

Investec Bank Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1969/004763/06)
LEI No: 549300RH5FFHO48FXT69
JSE Interest rate issuer code: BIINLP
JSE Structured product issuer code: INVP
JSE ETN issuer code: INVSN
CTSE stock code: INV
("Investec" or "the Issuer")

Issue of the Investec Bank Limited Annual Financial Statements

The Annual Financial Statements of Investec Bank Limited for the year ended 31 March 2024 are available for inspection at the registered office of the Issuer, as well as on the Investec's website at www.investec.com.

The Issuer wishes to advise that the audit report relating to these Annual Financial Statements is unqualified.

Investec advises of the following restatements:

1. Non-sovereign and non-bank cash placements and loans and advances to customers

– Change in classification from non-sovereign and non-bank cash placements to loans and advances to customers

Following a revision of management's internal policies defining the instruments to be included as non-sovereign and non-bank cash placements and loans and advances, management concluded that R4 428 million (March 2022: R4 718 million) previously classified in 'non-sovereign and non-bank cash placements' should be disclosed within 'loans and advances to customers' (based on the revised policies). The change in classification is considered more relevant on the basis that certain short term facilities to small and medium enterprises are better reflected as loans and advances to customers as it forms part of the funding strategy of these clients. The comparative balance sheets have been restated for the reclassification. This change has no impact on the income statements or statements of changes in equity.

– Restatement of non-sovereign and non-bank cash placements in the cash flow statement

'Non-sovereign and non-bank cash placements' amounting to R14 133 million net of ECL of R50 million (March 2022: R13 176 net of ECL R33 million) were previously classified as cash and cash equivalents for the purposes of the cash flow statement. Management concluded that whilst these balances are available on demand, the nature of these products and the underlying credit risk more closely aligns with operating cash flow rather than cash and cash equivalents. The comparative cash flow statement has been restated to more appropriately reflect the nature of these balances. This change has no impact on the income statements, balance sheets or statements of changes in equity.

2. Restatement of the application of hedge accounting and the correction of the valuation of certain fair value instruments

It was identified that the application of hedge accounting (cash flow and fair value hedging) applied in prior years, for certain portfolios within Investec Bank Limited, did not meet the requirements to apply hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement. It was further identified that certain financial instruments were incorrectly fair valued.

Accordingly, the related 'cash flow hedge reserve' and 'fair value reserve' totalling R1.4 billion (2022: R1.9 billion) have been restated retrospectively to 'retained income'. In addition, certain fair value hedge adjustments made in the balance sheet to hedged items (R523 million (2022: R89 million)) have been reversed to 'retained income' and the valuation of a specific portfolio of fair value instruments was corrected to 'retained income'. These adjustments resulted in a reduction of taxable income for certain prior periods to which these matters relate to and resulted in a reduction in 'current taxation liabilities' of R294 million (2022: R284 million) recognised against 'retained income' for the recovery of those income taxes. The associated deferred taxation of R529 million (2022: R684 million) previously raised on the cash flow hedge reserve was also derecognised. All changes were retrospectively restated. These changes have no impact on the cash flow statement.

As a result of not qualifying to apply hedge accounting per above, adjustments previously made to 'interest income' of R587 million have been reclassified to 'trading income/(loss) arising from customer flow' for those portfolios.

This restatement was previously presented in the 30 September 2023 interim results and has subsequently been revised for purposes of 31 March 2024 reporting to accurately reflect the impact of this matter. As a result, the comparative interim period in the 30 September 2024 interim financial statements will be restated when they are published.

3. Gross-down of balance sheet lines

– Capital guarantee products

Investec Bank Limited traded a capital guarantee product with clients with Investec Markets Limited. The traded positions were incorrectly booked on a gross basis to 'loans to Group companies' and 'derivative financial instruments'. The capital guarantee represents a single derivative contract that should be accounted for on a net basis in 'derivative financial instruments' liabilities. An amount of R852 million (March 2022: R661 million) was accordingly adjusted downwards in 'loans to Group companies' and 'derivative financial instruments' to reflect a net derivative position. The comparative balance sheets have been restated. This change has no impact on the income statement, cash flow statement or statement of changes in equity.

– Gross down of other securitised assets and customer accounts (deposits)

Investec Bank Limited consolidates securitisation vehicles. The cash held by the vehicles was considered by management to be restricted cash and was separately accounted for in the Group as 'customer accounts (deposits)' with the corresponding entry in 'other securitised assets'. Following a re-assessment of the current treatment, it was concluded that the accounting treatment should be revised. Accordingly, an amount of R547 million (March 2022: R592 million) was adjusted downwards on each line. This change has no impact on the income statements, cash flow statements (other than the consequential impact on operating assets and operating liabilities, due to the changes in the balance sheet line items) or statements of changes in equity.

4. Reclassifications

- Reclassification of a reverse repurchase agreement

Investec Bank Limited purchased listed bond positions and entered into a future sale agreement to sell the positions back to the same counterparty at a fixed price. The bond and the forward purchase were incorrectly accounted for in 'sovereign debt securities' and 'derivative financial instruments' asset respectively. The two separate positions of R7.9 billion (March 2022: R7.3 billion) were reclassified to 'reverse repurchase agreements and cash collateral on securities borrowed' to reflect a collateralised lending transaction. The comparative balance sheets have been restated. This change has no impact on the income statement, cash flow statement or statement of changes in equity.

- Reclassification of fully funded trading positions

Investec Bank Limited enters into fully funded credit and equity linked trading positions with clients. The positions were incorrectly accounted for as a derivative as a fully funded position does not meet the definition of a derivative as per IFRS 9 Financial Instruments. R13.9 billion (March 2022: R11.5 billion) was reclassified from 'derivative financial instruments' liabilities to 'other trading liabilities'. The comparative balance sheets have been restated. This change has no impact on the income statement, cash flow statement or statement of changes in equity.

5. Fee and commission expense and operating costs

Management identified that R146 million of costs relating to fee and commission income previously reported in operating costs, would be more appropriately disclosed within fee and commission expense, due to the nature of these costs. As a result, fee and commission expense and operating costs for the prior periods have been voluntarily restated. The restatement has no impact on operating profit in the income statement, headline earnings, the cash flow statement and balance sheet.

6. Reclassifications between interest income, interest expense and trading income/(loss)

The interest consequences of certain financial instrument liabilities were incorrectly accounted for in the interest income line rather than the interest expense line. This resulted in a reclassification of 'interest income' of R752 million to 'interest expense'.

Fair value adjustments on certain derivative instruments, not formally designated in a hedge relationship, were accounted for in either 'interest income' or 'interest expense'. The fair value adjustments of R36 million were reclassified to 'trading income arising from customer flow'.

In addition, realised cash flows on interest rate swaps (formally designated in a hedge relationship) were incorrectly grossed up and separately recognised as 'interest income' and 'interest expense'. The two lines were appropriately reduced for the gross cash flows, and the net movement of R128 million was accounted for in either 'interest income' or 'interest expense' (depending if it was an asset or liability being hedged).

Interest expense between related parties was incorrectly netted in the 'interest income' and 'interest expense' line items. The respective lines were increased by R330 million to reflect the correct gross position.

The impact of the above restatements are disclosed in the Annual Financial Statements on Investec's website at www.investec.com.

By order of the board

N van Wyk

Company Secretary
28 June 2024

For further information

Registered office
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Sandown, Sandton, 2196

Transfer secretaries

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Company Secretary

N van Wyk

JSE Debt Sponsor and CTSE External Debt Issuer Agent

Investec Bank Limited