

# *Out of the Ordinary* since 1974

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INVESTEC BANK LIMITED

Credit ratings fact sheet  
November 2024



## CONTEXTUALISING INVESTEC BANK LIMITED'S RATINGS - November 2024

## 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 & Poor's |                |
|-----------------|-------------------|-----------------|-------------------|----------------|-------------------|----------------|
|                 | Foreign currency* | National scale  | Foreign currency* | National scale | Foreign currency* | National scale |
|                 | <b>Long-term</b>  |                 |                   |                |                   |                |
| <b>Nov 2024</b> | <b>BB-</b>        | <b>AA+(zaf)</b> | <b>Baa3</b>       | <b>Aaa.za</b>  | <b>BB-</b>        | <b>za.AA+</b>  |
| Mar 2024        | BB-               | AA+(zaf)        | Baa3              | Aaa.za         | BB-               | za.AA          |
| 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          |
| 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                 | Aaa.za                | Aaa.za            | Aaa.za                 | Aaa.za          | Aaa.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                 | Baa3                  | Baa3              | Baa3                   | Baa3            | Baa3                                  |
| Short-term deposit rating                | P-3                   | P-3               | P-3                    | P-3             | P-3                                   |
| Long-term senior unsecured issuer rating | N/A                   | Ba1               | Ba1                    | Ba1             | (P)Ba1                                |
| Senior subordinated rating               | N/A                   | N/A               | Ba3                    | 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-                                   |
| Outlook                                  | Stable                | Stable            | Stable                 | Stable          | Stable                                |
| <b>Standard &amp; Poor's</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                                  | Positive              | n/a               | Stable                 | Stable          | n/a                                   |
| <b>GCR</b>                               |                       |                   |                        |                 |                                       |
| National                                 |                       |                   |                        |                 |                                       |
| Long-term rating                         | AA+(za)               | AA(za)            | AA+(za)                | AA(za)          | AA+(za)                               |
| Short-term rating                        | A1+(za)               | A1+(za)           | A1+(za)                | A1+(za)         | A1+(za)                               |
| Outlook                                  | Stable                | Negative          | Stable                 | Stable          | Stable                                |
| International                            |                       |                   |                        |                 |                                       |
| Long-term rating                         | BB                    | BB                | BB                     | BB              | BB                                    |
| Short-term rating                        | B                     | B                 | B                      | B               | B                                     |
| Outlook                                  | Stable                | Negative          | Stable                 | Stable          | Stable                                |

## CURRENT RATINGS AND PEER GROUP RATINGS COMPARISON CONTINUED

Rating definitions: Short-term ratings should be used for investments with a one-year or less 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 GCR notation for South African ratings.

Note: Comparative ratings have been sourced from the respective company websites and recent press releases as at 21 November 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.

### Further peer group information

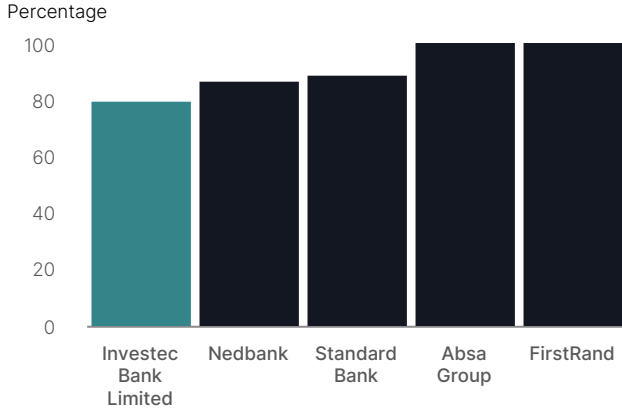
On a stand-alone basis (i.e. looking at the financial strength of the Big 5 banks, excluding assumptions around Sovereign support) there is very little differential between the key risk metrics of the Big 5 banks as depicted in the graphs on the following page.

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 2024, the bank had R170.9 billion of cash and near cash balances on its balance sheet. IBL (consolidated) had a liquidity coverage ratio (LCR) of 176% as of 30 September 2024.

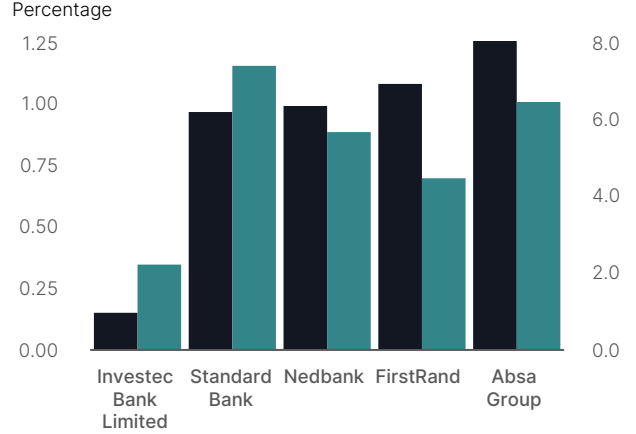
IBL holds capital in excess of regulatory requirements and Board approved minimums, and intends to perpetuate this philosophy to ensure that it remains well capitalised. IBL is not a highly geared bank. A number of banks that have experienced difficulty in the past were in excess of 40 times geared. IBL's gearing ratio at 30 September 2024 was 11.5x times.

PEER COMPARISON

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

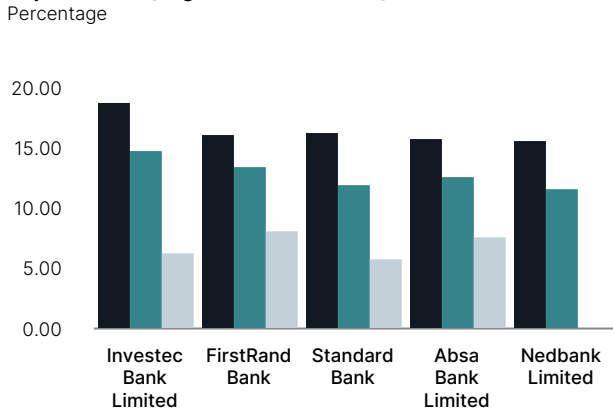


**Asset quality ratios: (smaller number is better)**

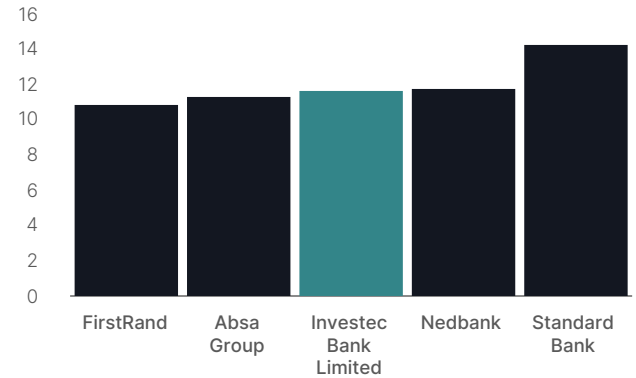


Credit loss ratio (LHS)  
 Stage 3 net of ECL as a % of net core loans subject to ECL (RHS)

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



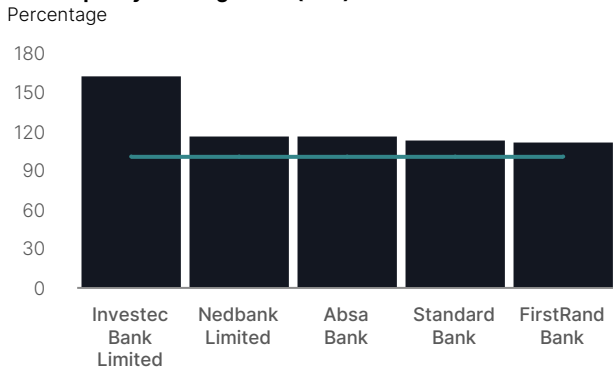
**Gearing: Assets to Equity ratio (smaller number is better)**



Capital adequacy ratio  
 Common equity tier 1 ratio  
 Leverage ratio^

^ Regulatory equity divided by regulatory assets.

**Basel liquidity coverage ratio (LCR)**



LCR  
 Regulatory Requirement

Source: Latest company interim and annual results available at 21 November 2024.

**Note:** All information presented in the graphs are as 30 September 2024 unless otherwise stated.

## AN OVERVIEW OF IBL'S OPERATING FUNDAMENTALS

IBL has maintained consistently sound operating fundamentals as evidenced below:

|                                                                                | 30 Sept<br>2024 | 31 March<br>2024 | 31 March<br>2023 <sup>^</sup> | 31 March<br>2022     | 31 March<br>2021     | 31 March<br>2020 | % change<br>March 2024<br>vs March<br>2020 |
|--------------------------------------------------------------------------------|-----------------|------------------|-------------------------------|----------------------|----------------------|------------------|--------------------------------------------|
| Operating profit before goodwill and acquired intangibles (R'mn)               | 5 213           | 9 727            | 8 639                         | 7 247                | 5 013                | 4 883            | 99.2%                                      |
| Headline earnings (R'mn)                                                       | 3 848           | 7 718            | 6 537                         | 5 260                | 4 133                | 3 844            | 100.8%                                     |
| Cost to income ratio                                                           | 46.0%           | 47.9%            | 47.2%                         | 49.3%                | 53.7%                | 52.6%            | (9.0%)                                     |
| Total capital resources (including subordinated liabilities) (R'mn)            | 57 117          | 56 732           | 53 716                        | 55 973               | 59 481               | 53 785           | 5.5%                                       |
| Total equity (R'mn)                                                            | 49 931          | 49 449           | 45 968                        | 46 840               | 46 545               | 41 748           | 18.4%                                      |
| Tangible equity (excluding preference shares, goodwill and intangibles) (R'mn) | 46 228          | 44 880           | 43 705                        | 43 998               | 43 901               | 39 258           | 14.3%                                      |
| Total assets (R'mn)                                                            | 610 150         | 611 674          | 595 089                       | 555 237 <sup>^</sup> | 510 960 <sup>^</sup> | 535 970          | 14.1%                                      |
| Net core loans (R'mn)                                                          | 344 416         | 341 566          | 322 580                       | 294 757              | 283 240              | 283 946          | 20.3%                                      |
| Customer accounts (deposits) (R'mn)                                            | 434 687         | 448 635          | 448 718                       | 420 072              | 374 369              | 375 948          | 19.3%                                      |
| Cash and near cash balances (R'mn)                                             | 170 860         | 160 712          | 171 400                       | 159 454              | 129 759              | 147 169          | 9.2%                                       |
| Risk-weighted assets (R'mn)                                                    | 261 455         | 273 185          | 261 263                       | 286 903              | 329 366              | 319 090          | (14.4%)                                    |
| Total capital adequacy ratio                                                   | 21.5%           | 20.5%            | 21.2%                         | 20.0%                | 17.8%                | 16.4%            |                                            |
| Tier 1 ratio                                                                   | 18.7%           | 17.8%            | 18.2%                         | 16.6%                | 13.7%                | 12.3%            |                                            |
| Common equity tier 1 ratio                                                     | 17.2%           | 16.5%            | 17.1%                         | 15.8%                | 13.3%                | 12.1%            |                                            |
| Leverage ratio                                                                 | 6.3%            | 7.1%             | 7.2%                          | 7.9%                 | 8.1%                 | 6.9%             |                                            |
| Stage 3 net of ECL as a % of net core loans subject to ECL                     | 2.2%            | 3.0%             | 2.1%                          | 1.4%                 | 2.1%                 | 0.9%             |                                            |
| Credit loss ratio <sup>#</sup>                                                 | 0.16%           | (0.04)%          | 0.09%                         | 0.04%                | 0.18%                | 0.37%            |                                            |
| Total gearing ratio (i.e. total assets excluding intergroup loans to equity)   | 11.5x           | 11.7x            | 12.1x                         | 11.4x                | 10.6x                | 12.4x            |                                            |
| Loans and advances to customers as a % of customer deposits                    | 77.6%           | 74.7%            | 70.6%                         | 68.4%                | 73.5%                | 73.6%            |                                            |

<sup>^</sup> Restated.

<sup>#</sup> 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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