

— OUT OF THE ORDINARY

# Built on strong foundations

Investec Bank Limited

Credit ratings fact sheet - April 2022



## CONTEXTUALISING INVESTEC BANK LIMITED'S RATINGS - April 2022

## 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		Moody's		Standard & Poors	
	Foreign currency*	National scale	Foreign currency*	National scale	Foreign currency*	National scale
	<b>Long-term</b>					
<b>Dec 2020</b>	<b>BB-</b>	<b>AA+(zaf)</b>	<b>Ba2</b>	<b>Aa1.za</b>	<b>BB-</b>	<b>za.AA</b>
Nov 2020	BB-^	AA(zaf)	Ba2^	Aa1.za	BB-	za.AA
May 2020	BB	AA(zaf)	Ba1	Aa1.za	BB-^	za.AA
Apr 2020	BB	AA(zaf)	Ba1	Aa1.za	BB	za.AA
Mar 2020	BB^	AA-(zaf)	Ba1^	Aa1.za	BB	za.AA
Nov 2019	BB+	AA(zaf)	Baa3	Aa1.za	BB	za.AA^
Jul 2018	BB+	AA(zaf)	Baa3	Aa1.za	BB	za.AA+
Nov 2017	BB+	AA(zaf)	Baa3	Aa1.za	BB^	za.AA-^
Aug 2017	BB+	AA(zaf)	Baa3	Aa1.za	BB+	za.AA
Jun 2017	BB+	AA(zaf)	Baa3^	Aa1.za	BB+	za.A
Apr 2017	BB+^	AA(zaf)	Baa2	Aa1.za	BB+^	za.A
May 2016	BBB-	AA-(zaf)	Baa2	Aa1.za**	BBB-	za.AA-
Dec 2015	BBB-	AA-(zaf)	Baa2	A1.za	BBB-	za.AA-
Nov 2014	BBB-	AA-(zaf)	Baa2	A1.za	BBB-	za.AA
Aug 2014	BBB-	AA-(zaf)	Baa1	A1.za	BBB-	za.AA
Jun 2014	BBB-	AA-(zaf)	Baa1	Aa3.za	BBB-	za.AA
Feb 2014	BBB-	AA-(zaf)	Baa1	Aa3.za	BBB	za.AA
Jan 2013	BBB-	AA-(zaf)	Baa1	Aa3.za		
Oct 2012	BBB-	A+(zaf)	Baa1^	Aa3.za		
Feb 2012	BBB-^	A+(zaf)	A3	Aa2.za		
Dec 2009	BBB	A+(zaf)	A3	Aa2.za		
Dec 2007	BBB+	AA-(zaf)	Baa1	Aa2.za		

\* Investec Bank Limited's latest foreign and local/domestic currency credit ratings are identical.

\*\* 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 RATINGS AND PEER GROUP RATINGS COMPARISON

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

Bank name	Investec Bank Limited	Absa Bank Limited	FirstRand Bank Limited	Nedbank Limited	Standard Bank of South Africa Limited
<b>Moody's</b>					
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	Ba2	Ba2	Ba2	Ba2	Ba2
Short-term deposit rating	NP	NP	NP	NP	NP
Long-term senior unsecured issuer rating	Ba2	Ba2	(P)Ba2	(P)Ba2	(P)Ba2
Senior subordinated rating	N/A	N/A	(P)B1	N/A	(P)Ba3
Baseline Credit Assessment (BCA)	ba2	ba2	ba2	ba2	ba2
Outlook	Stable	Stable	Stable	Stable	Stable
<b>Fitch</b>					
National					
Long-term deposit rating	AA+(zaf)	AA+(zaf)	AA+(zaf)	AA+(zaf)	AA+(zaf)
Short-term deposit 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	4	4	4	4	4
Outlook	Stable	Stable	Stable	Stable	Stable
<b>Standard &amp; Poors</b>					
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
<b>Global Credit Ratings</b>					
National					
Long-term rating	AA(za)	AA(za)	AA+(za)	AA(za)	AA+(za)
Outlook	Stable	Negative	Stable	Negative	Negative
Short-term rating	A1+(za)	A1+(za)	A1+(za)	A1+(za)	A1+(za)
International					
Long-term rating	BB	BB	BB	BB	BB
Short-term rating	B	B	B	B	B
Outlook	Negative	Negative	Stable	Negative	Negative

## CURRENT RATINGS AND PEER GROUP RATINGS COMPARISON

Rating definitions: Short-term ratings should be used for investments of 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 6 April 2022 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.

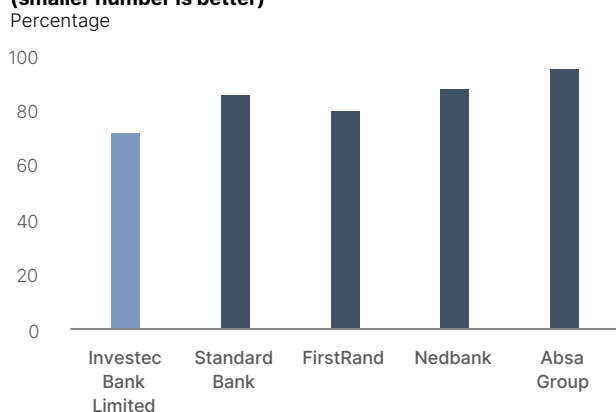
### Further peer group information

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.

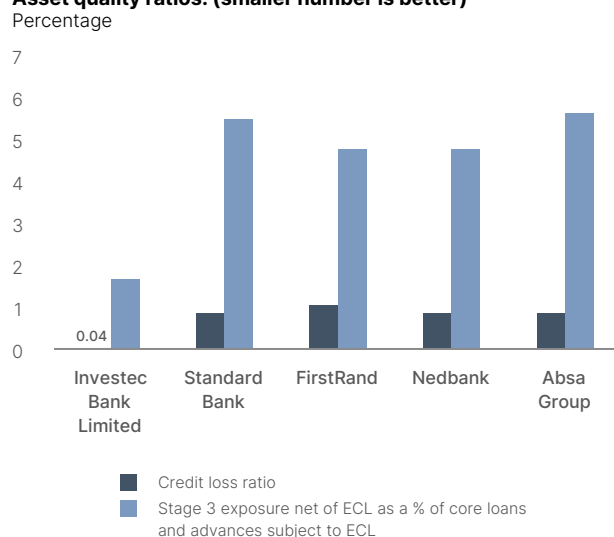
IBL remains highly liquid and is a net provider of funds to the interbank market in South Africa. Investec has a conservative approach to liquidity, which has been in place for many years. As at 30 September 2021, the bank had R134.6 billion of cash and near cash balances on its balance sheet, which approximates to roughly 33.7c of every R1 deposit received being held in liquid assets. IBL (consolidated) had a liquidity coverage ratio (LCR) of 158.0%% as of 30 September 2021. IBL holds capital in excess of regulatory requirements and Board approved minimums, and intends to perpetuate this philosophy to ensure that it remains well capitalised. IBL is not a highly geared bank. A number of banks that have experienced difficulty in the past were in excess of 40 times geared. IBL's gearing ratio at 30 September 2021 was 11.1x times.

## PEER COMPARISON

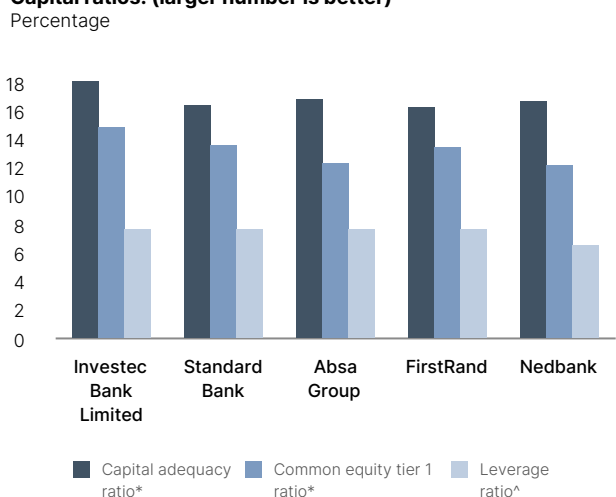
### Funding: Loan to customer deposit ratio (smaller number is better)



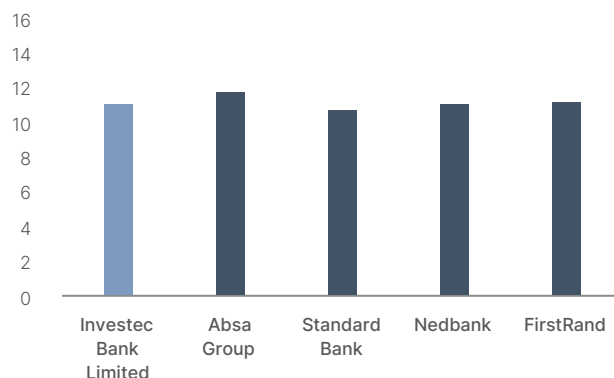
### Asset quality ratios: (smaller number is better)



### Capital ratios: (larger number is better)



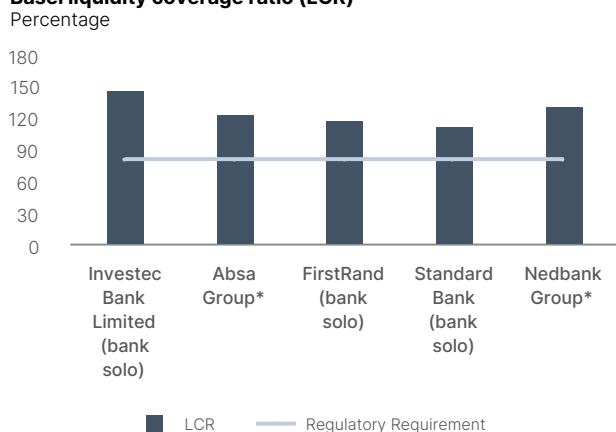
### Gearing: Assets to Equity ratio (smaller number is better)



\* 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. IBL expects a further uplift to CET1 on further adoption of AIRB on certain remaining portfolios..

^ Regulatory equity divided by regulatory assets.

### Basel liquidity coverage ratio (LCR)



\* LCR not disclosed on a bank solo level.

Source: Latest company interim and annual results available at 17 November 2021.

## AN OVERVIEW OF IBL'S OPERATING FUNDAMENTALS

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

	30 Sep 2021	31 Mar 2021	31 Mar 2020	31 Mar 2019	31 Mar 2018	31 Mar 2017	% change Mar 2021 vs Mar 2017
Operating profit before goodwill and acquired intangibles (R'mn)	<b>3 460</b>	5 013	4 883	5 381	4 626	4 210	19.1%
Headline earnings (R'mn)	<b>2 605</b>	4 133	3 844	4 784	4 446	3 069	34.7%
Cost to income ratio	<b>48.9%</b>	53.7%	52.6%	51.7%	53.3%	54.7%	
Total capital resources (including subordinated liabilities) (R'mn)	<b>58 037</b>	59 481	53 785	55 678	51 789	48 345	23.0%
Total equity (R'mn)	<b>45 941</b>	46 545	41 748	41 760	38 415	35 165	32.4%
Tangible equity (excluding preference shares, goodwill and intangibles) (R'mn)	<b>42 164</b>	43 901	39 258	39 177	35 948	32 952	33.2%
Total assets (R'mn)	<b>530 439</b>	509 492	535 970	475 603	444 072	425 687	19.7%
Net core loans and advances (R'mn)	<b>293 345</b>	283 240	283 946	269 404	254 304	233 445	21.3%
Customer accounts (deposits) (R'mn)	<b>399 038</b>	374 369	375 948	341 710	321 893	303 397	23.4%
Cash and near cash balances (R'mn)	<b>134 592</b>	129 759	147 169	118 365	116 533	117 586	10.4%
Risk-weighted assets (R'mn)	<b>292 359</b>	329 366	319 090	340 315	320 607	313 010	5.2%
Total capital adequacy ratio	<b>19.9%</b>	17.8%	16.4%	17.7%	15.5%	15.4%	
Tier 1 ratio	<b>15.6%</b>	13.7%	12.3%	12.8%	11.2%	11.1%	
Common equity tier 1 ratio	<b>14.9%</b>	13.3%	12.1%	12.5%	10.9%	10.8%	
Leverage ratio	<b>7.8%</b>	8.1%	6.9%	7.6%	7.7%	7.6%	
Stage 3 exposure net of ECL/default loans net of impairment as a % of core loans subject to ECL	<b>1.7%</b>	2.1%	0.9%	0.7%	0.6%	1.0%	
Credit loss ratio <sup>#</sup>	<b>0.04%*</b>	0.18%	0.37%	0.27%	0.28%	0.29%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	<b>11.1x</b>	10.6x	12.4x	11.0x	11.2x	11.6x	
Loans and advances to customers as a % of customer deposits	<b>71.6%</b>	73.5%	73.6%	76.6%	76.9%	74.4%	

Note: Investec Limited obtained approval to adopt the Advanced Internal Ratings Based (AIRB) approach for the SME and Corporate models effective 1 April 2021. Risk-weighted assets (RWA) for the current period are presented on a Partial AIRB approach, while the prior period is calculated using the Foundation Internal Ratings Based (FIRB) approach.

\* Annualised.

# Expected credit loss (ECL) impairment charges on gross core loans as a percentage of average gross core loans subject to ECL.

## FOR FURTHER INFORMATION:

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