

Possibilities and opportunities

Investec Group

Q & A fact sheet May
2022



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.

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



Our purpose is to create enduring worth – living in, not off, society.

The Group was established in 1974 and currently has approximately
8 300+
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	1986 We were listed on the JSE Limited South Africa	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	2022 Today, we have an efficient, integrated international business platform, offering all our core activities in the UK and South Africa
1980 We acquired a banking licence	2002 In July 2002, we implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg	2020 We successfully completed the demerger of Investec Asset Management which separately listed as Ninety One in March 2020	

OVERVIEW OF INVESTEC CONTINUED

Overall Group performance for the financial year ended 31 March 2022

Investec released its full year results on 19 May 2022.

Group results summary for the year ended 31 March 2022 (FY2022) compared to 31 March 2021 (FY2021)

- Adjusted earnings per share increased 90.7% to 55.1p (FY2021: 28.9p) at the top end of previous guidance and ahead of comparable pre-COVID levels.
- Funds under management (FUM) increased 9.2% to £63.8 billion (31 March 2021: £58.4 billion) underpinned by net inflows of £1.9 billion and improved market levels. Market volatility in the last quarter negatively impacted FUM at year end.
- Net core loans grew 13.2% to £29.9 billion (31 March 2021: £26.4 billion) driven largely by residential mortgage and corporate lending growth in both geographies.
- Revenue grew 21.3% as our franchises effectively supported our clients and benefitted from post-pandemic economic recovery.
- The cost to income ratio improved to 63.3% (FY2021: 70.9%) with the increase in fixed operating expenditure well contained at 1.1%. Operating costs increased 6.0% overall, largely driven by higher variable remuneration.
- Pre-provision adjusted operating profit increased 50.1% to £716.2 million (FY2021: £477.0 million), 15.7% ahead of March 2019 (pre-COVID).
- The credit loss ratio improved to 8bps (FY2021: 35bps). Expected credit loss impairment charges were 71.0% lower, due to limited default experience in both geographies, and good recoveries in South Africa. The Group has maintained a level of post-model overlays given the uncertain economic outlook.
- Return on equity (ROE) was 11.4% (FY2021: 6.6%) and return on tangible equity (ROTE) was 12.3% (FY2021: 7.2%).
- Tangible net asset value (TNAV) per share increased 12.5% to 476.6p (31 March 2021: 423.6p). Net asset value (NAV) per share increased 11.4% to 510.0p (31 March 2021: 458.0p).
- Maintained strong capital and liquidity positions to support growth. On full adoption of the advanced internal ratings based (AIRB) approach, Investec Limited's CET1 ratio at 31 March 2022 would on a pro forma basis increase by 200bps to c.16%, expanding capital optionality.
- Shareholders approved the distribution of 15% of Ninety One.
- The Board has proposed a final dividend of 14.0p per share, resulting in a full year dividend of 25.0p per share (FY2021: 13.0p). The payout ratio of 45.4% is within the Group's 30% to 50% payout range.

Fani Titi, Group Chief Executive commented:

"The Group's performance for the 2022 financial year is testament to the strength of our client franchises, disciplined strategic execution, and the commitment of our people to support our clients. We achieved adjusted earnings per share of 55.1p which is at the top end of previous guidance and ahead of comparable pre-COVID levels. Post-pandemic economic recovery supported these results.

With the pending distribution of 15% of Ninety One to shareholders, Investec would have returned an aggregate value of approximately £1.6 billion or c.R32 billion (per Ninety One closing share price on 16 May 2022) to shareholders through the demerger and distribution on successful completion.

I am also pleased that the Board has proposed a final dividend of 14p per share resulting in a full year dividend of 25p per share.

We have strong liquidity and capital to support growth, with significant capital optionality in South Africa. We remain committed to our medium-term targets.

The Group is well positioned to serve its carefully chosen client base and continues to navigate the uncertain outlook emanating from ongoing inflationary pressures and the economic effects of the invasion of Ukraine."

Distribution of 15% holding in Ninety One

On 28 April 2022, shareholders approved the proposed distribution of 15% of Ninety One (34p per share, per Ninety One closing share price on 16 May 2022). The distribution is expected to be effective on 30 May 2022, subject to final scheme approval by the court.

Outlook

The Group continues to successfully navigate the uncertain macro backdrop that has persisted since the onset of the pandemic and has made significant progress against the strategic goals outlined at the 2019 Capital Markets Day. We have a strong balance sheet and robust liquidity levels, firmly committed to our medium-term targets, and are well positioned to pursue growth opportunities in our chosen markets.

The expected slowdown in global growth given high levels of global inflation and increased geopolitical tensions present a downside risk to current economic forecasts.

FY2023 guidance:

Based on financial performance for FY2022, current business momentum and a macro-economic outlook with elevated forecast risk in the short term, the Group currently expects:

- The revenue outlook to be underpinned by higher average interest rates supporting margins, higher average lending books and increased activity levels given expected GDP growth.
- The cost to income ratio to be within the Group target of <63%, notwithstanding inflationary pressures and continued investment in technology.
- Normalisation of expected credit loss impairment charges and consequent credit loss ratio increase towards the Group's revised through-the-cycle (TTC) range of 25-35bps, with South Africa's TTC range calibrated between 20bps and 30bps, and the UK between 30bps and 40bps.
- The distribution of Ninety One to result in a 65bps reduction in Investec Limited's CET1 ratio and to have an immaterial impact on Investec plc. The attributable contribution to adjusted earnings per share was c.3.4p for FY2022.
- South Africa to continue to operate with a surplus capital position given excess capital generation and the anticipated CET1 uplift on full implementation of AIRB.
- Improvement in ROE towards the 12-16% Group target range, which we expect to achieve by FY2024. This will be aided by capital management initiatives.

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 appreciated by 4.9% against the comparative 12-month period ended 30 September 2020, and the closing rate has appreciated by 5.5% since 31 March 2021. The following tables provide an analysis of the impact of the Rand on our reported numbers.

	Results in Pounds Sterling					Results in Rands		
	Year to 31 March 2022	Year to 31 March 2021	% change	Neutral currency^ Year to 31 March 2022	Neutral currency % change	Year to 31 March 2022	Year to 31 March 2021	% change
Adjusted operating profit before taxation (million)	£687	£378	82.1%	£669	77.0%	R13 947	R8 202	70.0%
Earnings attributable to shareholders (million)	£516	£268	92.5%	£503	87.7%	R10 481	R5 715	83.4%
Adjusted earnings attributable to shareholders (million)	£505	£268	88.3%	£493	84.0%	R10 256	R5 710	79.6%
Adjusted earnings per share	55.1p	28.9p	90.7%	53.7p	85.8%	1118c	614c	82.1%
Basic earnings per share	52.0p	25.2p	106.3%	50.7p	101.2%	1055c	538c	96.1%
Headline earnings per share	53.3p	26.6p	100.4%	51.9p	95.1%	1083c	568c	90.7%

	Results in Pounds Sterling					Results in Rands		
	At 31 March 2022	At 31 March 2021	% change	Neutral currency^^ At 31 March 2022	Neutral currency % change	At 31 March 2022	At 31 March 2021	% change
Net asset value per share	5.1p	4.6p	11.4%	495.9p	8.3%	9 810c	9 326c	5.2%
Tangible net asset value per share	4.8p	4.2p	12.5%	462.4p	9.2%	9 167c	8 625c	6.3%
Total equity (million)	£5 740	£5 312	8.1%	£5 565	4.8%	R110 410	R108 161	2.1%
Total assets (million)	£58 844	£51 450	14.4%	£57 127	11.0%	R1 131 872	R1 047 605	8.0%
Core loans (million)	£29 933	£26 438	13.2%	£29 081	10.0%	R575 773	R538 320	7.0%
Cash and near cash balances (million)	£17 161	£13 229	29.7%	£16 702	26.3%	R330 089	R269 364	22.5%
Customer accounts (deposits) (million)	£40 118	£34 449	16.5%	£38 911	12.9%	R771 675	R701 446	10.0%
Funds under management (million)	£63 800	£58 436	9.2%	£62 743	7.4%	R1 227 209	R1 189 872	3.1%

^ For income statement items we have used the average Rand: Pound Sterling exchange rate that was applied in the prior period, i.e. 21.33.

^^ For balance sheet items we have assumed that the Rand: Pound Sterling closing exchange rate has remained neutral since 31 March 2021.

Neutral currency information is considered as pro-forma financial information as per the JSE Listings Requirements and is therefore the responsibility of the Group's Board of directors. Pro-forma financial information was prepared for illustrative purposes and because of its nature may not fairly present the issuer's financial position, changes in equity, or results of operations. The external auditors issued a limited assurance report in respect of the neutral currency information. The report is available for inspection at the registered office of Investec upon request.

FINANCIAL INFORMATION

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Funding and liquidity

Customer deposits grew 16.5% to £40.1 billion (31 March 2021: £34.4 billion) at 31 March 2022.

Over the same period, cash and near cash increased 30.3% to £17.2 billion (£8.9 billion in Investec plc and R159.5 billion in Investec Limited).

The Group comfortably exceeds Basel liquidity requirements for the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Investec Bank Limited (consolidated Group) ended the year to 31 March 2022 with the three-month average of its LCR at 138.9% and an NSFR of 112.6%. Investec plc reported a LCR of 457% and a NSFR of 145% at 31 March 2022.

Capital adequacy and leverage ratios

Capital and leverage ratios remain sound, ahead of Board-approved minimum targets and regulatory requirements. The CET1 and leverage ratio were 14.0% and 7.4% for Investec Limited (increased AIRB scope) and 11.7% and 9.2% for Investec plc (Standardised approach) respectively.

Investec Limited made progress in the application to adopt AIRB for the measurement of capital on certain portfolios currently on the Foundation Internal Ratings Based (FIRB) approach. On full adoption of AIRB, the pro-forma CET1 ratio would increase by 200bps at 31 March 2022. Investec plc is in the early stages of a process to migrate from the Standardised approach to the Internal Ratings Based (IRB) approach.

The Group targets a minimum CET1 ratio above 10%, a tier 1 ratio above 11% and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited, respectively.

A summary of capital adequacy and leverage ratios

	Standardised		Increased AIRB scope		Standardised		Increased AIRB scope ^{vv}		FIRB	
	Investec plc ^v	IBP ^v *	Investec Limited ^{**}	IBL ^{**}	Investec plc ^v	IBP ^v *	Investec Limited [*]	IBL ^{**}	Investec Limited [*]	IBL ^{**}
	31 March 2022				31 March 2021					
Common Equity Tier 1 ratio ^{**}	11.7%	12.4%	14.0%	15.8%	11.2%	12.0%	12.8%	14.0%	12.2%	13.3%
Common Equity Tier 1 ratio (fully loaded) ^{***}	11.3%	12.0%	14.0%	15.8%	10.7%	11.5%	12.8%	14.0%	12.2%	13.3%
Tier 1 ratio ^{**}	13.1%	13.9%	15.0%	16.6%	12.8%	13.6%	13.4%	14.4%	12.8%	13.7%
Total capital ratio ^{**}	16.8%	18.6%	17.5%	20.0%	15.1%	16.6%	16.6%	18.6%	16.0%	17.8%
Risk-weighted assets (million) ^{**}	16 980	16 462	319	287	16 332	15 789	336 629	314 843	351 125	329 366
Leverage exposure measure (million) ^{^^}	24 185	23 874	650	608	26 675	26 351	594 059	556 110	593 944	555 992
Leverage ratio ^{^^}	9.2%	9.6%	7.4%	7.9%	7.9%	8.1%	7.6%	8.1%	7.6%	8.1%
Leverage ratio (fully loaded) ^{***}	8.9%	9.3%	7.4%	7.9%	7.5%	7.8%	7.5%	8.1%	7.5%	8.1%

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 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 Investec Bank plc 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 £44 million (31 March 2021: £25 million) for Investec plc and £61 million (31 March 2021: £25 million) for IBP would lower the CET1 ratio by 28bps (31 March 2021: 17bps) and 37bps (31 March 2021: 16bps) respectively.

^{vv} Investec Limited received approval to adopt the AIRB approach for the SME and Corporate models, effective 1 April 2021. We presented numbers on a pro-forma basis for 31 March 2021.

[^] 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 134bps (31 March 2021: 39bps) and 69bps (31 March 2021: 48bps) lower respectively.

^{^^} The leverage ratios are calculated on an end-quarter basis. In the UK, the 31 March 2022 leverage ratio is calculated applying the UK leverage ratio framework which applies to all UK firms from 1 January 2022. The 31 March 2021 comparative is calculated on a CRD IV basis.

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

There are no deposit guarantees in South Africa.

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 declined to £28.8 million (2021: £99.4 million) and the Group's credit loss ratio reduced to 0.08% (2021: 0.35%; 1H2022: 0.07%). Asset quality remains strong, with exposures to a carefully defined target market and well covered by collateral. The decrease in ECL was driven by limited default experience, good recoveries, and reversals of certain Stage 3 ECLs raised in the prior year as exposures cured. Given the uncertain economic outlook, the Group has maintained a level of post-model management overlays to account for risks not adequately reflected in the models. There was a net release of management overlays during the year of £2.9 million.
- In South Africa, Stage 2 exposures increased to 5.9% of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 5.2%) mainly due to certain single name exposures migrating from Stage 3. Stage 3 has reduced to 1.9% of gross core loans subject to ECL at 31 March 2022 (31 March 2021: 2.6%) as a result of these migrations as well as certain settlements.
- In the UK, overall asset quality improved as Stage 3 gross core loan exposure decreased from £332 million at 31 March 2021 to £291 million or 2.1% of gross core loans subject to ECL at 31 March 2022. Notwithstanding the partial release in management ECL overlay during the second half of the year, the overall coverage for Stage 1 and Stage 2 remains elevated at 31 March 2022, reflecting the ongoing uncertainty and deterioration of forward-looking macro-economic scenarios, particularly with respect to inflation.

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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Gearing

Investec is not a highly geared bank. A number of the banks that have come into difficulty in the past have been in excess of 40 times geared. Investec's gearing ratio is 10.2x.

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		Stable		
Global Credit Ratings				
Long-term ratings				
International scale, local currency		BB		BBB+
National scale		AA(za)		
Short-term ratings				
International scale, local currency		B		A2
National scale		A1+(ZA)		
Outlook (International scale)		Negative		
Outlook (National scale)		Stable		Stable



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

STRATEGIC DIRECTION

Driving sustainable long-term growth



Our strategic direction

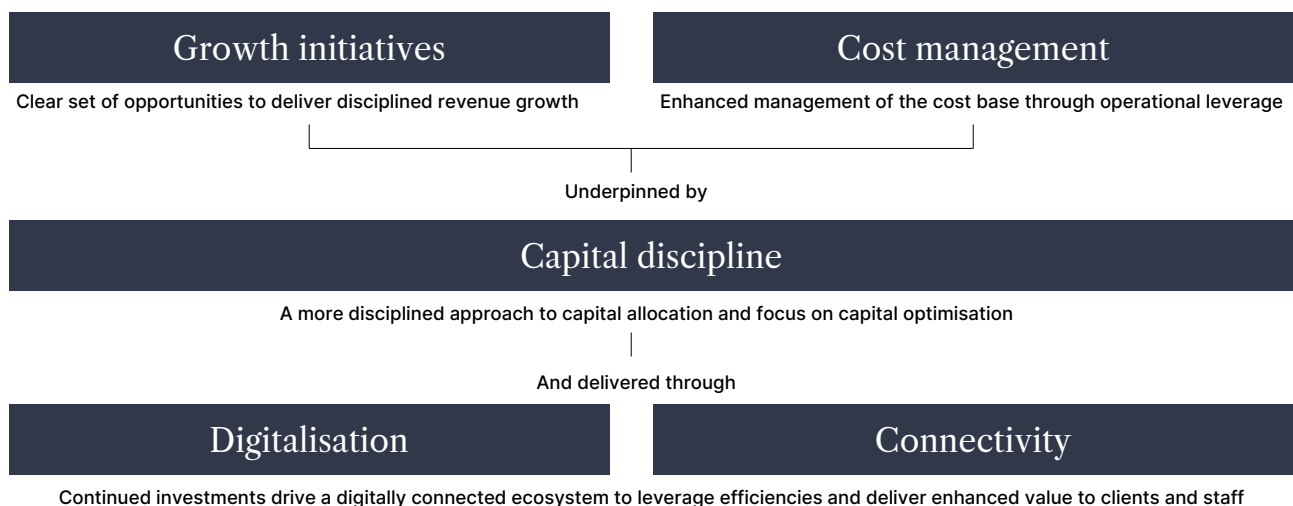
Our long-term commitment is to One Investec; a client-focused strategy where, irrespective of specialisation or geography, we commit to offering our clients the full breadth and scale of our products and services.

We are focused on delivering profitable, impactful and sustainable solutions to our clients. To deliver on One Investec, we will focus on collaboration between the Specialist Banking and Wealth & Investment businesses, and across geographies, and continue to invest in and support these franchises. This will position Investec for sustainable long-term growth.

Our long-term strategic focus:

- **We are committed to delivering exceptional service to our clients, creating long-term value for our shareholders and contributing meaningfully to our people, communities and the planet**
- **All relevant Investec resources and services are on offer in every single client transaction**
- **We aim to sustain our distinctive, Out of the Ordinary culture, entrepreneurial spirit and freedom to operate, with the discipline and obligation to do things properly for the whole of Investec.**

Framework to drive improved business performance











SUSTAINABILITY

Sustainability highlights

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

Governance	Sustainable finance	Positioning
<ul style="list-style-type: none"> Implemented a more holistic ESG framework linked to executive remuneration Deepened our ESG skills on the Group Board with the addition of two new non-executive directors, Nicky Newton-King and Jasandra Nyker 	<ul style="list-style-type: none"> R1 billion raised for renewable energy projects through Investec Group's first green bond (3.8x oversubscribed) \$35 million raised by Investec Wealth & Investment at 31 March 2022 through the launch of a Global Sustainable Equity Fund 	<ul style="list-style-type: none"> Received a low-risk rating from Sustainalytics (16.6) Aligned to the UN SDGs: Obtained 5-star rating from Support the Goals 

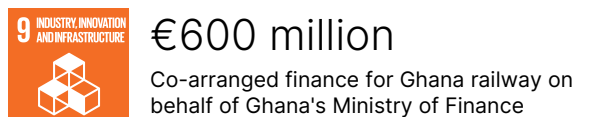
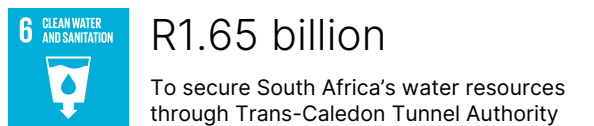
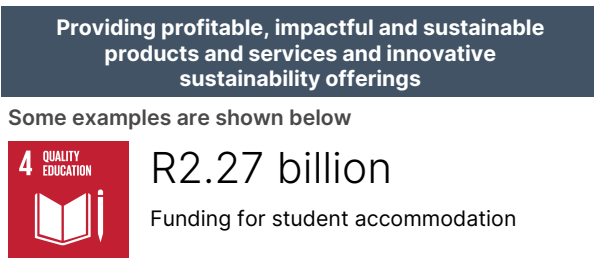
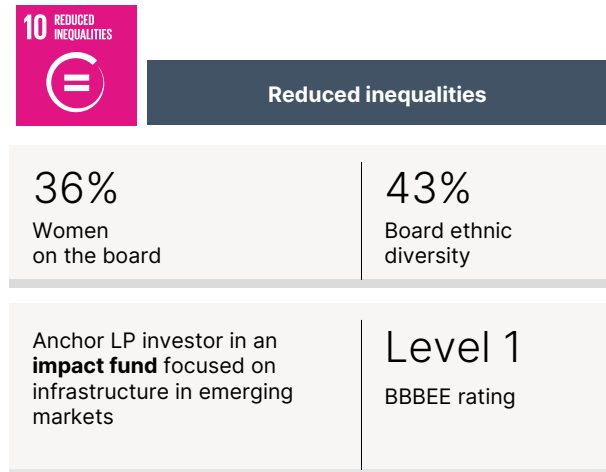
Consistently well-positioned in international ESG rankings and ratings

			
Top 15% in the global diversified financial services sector (inclusion since 2006)	Top 13% of globally-assessed companies in the Global Sustainability Leaders Index	Top 2% in the financial services sector in the MSCI Global Sustainability Index	Score B against an industry average of B (formerly Carbon Disclosure Project)
			
Top 20% of the ISS ESG global universe Top 14% of diversified financial services	1 of 43 banks and financial services in the Global ESG Leaders Index (total of 439 components)	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

SUSTAINABILITY
CONTINUED

Addressing climate change and reducing inequalities

Through our impact on the UN Sustainable Development Goals



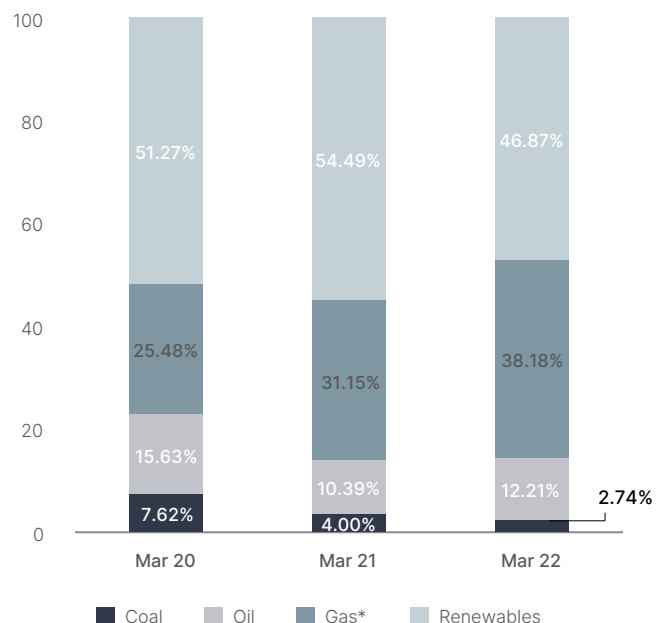
Minimal exposure to coal

0.10% Coal as a percentage of loans and advances (31 March 2021: 0.17%)

2.74% Coal as a percentage of energy lending (31 March 2021: 4.00%)

Breakdown of our energy lending portfolio

Percentage



* Majority is natural gas.

FOR FURTHER INFORMATION:

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