



## Reviewed interim condensed consolidated financial results for the six months to 30 September 2014

## Consolidated income statement

R'million	Reviewed Six months to 30 September 2014	Reviewed Six months to 30 September 2013	Audited Year to 31 March 2014
Interest income	9 536	8 294	17 063
Interest expense	(6 777)	(5 906)	(12 147)
<b>Net interest income</b>	<b>2 759</b>	<b>2 388</b>	<b>4 916</b>
Fee and commission income	791	748	1 567
Fee and commission expense	(101)	(115)	(174)
Investment income	703	308	334
Trading income arising from			
– customer flow	91	162	343
– balance sheet management and other trading activities	107	210	235
Other operating loss	–	(5)	(5)
<b>Total operating income before impairment losses on loans and advances</b>	<b>4 350</b>	<b>3 696</b>	<b>7 216</b>
Impairment losses on loans and advances	(219)	(299)	(638)
<b>Operating income</b>	<b>4 131</b>	<b>3 397</b>	<b>6 578</b>
Operating costs	(2 195)	(1 929)	(4 113)
<b>Profit before taxation</b>	<b>1 936</b>	<b>1 468</b>	<b>2 465</b>
Taxation	(242)	(146)	(315)
<b>Profit after taxation</b>	<b>1 694</b>	<b>1 322</b>	<b>2 150</b>
<b>Headline earnings</b>			
Profit after taxation	1 694	1 322	2 150
Preference dividends paid	(56)	(53)	(108)
<b>Earnings attributable to ordinary shareholders</b>	<b>1 638</b>	<b>1 269</b>	<b>2 042</b>
Headline adjustments, net of taxation:			
Revaluation of investment properties <sup>^</sup>	–	–	46
Loss/(gain) on realisation of available-for-sale financial assets <sup>^</sup>	6	–	(2)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1 644</b>	<b>1 269</b>	<b>2 086</b>

<sup>^</sup>Net of taxation of (R2.5 million) [Six months to 30 September 2013: Rnil; Year to 31 March 2014: R18.2 million].

## Condensed consolidated statement of comprehensive income

R'million	Reviewed Six months to 30 September 2014	Reviewed Six months to 30 September 2013	Audited Year to 31 March 2014
Profit after taxation	1 694	1 322	2 150
<b>Other comprehensive income<sup>*</sup>:</b>			
Fair value movements on cash flow hedges taken directly to other comprehensive income	(103)	(115)	(75)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	173	(331)	(212)
Loss/(gain) on realisation of available-for-sale assets recycled to the income statement	6	–	(2)
Foreign currency adjustments on translating foreign operations	291	270	414
<b>Total comprehensive income</b>	<b>2 061</b>	<b>1 146</b>	<b>2 275</b>
Total comprehensive income attributable to ordinary shareholders	2 005	1 093	2 167
Total comprehensive income attributable to perpetual preference shareholders	56	53	108
<b>Total comprehensive income</b>	<b>2 061</b>	<b>1 146</b>	<b>2 275</b>

<sup>\*</sup>All items in other comprehensive income are or may subsequently be reclassified to the income statement.

<sup>\*\*</sup>Net of taxation of R7.9 million (Six months to 30 September 2013: (R13.8 million); Year to 31 March 2014: R119 million).

## Condensed consolidated statement of changes in equity

R'million	Reviewed Six months to 30 September 2014	Reviewed Six months to 30 September 2013	Audited Year to 31 March 2014
Balance at the beginning of the period	25 601	23 509	23 509
Total comprehensive income	2 061	1 146	2 275
Dividends paid to ordinary shareholders	(20)	(75)	(75)
Dividends paid to perpetual preference shareholders	(56)	(53)	(108)
<b>Balance at the end of the period</b>	<b>27 586</b>	<b>24 527</b>	<b>25 601</b>

## Condensed consolidated cash flow statement

R'million	Reviewed Six months to 30 September 2014	Reviewed Six months to 30 September 2013	Audited Year to 31 March 2014
Net cash inflow from operating activities	3 118	5 194	7 417
Net cash outflow from investing activities	(49)	(97)	(159)
Net cash inflow/(outflow) from financing activities	72	(2 219)	(2 181)
Effects of exchange rate changes on cash and cash equivalents	231	244	410
<b>Net increase in cash and cash equivalents</b>	<b>3 372</b>	<b>3 122</b>	<b>5 487</b>
Cash and cash equivalents at the beginning of the period	20 460	14 973	14 973
<b>Cash and cash equivalents at the end of the period</b>	<b>23 832</b>	<b>18 095</b>	<b>20 460</b>

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).

## Consolidated balance sheet

R'million	Reviewed 30 September 2014	Audited 31 March 2014	Reviewed 30 September 2013
<b>Assets</b>			
Cash and balances at central banks	5 946	5 927	7 270
Loans and advances to banks	27 944	32 672	20 336
Non-sovereign and non-bank cash placements	10 403	9 045	7 722
Reverse repurchase agreements and cash collateral on securities borrowed	6 764	6 442	6 067
Sovereign debt securities	32 929	34 815	31 811
Bank debt securities	22 585	21 538	22 247
Other debt securities	11 836	11 933	10 673
Derivative financial instruments	12 917	12 299	11 622
Securities arising from trading activities	2 100	1 316	2 398
Investment portfolio	8 969	8 834	9 386
Loans and advances to customers	162 307	148 562	144 276
Own originated loans and advances to customers securitised	3 055	2 822	2 347
Other loans and advances	508	552	638
Other securitised assets	804	1 503	1 629
Interest in associated undertakings	56	52	49
Deferred taxation assets	84	75	60
Other assets	1 118	1 771	1 328
Property and equipment	201	219	236
Investment properties	85	84	1
Intangible assets	102	102	95
Loans to group companies	2 231	1 924	4 612
Non-current assets classified as held for sale	731	731	–
	<b>313 675</b>	<b>303 218</b>	<b>284 803</b>
<b>Liabilities</b>			
Deposits by banks	23 644	22 407	11 591
Derivative financial instruments	9 534	9 259	8 919
Other trading liabilities	1 714	1 431	705
Repurchase agreements and cash collateral on securities lent	12 511	17 686	15 581
Customer accounts (deposits)	217 550	204 903	200 512
Debt securities in issue	5 401	5 366	5 079
Liabilities arising on securitisation of own originated loans and advances	970	1 369	2 659
Liabilities arising on securitisation of other assets	154	156	572
Current taxation liabilities	1 093	1 288	1 143
Deferred taxation liabilities	141	61	246
Other liabilities	2 732	3 193	2 865
	<b>275 444</b>	<b>267 119</b>	<b>249 872</b>
Subordinated liabilities	10 645	10 498	10 404
	<b>286 089</b>	<b>277 617</b>	<b>260 276</b>
<b>Equity</b>			
Ordinary share capital	32	32	32
Share premium	14 885	14 885	14 885
Other reserves	802	364	44
Retained income	11 867	10 320	9 566
	<b>27 586</b>	<b>25 601</b>	<b>24 527</b>
<b>Total liabilities and equity</b>	<b>313 675</b>	<b>303 218</b>	<b>284 803</b>

## Commentary

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.

## Overview of results

Investec Bank Limited, a subsidiary of Investec Limited, posted an increase in headline earnings attributable to ordinary shareholders of 29.6% to R1,644 million (2013: R1,269 million). The balance sheet remains strong with a capital adequacy ratio of 15.6% (31 March 2014: 15.3%). 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 2013.

Salient operational features for the six months under review include:

Total operating income before impairment losses on loans and advances increased by 17.7% to R4,350 million (2013: R3,696 million). The components of operating income are analysed further below:

- Net interest income increased by 15.5% to R2,759 million (2013: R2,388 million) with the bank benefiting from an increase in its loan portfolio and a positive endowment impact.
- Net fee and commission income increased 9.0% to R690 million (2013: R633 million) as a result of a good performance from the private banking professional finance business, with corporate fees remaining largely in line with the prior period.
- Investment income increased to R703 million (2013: R308 million) with the bank's unlisted investments portfolio continuing to perform well.
- Trading income arising from customer flow and other trading activities decreased to R198 million (2013: R372 million) reflecting lower client activity in foreign exchange transactions and less activity in respect of balance sheet management.

Impairments on loans and advances decreased from R299 million to R219 million. The credit loss charge as a percentage of average gross core loans and advances has improved from 0.44% at 31 March 2014 to 0.30%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 1.30% (31 March 2014: 1.50%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.48 times (31 March 2014: 1.55 times).

The ratio of total operating costs to total operating income amounts to 50.5% (2013: 52.2%). Total operating expenses at R2,195 million were 13.8% higher than the prior year (2013: R1,929 million) largely as a result of increased variable remuneration given improved profitability.

As a result of the foregoing factors profit before taxation increased by 31.9% to R1,936 million (2013: R1,468 million).



## Accounting policies and disclosures

These 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 SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Companies Act 71, of 2008.

The accounting policies applied in the preparation of the results for the six months ended 30 September 2014 are consistent with those adopted in the financial statements for the year ended 31 March 2014.

The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance Director. The summary financial statements for the six months ended 30 September 2014 will be posted to stakeholders on 28 November 2014. These interim financial statements will be available on the group's website at the same date.

On behalf of the Board of Investec Bank Limited

Fani Titi  
Chairman

Stephen Koseff  
Chief Executive Officer

Bernard Kantor  
Managing Director

19 November 2014

## 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: ZAE00048393

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

### Declaration of dividend number 23

Notice is hereby given that preference dividend number 23 has been declared by the board from income reserves for the period 01 April 2014 to 30 September 2014 amounting to 380.29301 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, 05 December 2014.

### The relevant dates for the payment of dividend number 23 are as follows:

Last day to trade cum-dividend	Friday, 28 November 2014
Shares commence trading ex-dividend	Monday, 01 December 2014
Record date	Friday, 05 December 2014
Payment date	Monday, 15 December 2014

Share certificates may not be dematerialised or rematerialised between Monday, 01 December 2014 and Friday, 05 December 2014, 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 in this specific class.
- 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).
- No Secondary Tax on Companies ("STC") credits has been utilised in respect of this preference share dividend declaration.
- The net dividend amounts to 323.24906 cents per preference share for shareholders liable to pay the Dividend Tax and 380.29301 cents per preference share for preference shareholders exempt from paying the dividend tax.

By order of the board

N van Wyk  
Company Secretary  
19 November 2014

Registered office  
100 Grayston Drive  
Sandown, Sandton, 2196

Transfer secretaries  
Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg, 2001

Investec Bank Limited  
(Registration number 1969/004763/06)  
Share code: INLP  
ISIN: ZAE00048393

Sponsor  
Investec Bank Limited

Directors  
F Titi (Chairman), D M Lawrence ^ (Deputy Chairman),  
S Koseff ^ (Chief Executive), B Kantor ^ (Managing Director),  
S E Abrahams, Z B M Bassa\*, G R Burger ^,  
D Friedland, K L Shuenyane†, K X T Socikwa,  
B Tapnack ^, P R S Thomas  
^ Executive

Company Secretary  
N van Wyk

\*Appointed 01 November 2014

†Appointed 08 August 2014

## Analysis of assets and liabilities at fair value and amortised cost

At 30 September 2014 R'million	Financial instruments at fair value	Financial instruments at amortised cost	Non- financial instruments	Total
<b>Assets</b>				
Cash and balances at central banks	–	5 946	–	5 946
Loans and advances to banks	–	27 944	–	27 944
Non-sovereign and non-bank cash placements	24	10 379	–	10 403
Reverse repurchase agreements and cash collateral on securities borrowed	6 764	–	–	6 764
Sovereign debt securities	29 407	3 522	–	32 929
Bank debt securities	10 219	12 366	–	22 585
Other debt securities	4 849	6 987	–	11 836
Derivative financial instruments	12 917	–	–	12 917
Securities arising from trading activities	2 100	–	–	2 100
Investment portfolio	8 969	–	–	8 969
Loans and advances to customers	12 596	149 711	–	162 307
Own originated loans and advances to customers securitised	–	3 055	–	3 055
Other loans and advances	–	508	–	508
Other securitised assets	–	804	–	804
Interests in associated undertakings	–	–	56	56
Deferred taxation assets	–	–	84	84
Other assets	13	525	580	1 118
Property and equipment	–	–	201	201
Investment properties	–	–	85	85
Intangible assets	–	–	102	102
Loans to group companies	–	2 231	–	2 231
Non-current assets classified as held for sale	–	–	731	731
	87 858	223 978	1 839	313 675
<b>Liabilities</b>				
Deposits by banks	–	23 644	–	23 644
Derivative financial instruments	9 534	–	–	9 534
Other trading liabilities	1 714	–	–	1 714
Repurchase agreements and cash collateral on securities lent	1 676	10 835	–	12 511
Customer accounts (deposits)	17 338	200 212	–	217 550
Debt securities in issue	3 123	2 278	–	5 401
Liabilities arising on securitisation of own originated loans and advances	–	970	–	970
Liabilities arising on securitisation of other assets	–	154	–	154
Current taxation liabilities	–	–	1 093	1 093
Deferred taxation liabilities	–	–	141	141
Other liabilities	710	564	1 458	2 732
Subordinated liabilities	–	10 645	–	10 645
	34 095	249 302	2 692	286 089

## Financial assets and liabilities 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 that the entity can access at measurement date

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At 30 September 2014 R'million	Financial instruments at fair value	Level within the fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Non-sovereign and non-bank cash placements	24	–	24	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 764	–	6 764	–
Sovereign debt securities	29 407	29 407	–	–
Bank debt securities	10 219	2 146	8 073	–
Other debt securities	4 849	4 485	319	45
Derivative financial instruments	12 917	–	13 196	(279)
Securities arising from trading activities	2 100	2 100	–	–
Investment portfolio	8 969	1 754	734	6 481
Loans and advances to customers	12 596	–	12 596	–
Other assets	13	13	–	–
	87 858	39 905	41 706	6 247
<b>Liabilities</b>				
Derivative financial instruments	9 534	–	9 534	–
Other trading liabilities	1 714	1 246	468	–
Repurchase agreements and cash collateral on securities lent	1 676	–	1 676	–
Customer accounts (deposits)	17 338	–	17 338	–
Debt securities in issue	3 123	–	3 123	–
Other liabilities	710	132	578	–
	34 095	1 378	32 717	–
<b>Net assets</b>	<b>53 763</b>	<b>38 527</b>	<b>8 989</b>	<b>6 247</b>

The following table shows a reconciliation from the opening balances to the closing balances for net level 3 instruments measured at fair value through the income statement:

For the period to 30 September 2014	R'million
Net opening balance at 1 April 2014	5 928
Total gains or (losses) recognised in the current period	456
Purchases	110
Sales	(179)
Issues	(36)
Transfers out of level 3	(35)
Foreign exchange adjustments	3
<b>Net closing balance at 30 September 2014</b>	<b>6 247</b>

R35 million of level 3 instruments have been transferred out of level 3 into level 2 due to observable market inputs becoming available.

The group transfers between levels within the fair value hierarchy when the observability of 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 period to 30 September 2014 R'million	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the period			
Investment income	453	13	440
Trading income arising from customer flow	2	(1)	3
Other operating income	1	–	1
	456	12	444

## 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 following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 30 September 2014	Balance sheet value R'million	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement Favourable changes R'million	Unfavourable changes R'million
<b>Assets</b>						
Other debt securities	45	Discounted cash flows	Discount rates	(30%)/2%	3	(3)
Derivative financial instruments	(279)	Black Scholes	Volatilities	(25%)/40%	170	(80)
		Discounted cash flows	Credit spreads	(50bps)/50bps	31	(19)
		Other***	Various***	***	9	(8)
		Other***	Various***	***	130	(53)
Investment portfolio	6 481	Other***	Various***	***	1 455	(783)
<b>Total</b>	<b>6 247</b>				<b>1 628</b>	<b>(866)</b>

\*\*\*Other – The valuation sensitivity for the private equity and embedded derivatives (profit share) portfolios has been assessed on an adjustment to various inputs such as expected cash flows, discount rates, PE ratios. It is deemed appropriate to reflect the outcome in totality for the purposes of this analysis.

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

### Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. 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.

### Discount rates

Discount rates are the interest rates used to discount future cash flows in the discounted cash flow valuation method. The discount rate takes into account time value of money and uncertainty of cash flows.

### Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

### Cash flows

Cash flows relate to the future cash flows which can be expected from the instrument and requires judgement.

## Measurement of 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
<b>Assets</b>		
Non-sovereign and non-bank cash placements	Discounted cash flows	Discount rates
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flows Black-Scholes	Yield curve Volatilities
Bank debt securities	Discounted cash flows	Swap curves and NCD curves
Other debt securities	Discounted cash flows	Swap curves and NCD curves
Derivative financial instruments	Discounted cash flows Black-Scholes	Yield curve Volatilities
Investment portfolio	Comparable quoted inputs	Net assets
Loans and advances to customers	Discounted cash flows	Swap curves and discount rates
<b>Liabilities</b>		
Derivative financial instruments	Discounted cash flows Black-Scholes	Yield curve Volatilities
Other trading liabilities	Discounted cash flows	Discount rates
Repurchase agreements and cash collateral on securities lent	Discounted cash flows	Discount rates
Customer accounts (deposits)	Discounted cash flows	Swap curves
Debt securities in issue	Discounted cash flows	Swap curves
Other liabilities	Discounted cash flows	Discount rates

## Fair value of financial assets and liabilities measured at amortised cost

At 30 September 2014  
R'million

	Carrying value	Fair value
<b>Assets</b>		
Cash and balances at central banks	5 946	5 946
Loans and advances to banks	27 944	27 942
Non-sovereign and non-bank cash placements	10 379	10 379
Sovereign debt securities	3 522	3 623
Bank debt securities	12 366	12 731
Other debt securities	6 987	7 271
Loans and advances to customers	149 711	150 005
Own originated loans and advances to customers securitised	3 055	3 055
Other loans and advances	508	508
Other securitised assets	804	804
Other assets	525	525
Loans to group companies	2 231	2 231
	<b>223 978</b>	<b>225 020</b>
<b>Liabilities</b>		
Deposits by banks	23 644	23 942
Repurchase agreements and cash collateral on securities lent	10 835	10 844
Customer accounts (deposits)	200 212	200 658
Debt securities in issue	2 278	2 540
Liabilities arising on securitisation of own originated loans and advances	970	970
Liabilities arising on securitisation of other assets	154	154
Other liabilities	564	564
Subordinated liabilities	10 645	11 629
	<b>249 302</b>	<b>251 301</b>