

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: INVLP
JSE ETN issuer code: INVSN
CTSE stock code: INV
("Investec" or "the Issuer")

Unaudited condensed consolidated financial results for the period ended 30 September 2024

The unaudited condensed consolidated financial results for the period ended 30 September 2024 are available for inspection at the registered office of the Issuer, as well as on Investec's website at www.investec.com.

Investec advises of the following restatements:

1. 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.

This restatement was previously presented in the 30 September 2023 interim results and was subsequently revised for 31 March 2024 reporting to accurately reflect the impact of this matter. As a result, the comparative interim period (30 September 2023) has been restated.

Accordingly, the related 'cash flow hedge reserve' and 'fair value reserve' through OCI reserves totalling R115 million have been restated retrospectively to 'retained income'. In addition, certain fair value hedge adjustments made in the balance sheet to hedged items (R1 168 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 R336 million recognised against 'retained income' for the recovery of those income taxes. The associated deferred taxation of R42 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 R242 million have been reclassified to 'trading income/(loss) arising from customer flow' for those portfolios.

2. 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 R703 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 R548 million was adjusted downwards on each line. This change has no impact on the income statement, cash flow statement (other than the consequential impact on operating assets and operating liabilities, due to the changes in the balance sheet line items) or statement of changes in equity.

3. 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 R5.6 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. R15.0 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.

4. 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 R418 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 R117 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 R552 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 R214 million to reflect the correct gross position.

The impact of the above restatements are disclosed in the financial results on Investec's website at www.investec.com.

By order of the board

Niki van Wyk

Company Secretary
20 November 2024

For further information

Registered office
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Transfer secretaries

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Company Secretary

Niki van Wyk

JSE Debt Sponsor and CTSE External Debt Issuer Agent

Investec Bank Limited