

*Out of the Ordinary*



INVESTEC BANK  
LIMITED

Credit ratings fact sheet  
December 2020



# CONTEXTUALISING INVESTEC BANK LIMITED'S RATINGS

## 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
		Long-term					
Dec 2020	»	BB-	AA+(zaf)	Ba2	Aa1.za	BB-	za.AA
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
June 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	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	Negative	Negative	Negative	Negative	Negative
<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	Negative	Negative	Negative	Negative	Negative
<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	Negative	Negative	Negative	Negative	Negative
Short-term rating	A1+(za)	A1+(za)	A1+(za)	A1+(za)	A1+(za)
International					
Long-term rating	BB	BB	BB	BB	BB
Outlook	Negative	Negative	Stable	Negative	Stable

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 23 December 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.

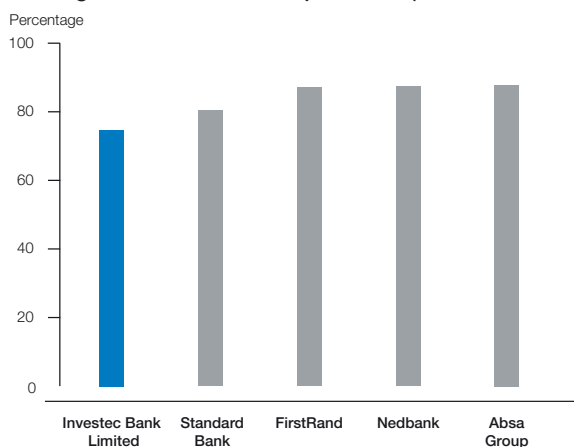
## Further peer group information

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.

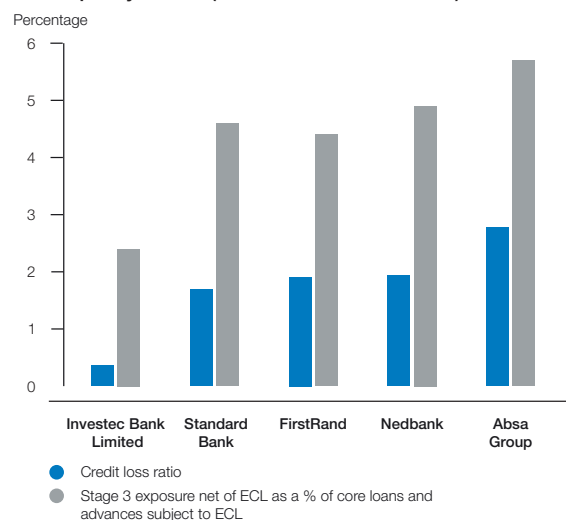
IBL remains highly liquid and is a net provider of funds to the interbank market in South Africa. Investec has a very conservative approach to liquidity, which has been in place for many years. As at 30 September 2020, the bank had R143.2 billion of cash and near cash balances on its balance sheet, which approximates to roughly 39c of every R1 deposit received being held in liquid assets. IBL (solo) has one of the highest liquidity coverage ratios (LCR) at 151.0% as of 30 September 2020. IBL holds capital in excess of regulatory requirements 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 comparative gearing ratio at 30 September 2020 was 11.6 times.

# PEER COMPARISON

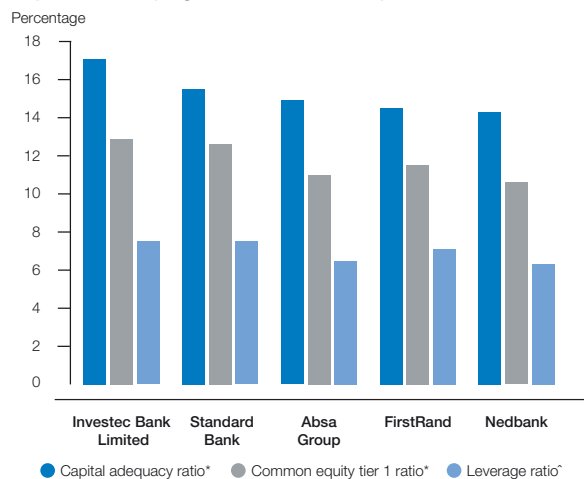
## Funding: Loan to customer deposit ratio (smaller number is better)



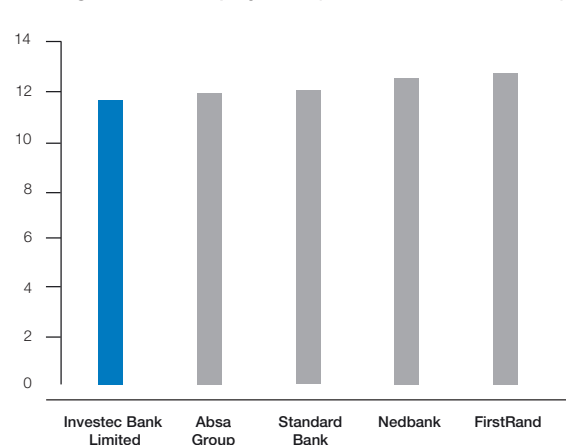
## Asset quality ratios: (smaller number is better)



## Capital ratios: (larger number is better)

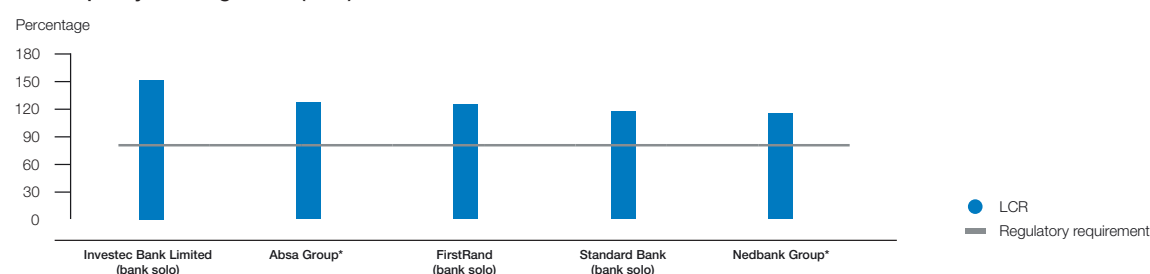


## Gearing: Assets to Equity ratio (smaller number is better)



\* Our application to the Prudential Authority to implement the Advanced Internal Ratings Based approach (AIRB) remains under review with approval received to run certain portfolios in parallel. Full implementation is expected to result in a material reduction to our capital requirements with an estimated c.2% uplift to our CET1 ratio.  
 ^ 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 27 November 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.

	Six months to 30 Sept 2020	31 Mar 2020	31 Mar 2019	31 Mar 2018	31 Mar 2017	31 Mar 2016	% change Mar 2020 vs Mar 2016
Operating profit before goodwill and acquired intangibles (R'mn)	1 999	4 883	5 381	4 626	4 210	4 334	12.7%
Headline earnings (R'mn)	1 621	3 844	4 784	4 446	3 069	3 449	11.5%
Cost to income ratio	55.0%	52.6%	51.7%	53.3%	54.7%	53.3%	
Total capital resources (including subordinated liabilities) (R'mn)	56 272	53 785	55 678	51 789	48 345	42 597	26.3%
Total equity (R'mn)	44 365	41 748	41 760	38 415	35 165	31 865	31.0%
Tangible equity (excluding preference shares, goodwill and intangibles) (R'mn)	41 924	39 258	39 177	35 948	32 952	29 636	32.5%
Total assets (R'mn)	529 576	535 970	475 603	444 072	425 687	411 980	30.1%
Net core loans and advances (R'mn)	279 308	283 946	269 404	254 304	233 445	215 239	31.9%
Customer accounts (deposits) (R'mn)	365 066	375 948	341 710	321 893	303 397	279 736	34.4%
Cash and near cash balances (R'mn)	143 248	147 169	118 365	116 533	117 586	124 907	17.8%
Risk-weighted assets (R'mn)	320 969	319 090	340 315	320 607	313 010	295 752	7.9%
Total capital adequacy ratio	17.1%	16.4%	17.7%	15.5%	15.4%	14.6%	
Tier 1 ratio	13.1%	12.3%	12.8%	11.2%	11.1%	11.0%	
Common equity tier 1 ratio	12.9%	12.1%	12.5%	10.9%	10.8%	10.6%	
Leverage ratio (current)	7.5%	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 subject to ECL	1.6%	0.9%	0.7%	0.56%	1.03%	1.06%	
Credit loss ratio <sup>#</sup>	0.36%*	0.37%	0.27%	0.28%	0.29%	0.26%	
Total gearing ratio (i.e. total assets excluding intergroup loans to equity)	11.6x	12.4x	11.0x	11.2x	11.6x	12.6x	
Loans and advances to customers as a % of customer deposits	74.7%	73.6%	76.6%	76.9%	74.4%	74.1%	

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. All prior years are presented on the Standardised 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:

### Investor Relations

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

e-mail: [investorrelations@investec.com](mailto:investorrelations@investec.com)

Internet address: [www.investec.com](http://www.investec.com)

Date of print: 24 December 2020