

Investec Bank Limited

Incorporated in the Republic of South Africa

Registration number: 1969/004763/06

Share code: INLP

ISIN: ZAE000048393

LEI: 549300RH5FFHO48FXT69

Reviewed interim condensed consolidated financial results for the six months ended 30 September 2021 and declaration of preference share dividend

Salient features

| Key financial statistics | 30 Sept 2021 | 30 Sept 2020 | % change | 31 March 2021 |
|---|--------------|--------------|----------|---------------|
| Total operating income before expected credit loss impairment charges (R'million) | 6 936 | 5 629 | 23.2% | 12 049 |
| Operating costs (R'million) | 3 395 | 3 098 | 9.6% | 6 469 |
| Operating profit before goodwill and acquired intangibles (R'million) | 3 460 | 1 999 | 73.1% | 5 013 |
| Headline earnings attributable to ordinary shareholders (R'million) | 2 605 | 1 621 | 60.7% | 4 133 |
| Cost to income ratio | 48.9% | 55.0% | | 53.7% |
| Total capital resources (including subordinated liabilities) (R'million) | 58 037 | 56 272 | 3.1% | 59 481 |
| Total equity (R'million) | 45 941 | 44 365 | 3.6% | 46 545 |
| Total assets (R'million) | 530 439 | 529 576 | 0.2% | 509 492 |
| Net core loans and advances (R'million) | 293 345 | 279 308 | 5.0% | 283 240 |
| Customer accounts (deposits) (R'million) | 399 038 | 365 066 | 9.3% | 374 369 |
| Loans and advances to customers as a % of customer accounts (deposits) | 71.6% | 74.7% | | 73.5% |
| Cash and near cash balances (R'million) | 134 592 | 143 248 | (6.0%) | 129 759 |
| Total gearing ratio (i.e. total assets excluding intergroup loans to equity) | 11.1x | 11.6x | | 10.6x |
| Total capital adequacy ratio | 19.9% | 17.1% | | 17.8% |
| Tier 1 ratio | 15.6% | 13.1% | | 13.7% |
| Common equity tier 1 ratio | 14.9% | 12.9% | | 13.3% |
| Leverage ratio | 7.8% | 7.5% | | 8.1% |
| Leverage ratio – fully loaded | 7.7% | 7.4% | | 8.1% |
| Stage 3 as a % of gross core loans subject to ECL | 2.1% | 2.4% | | 2.5% |
| Stage 3 net of ECL as a % of net core loans subject to ECL | 1.7% | 1.6% | | 2.1% |
| Credit loss ratio | 0.04%** | 0.36%** | | 0.18% |
| Net Stable Funding Ratio % (NSFR) | 110.6% | 113.9% | | 113.4% |
| Liquidity Coverage Ratio % (LCR)* | 158.0% | 164.1% | | 164.0% |

* 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.

** Annualised

Commentary

These reviewed interim condensed consolidated financial results are published to provide information to holders of Investec Bank Limited's listed non-redeemable, non-cumulative, non-participating preference shares.

Overview of results

Our performance reflects higher income levels and significantly lower impairment charges, partly offset by increased operating costs. The group's underlying client franchises showed resilience with continued momentum in client acquisition driving asset and deposit growth.

The prior period was negatively impacted by the effects of general economic contraction brought on by COVID-19 related lockdowns, which affected transactional levels, net interest margins, valuations and impairments. In this reporting period we have experienced the positive effects of higher client activity, liability repricing and sustained market improvement.

Against this backdrop, Investec Bank Limited, a subsidiary of Investec Limited (INL), posted an increase in headline earnings attributable to ordinary shareholders of 60.7% to R2 605 million (1H2021: R1 621 million).

We have maintained strong capital, funding and liquidity positions. At 30 September 2021, the bank had a total capital adequacy ratio of 19.9% on partial AIRB[^] (31 March 2021: 17.8% FIRB; 18.6% pro-forma partial AIRB), a common equity tier one (CET1) ratio of 14.9% on partial AIRB (31 March 2021: 13.3% FIRB; 14.0% pro-forma partial AIRB) and a leverage ratio of 7.8% on partial AIRB (31 March 2021: 8.1% on FIRB and pro-forma partial AIRB).

[^] Approval was received from the Prudential Authority to adopt the Advanced Internal Ratings Based (AIRB) approach for the bank's SME and Corporate models effective 1 April 2021. We are working towards further adoption of AIRB on certain remaining portfolios.

The LCR was 146.5% for Investec Bank Limited (solo) and 158.0% for Investec Bank Limited (consolidated) while the NSFR was 109.9% and 110.6%, respectively.

Capital optimisation

In line with our capital optimisation strategy and to simplify IBL's balance sheet, on 31 August 2021, IBL sold its 47.4% stake in Investec Equity Partners (IEP) to INL for R5.2 billion, and its 21.87% holding in Investec Property Fund (IPF) to INL for R2.7 billion. R1.5 billion of the IPF purchase price was funded by IBL providing interest bearing debt to INL while R3.4 billion of the IEP purchase price was funded by INL issuing redeemable preference shares to IBL. INL pledged the IPF shares to IBL as security for the debt, and its investment in Investec Investments (Pty) Limited as security for the preference shares.

Further, on 29 October 2021, IBL announced its firm intention to repurchase all outstanding listed non-redeemable, non-cumulative, non-participating preference shares by way of scheme of arrangement or standby general offer given that IBL will not derive any regulatory capital benefit associated with preference shares from 1 January 2022. A circular providing full details of the transaction was circulated on 3 November 2021, with electronic voting to take place on 2 December 2021.

For full information on the Investec group results, refer to the combined results of Investec plc and Investec Limited on the group's website <http://www.investec.com>.

Financial review

Unless the context indicates otherwise, all comparatives relate to the six month period ended 30 September 2020 (1H2021).

Salient operational features for the period under review include:

Total operating income before expected credit loss (ECL) impairment charges increased by 23.2% to R6 936 million (1H2021: R5 629 million) albeit off a low COVID-19 induced base. The components of operating income are analysed further below:

- Net interest income increased 21.2% to R5 002 million (1H2021: R4 127 million) given higher average lending books and lower funding costs as liabilities repriced. Net core loans grew by 3.6% to R293.3 billion (31 March 2021: R283.2 billion) driven primarily by the private clients' loan book as low interest rates meant that the differential between buying property and renting was negligible. Strong growth in corporate lending turnover was offset by elevated repayment rates as clients used excess liquidity to pay down facilities.
- Net fee and commission income increased 55.3% to R1 507 million (1H2021: R970 million) reflecting increased client activity across the bank, higher point-of-sale, lending and forex (FX) turnover. Advisory fees from corporate finance benefitted from a more active market.
- Investment income and share of post-taxation profit from associates decreased by 60.1% to R130 million (1H2021: R326 million). Higher dividend income and profit share realisations were more than offset by additional write-downs taken on certain unlisted investments. The prior period included the recovery of a listed investment that was subsequently sold.
- Total trading income increased 45.1% to R297 million (1H2021: R205 million) driven by strong client flow as equity derivatives, FX and interest rate trading desks took advantage of favourable market movements in a more predictable trading environment. Balance sheet management and other trading activities were negatively impacted by mark-to-market (MTM) losses on fixed rate funding swaps.

ECL impairment charges declined by 84.8% to R81 million resulting in a credit loss ratio (CLR) of 4bps (31 March 2021: 18bps; 1H2021: 36bps). The decline was driven by lower specific impairments, including the reversal of certain prior year specific provisions (on recovery of collateral values) and higher recoveries.

Stage 1 and 2 ECL charges also declined, given the improved macroeconomic outlook and moderate book growth. The COVID-19 related ECL overlays of R290 million were retained to account for risks that remain in the operating environment.

The cost to income ratio improved to 48.9% (1H2021: 55.0%) given continued cost discipline. Operating costs increased 9.6% to R3 395 million (1H2021: R3 098 million) driven by higher variable remuneration, investment in technology and the impact of delayed salary increases in the prior year. Fixed costs were well contained, increasing 2.2% over the period.

As a result of the foregoing factors, profit before taxation increased 74.0% to R3 434 million (1H2021: R1 973 million) while profit after taxation increased 58.8% to R2 711 million (1H2021: R1 707 million).

The condensed consolidated interim financial statements for the six months ended 30 September 2021 have been reviewed by KPMG Inc. and Ernst & Young Inc., who expressed an unmodified review conclusion. A copy of the auditors' review report is available for inspection at the company's registered office together with the financial statements identified in the auditors' report.

The auditors' report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report together with the accompanying financial information from the issuer's registered office.

On behalf of the Board of Investec Bank Limited

Khumo Shuenyane

Chair

17 November 2021

Richard Wainwright

Chief Executive

This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details.

Any investment decision should be based on the full viewed announcement which can be accessed from 18 November 2021, using the following JSE link: <https://senspdf.jse.co.za/documents/2021/jse/iss/INLPH/IBLHY21.pdf>

Alternatively the full announcement is also available at our registered offices for inspection at no charge, during office hours.

Copies of the full announcement may be requested by contacting Investor Relations on:

Telephone: (+27 11) 286 7000

e-mail: investorrelations@investec.com

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Preference share dividend announcement

Non-redeemable non-cumulative non-participating preference shares ("preference shares")

Declaration of dividend number 37

Notice is hereby given that preference dividend number 37 has been declared by the board from income reserves for the period 1 April 2021 to 30 September 2021 amounting to a gross preference dividend of 292.45405 cents per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 10 December 2021.

The relevant dates for the payment of dividend number 37 are as follows:

| | |
|-------------------------------------|----------------------------|
| Last day to trade cum-dividend | Tuesday, 7 December 2021 |
| Shares commence trading ex-dividend | Wednesday, 8 December 2021 |
| Record date | Friday, 10 December 2021 |
| Payment date | Monday, 13 December 2021 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 December 2021 and Friday, 10 December 2021, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited tax reference number: 9675/053/71/5
- The issued share preference share capital of Investec Bank Limited as at 17 November 2021 is 14 917 559 preference shares
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 233.96324 cents per preference share for shareholders liable to pay the Dividend Tax and 292.45405 cents per preference shareholders exempt from paying the Dividend Tax.

By order of the board

Niki van Wyk
Company Secretary

17 November 2021

For further information**Investec Bank Limited**

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Registered office

100 Grayston Drive
Sandown, Sandton, 2196

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Company Secretary

Niki van Wyk

Sponsor:

Investec Bank Limited

Directors

Khumo Shuenyane (Chair)
Richard Wainwright (Chief Executive)^
Marlé van der Walt (Finance Director)^
Zarina Bassa
David Friedland
Philip Hourquebie
Morris Mthombeni
Vanessa Olver*
Geoffrey Qhena
Fani Titi^

^ Executive director

* Vanessa Olver was appointed 20 May 2021

David Lawrence retired as Deputy Chair and Director effective 30 September 2021