Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Investec Bank Limited

Reviewed interim condensed consolidated financial results for the six months to 30 September 2012

Consolidated income statement

R'million	**Reviewed Six months to 30 September 2012**	Reviewed Six months to 30 September 2011*	Audited Year to 31 March 2012
Interest income	**8 533**	8 003	15 850
Interest expense	**(6 139)**	(5 759)	(11 581)
Net interest income	**2 394**	2 244	4 269
Fee and commission income	**485**	639	1 146
Fee and commission expense	**(50)**	(14)	(91)
Investment income	**15**	94	589
Trading income arising from			
– customer flow	**45**	136	259
– balance sheet management and other trading activities	**175**	86	175
Other operating income	**1**	–	10
Total operating income before impairment on loans and advances	**3 065**	3 185	6 357
Impairment losses on loans and advances	**(403)**	(357)	(833)
Operating income	**2 662**	2 828	5 524
Operating costs	**(1 660)**	(1 667)	(3 351)
Profit before taxation	**1 002**	1 161	2 173
Taxation	**(145)**	(157)	(215)
Profit after taxation	**857**	1 004	1 958
Headline earnings			
Profit after taxation	**857**	1 004	1 958
Preference dividends paid	**(52)**	(53)	(104)
Earnings attributable to ordinary shareholders	**805**	951	1 854
Headline adjustments, net of taxation	**(26)**	–	(42)
Gain on realisation of available-for-sale financial assets	**(26)**	–	(42)
Headline earnings attributable to ordinary shareholders	**779**	951	1 812

** As restated for reclassifications detailed in the commentary section of this report.*

Consolidated statement of total comprehensive income

R'million	**Reviewed Six months to 30 September 2012**	Reviewed Six months to 30 September 2011	Audited Year to 31 March 2012
Profit after taxation	**857**	1 004	1 958
Other comprehensive income:			
Cash flow hedge movements taken directly to other comprehensive income**	**(59)**	(335)	(354)
Fair value movements on available-for-sale assets taken directly to other comprehensive income**	**65**	(18)	84
Gain on realisation of available-for-sale assets recycled through the income statement**	**(36)**	–	(42)
Foreign currency adjustments on translating foreign operations	**170**	341	229
Total comprehensive income	**997**	992	1 875
Total comprehensive income attributable to ordinary shareholders	**945**	939	1 771
Total comprehensive income attributable to perpetual preference shareholders	**52**	53	104
Total comprehensive income	**997**	992	1 875

*** Net of taxation of R11 million (Six months to 30 September 2011: (R137 million), Year to 31 March 2012: Nil).*

Condensed consolidated statement of changes in equity

R'million	**Reviewed Six months to 30 September 2012**	Reviewed Six months to 30 September 2011	Audited Year to 31 March 2012
Balance at the beginning of the period	**20 933**	18 837	18 837
Total comprehensive income for the period	**997**	992	1 875
Issue of ordinary shares	**500**	949	1 684
Dividends paid to ordinary shareholders	**(649)**	(680)	(1 359)
Dividends paid to perpetual preference shareholders	**(52)**	(53)	(104)
Balance at the end of the period	**21 729**	20 045	20 933

Consolidated balance sheet

R'million	**Reviewed 30 September 2012**	Audited 31 March 2012	Reviewed 30 September 2011*
Assets			
Cash and balances at central banks	**4 007**	9 303	6 932
Loans and advances to banks	**17 840**	19 191	12 641
Non-sovereign and non-bank cash placements	**9 859**	7 885	5 025
Reverse repurchase agreements and cash collateral on securities borrowed	**8 970**	5 098	5 501
Sovereign debt securities	**35 164**	30 222	34 714
Bank debt securities	**24 095**	27 695	24 451
Other debt securities	**6 099**	6 284	5 475
Derivative financial instruments	**12 691**	10 595	18 917
Securities arising from trading activities	**848**	1 628	2 592
Investment portfolio	**6 140**	6 036	6 081
Loans and advances to customers	**127 477**	122 615	117 988
Own originated loans and advances to customers securitised	**2 337**	2 302	2 201
Other loans and advances	**675**	669	735
Other securitised assets	**1 071**	1 057	1 272
Interest in associated undertakings	**41**	38	89
Deferred taxation assets	**55**	46	40
Other assets	**1 159**	1 074	1 362
Property and equipment	**250**	308	287
Investment properties	**1**	5	5
Intangible assets	**89**	96	110
Loans to group companies	**8 099**	3 805	5 255
Total assets	**266 967**	255 952	251 673
Liabilities			
Deposits by banks	**16 244**	13 933	9 399
Derivative financial instruments	**10 710**	8 570	18 224
Other trading liabilities	**484**	172	398
Repurchase agreements and cash collateral on securities lent	**18 954**	18 174	15 635
Customer accounts (deposits)	**178 979**	176 094	172 079
Debt securities in issue	**1 484**	1 738	1 827
Liabilities arising on securitisation of own originated loans and advances	**2 934**	2 933	3 028
Liabilities arising on securitisation of other assets	**492**	492	600
Current taxation liabilities	**1 151**	1 113	1 074
Deferred taxation liabilities	**49**	9	437
Other liabilities	**2 446**	3 082	2 061
	233 927	226 310	224 762
Subordinated liabilities	**11 311**	8 709	6 866
Total liabilities	**245 238**	235 019	231 628
Equity			
Ordinary share capital	**30**	29	28
Share premium	**14 026**	13 527	12 793
Other reserves	**21**	(119)	(83)
Retained income	**7 652**	7 496	7 307
Total equity	**21 729**	20 933	20 045
Total liabilities and equity	**266 967**	255 952	251 673

** As restated for reclassifications detailed in the commentary section of this report.*

These reviewed interim condensed consolidated financial results are published to provide information to holders of Investec Bank Limited's listed non-redeemable, non-cumulative, non-participating preference shares.

Condensed consolidated cash flow statement

R'million	**Reviewed Six months to 30 September 2012**	Reviewed Six months to 30 September 2011	Audited Year to 31 March 2012
Cash inflows from operations	**1 364**	1 566	2 630
Increase in operating assets	**(17 629)**	(28 311)	(24 511)
Increase in operating liabilities	**7 272**	28 140	30 234
Net cash (outflow)/inflow from operating activities	**(8 993)**	1 395	8 353
Net cash outflow from investing activities	**(6)**	(4)	(37)
Net cash inflow from financing activities	**2 401**	216	2 064
Effects of exchange rate changes on cash and cash equivalents	**129**	213	146
Net (decrease)/increase in cash and cash equivalents	**(6 469)**	1 820	10 526
Cash and cash equivalents at the beginning of the period	**24 994**	14 468	14 468
Cash and cash equivalents at the end of the period	**18 525**	16 288	24 994

Cash and cash equivalents are 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).

Commentary

Overview of results

Investec Bank Limited, a subsidiary of Investec Limited, posted a decrease in headline earnings attributable to ordinary shareholders of 18.1% to R779 million (2011: R951 million). The balance sheet remains strong with a capital adequacy ratio of 16.9% (31 March 2012: 16.1%). For full information on the Investec Group results, refer to the combined results of Investec plc and Investec Limited or the group's website http://www.investec.com

Financial review

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2011. Operating profit is before taxation and headline adjustments.

Salient operational features of the period under review include:

- Total operating income before impairment losses on loans and advances decreased by 3.8% to R3,065 million (2011: R3,185 million). The components of operating income are analysed further below:
  - Net interest income increased by 6.7% to R2,394 million (2011: R2,244 million) largely as a result of improved margins and a sound performance from the bank's fixed income portfolio, partially offset by higher costs on subordinated liabilities.
  - Net fee and commission income decreased 30.4% to R435 million (2011: R625 million) and customer flow trading income decreased 66.9% to R45 million (2011: R136 million) as a result of lower activity in the corporate and institutional banking businesses.
  - Investment income decreased by 84.0% to R15 million (2011: R94 million) largely due to a weaker performance from the bank's principal investments portfolio.
  - Trading income arising from other trading activities increased significantly to R175 million (2011: R86 million) reflecting improved activity on the balance sheet management desk.
- Impairments on loans and advances increased from R357 million to R403 million. Default loans remained in line with 31 March 2012, with an improvement reported in the private client business offset by some corporate loans defaulting in the period. The credit loss charge as a percentage of average gross loans and advances has improved from 0.69% at 31 March 2012 to 0.62%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 2.49% (31 March 2012: 2.79%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.58 times (31 March 2012: 1.68 times).
- The ratio of total operating costs to total operating income amounts to 54.2% (2011: 52.3%). Total operating expenses at R1,660 million were in line with the prior period.
- As a result of the foregoing factors profit before taxation decreased by 13.7% to R1,002 million (2011: R1,161 million).

Accounting policies and disclosures

These reviewed interim condensed consolidated financial results have been prepared in terms of the recognition and measurement criteria of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the AC 500 Standards as issued by the Accounting Practices Board and the Companies Act 71 of 2008.

The accounting policies applied in the preparation of the results for the period ended 30 September 2012 are consistent with those adopted in the financial statements for the year ended 31 March 2012. The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance Director.

The financial statements for the period ended 30 September 2012 will be posted to stakeholders on 30 November 2012. These accounts will be available on the group's website at the same date.

Restatements

Consistent with the year ended 31 March 2012, the Investec group has positioned its strategic disclosures around three core business areas namely, Asset Management, Wealth & Investment and Specialist Banking. In some respects the group believes that it has historically overcomplicated its external disclosures by elaborating on six core areas of business. As you would have already seen in the group's recent presentations, all the banking businesses have been combined under one broader umbrella of Specialist Banking. As a result the group has chosen to refine some of its disclosures, which have impacted the disclosures for Investec Bank Limited, and are explained further below. The group believes that these refinements provide greater clarity on the key income and balance sheet drivers of its business.

Consolidated income statement

Consistent with the year ended 31 March 2012, the previously reported principal transaction income line item has been split into the following line items:

- Investment income: income, other than net interest, from securities held for the purpose of generating interest yield, dividends and capital appreciation.
- Customer flow trading income: income from trading activities arising from facilitating customer activities.
- Income from balance sheet management and other trading activities: includes proprietary trading income and other gains and losses as well as income earned from the balance sheet management desk.

For the six months to 30 September 2011 R'million	New format	As previously reported	Reclassifications
Interest income	8 003	8 003	–
Interest expense	(5 759)	(5 759)	–
Net interest income	**2 244**	2 244	–
Fee and commission income	639	639	–
Fee and commission expense	(14)	(14)	–
Principal transactions	–	316	(316)
Investment income	94	–	94
Trading income arising from			
– customer flow	136	–	136
– balance sheet management and other trading activities	86	–	86
Total operating income before impairment on loans and advances	**3 185**	3 185	–

Consolidated balance sheet

The main driver behind the revision to the balance sheet is to enable a better understanding of Investec's exposures and to minimise the number of reconciliation items to the detailed risk disclosures on the website. It is noted that there are no measurement changes nor are there any changes to total assets, liabilities, and equity and the cash flow statement.

Each category of reclassification is noted below, and is consistent with the presentation at 31 March 2012:

- ***Cash equivalent corporate paper***
  Cash equivalent advances to customers has been renamed to "non-sovereign, non-bank cash placements". These balances represent short-term placements in corporates that run an in-house treasury function.
- ***Loans and securitisation***
  To better align the balance sheet with the bank's risk management disclosures, loans and advances and securitised assets that form part of our "core" lending activities have been separated from assets that are in warehoused facilities and structured credit investments arising out of our securitisation and principal finance activities. This has resulted in a need to split loans and advances and securitised assets into two balance sheet categories for each. Securitised liabilities has been split into two line items to enable the relationship with securitised assets to be clearly identified.
- ***Securities reclassification***
  The bank's previous balance sheet split securities (other than lending-related) into two key line items being trading and investment securities. This classification was driven by the accounting rule sets that mainly distinguish between instruments fair valued through profit or loss, those carried at amortised cost (held to maturity) and those fair valued through equity (available-for-sale). The bank is of the view that disclosure of the nature of exposures on the balance sheet, distinguishing between instruments held to manage balance sheet liquidity, as principal exposure and balance sheet instruments arising from trading desk activities provides more meaningful disclosure on the face of the balance sheet. The line item "securities arising from trading activities" includes all instruments (other than derivative instruments) that are held on balance sheet in relation to trading activities.

At 30 September 2011 R'million	New format	As previously reported	Total reclassi-fications	Cash equivalent corporate paper	Loans and securiti-sation	Securities reclassi-fication
Total assets reclassified						
Cash equivalent advances to customers	–	5 025	(5 025)	(5 025)	–	–
Non-sovereign and non-bank cash placements	5 025	–	5 025	5 025	–	–
Sovereign debt securities	34 714	–	34 714	–	–	34 714
Bank debt securities	24 451	–	24 451	–	–	24 451
Other debt securities	5 475	–	5 475	–	–	5 475
Trading securities	–	50 691	(50 691)	–	–	(50 691)
Securities arising from trading activities	2 592	–	2 592	–	–	2 592
Investment portfolio	6 081	–	6 081	–	–	6 081
Investment securities	–	22 622	(22 622)	–	–	(22 622)
Loans and advances to customers	117 988	118 723	(735)	–	(735)	–
Securitised assets	–	3 473	(3 473)	–	(3 473)	–
Own originated loans and advances to customers securitised	2 201	–	2 201	–	2 201	–
Other loans and advances	735	–	735	–	735	–
Other securitised assets	1 272	–	1 272	–	1 272	–
	200 534	200 534	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	3 628	(3 628)	–	(3 628)	–
Liabilities arising on securitisation of own originated loans and advances	3 028	–	3 028	–	3 028	–
Liabilities arising on securitisation of other assets	600	–	600	–	600	–
	3 628	3 628	–	–	–	–

Commentary on line of business segmental reclassifications

The Investec Group previously reported segmental disclosures by six core business lines as well as including a segment for the group's central functions. The group is now disclosing its segmental disclosures in three core business lines, namely, Asset Management, Wealth & Investment and Specialist Banking. In this regard:

- The income statement format has been revised as discussed above.
- To align with the information provided to the Chief Operating Decision Maker, the Private Banking, Investment Banking, Capital Markets and Group Services and Other divisions have now been grouped under one banner and collectively referred to as Specialist Banking for Investec Bank Limited.
- Accordingly no additional disclosures have been provided regarding the segmental results as the bank only has one segment. Significant information was provided in the income statement and balance sheet for this segment. The total operating profit has, however, not changed from that which was previously reported.

On behalf of the Board of Investec Bank Limited

Fani Titi	**Stephen Koseff**	**Bernard Kantor**
Chairman	*Chief Executive Officer*	*Managing Director*

14 November 2012

Review conclusion

KPMG Inc. and Ernst & Young Inc., the Group's independent auditors, have reviewed the interim condensed consolidated financial results and have expressed an unmodified review conclusion on the interim condensed consolidated financial results, which is available for inspection at the company's registered office.

Investec Bank Limited

Preference share dividend announcement
Registration number: 1969/004763/06
Share code: INLP
ISIN: ZAE000048393

Non-redeemable non-cumulative non-participating preference shares ("preference shares")
Declaration of dividend number 19

Notice is hereby given that preference dividend number 19 has been declared for the period 01 April 2012 to 30 September 2012 amounting to 367.67936 cents per 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, 07 December 2012.

The relevant dates for the payment of dividend number 19 are as follows:

Last day to trade cum-dividend	Friday, 30 November 2012
Shares commence trading ex-dividend	Monday, 03 December 2012
Record date	Friday, 07 December 2012
Payment date	Tuesday, 18 December 2012

Share certificates may not be dematerialised or rematerialised between Monday, 03 December 2012 and Friday, 07 December 2012, both dates inclusive.

Additional information to take note of:

- The Investec Bank Limited company tax reference number: 9675/053/71/5
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares.
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated).
- The total Secondary Tax on Companies ("STC") credits utilised as part of this declaration amount to R56 797 747.12 (367.67936 cents per preference share) and consequently the STC credits utilised are sufficient to cover the 15% Dividend Tax required and shareholders will receive a net dividend of 367.67936 cents per preference share.

By order of the board

B Coetsee
Company Secretary

14 November 2012

Registered office	**Transfer secretaries**
100 Grayston Drive	Computershare Investor Services (Pty) Limited
Sandown, Sandton, 2196	70 Marshall Street, Johannesburg, 2001

Investec Bank Limited
(Registration number 1969/004763/06)

Share code: INLP

ISIN: ZAE000048393

Directors:
F Titi (Chairman), D M Lawrence^ (Deputy Chairman), S Koseff^ (Chief Executive), B Kantor^ (Managing Director)
S E Abrahams, G R Burger^, M P Malungani, Sir D J Prosser†, K X T Socikwa, B Tapnack^, P R S Thomas, C B Tshili
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Company Secretary:
B Coetsee