INVESTEC BANK LIMITED 2020

Interim condensed consolidated financial results for the six months ended 30 September 2020

Investec

Condensed consolidated income statement

R'million	**Six months to 30 Sept 2020**	Six months to 30 Sept 2019	Year to 31 March 2020
Interest income	14 724	17 874	35 549
Interest expense	(10 486)	(13 492)	(26 606)
Net interest income	**4 238**	**4 382**	**8 943**
Fee and commission income	1 069	1 392	2 836
Fee and commission expense	(210)	(311)	(490)
Investment income	313	503	601
Share of post taxation profit of associates	13	262	320
Trading income/(loss) arising from			
– customer flow	280	225	443
– balance sheet management and other trading activities	(75)	(11)	(50)
Other operating income	1	—	—
Total operating income before expected credit loss impairment charges	**5 629**	**6 442**	**12 603**
Expected credit loss impairment charges	(532)	(271)	(1 088)
Operating income	**5 097**	**6 171**	**11 515**
Operating costs	(3 098)	(3 267)	(6 632)
Operating profit before goodwill and acquired intangibles	**1 999**	**2 904**	**4 883**
Impairment of goodwill	—	—	(3)
Amortisation of acquired intangibles	(26)	(26)	(51)
Impairment of associate	—	—	(937)
Profit before taxation	**1 973**	**2 878**	**3 892**
Taxation on operating profit before acquired intangibles	(273)	(374)	(816)
Taxation on acquired intangibles	7	7	14
Profit after taxation	**1 707**	**2 511**	**3 090**

Headline earnings

R'million	**Six months to 30 Sept 2020**	Six months to 30 Sept 2019	Year to 31 March 2020
Profit after taxation	1 707	2 511	3 090
Dividend paid to perpetual preference shareholders and Additional Tier 1 security holders	(86)	(93)	(186)
Earnings attributable to ordinary shareholders	**1 621**	**2 418**	**2 904**
Headline adjustments, net of taxation^	—	—	940
Impairment of goodwill	—	—	3
Impairment of associate	—	—	937
Headline earnings attributable to ordinary shareholders	**1 621**	**2 418**	**3 844**

^ All periods are net of tax of Rnil.

Consolidated statement of total comprehensive income

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Profit after taxation	1 707	2 511	3 090
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*	(75)	(354)	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	1 195	184	(1 908)
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(6)	(34)	(79)
Foreign currency adjustments on translating foreign operations	(441)	276	1 290
Items that will never be reclassified to the income statement			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income*	323	(97)	(1 187)
Net (loss)/gain attributable to own credit risk	(13)	(2)	1
Total comprehensive income	**2 690**	**2 484**	**588**
Total comprehensive income attributable to ordinary shareholders	2 604	2 391	402
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	86	93	186
Total comprehensive income	**2 690**	**2 484**	**588**

* These amounts are net of taxation expense/(credit) of R555.6 million [Six months to 30 September 2019: (R147.6 million); year to 31 March 2020: (R1.6 billion)].

Condensed consolidated statement of changes in equity

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Balance at the beginning of the period	41 748	41 760	41 760
Total comprehensive income	2 690	2 484	588
Issue of ordinary shares	—	—	899
Dividends paid to ordinary shareholders	—	—	(1 050)
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(86)	(93)	(186)
Net equity movements of interests in associated undertaking	—	(44)	(44)
Capital contribution from/(to) group companies	13	(163)	(86)
Employee benefit liability recognised	—	—	(133)
Balance at the end of the period	**44 365**	**43 944**	**41 748**

Condensed consolidated cash flow statement

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Cash inflow from operations	2 261	2 715	4 827
Increase in operating assets	(23 920)	(4 277)	(32 482)
(Decrease)/increase in operating liabilities	(7 924)	4 804	58 546
Net cash (outflow)/inflow from operating activities	**(29 583)**	**3 242**	**30 891**
Net cash inflow/(outflow) from investing activities	10	(62)	(248)
Net cash outflow from financing activities*	(125)	(1 836)	(3 590)
Effects of exchange rate changes on cash and cash equivalents	(346)	244	1 092
Net (decrease)/increase in cash and cash equivalents	**(30 044)**	**1 588**	**28 145**
Cash and cash equivalents at the beginning of the period	58 899	30 754	30 754
Cash and cash equivalents at the end of the period	**28 855**	**32 342**	**58 899**

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).

* Net cash outflow from financing activities comprises:

R'million	Six months to 30 Sept 2020	Six months to 30 Sept 2019	Year to 31 March 2020
Proceeds on issue of shares, net of related costs	—	—	899
Repayment of subordinated liabilities	—	(1 681)	(3 175)
Dividends paid	(86)	(93)	(1 236)
Lease liabilities paid	(39)	(62)	(78)
Net cash outflow from financing activities	**(125)**	**(1 836)**	**(3 590)**

Consolidated balance sheet

At R'million	30 Sept 2020	31 March 2020*	30 Sept 2019*
Assets			
Cash and balances at central banks	12 064	36 656	12 290
Loans and advances to banks	29 476	18 050	19 306
Non-sovereign and non-bank cash placements	7 840	14 014	12 683
Reverse repurchase agreements and cash collateral on securities borrowed	37 938	26 426	11 196
Sovereign debt securities	72 519	64 358	71 756
Bank debt securities	11 318	12 265	10 695
Other debt securities	15 506	17 416	14 367
Derivative financial instruments	21 403	17 434	9 805
Securities arising from trading activities	3 147	3 178	2 547
Investment portfolio	6 270	5 801	7 313
Loans and advances to customers	272 672	276 754	264 769
Own originated loans and advances to customers securitised	6 636	7 192	7 067
Other loans and advances	217	242	262
Other securitised assets	208	416	208
Interests in associated undertakings	5 667	5 662	6 535
Deferred taxation assets	2 693	2 903	1 790
Other assets	6 098	6 156	7 296
Property and equipment	2 847	3 008	3 048
Investment properties	1	1	1
Goodwill	178	178	171
Software*	128	149	180
Other acquired intangible assets*	141	169	193
Loans to group companies	14 609	17 542	19 323
	529 576	**535 970**	**482 801**
Liabilities			
Deposits by banks	35 913	37 277	27 584
Derivative financial instruments	18 278	22 097	14 681
Other trading liabilities	4 758	4 521	3 591
Repurchase agreements and cash collateral on securities lent	32 684	26 626	14 300
Customer accounts (deposits)	365 066	375 948	349 216
Debt securities in issue	3 148	3 258	6 516
Liabilities arising on securitisation of own originated loans and advances	1 576	1 699	1 489
Current taxation liabilities	498	315	809
Deferred taxation liabilities	40	47	54
Other liabilities	7 014	7 590	6 428
Loans from group companies	4 329	2 807	1 594
	473 304	**482 185**	**426 262**
Subordinated liabilities	11 907	12 037	12 595
	485 211	**494 222**	**438 857**
Equity			
Ordinary share capital	32	32	32
Share premium	14 250	14 250	13 351
Other reserves	226	(787)	1 731
Retained income	27 863	26 259	26 836
Ordinary shareholder's equity	**42 371**	**39 754**	**41 950**
Perpetual preference shares in issue*	1 534	1 534	1 534
Shareholder's equity excluding non-controlling interests	**43 905**	**41 288**	**43 484**
Other Additional Tier 1 securities in issue	460	460	460
Total equity	**44 365**	**41 748**	**43 944**
Total liabilities and equity	**529 576**	**535 970**	**482 801**

* Software of R128 million (31 March 2020: R149 million; 30 September 2019: R180 million), which was previously reported within intangible assets, is now reported as a separate line item. The prior periods have been re-presented to reflect the same basis. Perpetual preference share premium of R1 534 million (31 March 2020: R1 534 million; 30 September 2019: R1 534 million), which was previously reported within share premium, is now reported within perpetual preference shares in issue. The prior periods have been re-presented to reflect the same basis. The re-presentation of software and the perpetual preference share premium was done to provide users enhanced clarity on the values used to calculate net asset values and the various ROE ratios for the total Investec group.

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 2020 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
High quality liquid assets (HQLA)	87 062	88 808
Net cash outflows	57 796	54 260
Actual LCR (%)	**151.0**	**164.1**
Required LCR (%)	80.0	80.0

The values in the table are calculated as the simple average of the 92 calendar daily values over the period 1 July 2020 to 30 September 2020 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 2020 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 Directive 11/2015 and Directive 01/2019.

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

At 30 September 2020 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
Available stable funding (ASF)	319 203	337 615
Required stable funding (RSF)	282 778	296 330
Actual NSFR (%)	**112.9**	**113.9**
Required NSFR (%)	100.0	100.0

Commentary

These preliminary condensed consolidated financial results for the six months ended 30 September 2020 (1H2021) are published to provide information to holders of Investec Bank Limited's listed non-redeemable, non-cumulative, non-participating preference shares.

Overview of results

During the past six months, the acute impact of the COVID-19 pandemic has been felt across local and international markets and in our business. At the onset of the crisis, we witnessed a proactive response from the South African government including the decision to implement one of the strictest lockdowns globally. This, coupled with decades-low interest rates (300bps rate cuts since January 2020), had a considerable impact on our financial performance. The South African economy also saw little equity capital market activity relative to its developed counterparts. In addition, rising debt to GDP, lack of structural reform, policy uncertainty, and resultant depressed business confidence continue to be headwinds, making for a challenging operating environment.

Against this backdrop, Investec Bank Limited, a subsidiary of Investec Limited, posted a decrease in headline earnings attributable to ordinary shareholders of 33.0% to R1 621 million (1H2020: R2 418 million).

The balance sheet remains sound with robust capital and liquidity ratios. At 30 September 2020 Investec Bank Limited had a total capital adequacy ratio of 17.1% (31 March 2020: 16.4%), a common equity tier one (CET1) ratio of 12.9% (31 March 2020: 12.1%) and a leverage ratio of 7.5% (31 March 2020: 6.9%) The Liquidity coverage ratio was 151.0% for Investec Bank Limited (solo) and 164.1% for Investec Bank Limited (consolidated group), and the Net stable funding ratio was 112.9% and 113.9%, respectively.

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

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2019 (1H2020). The comparability of 1H2021 to 1H2020 is impacted by the economic effects of COVID-19 which prevailed over the period under review.

Salient operational features for the period under review include:

Total operating income before expected credit loss (ECL) impairment charges decreased by 12.6% to R5 629 million (1H2020: R6 442 million). The components of operating income are analysed further below:

- Net interest income decreased by 3.3% to R4 238 million (1H2020: R4 382 million) driven primarily by the significant drop in interest rates impacting endowment income and assets repricing ahead of liabilities. Private client lending held steady compared to 31 March 2020 while the corporate client lending book declined due to higher repayments and lower new originations as corporates remained cautious. Net core loans declined 1.6% to R279.3 billion
- Net fee and commission income reduced by 20.5% to R859 million (1H2020: R1 081 million) reflecting lower lending and transactional activity across the business
- Investment income decreased by 37.8% to R313 million (1H2020: R503 million) driven by lower realisations, dividend flows and negative fair value adjustments on certain investments given the prevailing economic backdrop
- Share of post taxation profit of associates reflects earnings in relation to the group's investment in the IEP Group (IEP). The 95.0% reduction period on period reflects the negative impact of COVID-19 as some IEP subsidiaries were unable to trade during the hard lockdown and a realisation in the prior period was not repeated
- Total trading income declined 4.2% to R205 million (1H2020: R214 million). An improvement in client flow trading income due to increased commodity trading activity and positive fair value adjustments on certain trading portfolios was offset by negative movements on currency hedges related to our investment in IAPF

ECL impairment charges increased to R532 million (1H2020: R271 million) resulting in an annualised credit loss ratio (CLR) of 0.36% (1H2020: 0.18%) below the annualised 2H2020 CLR of 0.57%. The increase since 31 March 2020 was driven primarily by updated assumptions applied in our models to capture the deterioration in macro-economic variables since year end. Since 31 March 2020, gross core loan stage 3 assets increased to R6 882 million (31 March 2020: R4 353 million) driven by the migration of a few deals across various sectors. Net stage 3 exposures as a percentage of net core loans subject to ECL was 1.6% (31 March 2020: 0.9%).The stage 3 coverage ratio was 33.8% at 30 September 2020 with the remaining net exposure considered well covered by collateral.

In line with our strategic objective to contain costs, operating costs decreased by 5.2% to R3 098 million (1H2020: R3 267 million) driven by headcount containment, lower variable remuneration and a reduction in discretionary expenditure. However, a decline in revenues resulted in a cost to income ratio of 55.0% (1H2020: 50.7%).

As a result of the foregoing factors, profit before taxation decreased by 31.4% to R1 973 million (1H2020: R2 878 million). The taxation charge decreased to R266 million (1H2020: R367 million) driven by lower profitability. Overall, profit after taxation declined 32.0% to R1 707 million (1H2020: R2 511 million).

Outlook

The outlook is uncertain. Although the economy has started to re-open and activity is starting to rebound, it remains largely below pre-COVID-19 levels. These early signs of recovery are tempered by an outlook that remains highly unpredictable, largely dependent on how COVID-19 transmission responds to relaxed COVID-19 regulations, and by the impact of low interest rates and economic fragility which will continue for at least the rest of the financial year.

The success of the group is inextricably linked to the health of the South African economy and as such, we remain committed to being part of the national solution by using the group's financial strength to work in support of the wider economy and its recovery over time.

Our client focused strategic plan remains fully aligned with the group's long-term strategic objectives; our iconic brand embodied by the African Zebra is strong; our client base resilient and our diversified model means we can remain confident in our continued financial strength and liquidity to see us through these challenging operating conditions.

Basis of preparation

The interim condensed consolidated 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 interim condensed consolidated 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 Stuart Spencer, the Investec Bank Limited Finance Director. The interim financial statements for the period ended 30 September 2020 will be available on the group's website on 30 November 2020

On behalf of the Board of Investec Bank Limited

Khumo Shuenyane	**Richard Wainwright**
Chairman	*Chief Executive Officer*

18 November 2020

Review conclusion

The condensed consolidated interim financial statements for the six months ended 30 September 2020 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	2020	2019
Corporate and institutional transactional and advisory services	538	706
Private client transactional fees	531	686
Fee and commission income	1 069	1 392
Fee and commission expense	(210)	(311)
Net fee and commission income	**859**	**1 081**
Annuity fees (net of fees payable)	636	760
Deal fees	223	321

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

Analysis of financial assets and liabilities by measurement category

At 30 September 2020 R'million	Total instruments at fair value	Financial instruments at amortised cost	Non-financial instruments or scoped out IFRS 9	Total
Assets				
Cash and balances at central banks	—	12 064	—	12 064
Loans and advances to banks	—	29 476	—	29 476
Non-sovereign and non-bank cash placements	241	7 599	—	7 840
Reverse repurchase agreements and cash collateral on securities borrowed	19 883	18 055	—	37 938
Sovereign debt securities	65 489	7 030	—	72 519
Bank debt securities	7 275	4 043	—	11 318
Other debt securities	8 989	6 517	—	15 506
Derivative financial instruments	21 403	—	—	21 403
Securities arising from trading activities	3 147	—	—	3 147
Investment portfolio	6 270	—	—	6 270
Loans and advances to customers	23 755	248 917	—	272 672
Own originated loans and advances to customers securitised	—	6 636	—	6 636
Other loans and advances	—	217	—	217
Other securitised assets	—	208	—	208
Interests in associated undertakings	—	—	5 667	5 667
Deferred taxation assets	—	—	2 693	2 693
Other assets	1 321	1 947	2 830	6 098
Property and equipment	—	—	2 847	2 847
Investment properties	—	—	1	1
Goodwill	—	—	178	178
Software	—	—	128	128
Other acquired intangible assets	—	—	141	141
Loans to group companies	773	13 836	—	14 609
	158 546	**356 545**	**14 485**	**529 576**
Liabilities				
Deposits by banks	—	35 913	—	35 913
Derivative financial instruments	18 278	—	—	18 278
Other trading liabilities	4 758	—	—	4 758
Repurchase agreements and cash collateral on securities lent	8 933	23 751	—	32 684
Customer accounts (deposits)	34 444	330 622	—	365 066
Debt securities in issue	—	3 148	—	3 148
Liabilities arising on securitisation of own originated loans and advances	—	1 576	—	1 576
Current taxation liabilities	—	—	498	498
Deferred taxation liabilities	—	—	40	40
Other liabilities	1 214	1 996	3 804	7 014
Loans from group companies	—	4 329	—	4 329
	67 627	**401 335**	**4 342**	**473 304**
Subordinated liabilities	—	11 907	—	11 907
	67 627	**413 242**	**4 342**	**485 211**

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 2020 **R'million**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	241	—	241	—
Reverse repurchase agreements and cash collateral on securities borrowed	19 883	—	19 883	—
Sovereign debt securities	65 489	65 489	—	—
Bank debt securities	7 275	4 895	2 380	—
Other debt securities	8 989	3 025	5 964	—
Derivative financial instruments	21 403	65	21 338	—
Securities arising from trading activities	3 147	3 115	32	—
Investment portfolio	6 270	3 084	52	3 134
Loans and advances to customers	23 755	—	23 098	657
Other assets	1 321	1 321	—	—
Loans to group companies	773	—	773	—
	158 546	**80 994**	**73 761**	**3 791**
Liabilities				
Derivative financial instruments	18 278	—	18 278	—
Other trading liabilities	4 758	204	4 554	—
Repurchase agreements and cash collateral on securities lent	8 933	—	8 933	—
Customer accounts (deposits)	34 444	—	34 444	—
Other liabilities	1 214	—	1 214	—
	67 627	**204**	**67 423**	**—**
Net financial assets at fair value	**90 919**	**80 790**	**6 338**	**3 791**

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	Total
Balance at 1 April 2020	3 180	665	3 845
Net losses recognised in the income statement	(46)	—	(46)
Purchases	246	—	246
Sales	(224)	(8)	(232)
Settlements	(21)	—	(21)
Foreign exchange adjustments	(1)	—	(1)
Balance at 30 September 2020	**3 134**	**657**	**3 791**

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 2020 R'million	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the period			
Investment (loss)/income	(46)	8	(54)
	(46)	**8**	**(54)**

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 2020	Level 3 balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been changed	Potential impact on the income statement: Favourable changes R'million	Potential impact on the income statement: Unfavourable changes R'million
Assets						
Investment portfolio	3 134				**423**	**(481)**
		Price earnings	EBITDA	*	312	(242)
		Discounted cash flow	Discount rate	(0.6%)/1.4%	16	(21)
		Discounted cash flow	Cash flows	**	25	(25)
		Net asset value	Underlying asset value	^	43	(111)
		Discounted cash flow	Precious and industrial metal price	(6%)/6%	16	(27)
		Other	Various	**	11	(55)
Loans and advances to customers	657				**47**	**(75)**
		Discounted cash flow	Cash flows	**	42	(70)
		Net asset value	Underlying asset value	^	5	(5)
Total	**3 791**				**470**	**(556)**

* The EBITDA and cash flows have been stressed on an investment-by-investment 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
Debt securities in issue	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 where the carrying value is not a reasonable approximation of fair value:

At 30 September 2020 **R'million**	**Carrying amount**	Fair value
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	18 055	18 052
Sovereign debt securities	7 030	7 152
Bank debt securities	4 043	4 195
Other debt securities	6 517	6 497
Loans and advances to customers	248 917	248 988
Liabilities		
Deposits by banks	35 913	36 160
Repurchase agreements and cash collateral on securities lent	23 751	23 847
Customer accounts (deposits)	330 622	330 629
Debt securities in issue	3 148	3 193
Subordinated liabilities	11 907	13 705

Events after the reporting period

The significant judgements and estimates applied to prepare the interim financial statements as at 30 September 2020 reflected the impact of COVID-19 and the resulting impact on the economy as at the balance sheet date. These judgements, specifically those relating to the impairment of loans and advances and valuation of fair value instruments, were determined by considering a range of economic scenarios including the adverse impact of COVID-19 and by applying the guidance issued by various international regulators and standard setting bodies.

The action of various governments and central banks, provides an indication of the potential severity of the downturn and that the recovery environment could be significantly different from past crises with a duration which is also difficult to predict. Subsequent to the balance sheet date, it was announced that various vaccine trials proved to be more than 90% effective and resultingly had a very positive impact on global markets. It still remains very difficult to predict when a full scale role out of the vaccine will take place. In South Africa various government and social programmes were launched, aimed at reducing the impact of COVID-19 and to stimulate the economy.

The group believes that the significant judgements and estimates made at the balance sheet date took account of the impact of COVID-19 and the results of subsequent event procedures performed by management up to 18 November 2020 did not identify additional information that requires these judgements and estimates to be updated. Management is satisfied that there were no such items of sufficient significance to warrant additional disclosure. However, should the COVID-19 crisis cause disruption to global economic activity for a longer period than forecasted, this could put additional upward pressure on the group ECLs and downward pressure on other valuations.

Investec Bank plc owns the appointed asset manager of Investec Australia Property Fund (IAPF). On 18 November 2020, the IAPF shareholders voted to purchase the asset management company for an amount of AUD$40m subject to certain conditions.

The group is further not aware of any other events after the reporting date as defined by IAS 10 Events after the Reporting Period, that would require the financial statements to be adjusted or which would require additional disclosures.

Investec Bank Limited
Incorporated in the Republic of South Africa
Registration number: 1969/004763/06
Share code: INLP
ISIN: ZAE000048393
LEI No.: 549300RH5FFHO48FXT69

Preference share dividend announcement

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

Declaration of dividend number 35

Notice is hereby given that preference dividend number 35 has been declared by the Board from income reserves for the period 1 April 2020 to 30 September 2020 amounting to a gross preference dividend of 307.97855 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, 11 December 2020.

The relevant dates for the payment of dividend number 35 are as follows:

Last day to trade cum-dividend	Tuesday, 08 December 2020
Shares commence trading ex-dividend	Wednesday, 09 December 2020
Record date	Friday, 11 December 2020
Payment date	Monday, 14 December 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 09 December 2020 and Friday, 11 December 2020, 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 13 November 2020 is 15 322 563 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 246.38284 cents per preference share for shareholders liable to pay the Dividend Tax and 307.97855 cents per preference shareholders exempt from paying the Dividend Tax.

By order of the board

N van Wyk

Company Secretary

18 November 2020

Investec Bank Limited
Incorporated in the Republic of South Africa
Registration number 1969/004763/06
Share code: INLP
ISIN: ZAE000048393
LEI No: 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
N van Wyk

Sponsor:
Investec Bank Limited

Directors
KL Shuenyane (Chairman)
DM Lawrence (Deputy Chairman)
RJ Wainwright (Chief Executive Officer)^
SC Spencer (Finance Director)^
ZBM Bassa
D Friedland
PA Hourquebie
M Mthombeni
MG Qhena
F Titi ^

^ Executive
PRS Thomas resigned effective 06 August 2020