

Out of the Ordinary since 1974

INVESTEC BANK PLC

Credit ratings fact sheet
for the year ended 31 March 2024



CONTEXTUALISING INVESTEC BANK PLC'S RATINGS

An overview of Investec Bank plc

		Moody's		Fitch	
		Foreign currency		Foreign currency	
		Short-term deposit rating	Long-term deposit rating	Short-term deposit rating	Long-term deposit rating
Sept 2024	>	Prime-1	A1	F2	A-
Feb 2019	>	Prime-1	A1	F2	BBB+
Sept 2017	>	Prime-1	A2	F2	BBB+
Feb 2016	>	Prime-1	A2	F2	BBB
Oct 2015	>	Prime-2	A3	F2	BBB
May 2015	>	Prime-2	A3	F3	BBB-
Nov 2011	>	Prime-3	Baa3	F3	BBB-
Mar 2009	>	Prime-3	Baa3	F3	BBB
Nov 2008	>	Prime-2	Baa1	F3	BBB
Dec 2007	>	Prime-2	Baa1	F2	BBB+
Mar 2007	>	Prime-2	A3	F2	BBB+

A summary of IBP's ratings

Moody's

On 1 February 2019, Moody's upgraded IBP's long-term deposit ratings to A1 (stable outlook) from A2 (positive outlook) and its baseline credit assessment (BCA) to baa1 from baa2. These ratings were affirmed on 23 August 2024.

The upgrades were the reflection of: IBP's successful de-risking of the balance sheet as its legacy assets continue to run-off, the shift in composition of its revenues towards lower lending risks and more stable revenue streams, primarily in the lower risk wealth management segment and IBP's sound capitalisation and strong liquidity buffers.

Fitch

On 20 September 2024, Fitch upgraded IBP's Long-Term Issuer Default Rating (IDR) to A- from BBB+ (stable outlook). The bank's Viability Rating of 'bbb+' was unaffected by this rating action.

The upgrade of the IDR was a reflection of Fitch's expectation that IBP will continue to build up and sustain a significant buffer of qualifying junior debt (QJD) that will provide protection to its senior creditors.

On 7 September 2017, Fitch upgraded IBP's Viability Rating to bbb+ from bbb. This was affirmed on 20 February 2024. The upgrade of the Viability Rating reflected the greater stability of IBP's business model, the progress IBP has made in running down its legacy assets and reducing the concentration of its loan book towards property lending, an increase in capital-light business and hence more stable earnings, while simultaneously maintaining sound capitalisation, strong liquidity and an adequate funding structure.

IBP rating history

IBP's rating was upgraded by Fitch on 20 September 2024. This follows 5 years of stable rating after a number of upgrades. Through the previous financial crisis, IBP retained an investment grade rating. A detailed history of IBP's ratings is shown above. During the financial crisis, IBP was downgraded two notches by Fitch, first from BBB+ to BBB in November 2008 and then to BBB- at the end of November 2011.

Similarly, IBP was downgraded by Moody's from A3 to Baa1 in December 2007 and then to Baa3 in March 2009. We believe that our operating fundamentals remained sound over that time and that these downgrades were largely reflective of a very negative view taken by the rating agencies on the operating environment and economic conditions during that time.

CONTEXTUALISING INVESTEC BANK PLC'S RATINGS CONTINUED

Moody's	
Long-term deposit rating	A1
Senior unsecured MTN	A1
Counterparty Risk Rating	A1/Prime-1
Baseline credit assessment (BCA) and Adjusted BCA	baa1
Senior subordinate rating	Baa1
Short-term deposit rating	Prime-1
Short-term notes and issuer rating	Prime-1
Outlook	Stable
Fitch	
Long term Issuer Default rating (IDR)	A-
Senior unsecured certificates of deposits (long term/short term)	A-/F2
Senior unsecured EMTN Programme (long term/short term)	A-/F2
Short term Issuer Default rating (IDR)	F2
Viability rating	bbb+
Outlook	Stable

Peer group ratings comparison

Below is a comparison of long-term ratings across some of the banks in the United Kingdom.

Bank name	Investec Bank plc	Barclays Bank plc [^]	Close Brothers Limited	Clydesdale Bank plc	HSBC Bank plc [^]	Lloyds Bank plc [^]	Natwest Bank plc [^]	Santander UK plc [^]	Standard Chartered Bank [^]
Moody's									
Long-term deposit rating	A1	A1	A1	A1	A1	A1	A1	A1	A1
Outlook	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	positive
BCA (baseline credit assessment)	baa1	baa2	a3	baa1	baa3	a3	a3	baa1	baa2
Fitch									
Long-term rating	A-	A+	BBB+	A-	AA-	A+	A+	A+	A+
Outlook	Stable	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable
Viability rating	bbb+	a	bbb+	bbb+	a	a	a	a	a

[^] These peer comparative ratings represent the ring-fenced banking entity of their group structure.

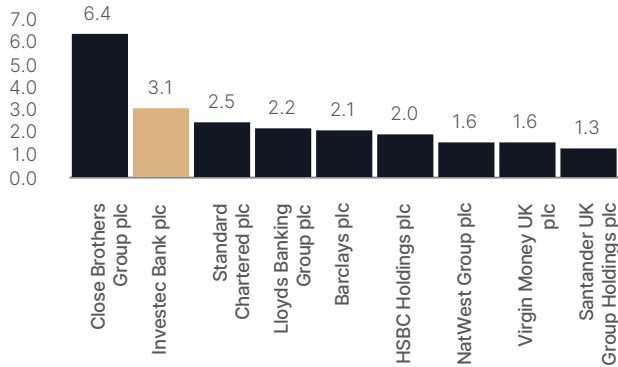
Rating definitions: Short-term ratings should be used for investments less than a one year time horizon and long-term ratings for periods greater than a year.

Note: Comparative ratings have been sourced from the Moody's and Fitch websites as at 22 September 2024 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.

PEER COMPARISON OF MOODY'S SCORECARD KEY RATIOS

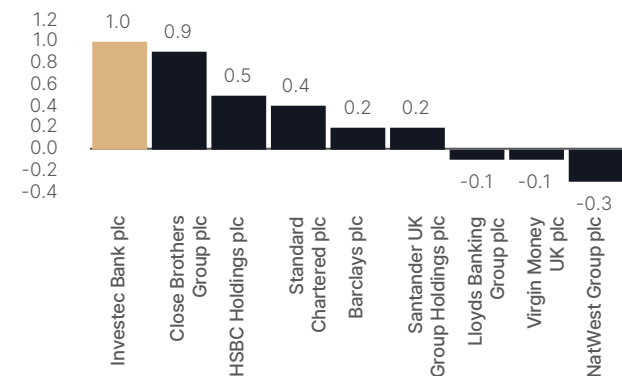
Asset risk: Problem loans/gross loans (smaller number is better)

Percentage



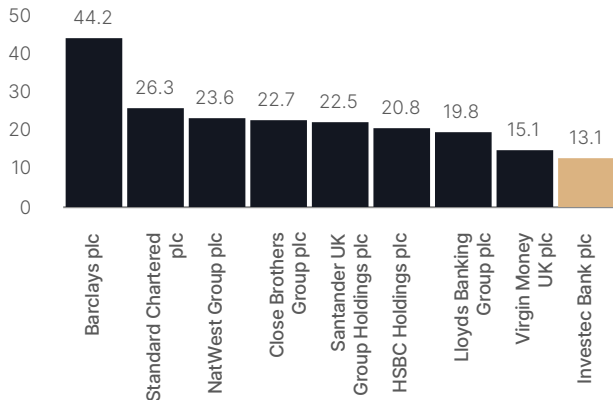
Profitability: Net income/tangible assets (larger number is better)

Percentage



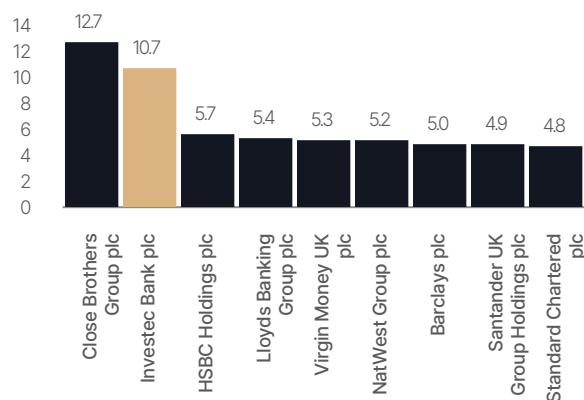
Funding structure: Market funds**/tangible banking assets (smaller number is better)

Percentage



Leverage ratio: Regulatory equity/regulatory assets (larger number is better)

Percentage

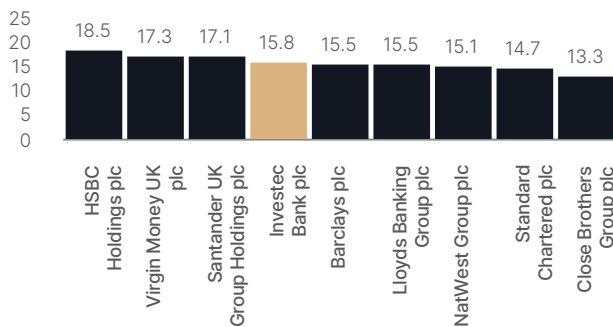


** Where market funds are defined by Moody's as: due to financial institutions + short-term borrowing + trading liabilities + other financial liabilities at FV + senior bonds + due to related parties - 50% of covered bonds.

Capital: Tangible common equity/risk-weighted assets (larger number is better)

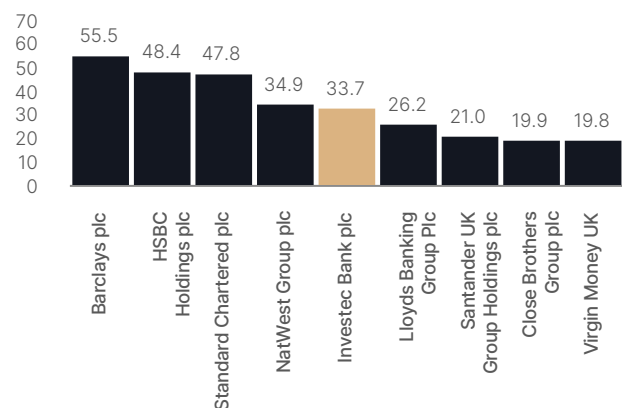
This should be considered relative to banks' minimum regulatory requirements which would generally be higher for systemic banks.

Percentage



Liquid resources: Liquid banking assets/tangible banking assets (larger number is better)

Percentage



Note: IBP applies the standardised approach in the calculation of risk-weighted assets and as a result we inherently hold more capital than our peers who are on the Advanced/Internal Ratings Modelled approach. IBP's Total RWAs/Total assets was 60.4% at 31 March 2024 (31 March 2023: 61.3%), which is substantially higher than some other UK banks which have an average RWA density of c.25%.

Source for all graphs other than the leverage ratio: Moody's published rating reports available as at 22 September 2024. Leverage ratio graph sourced from company interim/annual financial results available as at 22 September 2024 and shown at the entity level at which a leverage ratio has been disclosed.

FINANCIAL INFORMATION

IBP has maintained consistently sound operating fundamentals as evidenced below:

	31 Mar 2024	31 Mar 2023 [^]	31 Mar 2022	31 Mar 2021	31 Mar 2020	% change Mar 2024 vs 2020
Operating profit before non-operating items, taxation, expected credit loss impairment charges and after non-controlling interests (£'mn)	565.2	458.3	313	178.6	249.3	127%
Adjusted operating profit (£'mn)	444.5	317.0	288	108.3	173.6	156%
Earnings attributable to ordinary shareholder (£'mn)	719.6	313.6	233	63.8	57.8	1145%
Cost to income ratio	54.2%	60.1%	70.8%	80.9%	80.1%	
Total capital resources (including subordinated liabilities) (£'mn)	4 275	3 521	3 306	3 136	3 151	36%
Total equity (£'mn)	3 606	2 789	2 547	2 365	2 361	53%
Total assets (£'mn)	29 895	28 243	27 589	24 396	24 158	24%
Net core loans (£'mn)	16 557	15 563	14 423	12 311	11 832	40%
Customer accounts (deposits) (£'mn)	20 851	19 251	18 616	16 241	15 835	32%
Cash and near cash balances (£'mn)	9 652	8 550	8 871	6 857	6 040	60%
Funds under management (£'mn)	2 130	42 422	44 419	41 708	38 018	(94%)
Risk-weighted assets (£'mn)	18 054	17 308	16 462	15 789	15 808	14%
Total capital ratio (current)	19.8%	18.5%	18.2%	16.4%	16.5%	
Tier 1 ratio (current)	15.9%	14.1%	13.6%	13.4%	13.1%	
Common equity tier 1 ratio	13.3%	12.7%	12.0%	11.8%	11.5%	
Leverage ratio	10.7%	9.8%	9.3%	8.0%	8.0%	
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	2.6%	1.8%	1.6%	2.0%	2.4%	
Credit loss ratio	0.58%	0.37%	0.17%	0.56%	0.69%	
Total gearing ratio (i.e. total assets to equity)	8.3x	10.1x	10.8x	10.3x	10.6x	
Loans and advances to customers as a % of customer deposits	79.5%	80.9%	77.5%	75.8%	75.5%	

[^] Restated to reflect continuing operations.

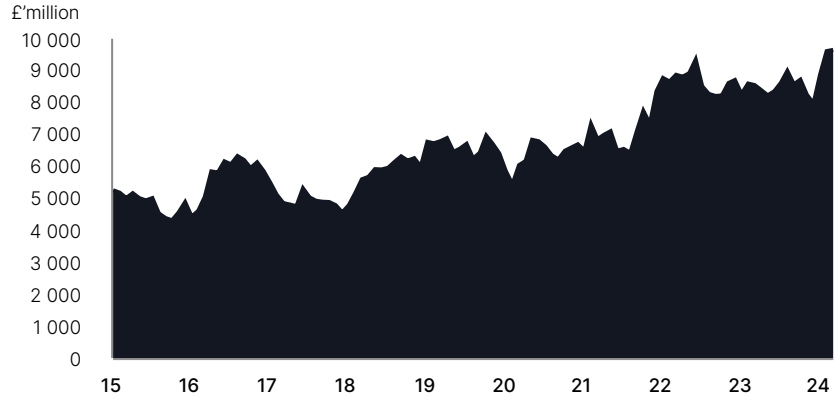
FINANCIAL INFORMATION
CONTINUED

Liquidity and funding

£9.7 billion

cash and near cash

Cash and near cash trend



IBP has a liquidity management philosophy that has been in place for many years. The bank continues to focus on maintaining a high level of readily available high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25%. At 31 March 2024, the bank had £9.7 billion of cash and near cash to support its activities, representing approximately 46.3% of customer deposits.

Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. IBP targets a diversified funding base, avoiding undue concentrations by investor types, maturity and market source, instrument and currency. Customer deposits amounted to £20.9 billion as at 31 March 2024 (31 March 2023: £19.3billion).

Deposit guarantees

In terms of the Financial Services Compensation Scheme, the UK government guarantees a maximum deposit of £85 000 per individual per institution. Granularity of deposits is a key area of focus and Investec Bank plc has a substantial portion of eligible deposits that are covered by FSCS protection.

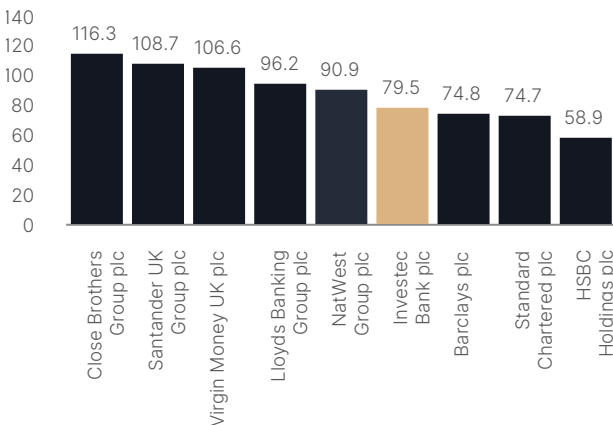
Loan to customer deposit ratio

79.5%

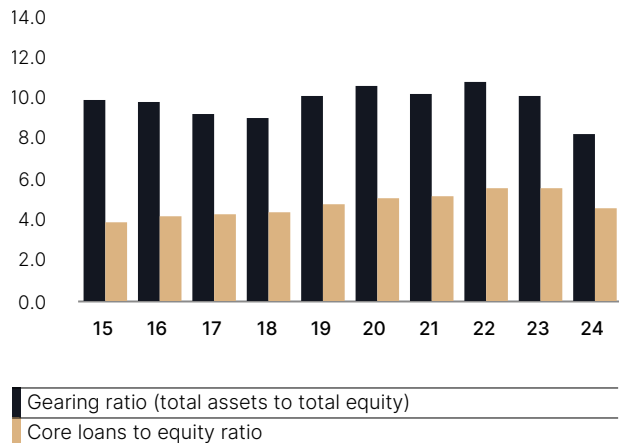
Gearing

8.3x

Loan to customer deposit ratio
Percentage



Gearing ratio
Times



■ Gearing ratio (total assets to total equity)
■ Core loans to equity ratio

IBP's loan to customer deposit ratio is conservative and further illustrates IBP's strong liquidity position.

The loan to customer deposit ratio graph is sourced from the latest company interim/annual financial results available as at 22 May 2024 and reflects the balance sheet figures for loans and advances to customers and customer deposits.

IBP is not a highly geared bank. A number of banks that have come into difficulty in the past have been in excess of 40x geared. IBP's comparative ratio would be 8.3x.

FINANCIAL INFORMATION
CONTINUED

Capital adequacy

19.8%

total capital ratio

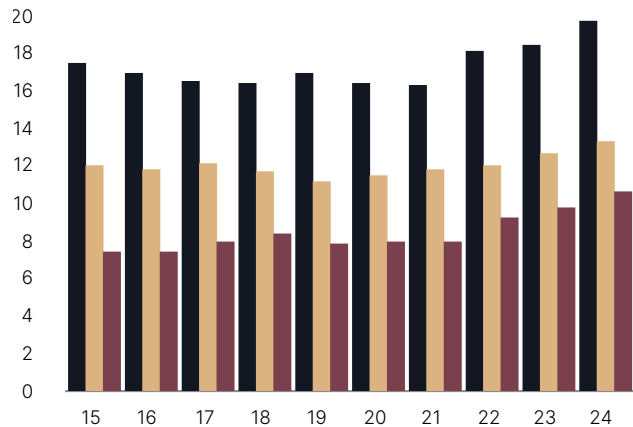
IBP holds capital in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised. The bank has never required shareholder or government support. As at 31 March 2024, the total capital ratio of IBP was 19.8% and the common equity tier 1 ratio was 13.3%.

The bank's anticipated 'fully loaded' Common Equity Tier 1 (CET1) ratio and leverage ratio are 13.3% and 10.7%, respectively (where 'fully loaded' assumes full adoption of IFRS 9). These disclosures incorporate the deduction of foreseeable charges and dividends. Excluding this deduction, the CET1 ratio would be 34bps (31 March 2023: 21bps) higher.

We currently apply the Standardised Approach to calculate capital requirements, thus our risk-weighted assets represent a large portion of our total assets. IBP is in the early stages of a process to migrate from the Standardised Approach to the Internal Ratings Based (IRB) approach.

Basel capital ratios – standardised approach

Percentage



Total capital ratio
Common Equity Tier 1 ratio
Leverage ratio

Asset quality and exposures

0.58%

credit loss ratio

The bulk of IBP's credit and counterparty risk arises through its private client and corporate client activities. The bank lends to high net worth individuals, mid to large sized corporates, public sector bodies and institutions. The majority of IBP's credit and counterparty exposures reside within its principal operating geography, the UK.

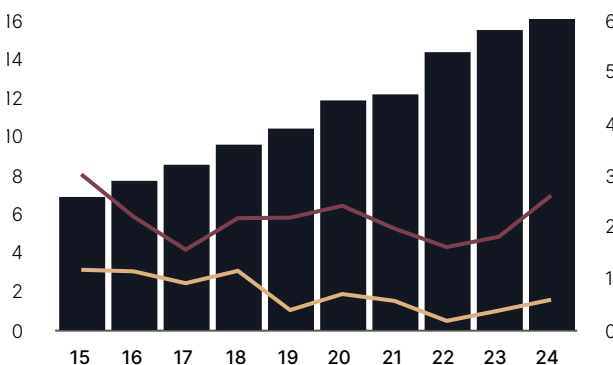
The total ECL impairment charges amounted to £86.0 million for the the year ended 31 March 2024 (2023: £27.9 million). The credit loss ratio was 0.58% at 31 March 2024 (0.37% at 31 March 2023).

Stage 3 exposure net of ECL at 31 March 2024 amounted to £420 million (31 March 2023: £268 million). Stage 3 exposure net of ECL as a percentage of net core loans subject to ECL at 31 March 2024 amounted to 2.6% (31 March 2023: 1.8%).

Core loans and asset quality

£billion

Percentage



Net core loans (LHS)
Credit loss ratio (RHS)
Stage 3 exposure net of ECL as a % of net core loans subject to ECL (RHS)

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