OUT OF THE ORDINARY

Investec

Investec Bank Limited
Preliminary condensed consolidated financial results
for the year ended 31 March 2021

Condensed consolidated income statement

R'million	Year to 31 March 2021	Year to 31 March 2020^
Interest income	26 370	35 279
Interest expense	(17 584)	(26 606)
Net interest income	**8 786**	**8 673**
Fee and commission income	2 804	3 106
Fee and commission expense	(467)	(490)
Investment income	472	601
Share of post taxation profit of associates	81	320
Trading income/(loss) arising from		
– customer flow	627	443
– balance sheet management and other trading activities	(257)	(50)
Other operating income	3	—
Total operating income before expected credit loss impairment charges	**12 049**	**12 603**
Expected credit loss impairment charges	(567)	(1 088)
Operating income	**11 482**	**11 515**
Operating costs	(6 469)	(6 632)
Operating profit before goodwill and acquired intangibles	**5 013**	**4 883**
Impairment of goodwill	(3)	(3)
Amortisation of acquired intangibles	(51)	(51)
Impairment of associate	(98)	(937)
Profit before taxation	**4 861**	**3 892**
Taxation on operating profit before acquired intangibles	(878)	(816)
Taxation on acquired intangibles	14	14
Profit after taxation	**3 997**	**3 090**

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

Consolidated statement of total comprehensive income

R'million	Year to 31 March 2021	Year to 31 March 2020
Profit after taxation	3 997	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*	11	(619)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	2 025	(1 908)
Gain on realisation of debt instruments at FVOCI recycled through the income statement*	(33)	(79)
Foreign currency adjustments on translating foreign operations	(1 224)	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*	415	(1 187)
Net (loss)/gain attributable to own credit risk*	(14)	1
Total comprehensive income	**5 177**	**588**
Total comprehensive income attributable to ordinary shareholders	5 022	402
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 security holders	155	186
Total comprehensive income	**5 177**	**588**

* These amounts are net of taxation expense/(credit) of R943.4 million [2020: (R1.6 billion)].

Headline earnings

R'million	Year to 31 March 2021	Year to 31 March 2020
Profit after taxation	3 997	3 090
Dividend paid to perpetual preference shareholders and other Additional Tier 1 security holders	(155)	(186)
Gain on redemption of perpetual preference shares	17	—
Earnings attributable to ordinary shareholders	**3 859**	**2 904**
Headline adjustments, net of taxation^	274	940
Impairment of goodwill	3	3
Impairment of associates	98	937
Headline adjustments of equity accounted associates	173	—
Headline earnings attributable to ordinary shareholders	**4 133**	**3 844**

^ These amounts are net of associate taxation within equity accounted earnings of R47.7 million (2020: Rnil).

Condensed consolidated balance sheet

At R'million	31 March 2021	31 March 2020^
Assets		
Cash and balances at central banks	9 653	36 656
Loans and advances to banks	24 666	18 050
Non-sovereign and non-bank cash placements	8 956	14 014
Reverse repurchase agreements and cash collateral on securities borrowed	30 221	26 426
Sovereign debt securities	53 009	64 358
Bank debt securities	21 862	12 265
Other debt securities	14 170	17 416
Derivative financial instruments	19 173	17 434
Securities arising from trading activities	2 869	3 178
Investment portfolio	4 923	5 801
Loans and advances to customers	275 056	276 754
Own originated loans and advances to customers securitised	8 184	7 192
Other loans and advances	181	242
Other securitised assets	578	416
Interests in associated undertakings	5 558	5 662
Deferred taxation assets	2 412	2 903
Other assets	7 417	6 156
Property and equipment	2 740	3 008
Investment properties	1	1
Goodwill	175	178
Software	95	149
Other acquired intangible assets	118	169
Loans to group companies	17 410	17 542
Non-current assets classified as held for sale	474	—
	509 901	**535 970**
Liabilities		
Deposits by banks	17 144	37 277
Derivative financial instruments	23 011	22 097
Other trading liabilities	3 388	4 521
Repurchase agreements and cash collateral on securities lent	16 593	26 626
Customer accounts (deposits)	374 369	375 948
Debt securities in issue	2 126	3 258
Liabilities arising on securitisation of own originated loans and advances	3 271	1 699
Current taxation liabilities	684	315
Deferred taxation liabilities	32	47
Other liabilities	7 421	7 590
Loans from group companies	1 972	2 807
	450 011	**482 185**
Subordinated liabilities	12 936	12 037
	462 947	**494 222**
Equity		
Ordinary share capital	32	32
Share premium	14 250	14 250
Other reserves	411	(787)
Retained income	29 597	26 259
Ordinary shareholder's equity	**44 290**	**39 754**
Perpetual preference shares in issue	1 481	1 534
Shareholder's equity excluding non-controlling interests	**45 771**	**41 288**
Other Additional Tier 1 securities in issue	1 183	460
Total equity	**46 954**	**41 748**
Total liabilities and equity	**509 901**	**535 970**

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

Condensed consolidated statement of changes in equity

R'million	**Year to 31 March 2021**	Year to 31 March 2020
Balance at the beginning of the year	41 748	41 760
Total comprehensive income	5 177	588
Issue of ordinary shares	—	899
Dividends paid to ordinary shareholders	(600)	(1 050)
Dividends paid to perpetual preference shareholders and other Additional Tier 1 security holders	(155)	(186)
Issue of other Additional Tier 1 securities in issue	723	—
Redemption of perpetual preference shares	(36)	—
Net equity movements of interests in associated undertaking	3	(44)
Capital contribution from/(to) group companies	94	(86)
Employee benefit liability recognised	—	(133)
Balance at the end of the year	**46 954**	**41 748**

Condensed consolidated cash flow statement

R'million	**Year to 31 March 2021**	Year to 31 March 2020^
Cash inflow from operations	4 883	4 827
Increase in operating assets	(928)	(35 045)
(Decrease)/increase in operating liabilities	(29 273)	58 546
Net cash (outflow)/inflow from operating activities	**(25 318)**	**28 328**
Net cash outflow from investing activities	(81)	(248)
Net cash inflow/(outflow) from financing activities*	1 228	(3 590)
Effects of exchange rate changes on cash and cash equivalents	(1 171)	1 092
Net (decrease)/increase in cash and cash equivalents	**(25 342)**	**25 582**
Cash and cash equivalents at the beginning of the year	67 457	41 875
Cash and cash equivalents at the end of the year	**42 115**	**67 457**

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 inflow/(outflow) from financing activities comprises:

R'million	**Year to 31 March 2021**	Year to 31 March 2020
Proceeds on issue of shares, net of related costs	—	899
Redemption of perpetual preference shares	(36)	—
Proceeds on issue of subordinated liabilities	1 636	—
Repayment of subordinated liabilities	(260)	(3 175)
Dividends paid	(755)	(1 236)
Issue of other Additional Tier 1 securities	723	—
Lease liabilities paid	(80)	(78)
Net cash inflow/(outflow) from financing activities	**1 228**	**(3 590)**

Condensed consolidated segmental information

Year to 31 March 2021 R'million	Specialist Banking^ — Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total group
Operating income	5 584	5 687	211	—	11 482
Operating expenses	(2 981)	(3 164)	—	(324)	(6 469)
Operating profit/(loss)	**2 603**	**2 523**	**211**	**(324)**	**5 013**
Cost to income ratio (%)	53.1%	50.9%	n/a	n/a	53.7%
Total assets (R'million)	210 420	291 008	8 473	—	509 901

Year to 31 March 2020 R'million	Specialist Banking^ — Private Client Private Banking	Specialist Banking^ Corporate, Investment Banking and Other	Group Investments	Group costs	Total group
Operating income	5 807	5 639	69	—	11 515
Operating expenses	(3 218)	(3 079)	—	(335)	(6 632)
Operating profit/(loss)	**2 589**	**2 560**	**69**	**(335)**	**4 883**
Cost to income ratio (%)	52.0%	49.6%	n/a	n/a	52.6%
Total assets (R'million)	205 729	321 463	8 778	—	535 970

^ In terms of IFRS 8 Operating segments, the below operating segments were changed, after management concluded that key operating decision makers of the Investec group review the operating results as follows:

- Investec Private Banking
- Investec Corporate,Investment Banking and Other
- Group Investments
- Group costs

Accordingly, the results of Investec Private Banking and Investec Corporate, Investment Banking and Other have been disclosed as a 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 31 March 2021 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
High quality liquid assets (HQLA)	84 255	85 691
Net cash outflows	56 442	52 690
Actual LCR (%)	**150.2**	**164.0**
Required LCR (%)*	80.0	80.0

* Note that per SARB Directive D1/2020, the 100% minimum standard for the LCR has been temporary lowered to 80% during the COVID-19 pandemic.

The values in the table are calculated as the simple average of the 90 calendar daily values over the period 1 January 2021 to 31 March 2021 for IBL solo. IBL consolidated group values use daily values for IBL solo, while those for other group entities use the average of January, February and March 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 31 March 2021 R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited consolidated Group – Total weighted value
Available stable funding (ASF)	320 023	338 515
Required stable funding (RSF)	283 703	298 803
Actual NSFR (%)	**112.8**	**113.3**
Required NSFR (%)	100.0	100.0

Commentary

These condensed consolidated financial results for the year ended 31 March 2021 (FY2021) are published to provide information to holders of Investec Bank Limited's listed non-redeemable, non-cumulative, non-participating preference shares. Unless the context indicates otherwise, all comparatives relate to the year ended 31 March 2020 (FY2020).

Overview of results

Business performance was resilient despite an operating environment characterised by stop-start economies as countries grappled with the impact of COVID-19. We have seen good momentum since December 2020 with stronger activity levels and growth in lending books across the bank, good client acquisition and point-of-sale activity from private clients as well as increased corporate trading activity. Our clients have a track record of resilience in difficult operating environments as reflected in our low impairments and credit loss ratio. Despite a greater sense of optimism spurred on by declining COVID-19 infections and the vaccine roll out programme in South Africa, a third wave remains a key risk to the business and the economy. Against this backdrop, Investec Bank Limited, a subsidiary of Investec Limited, posted an increase in headline earnings attributable to ordinary shareholders of 7.5% to R4 133 million (FY2020: R3 844 million).

The balance sheet remains sound with robust capital and liquidity ratios. At 31 March 2021, Investec Bank Limited had a total capital adequacy ratio of 17.8% (31 March 2020: 16.4%), a common equity tier one (CET1) ratio of 13.3% (31 March 2020: 12.1%) and a leverage ratio of 8.1% (31 March 2020: 6.9%).

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. As a result, the proforma AIRB CET1 ratio was 14.0% at 31 March 2021, an approximate 70bps uplift on the Foundation Internal Ratings Based (FIRB) approach. We are working towards further adoption of AIRB on certain remaining portfolios and expect a further 100bps to 150bps uplift to the CET1 ratio.

The Liquidity coverage ratio was 150.2% for Investec Bank Limited (solo) and 164.0% for Investec Bank Limited (consolidated) while the Net stable funding ratio was 112.8% and 113.2%, 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

Salient operational features for the year under review include:

Total operating income before expected credit loss (ECL) impairment charges decreased by 4.4% to R12 049 million (FY2020: R12 603 million). The components of operating income are analysed further below:

- Net interest income increased by 1.3% to R8 786 million (FY2020: R8 673 million) supported by higher average lending book size and lower funding costs. Net core loans were broadly flat year-on-year at R283.2 billion (31 March 2020: R283.9 billion). Growth in the private clients loan book was offset by the corporate lending book which experienced higher repayments and lower net new originations as corporate clients remained cautious, particularly in the first half of the financial year
- Net fee and commission income reduced by 10.7% to R2 337 million (FY2020: R2 616 million) reflecting lower lending and transactional activity across the business primarily in the first half of the year
- Investment income decreased by 21.5% to R472 million (FY2020: R601 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 74.6% reduction year on year reflects the negative impact of COVID-19 as some IEP subsidiaries were unable to trade during the hard lockdown
- Total trading income declined 5.9% to R370 million (FY2020: R393 million). The 41.5% increase in client flow trading income due to increased commodity and interest rate derivatives trading activity was offset by negative MTM on interest rate swaps hedging fixed deposits and foreign exchange swaps.

ECL impairment charges declined to R567 million (FY2020: R1 088 million) resulting in a credit loss ratio (CLR) of 18bps (FY2020: 37bps). Higher specific impairments and the inclusion of an additional model overlay were offset by stable portfolio impairments due to broadly flat lending books and an increased level of recoveries. Despite an increase in Stage 3 specific impairments, the coverage ratio declined to 18.5% (31 March 2020: 43.2%) due to some highly collateralised deals migrating from Stage 2 and the write-off of specific exposures with higher provision coverage.

Operating costs were well contained, declining by 2.5% to R6 469 million (FY2020: R6 632 million) driven by headcount containment and reduced discretionary expenditure. The decline in revenue resulted in a cost to income ratio of 53.7% (FY2020: 52.6%).

The decrease in impairment of associate to R98 million (FY2020: R937 million) relates to the non-repeat of a prior year goodwill impairment to the equity accounted value of the group's holding in IEP.

As a result of the foregoing factors, profit before taxation increased by 24.9% to R4 861 million (FY2020: R3 892 million). The higher taxation charge of R878 million (FY2020: R816 million) resulted in a profit after taxation of R3 997 million (FY2020: R3 090 million).

Outlook
Although the economic outlook is more positive, market conditions will remain uncertain given the low interest rate environment and the lasting effects of the pandemic. We carry good momentum into the 2022 financial year, remaining focused on executing our strategic priorities and well positioned for growth.

Basis of preparation
The preliminary 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 preliminary condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements other than the amendments to various standards in respect of IBOR reform phase two, which was early adopted this year.

The financial results have been prepared under the supervision of Marlé van der Walt, the Investec Bank Limited Finance Director. The financial statements for the year ended 31 March 2021 will be available on the group's website on 30 June 2021.

Restatements
Income statement restatements
Interest income and fee and commission income restatement
During the year to 31 March 2021, 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 31 March 2020 income statement is:

R'million	Year to 31 March 2020 as previously reported	Restatement	**Year to 31 March 2020 restated**
Interest income	35 549	(270)	35 279
Fee and commission income	2 836	270	3 106

Balance sheet restatements
Software and Other acquired intangible assets
Software of R95 million (2020: R149 million), which was previously reported within intangible assets, is now reported as a separate line item. The prior year has been re-presented to reflect the same basis.

Perpetual preference share capital and premium
Perpetual preference share premium of R1 481 million (2020: R1 534 million), which was previously reported within share premium, is now reported within perpetual preference share capital and premium. The prior year has 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.

Cash flow statement restatements
As at 31 March 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 year has been restated as follows:

R'million	Year to 31 March 2020 as previously reported	Restatement	**Year to 31 March 2020 restated**
Cash inflow from operations	4 827	—	4 827
Increase in operating assets	(32 482)	(2 563)	(35 045)
Increase in operating liabilities	58 546	—	58 546
Net cash inflow/(outflow) from operating activities	**30 891**	**(2 563)**	**28 328**
Net cash outflow from investing activities	(248)	—	(248)
Net cash outflow from financing activities	(3 590)	—	(3 590)
Effects of exchange rate changes on cash and cash equivalents	1 092	—	1 092
Net increase/(decrease) in cash and cash equivalents	**28 145**	**(2 563)**	**25 582**
Cash and cash equivalents at the beginning of the year	30 754	11 121	41 875
Cash and cash equivalents at the end of the year	**58 899**	**8 558**	**67 457**

On behalf of the Board of Investec Bank Limited

Khumo Shuenyane
Chair
20 May 2021

Richard Wainwright
Chief Executive

Review conclusion
The preliminary condensed consolidated financial statements for the year ended 31 March 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 year to 31 March R'million	2021	2020^
Specialist Banking net fee and commission income	**2 337**	**2 616**
Specialist Banking fee and commission income	2 804	3 106
Specialist Banking fee and commission expense	(467)	(490)
Net fee and commission income	**2 337**	**2 616**
Annuity fees (net of fees payable)	1 502	1 699
Deal fees	835	917

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 31 March 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	—	9 653	—	9 653
Loans and advances to banks	—	24 666	—	24 666
Non-sovereign and non-bank cash placements	23	8 933	—	8 956
Reverse repurchase agreements and cash collateral on securities borrowed	12 477	17 744	—	30 221
Sovereign debt securities	43 878	9 131	—	53 009
Bank debt securities	16 870	4 992	—	21 862
Other debt securities	8 693	5 477	—	14 170
Derivative financial instruments	19 173	—	—	19 173
Securities arising from trading activities	2 869	—	—	2 869
Investment portfolio	4 923	—	—	4 923
Loans and advances to customers	23 709	251 347	—	275 056
Own originated loans and advances to customers securitised	—	8 184	—	8 184
Other loans and advances	—	181	—	181
Other securitised assets	—	578	—	578
Interests in associated undertakings	—	—	5 558	5 558
Deferred taxation assets	—	—	2 412	2 412
Other assets	2 448	2 335	2 634	7 417
Property and equipment	—	—	2 740	2 740
Investment properties	—	—	1	1
Goodwill	—	—	175	175
Software	—	—	95	95
Other acquired intangible assets	—	—	118	118
Loans to group companies	373	17 037	—	17 410
Non-current assets classified as held for sale	474	—	—	474
	135 910	**360 258**	**13 733**	**509 901**
Liabilities				
Deposits by banks	—	17 144	—	17 144
Derivative financial instruments	23 011	—	—	23 011
Other trading liabilities	3 388	—	—	3 388
Repurchase agreements and cash collateral on securities lent	4 357	12 236	—	16 593
Customer accounts (deposits)	21 310	353 059	—	374 369
Debt securities in issue	—	2 126	—	2 126
Liabilities arising on securitisation of own originated loans and advances	—	3 271	—	3 271
Current taxation liabilities	—	—	684	684
Deferred taxation liabilities	—	—	32	32
Other liabilities	1 256	2 484	3 681	7 421
Loans from group companies	—	1 972	—	1 972
	53 322	**392 292**	**4 397**	**450 011**
Subordinated liabilities	—	12 936	—	12 936
	53 322	**405 228**	**4 397**	**462 947**

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 31 March 2021 **R'million**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	23	—	23	—
Reverse repurchase agreements and cash collateral on securities borrowed	12 477	—	12 477	—
Sovereign debt securities	43 878	43 878	—	—
Bank debt securities	16 870	8 197	8 673	—
Other debt securities	8 693	1 393	7 300	—
Derivative financial instruments	19 173	—	19 173	—
Securities arising from trading activities	2 869	2 770	99	—
Investment portfolio	4 923	2 155	6	2 762
Loans and advances to customers	23 709	—	23 674	35
Other assets	2 448	2 448	—	—
Loans to group companies	373	—	373	—
Non-current assets classified as held for sale	474	—	—	474
	135 910	**60 841**	**71 798**	**3 271**
Liabilities				
Derivative financial instruments	23 011	934	22 077	—
Other trading liabilities	3 388	47	3 341	—
Repurchase agreements and cash collateral on securities lent	4 357	—	4 357	—
Customer accounts (deposits)	21 310	—	21 310	—
Other liabilities	1 256	—	1 256	—
	53 322	**981**	**52 341**	**—**
Net financial assets at fair value	**82 588**	**59 860**	**19 457**	**3 271**

Transfers between level 1 and level 2

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

Level 3 instruments

R'million	Investment portfolio	Loans and advances to customers	Other level 3 assets	Total
Balance at 1 April 2020	3 180	665	—	3 845
Net losses recognised in the income statement	(201)	(17)	—	(218)
Purchases	504	1	—	505
Sales	(107)	(10)	—	(117)
Settlements	(135)	(604)	—	(739)
Transfer to non-current assets classified as held for sale	(474)	—	474	—
Foreign exchange adjustments	(5)	—	—	(5)
Balance at 31 March 2021	**2 762**	**35**	**474**	**3 271**

For the year ended 31 March 2021, there were no transfers into and out of level 3.

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 year to 31 March 2021 R'million	Total	Realised	Unrealised
Total losses included in the income statement for the year			
Investment income	(218)	(45)	(173)
	(218)	**(45)**	**(173)**

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:

					Potential impact on the income statement	
At 31 March 2021	**Level 3 balance sheet value R'million**	Valuation method	Significant unobservable input changed	Range of unobservable input used	**Favourable changes R'million**	**Unfavourable changes R'million**
Assets						
Investment portfolio	2 762				**511**	**(435)**
		Price earnings	EBITDA	*	409	(275)
		Discounted cash flow	Discount rate	13%-14%	2	—
		Discounted cash flow	Cash flows	**	23	(23)
		Net asset value	Underlying asset value	^	42	(75)
		Discounted cash flow	Precious and industrial metal price	(5%)- 5%	27	(27)
		Other	Various	**	8	(35)
Loans and advances to customers	35	Net asset value	Underlying asset value	^	4	(4)
Non-current assets classified as held for sale	474	Discounted cash flow	Discount rate	13%-15%	13	(16)
Total	**3 271**				**528**	**(455)**

* 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
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 31 March 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	9 653	9 653	—	—
Loans and advances to banks	24 666	24 666	—	—
Non-sovereign and non-bank cash placements	8 933	8 933	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	17 744	1 107	16 637	16 635
Sovereign debt securities	9 131	—	9 131	9 299
Bank debt securities	4 992	1 713	3 279	3 469
Other debt securities	5 477	4 534	943	987
Loans and advances to customers	251 347	238 304	13 043	13 101
Own originated loans and advances to customers securitised	8 184	8 184	—	—
Other loans and advances	181	181	—	—
Other securitised assets	578	578	—	—
Other assets	2 335	2 335	—	—
Loans to group companies	17 037	17 037	—	—
	360 258	**317 225**	**43 033**	**43 491**
Liabilities				
Deposits by banks	17 144	302	16 842	17 053
Repurchase agreements and cash collateral on securities lent	12 236	—	12 236	12 281
Customer accounts (deposits)	353 059	199 514	153 545	153 923
Debt securities in issue	2 126	780	1 346	1 366
Liabilities arising on securitisation of own originated loans and advances	3 271	3 271	—	—
Liabilities arising on securitisation of other assets	—	—	—	—
Other liabilities	2 484	2 484	—	—
Loans from group companies and subsidiaries	1 972	—	1 972	—
Subordinated liabilities	12 936	—	12 936	14 927
	405 228	**206 351**	**198 877**	**199 550**

This note has been restated to separately present those items where fair value approximates the carrying value.

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 36
Notice is hereby given that preference dividend number 36 has been declared by the Board from income reserves for the period 1 October 2020 to 31 March 2021 amounting to a gross preference dividend of 290.85595 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 June 2021.

The relevant dates for the payment of dividend number 36 are as follows:

Last day to trade cum-dividend	Tuesday, 8 June 2021
Shares commence trading ex-dividend	Wednesday, 9 June 2021
Record date	Friday, 11 June 2021
Payment date	Monday, 14 June 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 June 2021 and Friday, 11 June 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 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 232.68476 cents per preference share for shareholders liable to pay the Dividend Tax and 290.85595 cents per preference shareholders exempt from paying the Dividend Tax.

By order of the board

Niki van Wyk
Company Secretary

20 May 2021

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
Niki van Wyk

Sponsor:
Investec Bank Limited

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

Stuart Spencer resigned as Finance Director effective 8 April 2021
*Marlé van der Walt was appointed as Finance Director effective 8 April 2021