OUT OF THE ORDINARY

Investec

Investec Bank Limited

Reviewed interim condensed consolidated financial results for the six months ended 30 September 2021

Condensed consolidated income statement

R'million	Six months to 30 Sept 2021	Six months to 30 Sept 2020^	Year to 31 March 2021
Interest income	12 807	14 613	26 370
Interest expense	(7 805)	(10 486)	(17 584)
Net interest income	**5 002**	**4 127**	**8 786**
Fee and commission income	1 787	1 180	2 804
Fee and commission expense	(280)	(210)	(467)
Investment income	83	313	472
Share of post-taxation profit of associates	47	13	81
Trading income/(loss) arising from			
– customer flow	331	280	627
– balance sheet management and other trading activities	(34)	(75)	(257)
Other operating income	—	1	3
Total operating income before expected credit loss impairment charges	**6 936**	**5 629**	**12 049**
Expected credit loss impairment charges	(81)	(532)	(567)
Operating income	**6 855**	**5 097**	**11 482**
Operating costs	(3 395)	(3 098)	(6 469)
Operating profit before goodwill and acquired intangibles	**3 460**	**1 999**	**5 013**
Impairment of goodwill	—	—	(3)
Amortisation of acquired intangibles	(26)	(26)	(51)
Impairment of associate	—	—	(98)
Profit before taxation	**3 434**	**1 973**	**4 861**
Taxation on operating profit before acquired intangibles	(730)	(273)	(878)
Taxation on acquired intangibles	7	7	14
Profit after taxation	**2 711**	**1 707**	**3 997**

^ Restated, refer to 'Restatements' in the commentary that follows.

Consolidated statement of total comprehensive income

R'million	Six months to 30 Sept 2021	Six months to 30 Sept 2020	Year to 31 March 2021
Profit after taxation	2 711	1 707	3 997
Other comprehensive income:			
Items that may be reclassified to the income statement			
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(110)	(75)	11
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	94	1 195	2 025
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(12)	(6)	(33)
Foreign currency adjustments on translating foreign operations	127	(441)	(1 224)
Items that will never be reclassified to the income statement			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	(228)	323	415
Net gain/(loss) attributable to own credit risk*	3	(13)	(14)
Total comprehensive income	**2 585**	**2 690**	**5 177**
Total comprehensive income attributable to ordinary shareholders	2 479	2 604	5 022
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	106	86	155
Total comprehensive income	**2 585**	**2 690**	**5 177**

* Net of taxation expense of R209.4 million (Six months to 30 September 2020: R555.6 million; year to 31 March 2021: R943.4 million).

Headline earnings

R'million	Six months to 30 Sept 2021	Six months to 30 Sept 2020	Year to 31 March 2021
Profit after taxation	2 711	1 707	3 997
Dividend paid to perpetual preference shareholders and other Additional Tier 1 security holders	(106)	(86)	(155)
Gain on redemption of perpetual preference shares	—	—	17
Earnings attributable to ordinary shareholders	**2 605**	**1 621**	**3 859**
Headline adjustments, net of taxation^	—	—	274
Impairment of goodwill	—	—	3
Impairment of associates	—	—	98
Headline adjustments of equity accounted associates	—	—	173
Headline earnings attributable to ordinary shareholders	**2 605**	**1 621**	**4 133**

^ Net of associate taxation within equity accounted earnings of R47.7 million for the year to 31 March 2021.

Consolidated balance sheet

At R'million	30 Sept 2021	31 March 2021	30 Sept 2020^
Assets			
Cash and balances at central banks	12 685	9 653	12 064
Loans and advances to banks	16 862	24 666	29 476
Non-sovereign and non-bank cash placements	9 656	8 956	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	46 713	30 221	37 938
Sovereign debt securities	55 810	53 009	72 519
Bank debt securities	28 206	21 862	11 318
Other debt securities	15 291	14 170	15 506
Derivative financial instruments	11 701	19 173	21 403
Securities arising from trading activities	2 381	2 869	3 147
Investment portfolio	3 219	4 923	6 270
Loans and advances to customers	285 785	275 056	272 672
Own originated loans and advances to customers securitised	7 560	8 184	6 636
Other loans and advances	126	181	217
Other securitised assets	646	578	208
Interests in associated undertakings	27	5 149	5 667
Current taxation assets	35	35	33
Deferred taxation assets	2 174	2 412	2 693
Other assets	5 708	7 382	6 065
Property and equipment	3 329	2 740	2 847
Investment properties	1	1	1
Goodwill	175	175	178
Software	70	95	128
Other acquired intangible assets	90	118	141
Loans to group companies	21 715	17 410	14 609
Non-current assets classified as held for sale	474	474	—
	530 439	**509 492**	**529 576**
Liabilities			
Deposits by banks	14 458	17 144	35 913
Derivative financial instruments	20 862	23 011	18 278
Other trading liabilities	2 832	3 388	4 758
Repurchase agreements and cash collateral on securities lent	20 373	16 593	32 684
Customer accounts (deposits)	399 038	374 369	365 066
Debt securities in issue	2 970	2 126	3 148
Liabilities arising on securitisation of own originated loans and advances	3 149	3 271	1 576
Current taxation liabilities	556	684	498
Deferred taxation liabilities	25	32	40
Other liabilities	7 208	7 421	7 014
Loans from group companies	931	1 972	4 329
	472 402	**450 011**	**473 304**
Subordinated liabilities	12 096	12 936	11 907
	484 498	**462 947**	**485 211**
Equity			
Ordinary share capital	32	32	32
Share premium	14 250	14 250	14 250
Other reserves	1 342	411	226
Retained income	26 876	29 188	27 863
Ordinary shareholder's equity	**42 500**	**43 881**	**42 371**
Perpetual preference share capital and premium	1 481	1 481	1 534
Shareholder's equity excluding non-controlling interests	**43 981**	**45 362**	**43 905**
Other Additional Tier 1 securities in issue	1 960	1 183	460
Total equity	**45 941**	**46 545**	**44 365**
Total liabilities and equity	**530 439**	**509 492**	**529 576**

^ Restated, refer to 'Restatements' in the commentary that follows.

Condensed consolidated statement of changes in equity

R'million	**Six months to 30 Sept 2021**	Six months to 30 Sept 2020	Year to 31 March 2021
Balance at the beginning of the period	46 545	41 748	41 748
Total comprehensive income	2 585	2 690	5 177
Dividends paid to ordinary shareholders	(4 900)	—	(600)
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(106)	(86)	(155)
Issue of other Additional Tier 1 securities in issue	777	—	723
Redemption of perpetual preference shares	—	—	(36)
Net equity movements of interests in associated undertaking	—	—	(406)
Net capital contribution from group companies	1 040	13	94
Balance at the end of the period	**45 941**	**44 365**	**46 545**

Condensed consolidated cash flow statement

R'million	**Six months to 30 Sept 2021**	Six months to 30 Sept 2020^	Year to 31 March 2021
Net cash outflow from operating activities	(1 674)	(18 848)	(25 318)
Net cash inflow/(outflow) from investing activities	2 895	10	(81)
Net cash (outflow)/inflow from financing activities*	(5 436)	(125)	1 228
Effects of exchange rate changes on cash and cash equivalents	148	(346)	(1 171)
Net decrease in cash and cash equivalents	**(4 067)**	**(19 309)**	**(25 342)**
Cash and cash equivalents at the beginning of the period	42 115	67 457	67 457
Cash and cash equivalents at the end of the period	**38 048**	**48 148**	**42 115**

Cash and cash equivalents is defined as including cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

^ Restated, refer to 'Restatements' in the commentary that follows.

* Net cash (outflow)/inflow from financing activities comprises:

R'million	**Six months to 30 Sept 2021**	Six months to 30 Sept 2020	Year to 31 March 2021
Redemption of perpetual preference shares	—	—	(36)
Proceeds on issue of subordinated liabilities	—	—	1 636
Repayment of subordinated liabilities	(1 160)	—	(260)
Dividends paid	(5 006)	(86)	(755)
Proceeds on issue of other Additional Tier 1 securities in issue	777	—	723
Lease liabilities paid	(47)	(39)	(80)
Net cash (outflow)/inflow from financing activities	**(5 436)**	**(125)**	**1 228**

Condensed consolidated segmental information

For the six months to 30 September 2021 R'million	Specialist Banking^ Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total group
Operating income	3 588	3 329	(62)	—	6 855
Operating costs	(1 577)	(1 664)	—	(154)	(3 395)
Operating profit/(loss)	**2 011**	**1 665**	**(62)**	**(154)**	**3 460**
Cost to income ratio (%)	45.8%	46.8%	n/a	n/a	48.9%
Total assets (R'million)	222 717	306 842	880	—	530 439

For the six months to 30 September 2020 R'million	Specialist Banking^ Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total group
Operating income	2 378	2 526	193	—	5 097
Operating costs	(1 399)	(1 542)	—	(157)	(3 098)
Operating profit/(loss)	**979**	**984**	**193**	**(157)**	**1 999**
Cost to income ratio (%)	54.8%	53.5%	n/a	n/a	55.0%
Total assets (R'million)	205 958	314 268	9 350	—	529 576

^ The results of Investec Private Banking and Investec Corporate, Investment Banking and Other were disclosed as separate segments for the first time in the 31 March 2021 results. Investec Private Banking and Investec Corporate, Investment Banking and Other were previously presented as components of the Investec Specialist Bank. Comparatives have been restated.

Liquidity coverage ratio disclosure
The objective of the Liquidity Coverage Ratio (LCR) is to promote the short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets to survive a significant stress scenario lasting 30 calendar days.

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant LCR disclosure requirements. This disclosure Template LIQ1 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by BCBS d400 (2017) and Directive D1/2019.

The following table sets out the LCR for the group and bank:

At 30 September 2021 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
High quality liquid assets (HQLA)	92 061	93 901
Net cash outflows	63 359	60 450
Actual LCR (%)	**146.5**	**158.0**
Required LCR (%)*	80.0	80.0

* The South African PA is of the opinion that Financial markets have largely normalised, and banks currently have healthy liquidity as a result of increased deposits. The PA views that the temporary LCR relief measure implemented with effect from 1 April 2020 is no longer necessary and has announced that it intends withdrawing that temporary relief measure. Banks are directed to comply with the minimum LCR requirement of 90% with effect from 1 January 2022, and 100% with effect from 1 April 2022.

The values in the table are calculated as the simple average of the 92 calendar daily values over the period 1 July 2021 to 30 September 2021 for IBL solo. IBL consolidated group values use daily values for IBL solo, while those for other group entities use the average of July, August and September 2021 month-end values.

Net stable funding ratio disclosure
The objective of the Net Stable Funding Ratio (NSFR) is to promote the resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities on an ongoing structural basis.

In accordance with the provisions of section 6(6) of the South African Banks Act 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant NSFR disclosure requirements. This disclosure Template LIQ2 is in accordance with Pillar 3 of the Basel III liquidity accord, as specified by BCBS d400 (2017) and Directive D1/2019.

The following table sets out the NSFR for the group and bank:

At 30 September 2021 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
Available stable funding (ASF)	321 542	338 326
Required stable funding (RSF)	292 695	305 846
Actual NSFR (%)	**109.9**	**110.6**
Required NSFR (%)	100.0	100.0

Commentary

These condensed consolidated interim financial statements cover the results of Investec Bank Limited ("the bank" or "Investec" or "IBL") for the six months ended 30 September 2021 (1H2022). The results are published to provide information to holders of the bank's listed non-redeemable, non-cumulative, non-participating preference shares.

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

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.

Certain financial information presented in this results announcement constitutes pro-forma financial information in terms of the JSE Limited Listings Requirements. The applicable criteria on the basis of which this pro-forma financial information has been prepared is set out in the IBL website booklet. The pro-forma financial information is the responsibility of the group's Board of Directors. Pro-forma financial information was prepared for illustrative purposes only and because of its nature may not fairly present the issuer's financial position, changes in equity, results of operations or cash flows. The external auditors performed a review of the pro-forma financial information and the review report is available for inspection at the registered office of Investec upon request.

Financial review

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).

Outlook

The macroeconomic environment is improving, with momentum in transactional activity expected to continue. However, underlying consumer and business confidence will be tested by potential renewed lockdowns from a fourth wave of COVID-19, further loadshedding, sustained high unemployment rates and the slow progress in implementing economic reforms in South Africa.

Despite the uncertainty that remains in the operating environment, Investec maintains strong capital, liquidity and funding positions leaving us well positioned to capitalise on opportunities arising from continued economic recovery.

Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The financial results have been prepared under the supervision of Marlé van der Walt, the Investec Bank Limited Finance Director. The interim financial statements for the period ended 30 September 2021 will be available on the group's website on 18 November 2021.

Restatements

Income statement restatements

Interest income and fee and commission income restatement

For the six months to 30 September 2020, management identified that revenue relating to services rendered to customers (for the facilitation of import and export transactions) was previously reported within interest income rather than within fee and commission income.

As a result, interest income and fee and commission income for the prior year have been restated. The restatement has no impact on total operating income in the income statement, headline earnings, the statement of cash flows and the balance sheet.

The impact of the restatement on the 30 September 2020 income statement is:

R'million	Six months to 30 Sept 2020 as previously reported	Restatement	**Six months to 30 Sept 2020 restated**
Interest income	14 724	(111)	14 613
Fee and commission income	1 069	111	1 180

Balance sheet restatements

Current taxation assets

At 31 March 2021, current taxation assets, which were previously reported within other assets, were reported as a separate line item in accordance with IAS 1 Presentation of Financial Statements. As at 30 September 2020, current taxation assets of R33 million have been re-presented to reflect the same basis.

Cash flow statement restatements

As at 30 September 2021, amounts previously reported within loans and advances to banks have been correctly presented as cash and cash equivalents. This change has been made to include items previously reported as loans and advances to banks identified as short term in nature, with a maturity date of less than three months, which therefore meet the definition of cash and cash equivalents. The prior period has been restated as follows:

R'million	Six months to 30 Sept 2020 as previously reported	Restatement	**Six months to 30 Sept 2020 restated**
Net cash (outflow)/inflow from operating activities	(29 583)	10 735	(18 848)
Net cash inflow from investing activities	10	—	10
Net cash outflow from financing activities	(125)	—	(125)
Effects of exchange rate changes on cash and cash equivalents	(346)	—	(346)
Net increase/(decrease) in cash and cash equivalents	**(30 044)**	**10 735**	**(19 309)**
Cash and cash equivalents at the beginning of the period	58 899	8 558	67 457
Cash and cash equivalents at the end of the period	**28 855**	**19 293**	**48 148**

In addition to the above, we have also re-presented the operating section of the cash flow statement in our interim financial results as the disaggregation between operating assets and operating liabilities does not provide additional meaningful information to users.

On behalf of the Board of Investec Bank Limited

Khumo Shuenyane	**Richard Wainwright**
Chair	Chief Executive
17 November 2021	

Review conclusion

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.

Net fee and commission income

For the six months to 30 September R'million	2021	2020^
Specialist Banking net fee and commission income	**1 507**	**970**
Specialist Banking fee and commission income	1 787	1 180
Specialist Banking fee and commission expense	(280)	(210)
Net fee and commission income	**1 507**	**970**
Annuity fees (net of fees payable)	837	636
Deal fees	670	334

All revenue generated from fee and commission income arises from contracts with customers.

^ Restated, refer to 'Restatements' in the commentary above.

Analysis of financial assets and liabilities by measurement category

At 30 September 2021 R'million	Total instruments at fair value	Financial instruments at amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
Assets				
Cash and balances at central banks	—	12 685	—	12 685
Loans and advances to banks	—	16 862	—	16 862
Non-sovereign and non-bank cash placements	238	9 418	—	9 656
Reverse repurchase agreements and cash collateral on securities borrowed	5 479	41 234	—	46 713
Sovereign debt securities	43 969	11 841	—	55 810
Bank debt securities	16 276	11 930	—	28 206
Other debt securities	11 253	4 038	—	15 291
Derivative financial instruments	11 701	—	—	11 701
Securities arising from trading activities	2 381	—	—	2 381
Investment portfolio	3 219	—	—	3 219
Loans and advances to customers	21 959	263 826	—	285 785
Own originated loans and advances to customers securitised	—	7 560	—	7 560
Other loans and advances	—	126	—	126
Other securitised assets	—	646	—	646
Interests in associated undertakings	—	—	27	27
Current taxation assets	—	—	35	35
Deferred taxation assets	—	—	2 174	2 174
Other assets	1 030	2 901	1 777	5 708
Property and equipment	—	—	3 329	3 329
Investment properties	—	—	1	1
Goodwill	—	—	175	175
Software	—	—	70	70
Other acquired intangible assets	—	—	90	90
Loans to group companies	173	21 542	—	21 715
Non-current assets classified as held for sale	474	—	—	474
	118 152	**404 609**	**7 678**	**530 439**
Liabilities				
Deposits by banks	—	14 458	—	14 458
Derivative financial instruments	20 862	—	—	20 862
Other trading liabilities	2 832	—	—	2 832
Repurchase agreements and cash collateral on securities lent	1 019	19 354	—	20 373
Customer accounts (deposits)	27 564	371 474	—	399 038
Debt securities in issue	—	2 970	—	2 970
Liabilities arising on securitisation of own originated loans and advances	—	3 149	—	3 149
Current taxation liabilities	—	—	556	556
Deferred taxation liabilities	—	—	25	25
Other liabilities	1 073	2 474	3 661	7 208
Loans from group companies	—	931	—	931
	53 350	**414 810**	**4 242**	**472 402**
Subordinated liabilities	—	12 096	—	12 096
	53 350	**426 906**	**4 242**	**484 498**

Financial instruments carried at fair value

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used.

The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value category		
At 30 September 2021 **R'million**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	238	—	238	—
Reverse repurchase agreements and cash collateral on securities borrowed	5 479	—	5 479	—
Sovereign debt securities	43 969	43 969	—	—
Bank debt securities	16 276	5 848	10 428	—
Other debt securities	11 253	1 547	9 706	—
Derivative financial instruments	11 701	99	11 602	—
Securities arising from trading activities	2 381	2 293	88	—
Investment portfolio	3 219	97	4	3 118
Loans and advances to customers	21 959	—	21 257	702
Other assets	1 030	1 030	—	—
Loans to group companies	173	—	173	—
Non-current assets classified as held for sale	474	—	—	474
	118 152	**54 883**	**58 975**	**4 294**
Liabilities				
Derivative financial instruments	20 862	700	20 162	—
Other trading liabilities	2 832	131	2 701	—
Repurchase agreements and cash collateral on securities lent	1 019	—	1 019	—
Customer accounts (deposits)	27 564	—	27 564	—
Other liabilities	1 073	—	1 073	—
	53 350	**831**	**52 519**	**—**
Net financial assets at fair value	**64 802**	**54 052**	**6 456**	**4 294**

Transfers between level 1 and level 2

There were no significant transfers between level 1 and level 2 in the current period.

Level 3 instruments

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2021	2 762	35	474	3 271
Net losses recognised in the income statement	(228)	—	—	(228)
Purchases	684	—	—	684
Sales	(3)	—	—	(3)
Settlements	(97)	(13)	—	(110)
Transfers into level 3	—	680		680
Balance at 30 September 2021	**3 118**	**702**	**474**	**4 294**

For the period ended 30 September 2021, R679.7 million of loans and advances to customers has been transferred from level 2 to level 3, due to inputs related to the measurement of credit risk, to valuation model becoming unobservable in the market.

The group transfers between levels within the fair value hierarchy when the significance of the unobservable inputs change or if the valuation methods change.

The following table quantifies the gains or (losses) included in the income statement recognised on level 3 financial instruments:

For the six months to 30 September 2021 **R'million**	**Total**	Realised	Unrealised
Total losses included in the income statement for the period			
Investment loss	(228)	—	(228)
	(228)	**—**	**(228)**

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The below valuations have been considered taking the global pandemic of COVID-19 into consideration. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 30 September 2021	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range of unobservable input used	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Assets						
Investment portfolio	3 118				**369**	**(448)**
		Price earnings	EBITDA	*	244	(312)
		Discounted cash flow	Discount rate	13%-14%	2	—
		Discounted cash flow	Cash flows	*	23	(23)
		Net asset value	Underlying asset value	^	60	(69)
		Discounted cash flow	Precious and industrial metal prices	(5%)-5%	27	(27)
		Other	Various	**	13	(17)
Loans and advances to customers	702				**107**	**(169)**
		Underlying asset value	Property values	*	105	(167)
		Net asset value	Underlying asset value	^	2	(2)
Non-current assets classified as held for sale	474	Discounted cash flow	Discount rate	13%-15%	13	(16)
Total	**4 294**				**489**	**(633)**

* The EBITDA, cash flows and property values have been stressed on an investment-by-investment and loan-by-loan basis in order to obtain favourable and unfavourable valuations.

** The valuation sensitivity of certain equity investments have been assessed by adjusting various inputs such as expected cash flows, discount rates, earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the investments cannot be determined through the adjustment of a single input.

^ Net asset values are calculated by reference to the fair value of the assets and liabilities within the entity

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

EBITDA

The company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

Discount rate

Discount rates (including WACC) are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value. The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

Price of precious and industrial metals

The price of precious and industrial metals is a key driver of future cash flows on these investments.

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk a counter party. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument.

Price-earnings multiple

The price-to-earnings ratio is an equity valuation multiple. It is a key driver in the valuation of unlisted investments.

Measurement of fair value financial assets and liabilities at level 2

The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

	Valuation basis/techniques	Main inputs
Assets		
Non-sovereign and non-bank cash placements	Discounted cash flow model	Yield curve
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Yield curve
Bank debt securities	Discounted cash flow model	Yield curve
Other debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Securities arising from trading activities	Adjusted quoted price Discounted cash flow model	Liquidity adjustment Yield curve
Investment portfolio	Adjusted quoted price	Liquidity adjustment
Loans and advances to customers	Discounted cash flow model	Yield curve
Loans to group companies	Discounted cash flow model	Yield curve
Liabilities		
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flow model	Yield curve
Repurchase agreements and cash collateral on securities lent	Discounted cash flow model	Yield curve
Customer accounts (deposits)	Discounted cash flow model	Yield curve
Other liabilities	Discounted cash flow model	Yield curve

Fair value of financial assets and liabilities at amortised cost

The following table sets out the fair value of financial instruments held at amortised cost:

At 30 September 2021 R'million	Carrying amount	Fair value approximates carrying amount	Balances where fair values does not approximate carrying amounts	Fair value of balances that does not approximate carrying amounts
Assets				
Cash and balances at central banks	12 685	12 685	—	—
Loans and advances to banks	16 862	16 862	—	—
Non-sovereign and non-bank cash placements	9 418	9 418	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	41 234	5 485	35 749	35 748
Sovereign debt securities	11 841	—	11 841	11 953
Bank debt securities	11 930	1 108	10 822	11 080
Other debt securities	4 038	3 278	760	805
Loans and advances to customers	263 826	247 916	15 910	15 965
Own originated loans and advances to customers securitised	7 560	7 560	—	—
Other loans and advances	126	126	—	—
Other securitised assets	646	646	—	—
Other assets	2 901	2 901	—	—
Loans to group companies	21 542	21 542	—	—
	404 609	**329 527**	**75 082**	**75 551**
Liabilities				
Deposits by banks	14 458	285	14 173	14 563
Repurchase agreements and cash collateral on securities lent	19 354	4 249	15 105	15 111
Customer accounts (deposits)	371 474	133 587	237 887	238 596
Debt securities in issue	2 970	780	2 190	2 203
Liabilities arising on securitisation of own originated loans and advances	3 149	3 149	—	—
Other liabilities	2 474	2 474	—	—
Loans from group companies and subsidiaries	931	931	—	—
Subordinated liabilities	12 096	—	12 096	14 255
	426 906	**145 455**	**281 451**	**284 728**

Investec Bank Limited
Incorporated in the Republic of South Africa
Registration number: 1969/004763/06
Share code: INLP
ISIN: ZAE000048393
LEI: 549300RH5FFHO48FXT69

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

Investec Bank Limited
Incorporated in the Republic of South Africa
Registration number 1969/004763/06
Share code: INLP
ISIN: ZAE000048393
LEI: 549300RH5FFHO48FXT69

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