za.AA
August 2014	BBB-	AA-(zaf)	Baa1	A1.za	BBB-	za.AA
June 2014	BBB-	AA-(zaf)	Baa1	Aa3.za	BBB-	za.AA
February 2014	BBB-	AA-(zaf)	Baa1	Aa3.za	BBB	za.AA
January 2013	BBB-	AA-(zaf)	Baa1	Aa3.za		
October 2012	BBB-	A+(zaf)	Baa1^	Aa3.za		
February 2012	BBB-^	A+(zaf)	A3	Aa2.za		
December 2009	BBB	A+(zaf)	A3	Aa2.za		
December 2007	BBB+	AA-(zaf)	Baa1	Aa2.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.

CURRENT RATING AND PEER GROUP RATING COMPARISON

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

	Investec Bank Limited	Absa Bank Limited	FirstRand Bank Limited	Nedbank Limited	Standard Bank of South Africa Limited
Moody's					
National					
Long-term deposit rating	Aa1.za	Aa1.za	Aa1.za	Aa1.za	Aa1.za
Short-term deposit rating	P-1.za	P-1.za	P-1.za	P-1.za	P-1.za
Foreign currency					
Long-term deposit rating	Ba1	Ba1	Ba1	Ba1	Ba1
Short-term deposit rating	NP	NP	NP	NP	NP
Long-term senior unsecured issuer rating	(P)Ba1	(P)Ba1	(P)Ba1	(P)Ba1	(P)Ba1
Senior subordinated rating	(P)Ba2	N/A	(P)Ba3	(P)Ba2	(P)Ba2
Baseline Credit Assessment (BCA)	ba1	ba1	ba1	ba1	ba1
Outlook	Negative	Negative	Negative	Negative	Negative
Fitch					
National					
Long-term rating	AA(zaf)	AA(zaf)	AA(zaf)	AA(zaf)	AA(zaf)
Short-term rating	F1+(zaf)	F1+(zaf)	F1+(zaf)	F1+(zaf)	F1+(zaf)
Foreign currency					
Long-term Issuer Default Rating (IDR)	BB	BB	BB	BB	BB
Short-term Issuer Default Rating (IDR)	B	B	B	B	B
Viability rating	bb	bb	bb	bb	bb
Support rating	3	3	3	3	3
Outlook	Negative	Negative	Negative	Negative	Negative
Standard & Poors					
National					
Long-term issuer credit rating	za.AA	za.AA	za.AA	za.AA	n/a
Short-term issuer credit rating	za.A-1+	za.A-1+	za.A-1+	za.A-1+	n/a
Foreign currency					
Long-term issuer credit rating	BB-	n/a	BB-	BB-	n/a
Short-term issuer credit rating	B	n/a	B	B	n/a
Outlook	Stable	n/a	Stable	Stable	n/a
Global Credit Ratings					
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)
International					
Long-term rating	BB	BB	BB+	BB	BB+

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 20 May 2020 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.

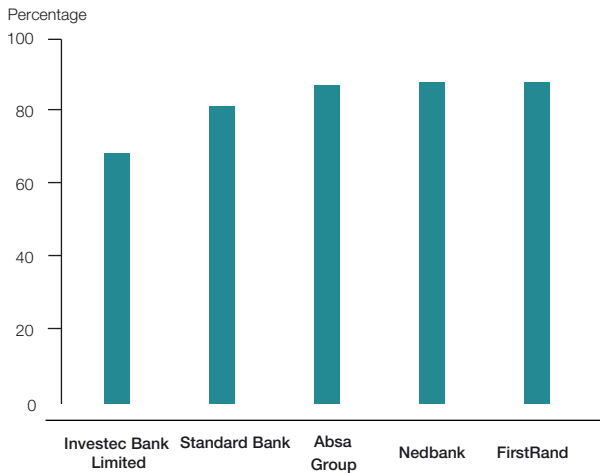
Further peer group information

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.

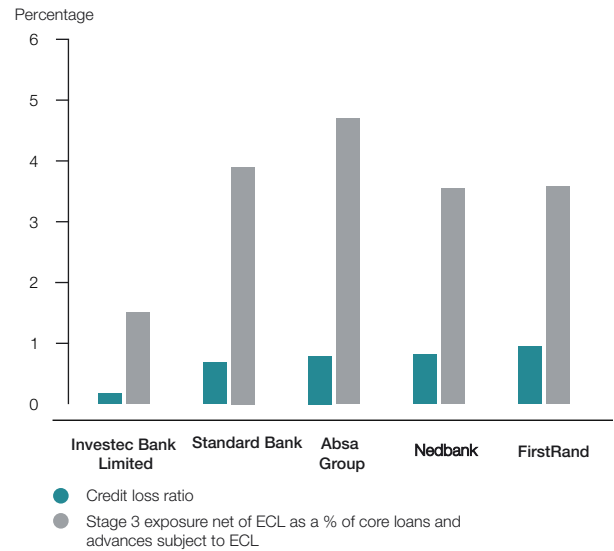
Investec remains the most liquid of the Big 5 banks and is a net provider of funds to the interbank market in South Africa. Investec has a very conservative approach to liquidity, which has been in place for many years. As at 31 March 2020, the bank had R147.2 billion of cash and near cash balances on its balance sheet, which approximates to roughly 39c of every R1 deposit received being held in liquid assets. IBL group has one of the highest liquidity coverage ratios (LCR) at 133.2% at 31 March 2020. 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 12.4 times.

PEER COMPARISON

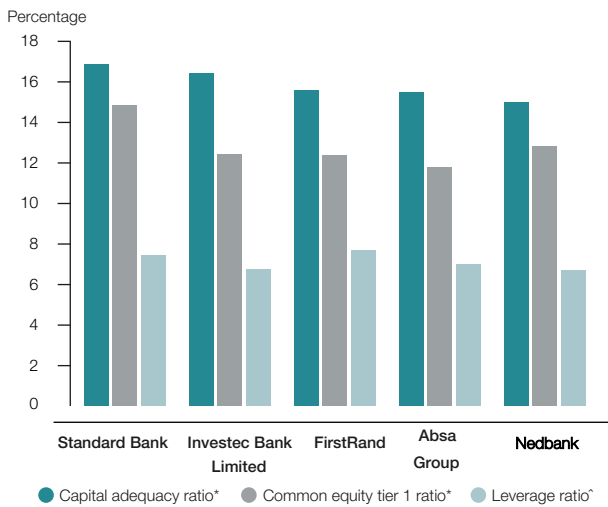
Funding: Loan to customer deposit ratio (smaller number is better)



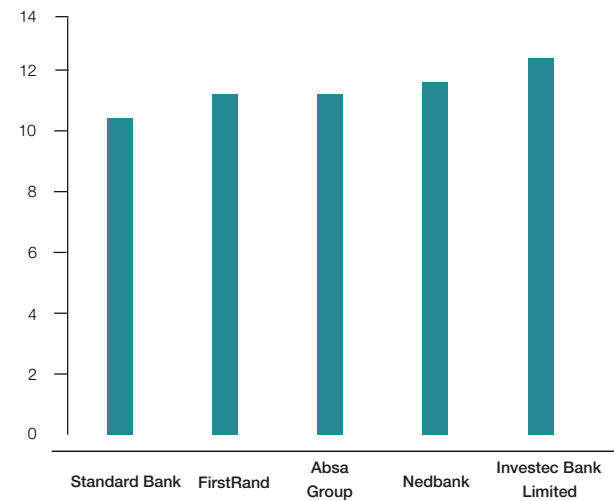
Asset quality ratios: (smaller number is better)



Capital ratios: (larger number is better)



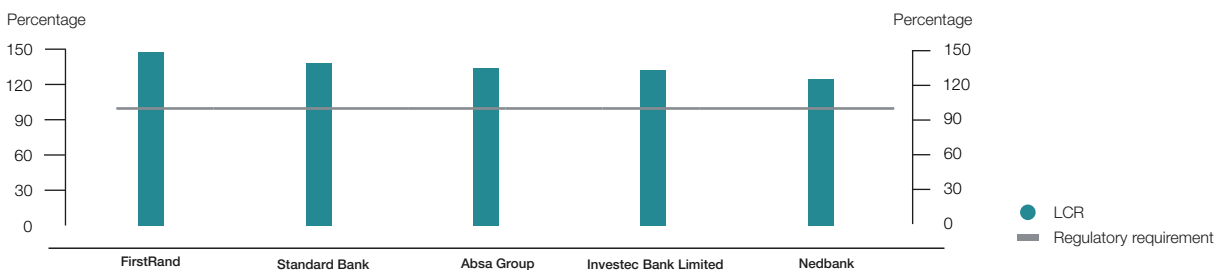
Gearing: Assets to Equity ratio (smaller number is better)



* The implementation of the Foundation Internal Ratings-Based ("FIRB") approach from 1 April 2019 had a positive impact on IBL's capital ratios. Our application to the SARB to implement the Advanced ("AIRB") approach is under review. Successful implementation is expected to have a further positive uplift to our capital ratios.

^ Regulatory equity divided by regulatory assets.

Basel liquidity coverage ratio (LCR)



Source: Latest company interim/annual and quarterly results available at 20 May 2020.

AN OVERVIEW OF IBL'S OPERATING FUNDAMENTALS

IBL has maintained consistently sound operating fundamentals through varying economic cycles as evidenced in the table below.

	31 March 2020	31 March 2019	31 March 2018	31 March 2017	31 March 2016	% change 31 March 2020 vs 31 March 2016
Operating profit before taxation and headline adjustments (R'mn)	3 892	5 337	4 475	4 159	4 295	24%
Headline earnings (R'mn)	3 844	4 784	4 446	3 069	3 449	39%
Cost to income ratio	52.6%	51.7%	53.3%	54.7%	53.3%	
Total capital resources (including subordinated liabilities) (R'mn)	53 785	55 678	51 789	48 345	42 597	31%
Total equity (R'mn)	41 748	41 760	38 415	35 165	31 865	31%
Tangible equity (excluding preference shares, goodwill and intangibles) (R'mn)	39 294	39 177	35 948	32 952	29 636	32%
Total assets (R'mn)	535 970	475 603	444 072	425 687	411 980	15%
Net core loans and advances (R'mn)	283 946	269 404	254 304	233 445	215 239	25%
Customer accounts (deposits) (R'mn)	375 948	341 710	321 893	303 397	279 736	22%
Cash and near cash balances (R'mn)	147 169	118 365	116 533	117 586	124 907	(5%)
Risk-weighted assets (R'mn)	319 090	340 315	320 607	313 010	295 752	15%
Total capital adequacy ratio	16.4%	17.7%	15.5%	15.4%	14.6%	
Tier 1 ratio	12.3%	12.8%	11.2%	11.1%	11.0%	
Common equity tier 1 ratio	12.1%	12.5%	10.9%	10.8%	10.6%	
Leverage ratio (current)	6.9%	7.6%	7.7%	7.6%	7.2%	
Stage 3 exposure net of ECL/default loans net of impairment as a % of core loans and advances subject to ECL	0.9%	0.7%	0.56%	1.03%	1.06%	
Credit loss ratio [#]	0.37%	0.27%	0.28%	0.29%	0.26%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	12.4x	11.0x	11.2	11.6x	12.6x	
Loans and advances to customers as a % of customer deposits	73.6%	76.6%	76.9%	74.4%	74.1%	

[#] Expected credit loss (ECL) impairment charges on gross core loans and advances as a % of gross core loans and advances subject to ECL.

Note: Investec Bank Limited received regulatory permission to adopt the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019. The comparative capital and leverage ratios are the pro-forma FIRB ratios to demonstrate the uplift in the capital ratios had the FIRB approach been applied as of 31 March 2019.

For further information:

Investor Relations

Tel: +(27) 11 286 7070 / +(44) 20 7597 5546

e-mail: investorrelations@investec.com

Internet address: www.investec.com

Date of print: 20 May 2020