

# Investec Bank Limited

November 2022

The information in this presentation relates to the six months ended 30 September 2022, unless otherwise indicated.



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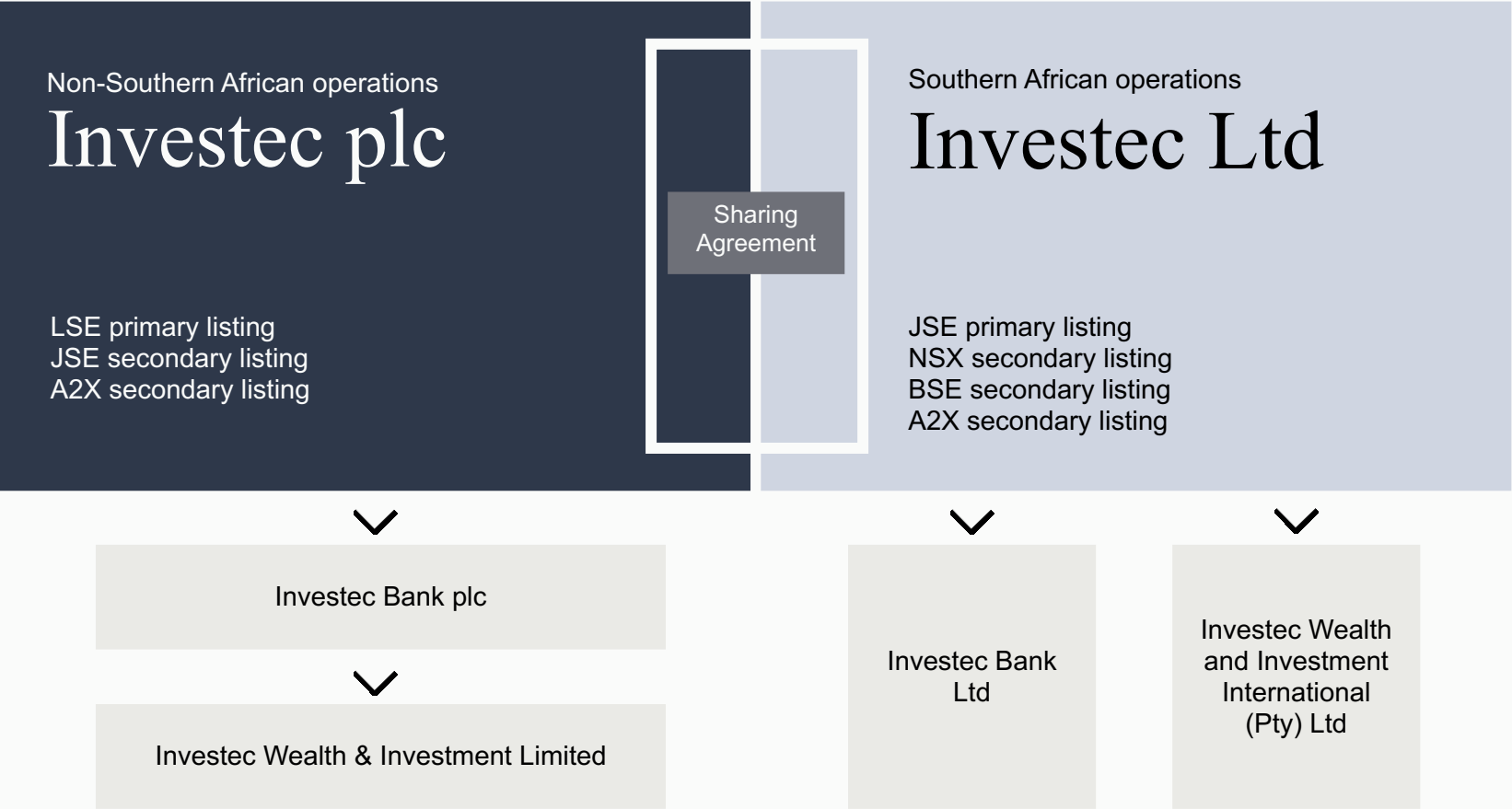




Investec Group at a glance



# Investec Dual Listed Company 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**

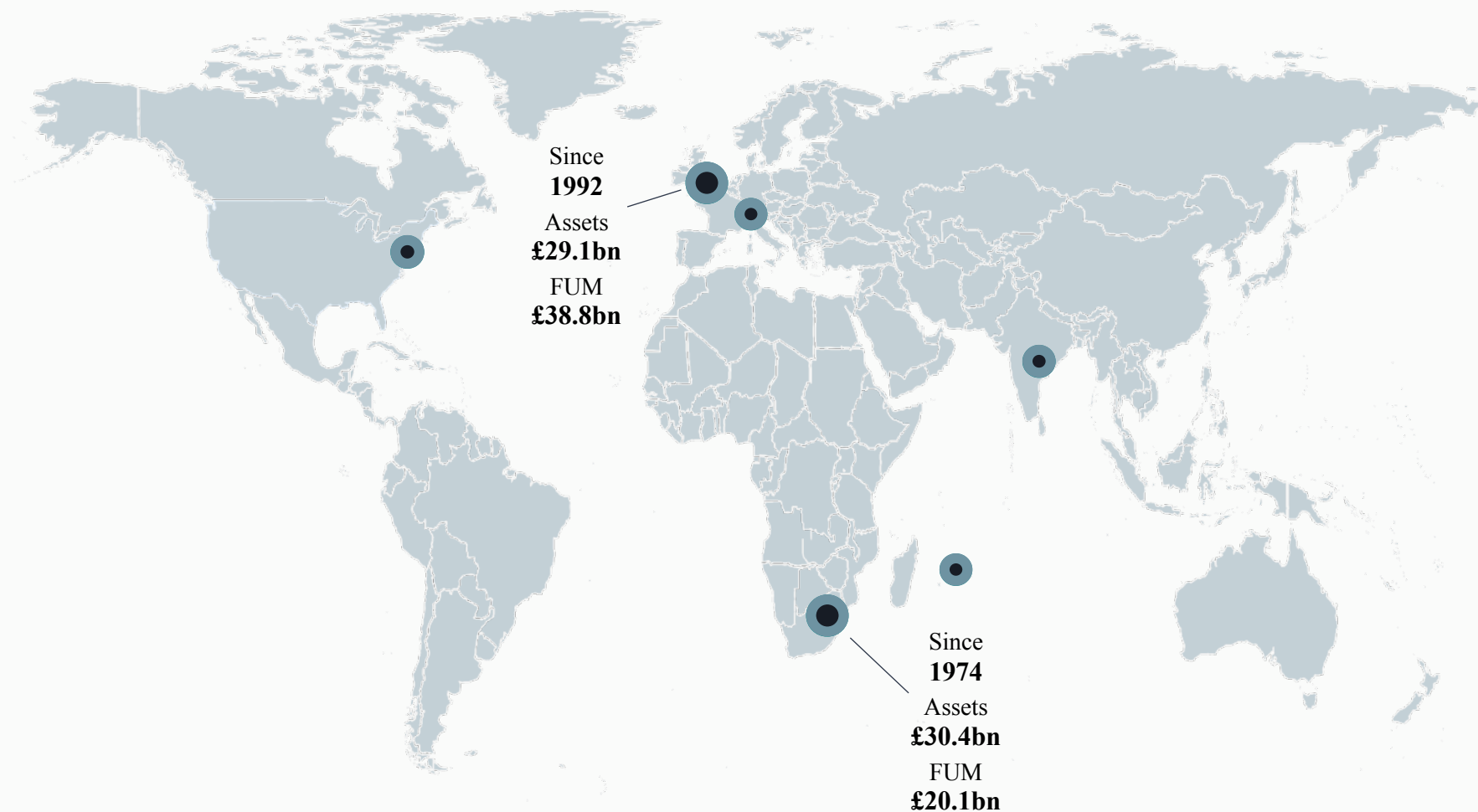
Shareholders have **common economic and voting interests** as if Investec plc and Investec Limited were a single company

**Creditors, however, are ring-fenced** to either Investec plc or Investec Limited as there are **no cross-guarantees** between the companies

Note: All shareholdings are 100%. Only main operating subsidiaries are indicated.

# Investec Group at a glance

A domestically relevant, internationally connected banking and wealth & investment Group



- Established in 1974
- Today, an efficient integrated international business platform employing approximately **8 500+\*** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of **£59.5bn**; total equity of **£5.7bn**; and total funds under management of **£59.0bn**

# One Investec

## Our values

Our purpose is expressed in four key values that shape the way that we work and live within society.

1

### Cast-iron Integrity

We demand cast-iron integrity in all internal and external dealings, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

2

### Distinctive Performance

We employ talented people with passion, energy and stamina, who exercise common sense in achieving effective performance in a high pressure, multi-task environment.

We promote innovation and entrepreneurial freedom to operate within the context of risk consciousness, sound judgement and an obligation to do things properly

We show concern for people, support our colleagues and encourage growth and development.

3

### Client focus

We break china for the client, having the tenacity and confidence to challenge convention.

We thrive on change, continually challenging the status quo and recognising that success depends on flexibility, innovation and enthusiasm in meeting the needs of our changing environment.

4

### Dedicated partnership

We believe that open and honest dialogue is the appropriate process to test decisions, seek consensus and accept responsibility.

We are creative individuals who co-operate and collaborate unselfishly in pursuit of Group performance.

We respect the dignity and worth of the individual through encouraging openness and embracing difference and by the sincere, consistent and considerate manner in which we interact.

45+ years of  
heritage.  
Two core  
geographies.  
One Investec.

Whether you are an individual, a business, or an intermediary acting for clients, our aim is to create and manage your wealth and fuel your business growth.

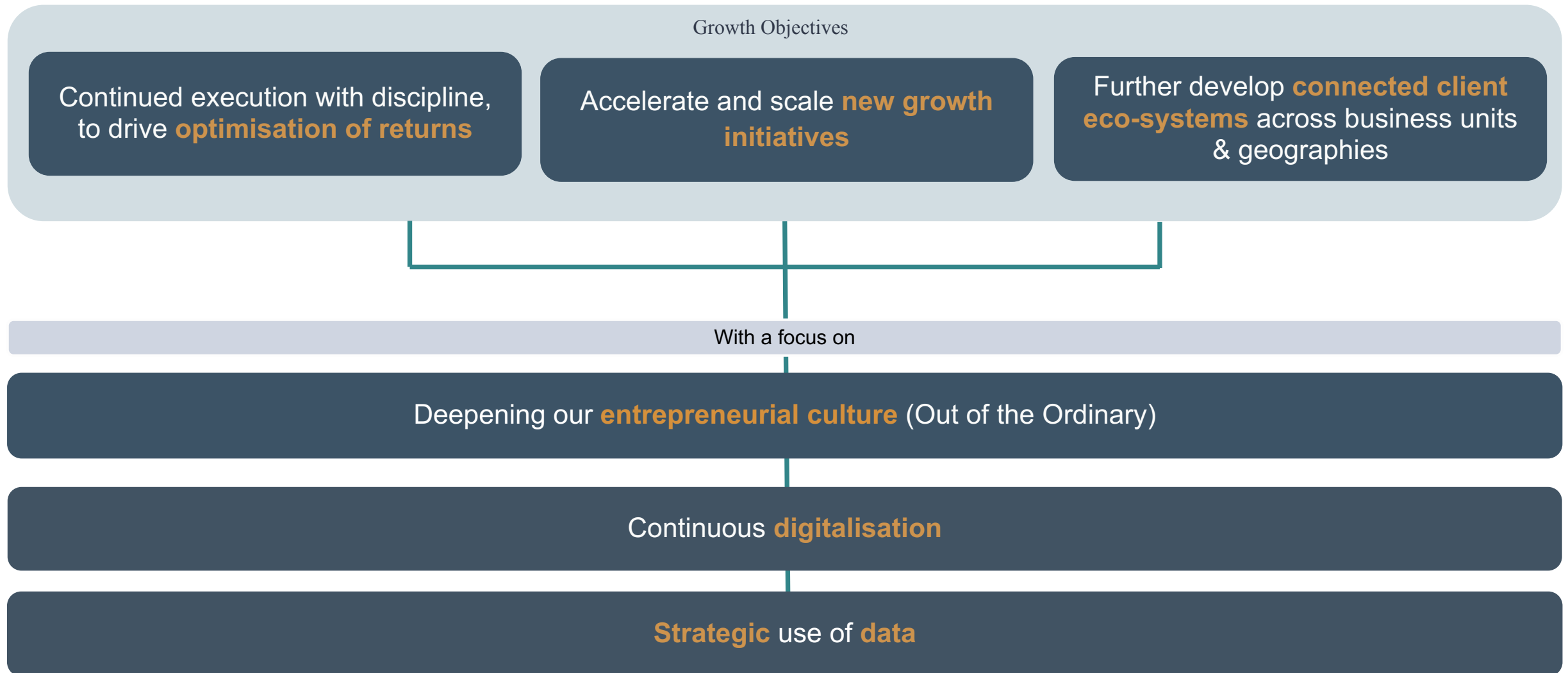


# Investment proposition

Well positioned to pursue long-term growth

- 1 Well capitalised and highly liquid balance sheet
- 2 Improved capital allocation – operating with excess capital in South Africa
- 3 Diversified mix of earnings by geography and business, with significant annuity income underpin from leading wealth business
- 4 Clear growth opportunities through reinforcement of existing linkages across geography and business and new profit pool strategies which are underway
- 5 Our clients have historically shown resilience through difficult macro environments
- 6 Rightsizing the cost structure of the business

# Fuelling a robust growth agenda






# SA 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

**1.6mn tCO<sub>2</sub>e**  
Scope 3 financed emissions established as a baseline covering 69% of our loans and investments

Participated in the **Transition Finance for Africa Roundtable**

W&I signed up as a **CDP Signatory** and joined the non-disclosure campaign



### Equality commitments

<b>Group Board</b>	<b>5th</b>	<b>Transformation</b>
<b>43%</b> ethnicity	<b>36%</b> women	<b>R264mn</b>
	in the Universum employer of choice survey by students in SA	Procurement from black women-owned suppliers in South Africa

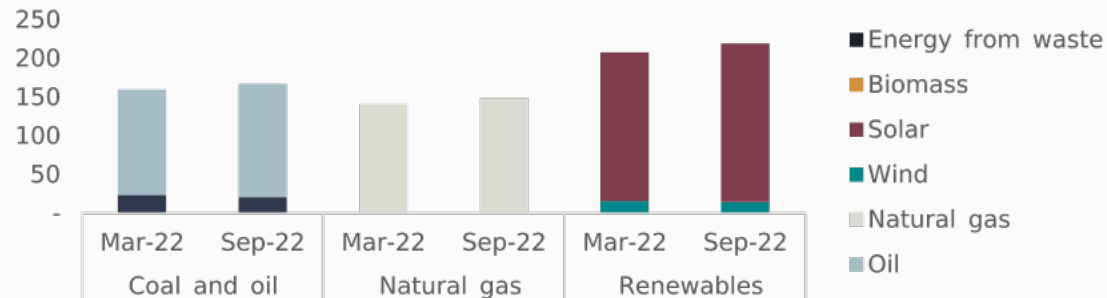
## MINIMAL LENDING TO COAL

**0.14%**

**Thermal coal exposure (R421mn)** as a percentage of gross core loans (Mar-22: 0.15%)

### Investec Limited energy exposure

R'mn



## HIGHLIGHTS

### Specialist Banking

**Ranked 7<sup>th</sup>**

In the **Sustainable Banking Revenues Ranking** in the Corporate Knights The Banker survey, 2022 (out of an initial pool of 91 banks)

**Sustainable finance project**

Implemented a project to **calculate the amount of our sustainable finance lending and investments** and understand the impact on our priority SDGs

### Wealth & Investment



Signatory to **Climate Action 100+**

**\$114.6 mn**

Raised through the launch of two managed charity portfolios in South Africa

**1<sup>st</sup>**

**Best Private Bank and Wealth Manager** in Africa for philanthropy services, 2022 (Financial Times)

**Incorporating sustainability in the way we do business and creating innovative, impactful solutions**

# Focused on doing well and doing good

## Other highlights

### Specialist Banking

- Investec Group joined the **African Natural Capital Alliance**
- Investec Group contributed to the **UN PRB Academy curriculum committee**
- Participated in the **Transition Finance for Africa Roundtable**
- **Disclosed a baseline for our Scope 3 financed emissions** with Investec Limited contributing 89.1% to the Investec Group's financed emissions
- Increase in interest from clients on our various **solar and renewable offerings** due to the impacts of loadshedding
- Implemented a project to calculate the amount of our sustainable finance lending and investments and understand the impact on our priority SDGs

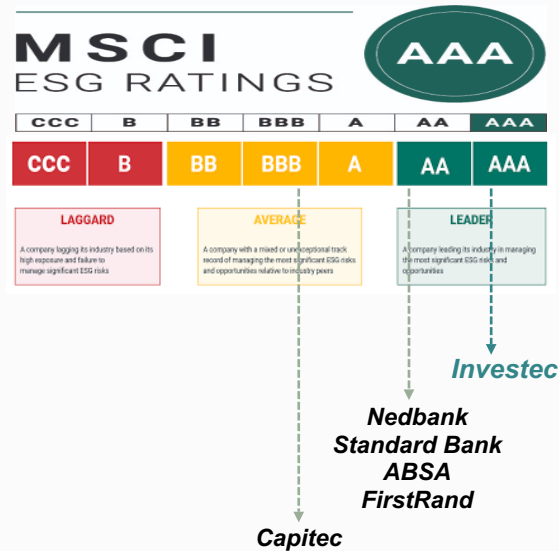
### Wealth & Investment

- Continued inflows into the Investec Global Sustainable Equity Fund - **\$44.5mn** (since launch in Mar-21 to end Sept-22)
- Remain active members of **Climate Action 100+**
- **\$114.6mn** raised through the launch of two managed charity portfolios in South Africa

# Top of SA peers across the most credible international ratings

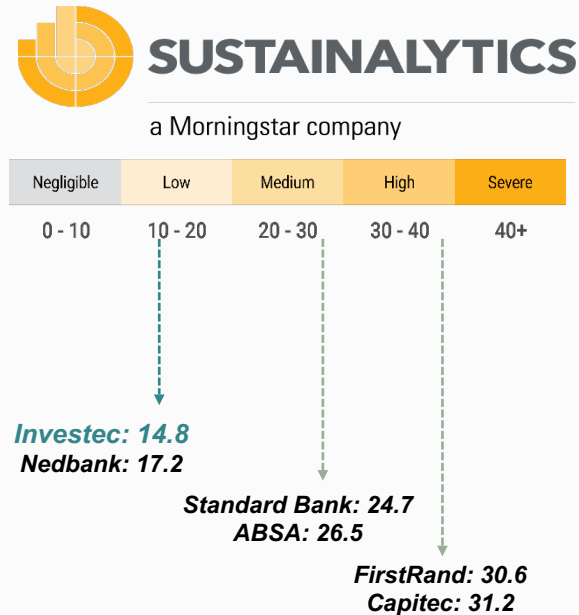
## 1 MSCI ESG Ratings

**TOP 1%** in the financial services sector in the MSCI Global Sustainability Index



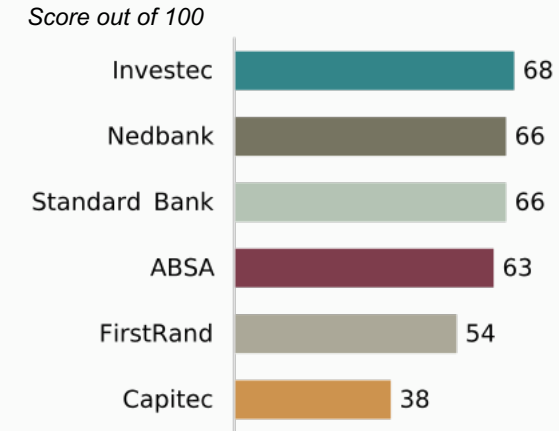
## 2 Sustainalytics Ratings

**TOP 14%** of globally assessed companies in the Global Sustainability Leaders Index



## 3 S&P Corporate Sustainability Assessment

**TOP 2%** of diversified financials in the S&P Corporate Sustainability Assessment rating



MEMBER OF  
**Dow Jones Sustainability Indices**  
In collaboration with **SAM**  
a RobecoSAM brand

**Only Investec and Nedbank included**

*“A company leading its industry in managing the most significant ESG risks and opportunities”*



## Investec Bank Limited (IBL) overview



# Overview of Investec Bank Limited

IBL is a **specialist bank** with a strong franchise in niche market segments operating primarily in **Southern Africa**.

Total  
assets  
R569.8bn

Net core  
loans  
R310.4bn

Total  
equity  
R48.6bn

Customer  
deposits  
R434.7bn

Employees  
4 000+

## Well established franchise

- **Established in 1974** in the Republic of South Africa
- Regulated by the South African Prudential Authority
- Obtained a banking licence in 1980 and listed on the Johannesburg Stock Exchange in 1986
- Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions
- Today, efficient integrated business platform employing **4 000+\*** permanent employees
- **5th largest banking group** in South Africa (by assets)
- **Leading position** in corporate and institutional and private client banking activities

## Key strategic objectives

- 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
  - 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
- In the **short term**, our objective is to **simplify, focus and grow** the business with **discipline**.

\* Excluding temporary employees and contractors

# Specialist Banking

We have a specialised niche offering to a select target market



- **Invested in our business**, sustainably growing our client base and franchise



- Strong technology and digital platforms underpin **our high-touch and high-tech offering**
- Continuous investment to maintain leading position (One Place, Investec Life, Transactional Banking)



- **Deepening** our existing **client relationships** and **client acquisition** through the collaboration of product offerings
- We have a number of **growth initiatives**



- Our growth initiatives and strong franchise support our **solid revenue base**



- **Maintaining cost efficiency** with low cost to income ratios

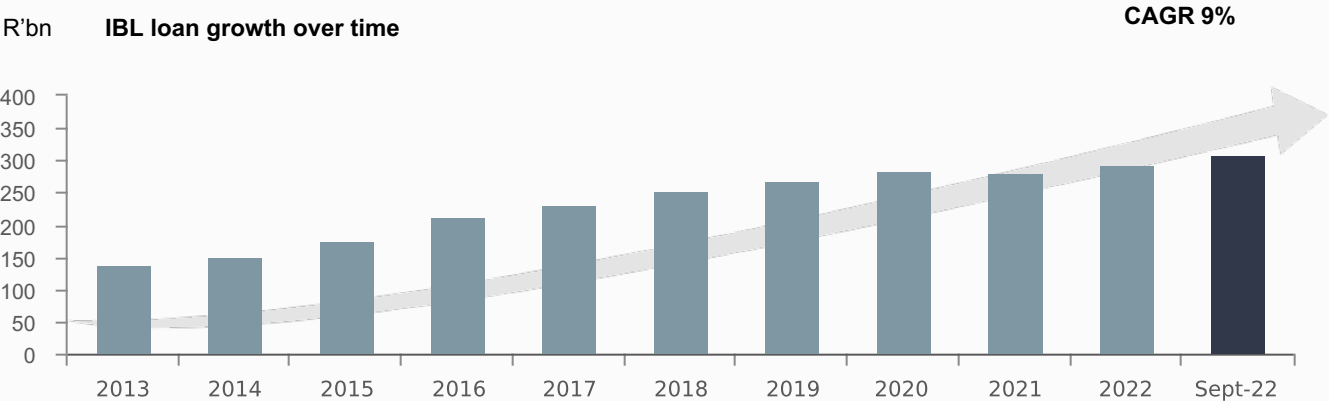


- Maintaining sound capital ratios and low credit loss ratios through varying market conditions
- Enhancing our capital light revenue base
- Disciplined capital allocation
- **We remain focused on improving ROE**

# Specialist Banking

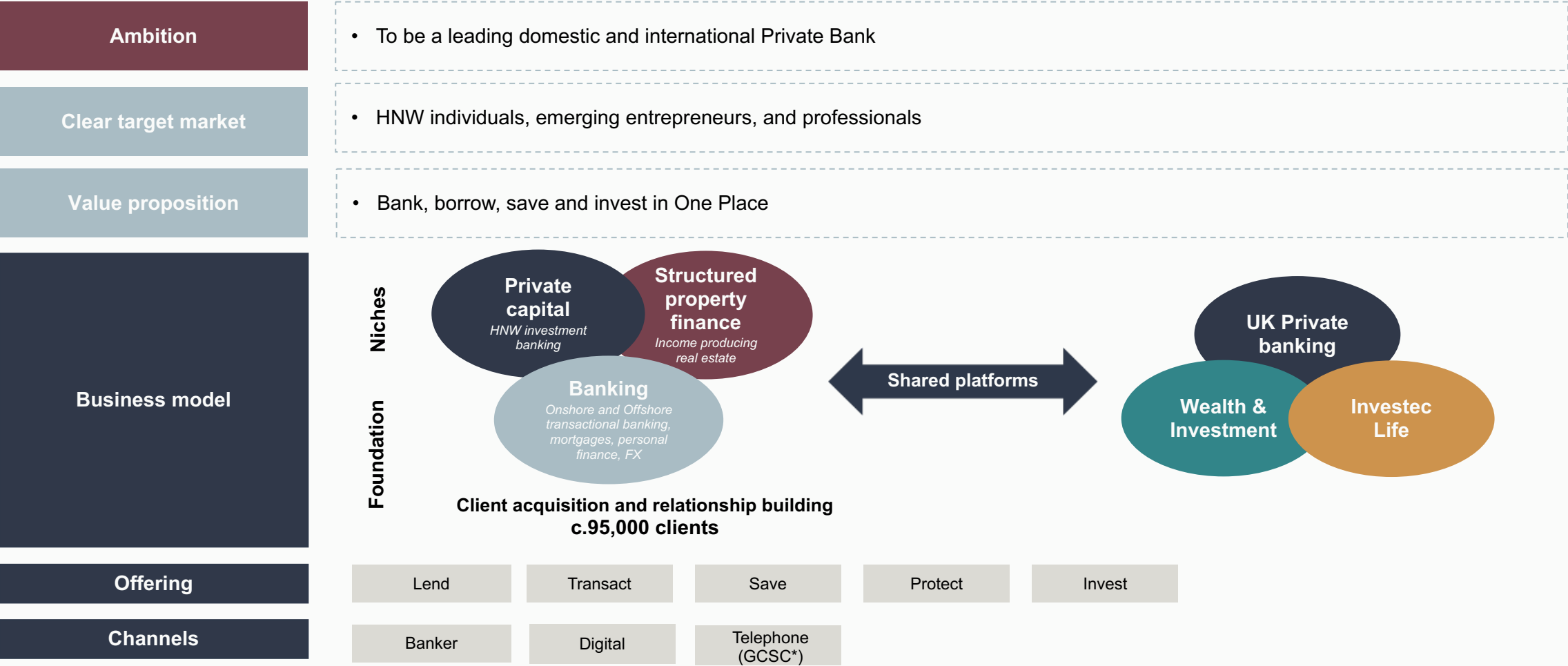
High-quality specialist banking solutions with leading positions in selected areas

Private Banking	Investec for Business	Corporate and Institutional banking	Investment Banking and Principal Investments
For <b>high net worth clients, professionals and emerging entrepreneurs</b> looking for an ‘investment banking’ style service for private clients	<b>Smaller and mid-tier corporates</b> who require a holistic banking solution	For <b>corporates (mid to large size), intermediaries, institutions, government and SOEs</b> looking for a client-centric, solution driven offering	<b>Corporates, institutions, property partners</b> looking for an innovative investment partner
Lending, transactional banking, property finance and savings	Import and trade finance, working capital finance, asset finance, transactional banking	Global markets, various specialist lending activities and institutional equities	Principal investments, Advisory, Debt and Equity, Capital Markets



# Specialist Banking: Private Banking

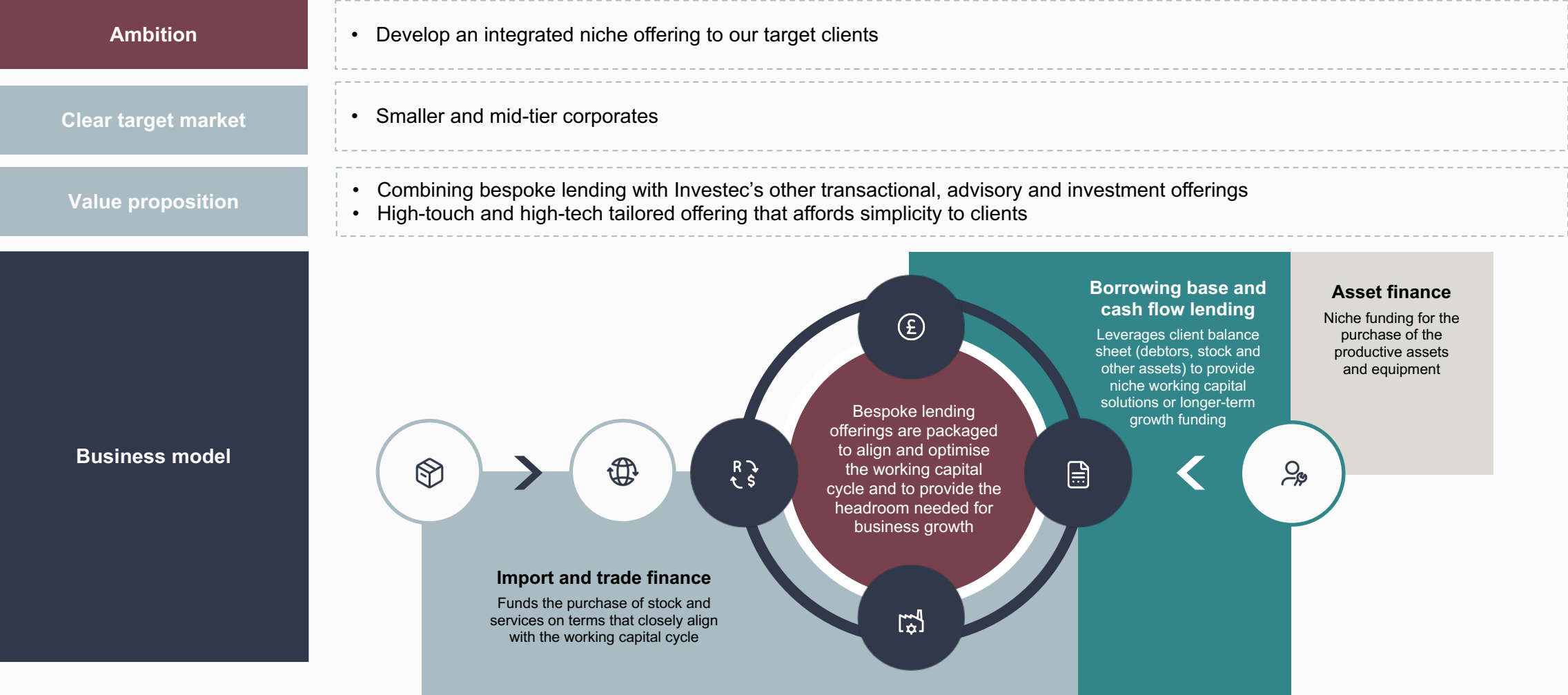
A full-service Private Banking offering integrated into One Place™





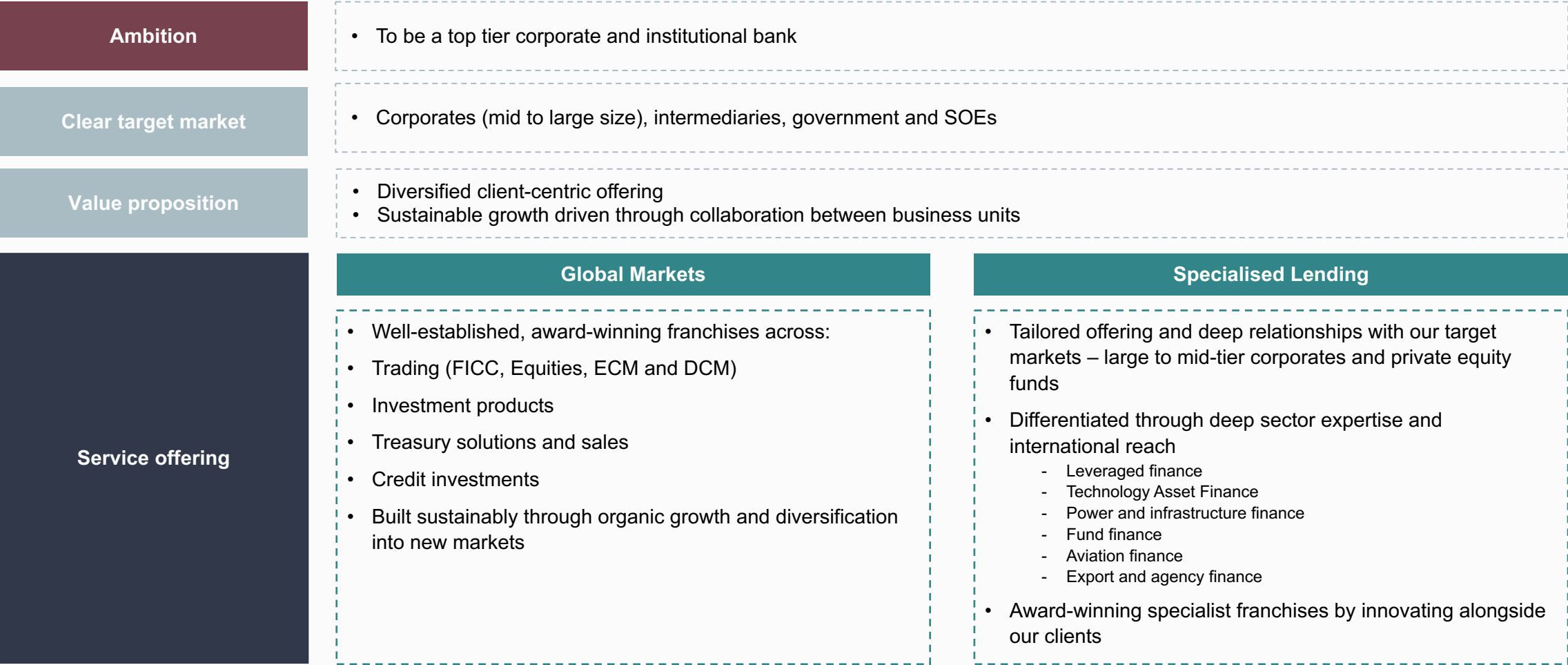
# Specialist Banking: Investec for Business

Bespoke lending offerings for working capital optimisation and business growth



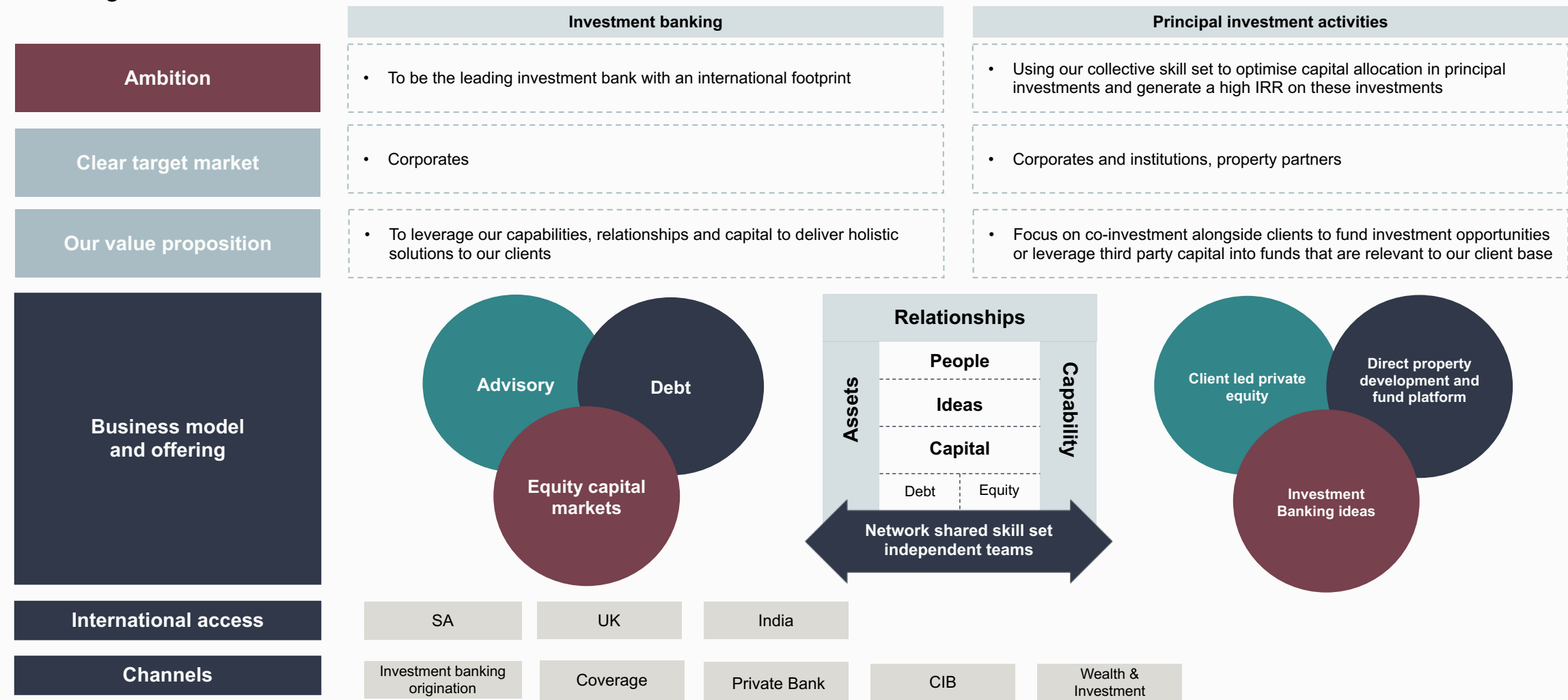
# Specialist Banking: Corporate and Institutional Banking

Strong franchise value and leading market position in our niche markets



# Specialist Banking: Investment Banking and Principal Investments

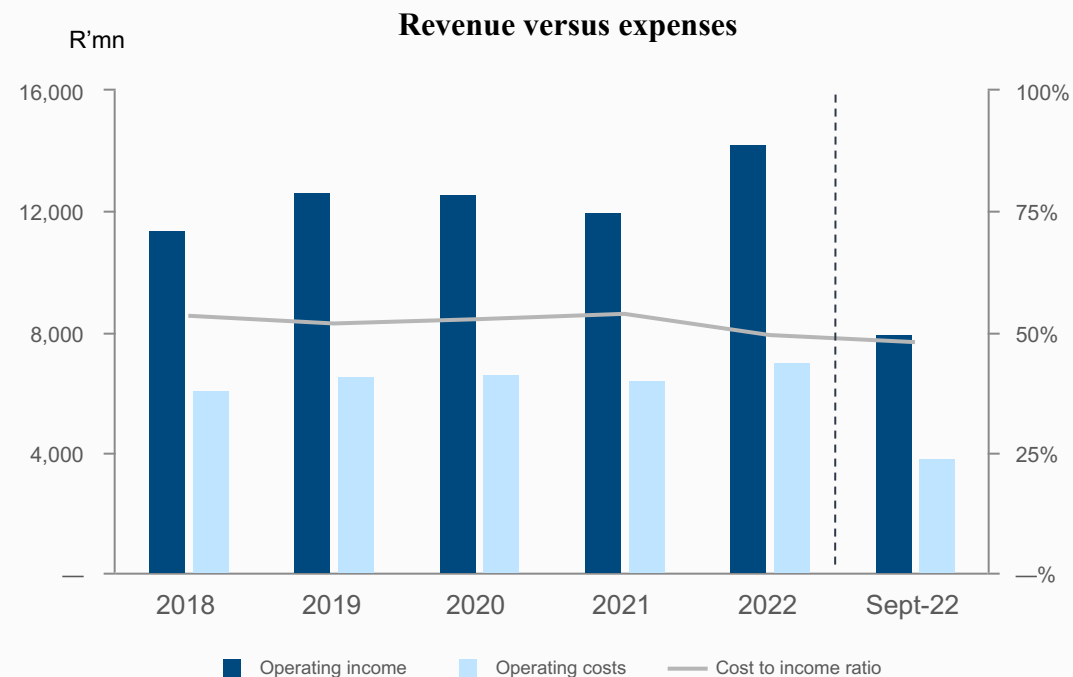
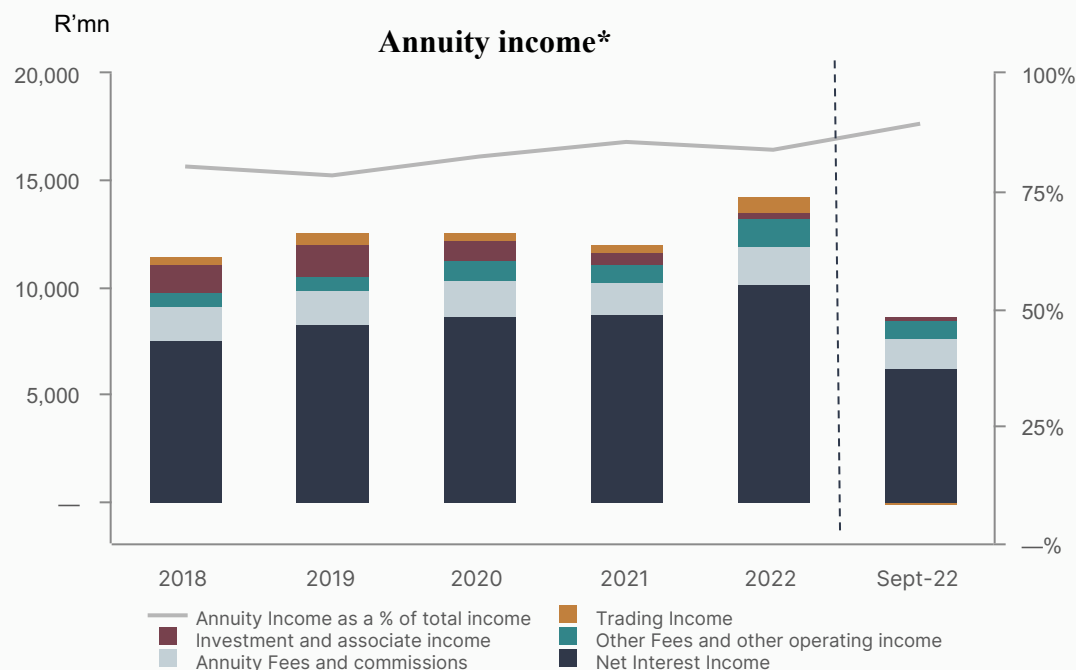
Delivering holistic investment solutions to clients



## IBL operating fundamentals



# Revenue supported by resilient franchises

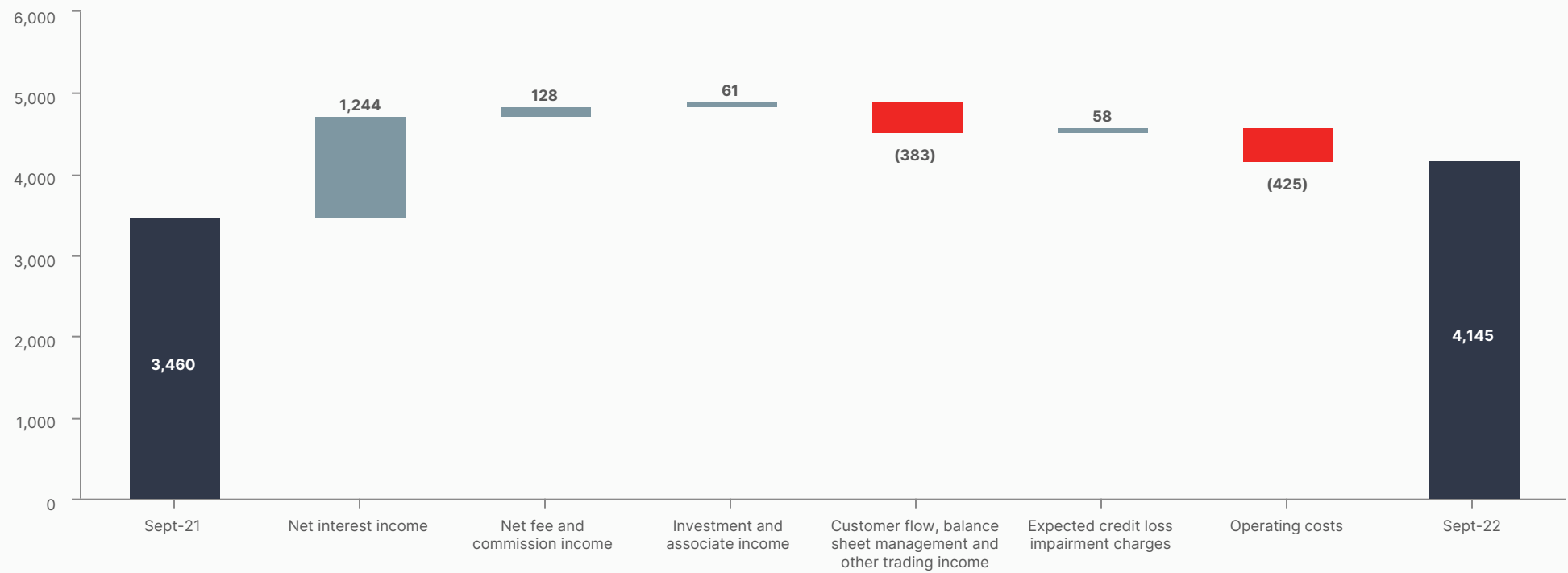


- A diversified business model continues to support a **large recurring income base** comprising net interest income and net annuity fees and commissions, currently 95.6% of operating income (up from 82% in 2013)
- **Total operating income before expected credit loss impairment charges** increased 15.2% to R7,987 million (1H2022: R6,936 million), positively impacted by higher average interest earning assets, rising interest rates, increased client activity and continued client acquisition in line with our growth strategy.
- We maintained a **disciplined approach to cost control**. **Operating costs** increased 12.5% to R3,820 million (1H2022: R3,395 million) driven by higher personnel costs due to salary increases and higher variable remuneration given improved performance. The cost to income ratio for the six months ended 30 September 2022 improved to 47.8% (1H2022: 48.9%).

\*Where annuity income is net interest income plus net annuity fees and commissions

# Operating Profit

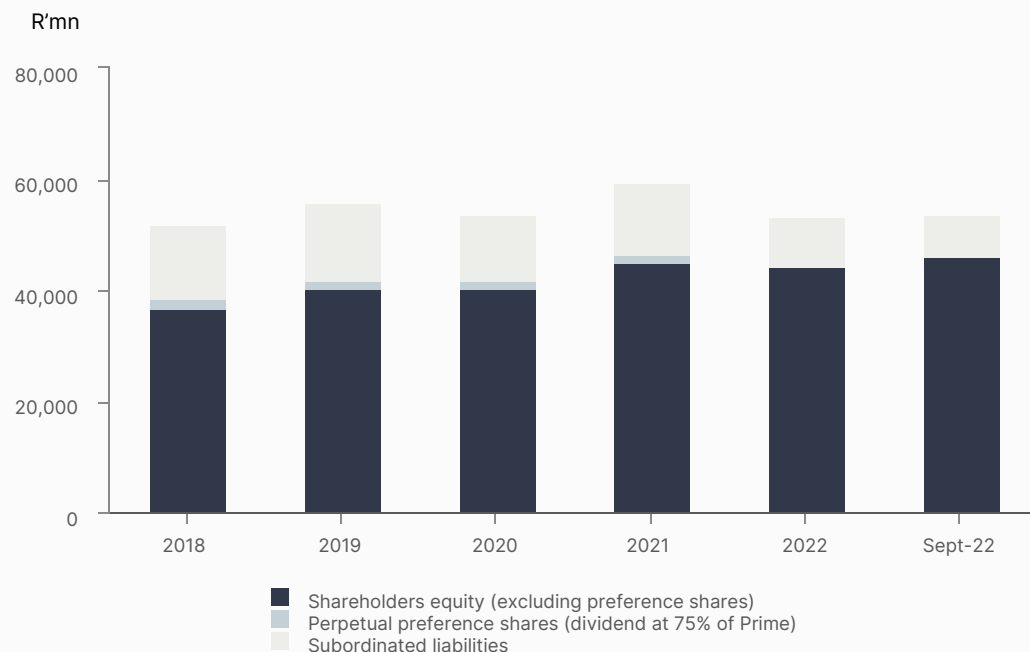
- IBL reported an increase in profit before tax of 20%. Our client engagement has been proactive, resulting in good client acquisition across both private and corporate clients in the period under review. Profits increased primarily due to:
- Higher **net interest income** driven by higher average interest earning assets and rising interest rates
- Higher net fees increased reflecting increased utilization of trade finance facilities and higher investment banking fees.
- Higher **investment income and associate income** largely as a result from non-repeat of prior period write-downs taken on certain unlisted investments
- Decreased **trading income** impacted by mark-to-market (MTM) losses on certain interest rate and currency swaps. These are timing differences arising where hedge accounting could not be applied to an economic hedge in terms of IFRS accounting.



\*Mark-to-market

# Investec Bank Limited: sound capital base

Total capital resources



- Capital resources have increased since FY22 due to an increase in shareholders' equity
- Our total **capital resources have grown by 49% since 2013 to R53,692mn** at 30 September 2022 (CAGR of 4.3% per year) without recourse to government or shareholder

Total risk-weighted assets: lower RWA intensity



- IBL's **Total RWAs / Total assets** (RWA intensity) increased to 52.1% (31 March 2022:: 51.7%)
- Investec Limited adopts the Internal Rating Based (IRB) Approach for quantification of credit RWA, as at 30 September 2022 credit RWA is quantified using AIRB approach (41%) and FIRB approach (41%), with the balance of the portfolio on the Standardised approach (18%)

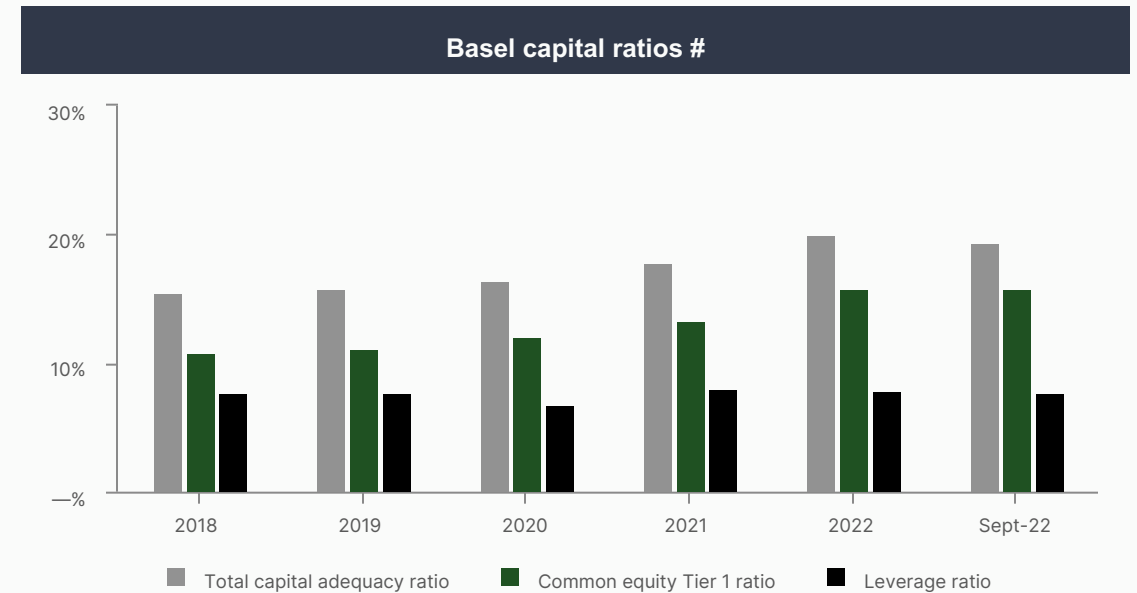
# Sound capital ratios and capital ratios

Capital development		
	Increased AIRB Scope *	
	30 Sept 2022^	31 March 2022^
Common equity Tier 1	15.9%	15.8%
Tier 1 ratio	16.7%	16.6%
Total capital ratio	19.5%	20.0%
Leverage ratio **	7.8%	7.9%

\*Investec Limited adopts the Internal Rating Based (IRB) Approach for quantification of credit RWA, as at 30 September 2022 credit RWA is quantified using AIRB approach (41%) and FIRB approach (41%), with the balance of the portfolio on the Standardised approach (18%).

\*\*The leverage ratios are calculated on an end-quarter basis.

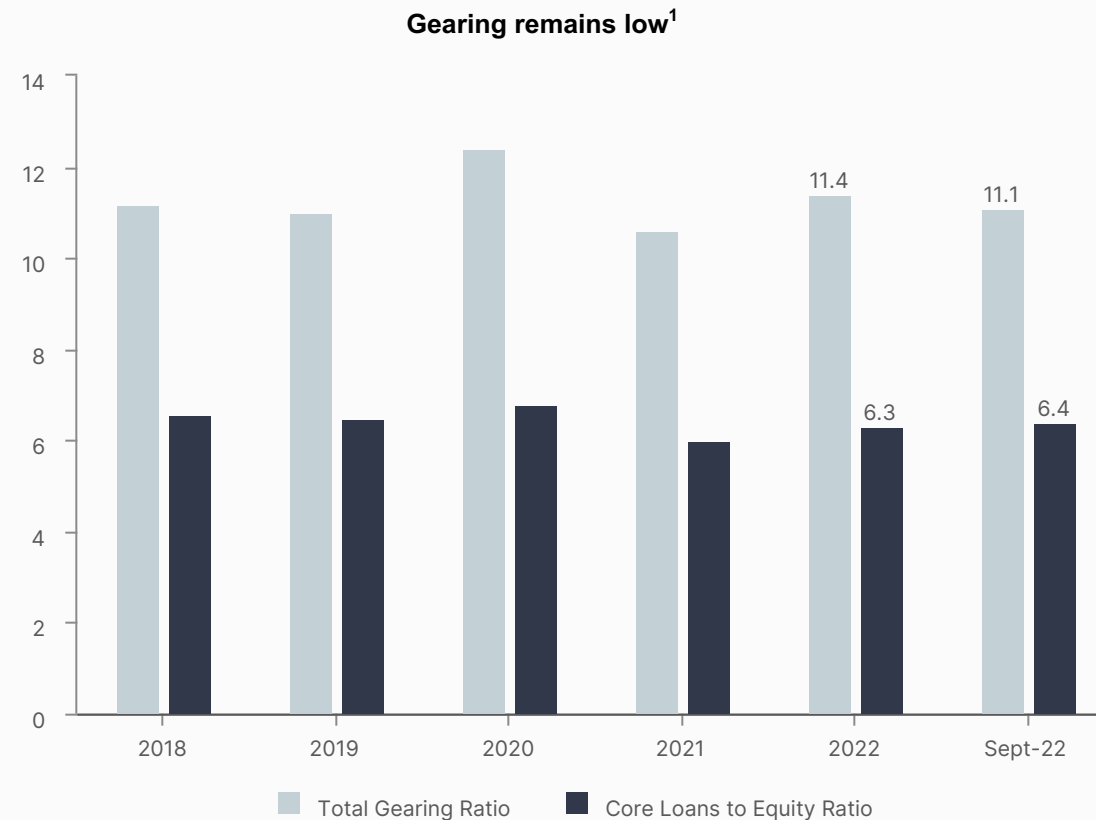
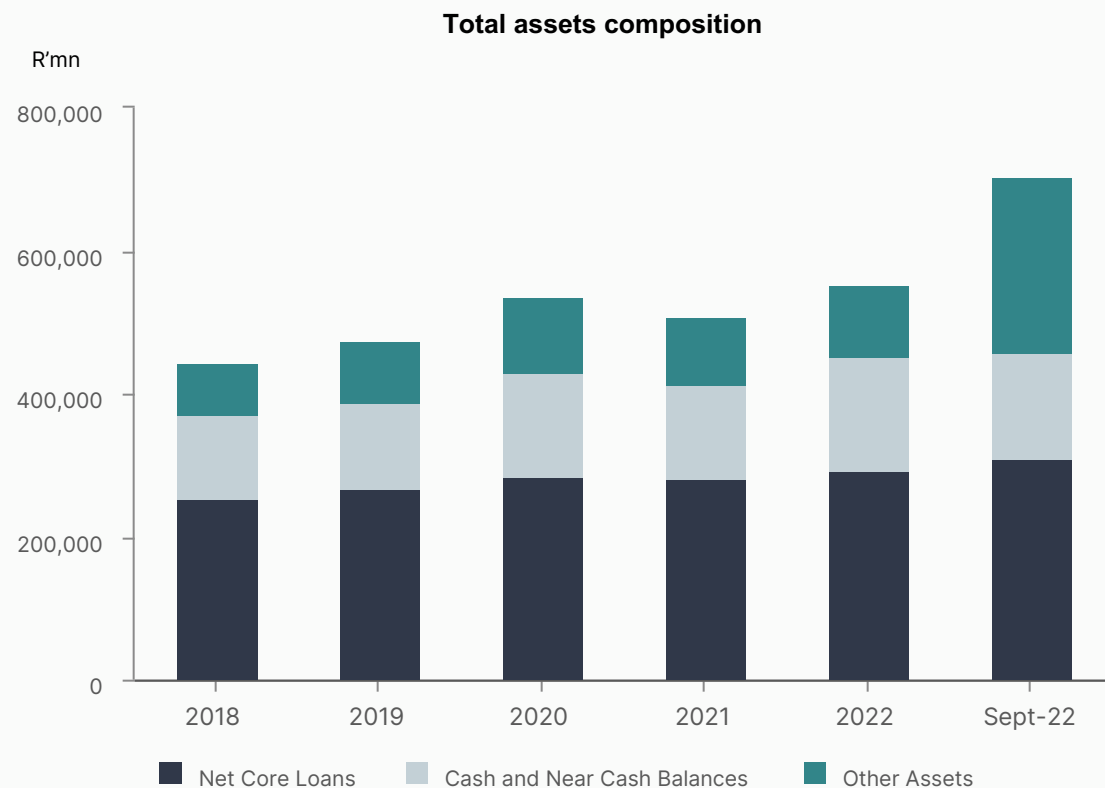
^Investec Bank Limited's capital information included unappropriated profits at 31 March 2022. If unappropriated profits had been excluded from capital information, Investec Bank Limited's CET 1 ratio would have been 82bps lower (March 2021: 69bps lower).



- #1H2023 and FY2022 shown on increased AIRB Scope, all prior years on FIRB
- IBL **maintained a sound capital position** with a CET1 ratio of 15.9% and a total capital adequacy ratio of 19.5%
- Leverage ratios remains robust



# Consistent asset growth, gearing ratios remain low

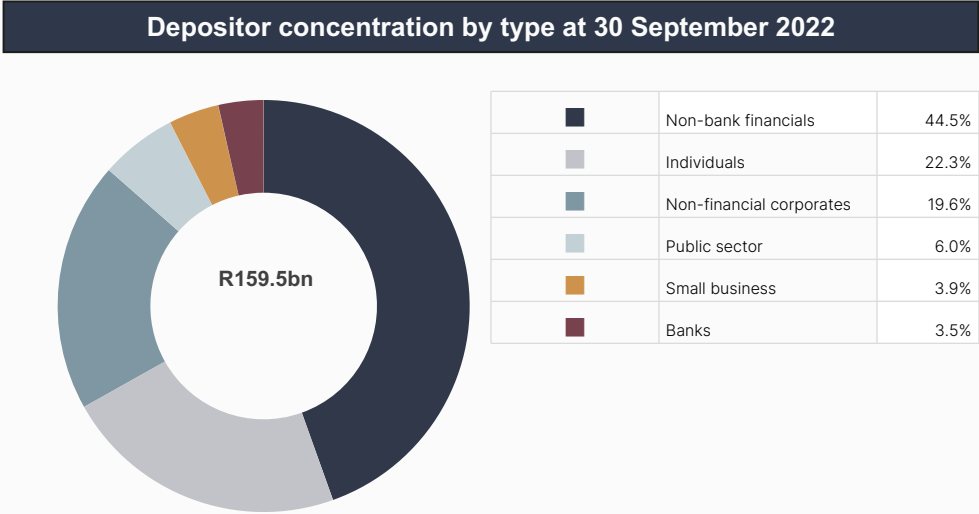
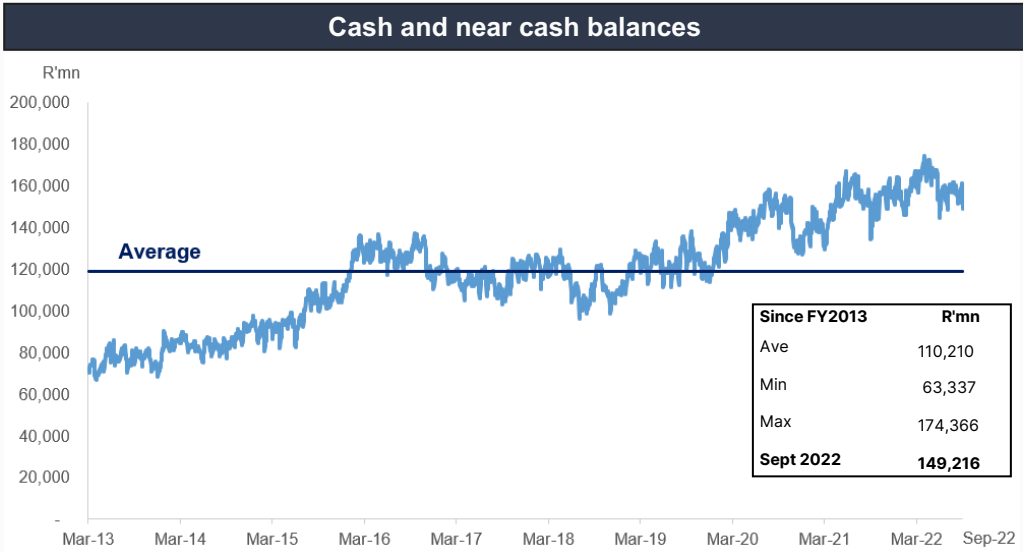
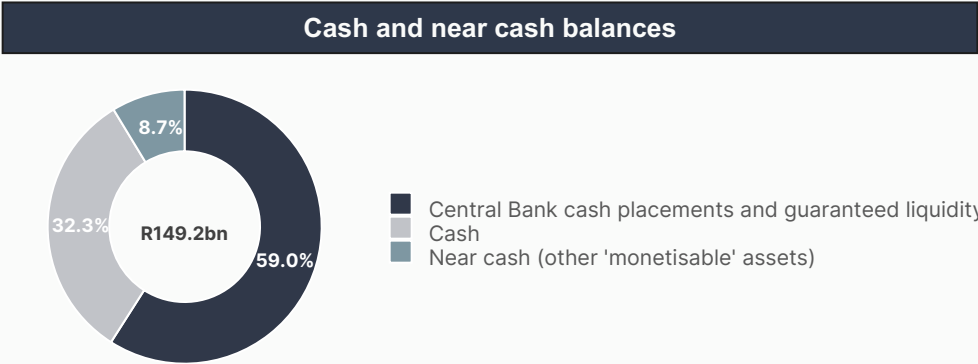


- We have reported a **CAGR of c.9% in net core loans** since 2013 driven by increased activity across our target client base, as well as growth in our core client franchises
- In addition, we have seen **solid growth in cash and near cash balances**

- We have **maintained low gearing ratios<sup>1</sup>** with total gearing at 11.1x as at 30 September 2022 and an average of 11.0 since 2013.

# Substantial surplus liquidity

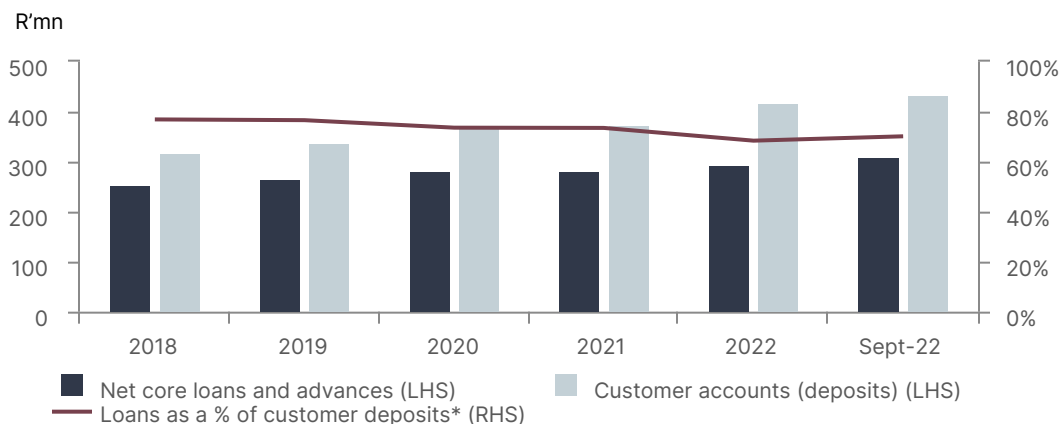
- We maintain a **high level of readily available, high quality liquid assets**, targeting a minimum cash to customer deposit ratio of 25%. Cash and near cash balances have increased significantly since 31 March 2013 (8% CAGR) to **R149.2bn** at 30 September 2022 (representing 34.3% of customer deposits)
- We delivered **liquidity ratios well in excess of regulatory requirements**. At 30 September 2022, IBL’s (bank solo) three-month average **Liquidity Coverage Ratio (LCR) was 157.7%\***
- IBL’s (bank solo) **Net Stable Funding Ratio (NSFR) was 115.6%** (ahead of minimum requirements of 100%)



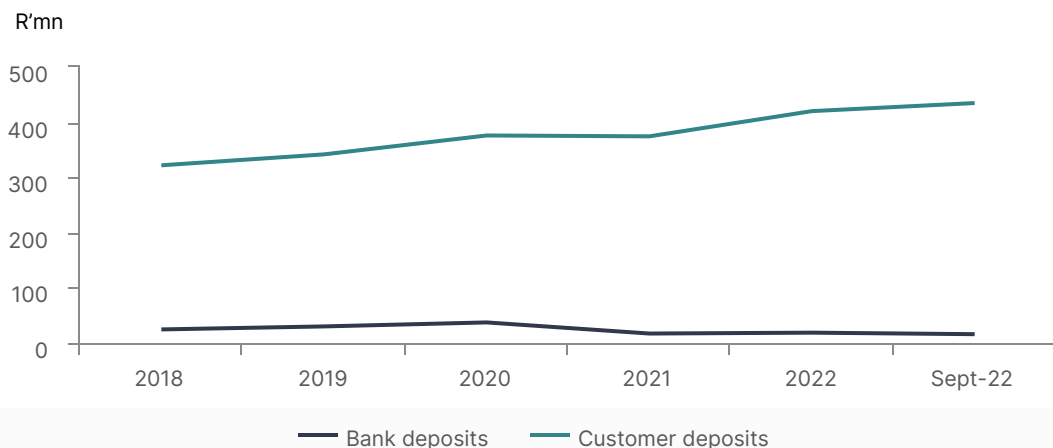
\* In 2020, part of the Prudential Authority’s response to the expected negative impact of COVID-19 on liquidity in financial markets was to reduce the LCR requirement for banks from 100% to 80%. On 1 September 2021, the Prudential Authority communicated that the LCR requirement will increase to 90% on 1 January 2022 and back to 100% on 1 April 2022

# Healthy loan to deposit ratio, stable customer deposit base

## Fully self funded from customer deposits: healthy loan to deposit ratio



## Total deposits: stable customer deposit base



- Customer deposits **have grown by 134.6% (c.9.4% CAGR p.a.) since 2013 to R434.7bn** at 30 September 2022
- Loans and advances as a percentage of customer deposits **amounts to 70.1%**
- We also have strong relationships with our institutional clients and our wholesale funding is diversified by product and tenor
- **Fixed and notice customer deposits** have continued to display a strong '**stickiness**' with continued willingness from clients to reinvest in our suite of term and notice products

# Diversified funding strategy

- Investec’s funding consists **primarily of customer deposits**
- Investec adopts a **conservative and prudent funding strategy**

## Conservative and prudent funding strategy

- 1

Maintaining a high base of high-quality liquid assets
- 2

Diversifying funding sources
- 3

Limiting concentration risk
- 4

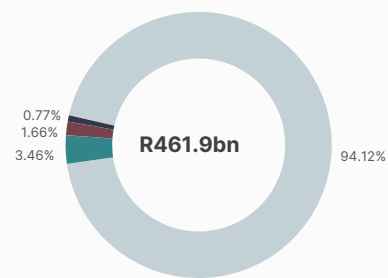
Minimum cash of at least 25% of customer deposits on an on-going basis
- 5

Low reliance on wholesale funding
- 6

Maintaining a stable retail deposit franchise
- 7

Each geographic entity must be self-sufficient from a funding and liquidity standpoint

## Select funding sources



R'mn	30 Sept 2022
Customer deposits	434,688
Deposits by banks	15,965
Subordinated liabilities	7,662
Securitisation liabilities	3,535
Total	461,850

- Customer deposits account for 94.1% of selected funding sources** as at 30 September 2022
- Customer deposits are supplemented by deposits from banks (3.46%), subordinated debt (1.7%) and securitisation liabilities (0.8%)
- We do not place **reliance on any single deposit channel**, nor do we overly rely on interbank funding
- Core loans are funded from customer deposits** and interbank (dollar) funding supplements cash and near cash balances

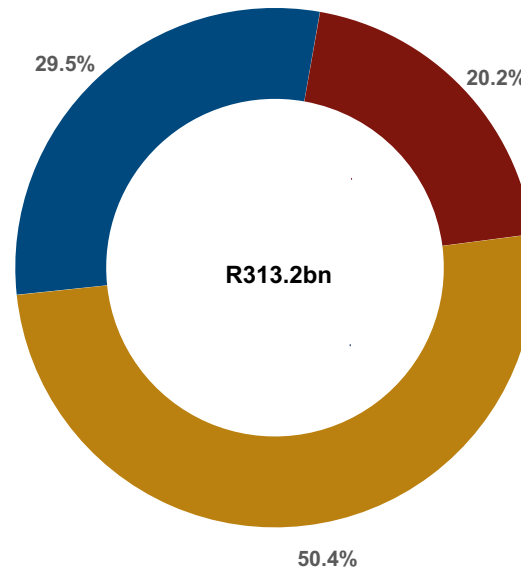
# Exposures in a select target market

- **Credit and counterparty exposures are to a select target market:**
  - high net worth and high-income clients
  - mid to large sized corporates
  - government, public sector bodies and institutions
  - We typically originate loans with the intent of holding these assets to maturity, and thereby developing a 'hands-on' and long-standing relationship with our clients
- **The majority of the bank's credit and counterparty exposures reside within its principal operating geographies, namely South Africa and Mauritius**

## Gross core loans by risk category

### Corporate and other

Corporate and acquisition finance	21.3 %
Fund Finance	3.2 %
Financial institutions and governments	1.1 %
Small ticket asset finance	1.3 %
Aviation finance	0.7 %
Power and infrastructure finance	1.7 %



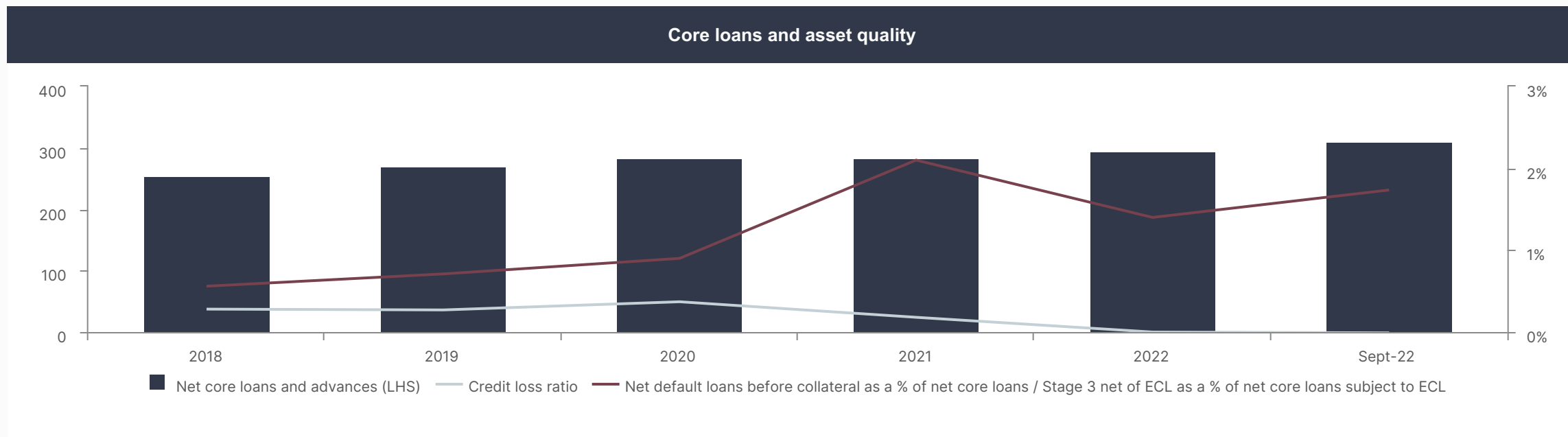
### Lending collateralised by property

Commercial real estate investment	17.2 %
Commercial real estate development	0.6 %
Commercial vacant land and planning	0.2 %
Residential real estate investment	1.0 %
Residential real estate development	0.8 %
Residential vacant land and planning	0.3 %

### High net worth and other private clients

HNW and private client - mortgages	27.9 %
HNW and specialised lending	22.5 %

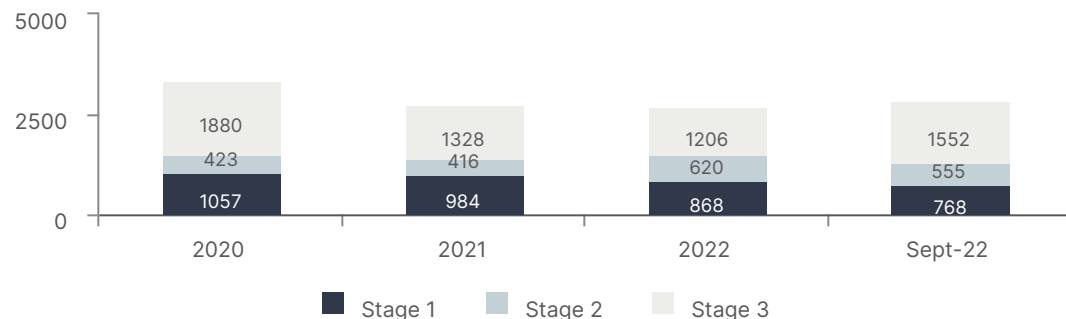
# Asset quality



- Credit quality metrics on core loans and advances for the interim period ending 30 September 2022 are as follows:
- **Expected credit loss (ECL) impairment charges** declined (72.2)% to R(22) million (1H22: R(81) million) resulting in a credit loss ratio (CLR) of -1bps (1H22: 4bps) due to net model releases, reversal of impairments and recoveries on previously impaired loans. Management overlays of R30 million relating to the residential mortgage book were released from the R219 million management overlay from 31 March 2022
- The management ECL overlay in the Private banking portfolio was revised to R189 million at 30 September 2022 (31 March 2022: R219 million). An increase in the balance sheet ECLs is mainly attributable to an impairment on a single counterparty offset by ECL impairment reversals and the management ECL overlay release
- There has been a **decrease in Stage 2 to 4.9% of gross core loans subject to ECL** at 30 September 2022 (31 March 2022: 5.9%), mainly due to various corporate exposures which have improved post COVID-19 as well as single name exposure migrating to Stage 3
- **Stage 3** exposures increased to 2.2% of gross core loans subject to ECL at 30 September 2022 (31 March 2022: 1.8%)

# Asset quality metrics

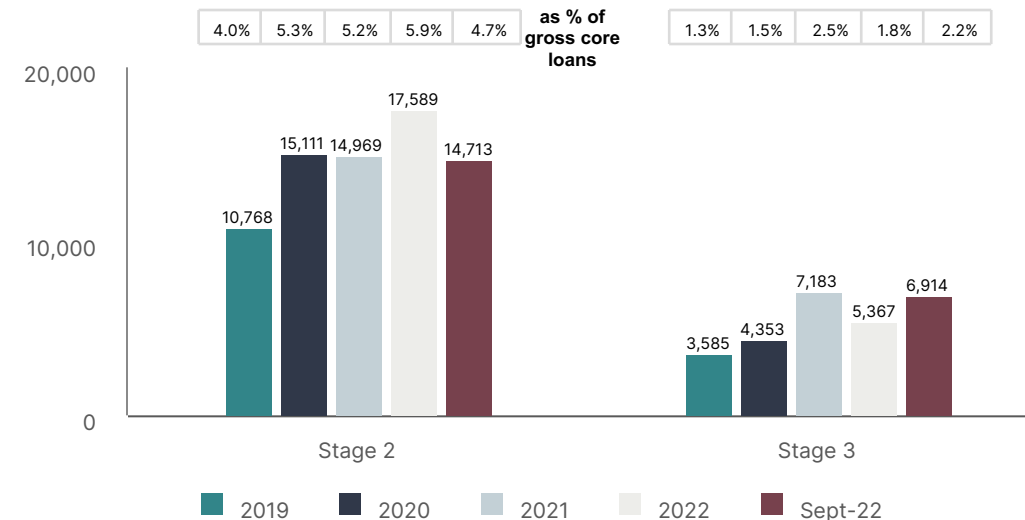
**Provision build**  
R'mn



ECL coverage ratio	FY 2020	FY 2021	FY 2022	1H 2023
Stage 1	0.40%	0.38%	0.32%	0.26%
Stage 2	2.8%	2.8%	3.5%	3.8%
Stage 3	43.2%	18.5%	22.5%	22.4%

- **Stage 1** provisions decreased 11.5% from R868mn at 31 March 2022 to R768mn at 30 September 2022. As a result, Stage 1 ECL coverage ratio decreased from 0.32% to 0.26%
- **Stage 2** provisions decreased 10.5% from R620mn at 31 March 2022 to R555mn at 30 September 2022. Stage 2 ECL coverage ratio decreased from 3.5% to 3.8%
- **Stage 3** provisions increased 28.7% from R1,206mn at 31 March 2022 to R1,552mn at 30 September 2022. Stage 3 ECL coverage ratio decreased from 22.5% to 22.4%.

**Gross core loans by stage**  
R'mn



- Stage 2 exposures decreased to 4.7% of gross core loans subject to ECL at 30 September 2022 (31 March 2022: 5.9%)
- Stage 3 exposures increased to R6.9 billion or 2.2% of gross core loans subject to ECL at 30 September 2022 (1.8% at 31 March 2022) and is attributable to single name exposures migrating from Stage 2 and Stage 1.

# Credit ratings

Current credit ratings		
Moody's	Rating	Outlook
National scale long-term deposit rating	Aa1.za	Stable
National scale short-term deposit rating	P-1.za	
Global long-term deposit rating	Ba2	
Global short-term deposit rating	NP	
Baseline credit assessment (BCA) and adjusted BCA	ba2	
Fitch	Rating	Outlook
National long-term rating	AA+(zaf)	Stable
National short-term rating	F1+(zaf)	
Foreign currency long-term issuer default rating	BB-	
Foreign currency short-term issuer default rating	B	
Global Credit Ratings	Rating	Outlook
National long-term rating	AA(za)	Stable
National short-term rating	A1+(za)	
International long-term rating	BB	
S&P	Rating	Outlook
National scale long-term rating	za.AA	Positive
National scale short-term rating	za.A-1+	
Foreign currency long-term issuer credit rating	BB-	
Foreign currency short-term credit rating	B	

Historical credit ratings				
Long-Term Foreign Currency Deposit Rating	Current	Nov-20*	May-20*	Apr-20*
Moody's	Ba2	Ba2	Ba1	Ba1
Fitch	BB-	BB-	BB	BB
S&P	BB-	BB-	BB-	BB

- IBL's ratings have remained relatively stable over many years **reflecting the financial soundness** of the bank over a long period of time
- Past ratings adjustments have largely been associated with changes in views by the rating agencies of the **credit worthiness of the South African sovereign**
- It is generally accepted that a bank cannot have a higher rating than the sovereign of the country in which it operates, unless they are largely foreign-owned and the foreign holding company is domiciled in a country with a higher rating than South Africa



## IBL peer analysis



# Peer group companies

Long-Term Deposit Rating	S&P		Fitch			Moody's		Global Credit Ratings		
	Foreign currency*	National scale	Foreign currency*	National scale	Viability ratings	Global	National scale	Baseline credit assessment	International	National
Absa Bank Limited	n/a	za.AA	n/a	n/a	n/a	Ba2	Aa1.za	ba2	BB	AA(za)
FirstRand Bank Limited	BB-	za.AA	BB-	AA+(zaf)	bb-	Ba2	Aa1.za	ba2	BB	AA+(za)
Nedbank Limited	BB-	za.AA	BB-	AA+(zaf)	bb-	Ba2	Aa1.za	ba2	BB	AA(za)
Standard Bank of South Africa Limited	n/a	n/a	BB-	AA+(zaf)	bb-	Ba2	Aa1.za	Ba2	BB	AA+(za)
Investec Bank Limited	BB-	za.AA	BB-	AA+(zaf)	bb-	Ba2	Aa1.za	ba2	BB	AA(za)

Short-Term Deposit Rating	S&P		Fitch		Moody's		Global Credit Ratings
	Foreign currency*	National scale	Foreign currency*	National scale	Global	National scale	National
Absa Bank Limited	n/a	za.A-1+	n/a	n/a	NP	P-1.za	A1+(za)
FirstRand Bank Limited	B	za.A-1+	B	F1+(zaf)	NP	P-1.za	A1+(za)
Nedbank Limited	B	za.A-1+	B	F1+(zaf)	NP	P-1.za	A1+(za)
Standard Bank of South Africa Limited	n/a	n/a	B	F1+(zaf)	NP	P-1.za	A1+(za)
<b>Investec Bank Limited</b>	<b>B</b>	<b>za.A-1+</b>	<b>B</b>	<b>F1+(zaf)</b>	<b>NP</b>	<b>P-1.za</b>	<b>A1+(za)</b>

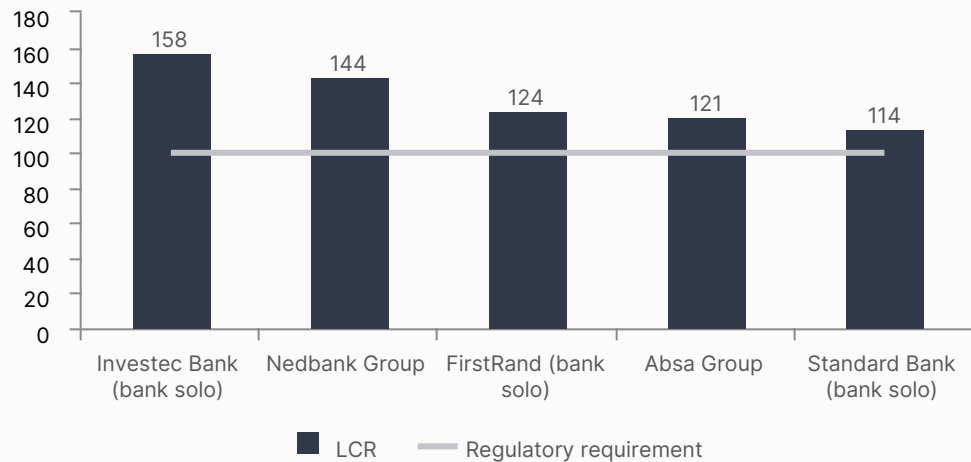
## Rating definitions:

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.

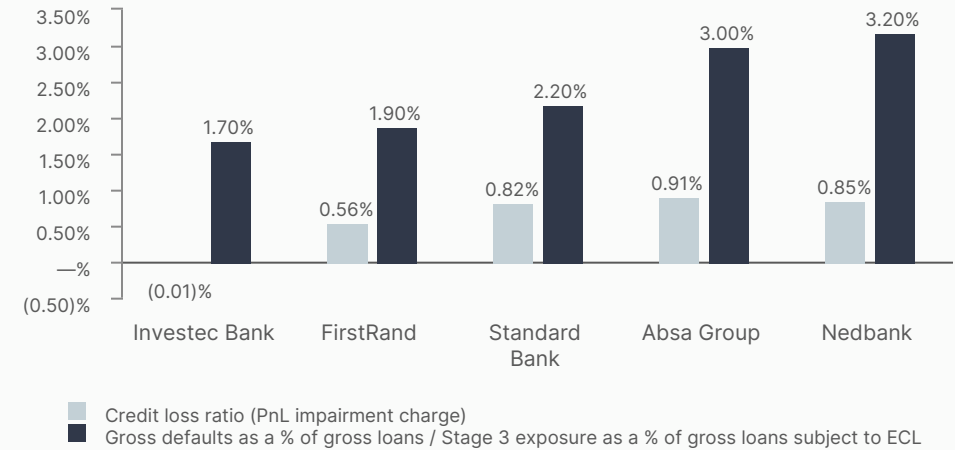
# Peer group companies\* (cont.)

Investec is one of the **more proportionately liquid** of the Big 5 banks and is a **net provider of funds** to the interbank market in South Africa

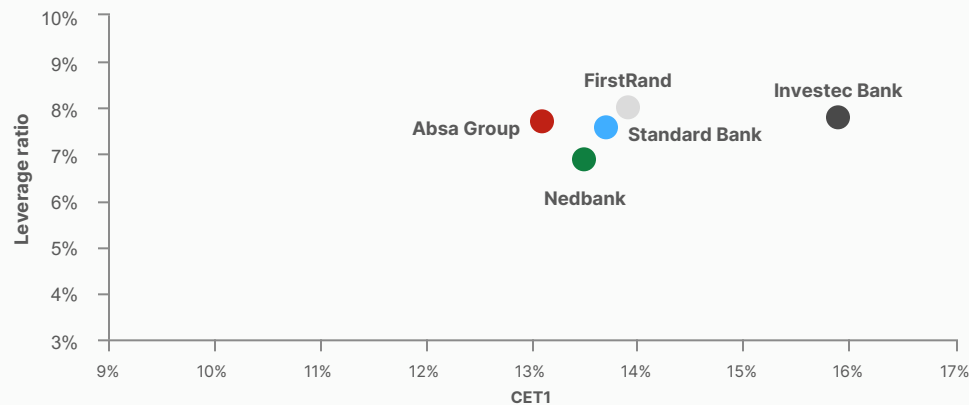
Liquidity: regulatory liquidity coverage ratio



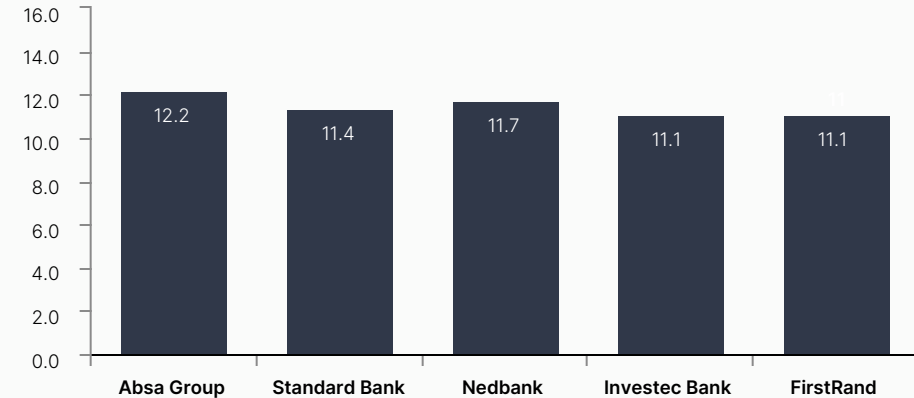
Asset quality ratios



Capital ratios



Gearing ratio



\*Source: Latest company interim and annual results available September 2022. \*\*LCR not disclosed on a bank solo level.

\*\* Investec Bank Limited (IBL) received approval to adopt the Advanced Internal Ratings Based (AIRB) approach for its SME and Corporate models effective 1 April 2021. We have made progress in our application to adopt AIRB on remaining portfolios where capital is still measured under Foundation IRB (FIRB).

# Peer group companies (cont.)

## **Definitions and/or explanations of certain ratios:**

- A capital ratio is a measure of a bank's available capital expressed as a percentage of a bank's risk-weighted assets. It is based on regulatory qualifying capital (including common equity tier 1, additional tier 1 and tier 2 capital) as a percentage of risk-weighted assets. Assets are risk-weighted either according to the Standardised Approach in terms of Basel or the Advanced Approach
- The leverage ratio is calculated as total tier 1 capital (according to regulatory definitions) divided by total assets (exposure measure). This ratio effectively assumes all assets are 100% risk weighted and is a more conservative measure than the capital adequacy ratio. Regulators are expecting that this ratio should exceed 5%
- The gearing ratio is calculated as total assets divided by total equity (according to accounting definitions)
- The credit loss ratio is calculated as the expected credit loss (ECL) impairment charges on gross core loans as a % of average gross core loans subject to ECL
- Stage 3/Default loans largely comprise loans that are impaired and/or over 90 days in arrears



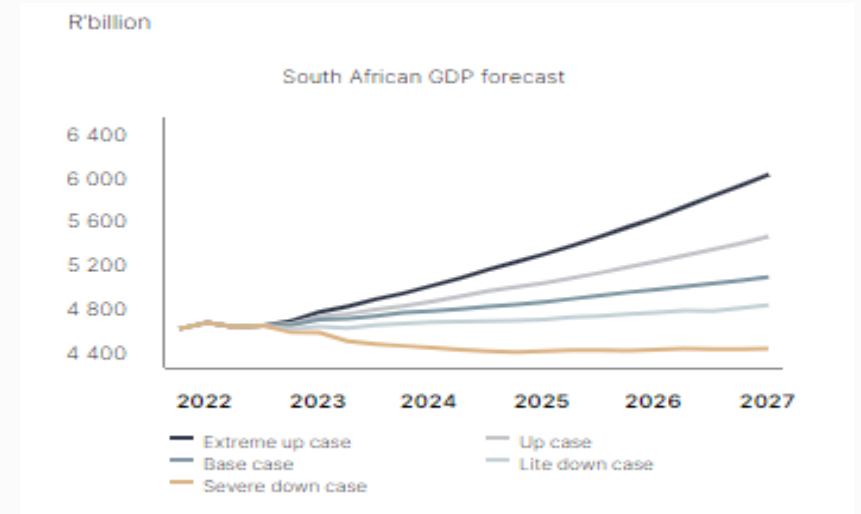
# Investec Bank Limited Appendices



# Macroeconomic scenarios – 30 September 2022

## Key judgements at 30 September 2022

- After careful review of portfolio performance, the current design of the ECL models and updated published market data, management reduced the ECL overlay of R219 million at 31 March 2020 to R189 million at 30 September 2022 in the Private Bank portfolio.
- The remaining management overlay at 30 September 2022 of R189 million (31 March 2022: R219 million) accounts for emerging risks assessed inadequately reflected in the forward-looking model for commercial real estate lending clients.
- Management will continue to review the need and basis of calculation for the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.



South Africa	Macro-economic scenarios		At 30 September 2022 average 2022 – 2027					At 31 March 2022 average 2022 – 2027				
			Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %	Extreme up case %	Up case %	Base case %	Lite down case %	Severe down case %
	GDP growth		5.1	3.2	1.9	0.9	(0.7)	6.1	4.4	2.4	1.0	(0.6)
	Repo rate		4.0	4.8	6.4	7.5	8.7	3.9	4.6	6.0	6.5	7.5
	Bond yield		9.4	10.0	10.6	11.6	12.3	7.9	9.1	9.7	10.4	11.8
	CPI Inflation		4.4	4.8	5.3	6.0	6.9	3.8	4.4	4.9	5.6	6.9
	Residential property price growth		6.3	5.2	4.4	3.6	2.2	7.4	6.3	4.8	4.0	2.5
	Commercial property price growth		4.0	1.5	0.7	(0.6)	(2.8)	5.9	1.8	0.7	(1.4)	(2.6)
	Exchange rates (South African Rand : US Dollar)		13.4	14.9	16.4	17.8	18.9	12.5	14.2	15.6	16.9	19.9
	Scenario weightings		1	1	50	39	9	1	2	51	40	6

# IBL: salient financial features

Key financial statistics	30 Sept 2022	30 Sept 2021	% change	31 March 2022
Total operating income before expected credit loss impairment charges (R'million)	7,987	6,936	15.2 %	14 304
Operating costs (R'million)	3,820	3,395	12.5 %	7 048
Operating profit before goodwill and acquired intangibles (R'million)	4,145	3,460	19.8 %	7 247
Headline earnings attributable to ordinary shareholders (R'million)	3,149	2,605	20.9 %	5 260
Cost to income ratio	47.8 %	48.9 %		49.3%
Total capital resources (including subordinated liabilities) (R'million)	56,252	58,037	(3.1)%	55 973
Total equity (R'million)	48,590	45,941	5.8 %	46 840
Total assets (R'million)	569,775	532,006	7.1 %	555 237^
Net core loans and advances (R'million)	310,355	293,345	5.8 %	294 757
Customer accounts (deposits) (R'million)	434,688	399,038	8.9 %	420 072
Loans and advances to customers as a % of customer accounts (deposits)	70.1 %	71.6 %		68.4%
Cash and near cash balances (R'million)	149,216	134,592	10.9 %	159 454
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.1x	11.1x		11.4x
Total capital ratio	19.5 %	19.9 %		20.0%
Tier 1 ratio	16.7 %	15.6 %		16.6%
Common Equity Tier 1 ratio	15.9 %	14.9 %		15.8%
Leverage ratio	7.8 %	7.8 %		7.9%
Stage 3 as a % of gross core loans subject to ECL	2.2 %	2.1 %		1.8%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.7 %	1.7 %		1.4%
Credit loss ratio	(0.01%*)	0.04%*		0.0%
Net Stable Funding Ratio % (NSFR)	115.6 %	110.6 %		
Liquidity Coverage Ratio % (LCR)*	157.7 %	158.0 %		

^ Restated

\* Annualised

# IBL: income statement

R'million	Six months to 30 Sept 2022	Six months to 30 Sept 2021	% change	31 March 2022
Interest income	16,539	12,807	29.1 %	26 230
Interest expense	(10,293)	(7,805)	31.9 %	(16 020)
<b>Net interest income</b>	<b>6,245</b>	<b>5,002</b>	<b>24.9 %</b>	<b>10 210</b>
Fee and commission income	1,971	1,787	10.3 %	3 609
Fee and commission expense	(336)	(280)	20.1 %	(539)
Investment income	195	83	136.4 %	241
Share of post-taxation (loss)/profit of associates	(4)	47	(108.1) %	53
Trading income/(loss) arising from				
– customer flow	101	331	(69.5) %	724
– balance sheet management and other trading activities	(188)	(34)	452.9 %	5
Other operating income	2	—	817.6 %	1
Total operating income before expected credit loss impairment charges	<b>7,986</b>	<b>6,937</b>	<b>15.1 %</b>	<b>14 304</b>
Expected credit loss impairment charges	(22)	(81)	(72.2) %	(9)
<b>Operating income</b>	<b>7,964</b>	<b>6,856</b>	<b>16.2 %</b>	<b>14 295</b>
Operating costs	(3,820)	(3,395)	12.5 %	(7 048)
Operating profit before goodwill and acquired intangibles	<b>4,144</b>	<b>3,461</b>	<b>19.7 %</b>	<b>7 247</b>
Impairment of goodwill	—	—		(3)
Amortisation of acquired intangibles	(26)	(26)	— %	(51)
<b>Profit before taxation</b>	<b>4,119</b>	<b>3,436</b>	<b>19.9 %</b>	<b>7 193</b>
Taxation on operating profit before acquired intangibles	(861)	(730)	18.0 %	(1 703)
Taxation on acquired intangibles	7	7	(3.6) %	15
<b>Profit after taxation</b>	<b>3,265</b>	<b>2,713</b>	<b>20.3 %</b>	<b>5 505</b>
Profit after taxation attributable to ordinary shareholders	5,238	2,605		5 238
Profit after taxation attributable to perpetual preference shareholders and Other Additional Tier 1 security holders	116	106		267



# IBL: balance sheet

R'million	30 Sept 2022	31 March 2022	30 Sept 2021
<b>Assets</b>			
Cash and balances at central banks	13,564	11,893	12,685
Loans and advances to banks	17,101	19,609	16,862
Non-sovereign and non-bank cash placements	13,237	13,176	9,656
Reverse repurchase agreements and cash collateral on securities borrowed	46,177	56,437	46,713
Sovereign debt securities	67,388	57,380	55,810
Bank debt securities	19,677	27,955	28,206
Other debt securities	13,502	15,439	15,291
Derivative financial instruments	13,737	17,658	11,701
Securities arising from trading activities	6,936	2,276	2,381
Investment portfolio	2,937	2,865	3,219
Loans and advances to customers	304,927	287,529	285,785
Own originated loans and advances to customers securitised	5,428	7,228	7,560
Other loans and advances	86	108	126
Other securitised assets	1,440	592	646
Interests in associated undertakings	33	31	27
Current taxation assets	0	2	35
Deferred taxation assets	2,113	2,255	2,174
Other assets	7,590	7,107	7,275
Property and equipment	3,359	3,427	3,329
Investment properties	1	1	1
Goodwill	172	172	175
Software	50	46	70
Other acquired intangible assets	39	64	90
Loans to Group companies	29,962	21,489	21,715
Non-current assets classified as held for sale	319	498	474
	<b>569,776</b>	<b>555,237</b>	<b>532,009</b>

# IBL: balance sheet (cont.)

R'million	30 Sept 2022	31 March 2022	30 Sept 2021
<b>Liabilities</b>			
Deposits by banks	15,965	18,721	14,458
Derivative financial instruments	27,796	28,912	22,429
Other trading liabilities	2,802	3,309	2,832
Repurchase agreements and cash collateral on securities lent	17,742	12,091	20,373
Customer accounts (deposits)	434,688	420,072	399,038
Debt securities in issue	2,371	2,845	2,970
Liabilities arising on securitisation of own originated loans and advances	3,535	4,585	3,149
Current taxation liabilities	536	557	556
Deferred taxation liabilities	10	17	25
Other liabilities	7,132	7,089	7,208
Loans from Group companies	946	1,066	931
	<b>513,524</b>	<b>499,264</b>	<b>473,969</b>
Subordinated liabilities	7,662	9,133	12,096
	<b>521,187</b>	<b>508,397</b>	<b>486,064</b>
<b>Equity</b>			
Ordinary share capital	32	32	32
Ordinary share premium	14,250	14,250	14,250
Other reserves	2,298	1,017	1,342
Retained income	29,450	28,981	26,876
<b>Ordinary shareholders' equity</b>	<b>46,030</b>	<b>44,280</b>	<b>42,501</b>
Perpetual preference share capital and premium	0	0	1,481
<b>Shareholders' equity excluding non-controlling interests</b>	<b>46,030</b>	<b>44,280</b>	<b>43,982</b>
Other Additional Tier 1 securities in issue	2,560	2,560	1,960
<b>Total equity</b>	<b>48,590</b>	<b>46,840</b>	<b>45,942</b>
<b>Total liabilities and equity</b>	<b>569,777</b>	<b>555,237</b>	<b>532,007</b>

# IBL: asset quality

R'million	30 Sept 2022	30 Sept 2021	31 March 2022
<b>Gross core loans</b>	<b>313,230</b>	<b>296 192</b>	<b>297,451</b>
of which subject to ECL*	311,872	294 795	296,094
of which FVPL (excluding fixed rate loans above)	1,358	1 397	1,357
<b>Gross core loans subject to ECL</b>	<b>311,872</b>	<b>294 795</b>	<b>296,094</b>
Stage 1	290,245	271 988	273,138
Stage 2	14,713	16 537	17,589
of which past due greater than 30 days	589	284	328
Stage 3	6,914	6 270	5,367
<b>ECL</b>	<b>-2,875</b>	<b>(2 847)</b>	<b>-2,694</b>
Stage 1	-768	(981)	-868
Stage 2	-555	(518)	-620
Stage 3	-1,552	(1 348)	-1,206
<b>Coverage ratio</b>			
Stage 1	0.3 %	0.36%	0.3 %
Stage 2	3.8 %	3.1%	3.5 %
Stage 3	22.4 %	21.5%	22.5 %
<b>Annualised credit loss ratio</b>	<b>— %</b>	<b>0.04%</b>	<b>— %</b>
ECL impairment charges on core loans	15	(64)	-7
Average gross core loans subject to ECL	303,983	289 671	290,320
<b>An analysis of Stage 3 gross core loans subject to ECL</b>			
Stage 3 net of ECL	5,362	2 922	4,161
Aggregate collateral and other credit enhancements on Stage 3	5,593	6 079	5,734
Stage 3 as a % of gross core loans subject to ECL	2.2 %	2.1%	1.8 %
Total ECL as a % of Stage 3 exposure	41.6 %	45.4%	50.2 %
Stage 3 net of ECL as a % of net core loans subject to ECL	1.7 %	1.7%	1.4 %

\* Includes portfolios for which ECL is not required for IFRS purposes, but which management evaluates on this basis. These are fixed rate loans which have passed the SPPI test and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. R14.5 billion of the drawn exposure falls into Stage 1 (31 March 2022: R17.0 billion), R16 million falls in Stage 2 (31 March 2022: R1.4 billion) and the remaining R1.0 billion falls into Stage 3 (31 March 2022: R907 million). The ECL on the Stage 1 portfolio is R42.2 million (31 March 2022: R57.8 million), ECL on Stage 2 is R0.1 million (31 March 2022: R17.9 million) and the ECL on Stage 3 portfolio is R237.4 million (31 March 2022: R196.0 million)..

# IBL: analysis of core loans by risk category

Gross core loans at amortised cost and FVPL (subject to ECL)									Gross core loans at FVPL (not subject to ECL)	Gross core loans
At 30 September 2022 R'million	Stage 1		Stage 2		Stage 3		Total			
	Gross Exposure	ECL	Gross Exposure	ECL	Gross Exposure	ECL	Gross Exposure	ECL		
Lending collateralised by property	54,631	(192)	5,818	(163)	2,686	(408)	63,135	(763)	—	63,135
Commercial real estate	48,203	(167)	5,587	(156)	2,511	(405)	56,301	(728)	—	56,301
Commercial real estate – investment	45,915	(158)	5,504	(156)	2,506	(403)	53,925	(717)	—	53,925
Commercial real estate – development	1,673	(7)	77	—	—	—	1,750	(7)	—	1,750
Commercial vacant land and planning	615	(2)	6	—	5	(2)	626	(4)	—	626
Residential real estate	6,428	(25)	231	(7)	175	(3)	6,834	(35)	—	6,834
Residential real estate – investment	3,016	(7)	214	(7)	—	—	3,230	(14)	—	3,230
Residential real estate – development	2,641	(14)	—	—	—	—	2,641	(14)	—	2,641
Residential vacant land and planning	771	(4)	17	—	175	(3)	963	(7)	—	963
High net worth and other private client lending	150,226	(245)	5,246	(186)	2,372	(339)	157,844	(770)	—	157,844
Mortgages	81,404	(55)	4,779	(167)	1,161	(219)	87,344	(441)	—	87,344
High net worth and specialised lending*	68,822	(190)	467	(19)	1,211	(120)	70,500	(329)	—	70,500
Corporate and other lending	85,388	(331)	3,649	(206)	1,856	(805)	90,893	(1,342)	1,358	92,251
Corporate and acquisition finance	60,916	(210)	2,684	(205)	1,753	(726)	65,353	(1,141)	1,358	66,711
Fund finance	10,077	(13)	—	—	—	—	10,077	(13)	—	10,077
Financial institutions and governments	2,882	(66)	669	—	—	—	3,551	(66)	—	3,551
Small ticket asset finance	4,054	(6)	71	—	103	(79)	4,228	(85)	—	4,228
Aviation finance*	2,102	(23)	140	—	—	—	2,242	(23)	—	2,242
Power and infrastructure finance	5,357	(13)	85	(1)	—	—	5,442	(14)	—	5,442
Gross core loans and advances	290,245	(768)	14,713	(555)	6,914	(1,552)	311,872	(2,875)	1,358	313,230

\* There are additional aviation exposures of R1.5 billion (31 March 2022: R640 million) in Corporate and acquisition finance and nil (31 March 2022: R213 million) in Financial institutions and governments.