2016

INVESTEC BANK LIMITED

Reviewed interim condensed consolidated financial results for the six months ended 30 September 2016

Out of the Ordinary®

Investec

Consolidated income statement

R'million	Reviewed Six months to 30 September 2016	Reviewed Six months to 30 September 2015	Audited Year to 31 March 2016
Interest income	14 973	10 908	23 515
Interest expense	(11 214)	(7 847)	(16 803)
Net interest income	**3 759**	**3 061**	**6 712**
Fee and commission income	1 023	950	1 945
Fee and commission expense	(129)	(71)	(207)
Investment income	170	1 002	1 356
Share of post taxation operating profit/(loss) of associates	172	(11)*	(11)*
Trading income arising from			
– customer flow	167	166	293
– balance sheet management and other trading activities	41	100	298
Other operating income	1	2*	2*
Total operating income before impairment losses on loans and advances	**5 204**	**5 199**	**10 388**
Impairment losses on loans and advances	(322)	(287)	(517)
Operating income	**4 882**	**4 912**	**9 871**
Operating costs	(2 894)	(2 811)	(5 537)
Operating profit before acquired intangibles	**1 988**	**2 101**	**4 334**
Amortisation of acquired intangibles	(26)	(13)	(39)
Profit before taxation	**1 962**	**2 088**	**4 295**
Taxation on operating profit before acquired intangibles	(358)	(307)	(831)
Taxation on acquired intangibles	7	4	11
Profit after taxation	**1 611**	**1 785**	**3 475**

** Share of post taxation operating profit/(loss) of associates has been shown separately from other operating income in the current period.*

Calculation of headline earnings

R'million	Reviewed Six months to 30 September 2016	Reviewed Six months to 30 September 2015	Audited Year to 31 March 2016
Profit after taxation	1 611	1 785	3 475
Preference dividends paid	(65)	(59)	(120)
Earnings attributable to ordinary shareholders	**1 546**	**1 726**	**3 355**
Headline adjustments, net of taxation	(60)	81	94
Gain on realisation of available-for-sale assets recycled through the income statement^	(60)	(13)	(13)
Write down of non-current assets classified as held for sale^	–	94	107
Headline earnings attributable to ordinary shareholders	**1 486**	**1 807**	**3 449**

^Net of taxation of R23.4 million [Six months to 30 September 2015: (R31.5 million); year to 31 March 2016: (R19.3 million)].

Consolidated statement of total comprehensive income

R'million	Reviewed Six months to 30 September 2016	Reviewed Six months to 30 September 2015	Audited Year to 31 March 2016
Profit after taxation	1 611	1 785	3 475
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*	373	(343)	(699)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	661	(348)	(717)
Gain on realisation of available-for-sale assets recycled through the income statement*	(60)	(13)	(13)
Foreign currency adjustments on translating foreign operations	(339)	694	1 040
Total comprehensive income	**2 246**	**1 775**	**3 086**
Total comprehensive income attributable to ordinary shareholders	2 181	1 716	2 966
Total comprehensive income attributable to perpetual preference shareholders	65	59	120
Total comprehensive income	**2 246**	**1 775**	**3 086**

** Net of taxation of (R167.3 million) [Six months to 30 September 2015: R312.2 million; year to 31 March 2016: R515.3 million].*

Condensed consolidated statement of changes in equity

R'million	Reviewed Six months to 30 September 2016	Reviewed Six months to 30 September 2015	Audited Year to 31 March 2016
Balance at the beginning of the period	31 865	28 899	28 899
Total comprehensive income	2 246	1 775	3 086
Dividends paid to ordinary shareholders	(900)	–	–
Dividends paid to perpetual preference shareholders	(65)	(59)	(120)
Balance at the end of the period	**33 146**	**30 615**	**31 865**

Condensed consolidated cash flow statement

R'million	Reviewed Six months to 30 September 2016	Reviewed Six months to 30 September 2015	Audited Year to 31 March 2016
Net cash inflow from operating activities	1 896	32	2 469
Net cash outflow from investing activities	(102)	(418)	(499)
Net cash inflow/(outflow) from financing activities	717	(100)	(43)
Effects of exchange rate changes on cash and cash equivalents	(501)	482	773
Net increase/(decrease) in cash and cash equivalents	**2 010**	**(4)**	**2 700**
Cash and cash equivalents at the beginning of the period	26 483	23 783	23 783
Cash and cash equivalents at the end of the period	**28 493**	**23 779**	**26 483**

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).

Consolidated balance sheet

At R'million	Reviewed 30 September 2016	Audited 31 March 2016	Reviewed 30 September 2015
Assets			
Cash and balances at central banks	8 101	7 801	6 698
Loans and advances to banks	32 571	26 779	24 913
Non-sovereign and non-bank cash placements	10 218	9 858	11 435
Reverse repurchase agreements and cash collateral on securities borrowed	31 068	38 912	23 267
Sovereign debt securities	47 800	41 325	34 850
Bank debt securities	8 294	13 968	15 829
Other debt securities	11 396	12 761	14 024
Derivative financial instruments	11 821	15 843	14 491
Securities arising from trading activities	824	992	3 354
Investment portfolio	7 073	6 360	10 625
Loans and advances to customers	214 452	207 272	188 532
Own originated loans and advances to customers securitised	8 323	7 967	7 310
Other loans and advances	336	367	403
Other securitised assets	106	115	503
Interest in associated undertakings	5 382	5 145	53
Deferred taxation assets	118	116	98
Other assets	4 351	3 656	4 879
Property and equipment	236	236	236
Investment properties	1	1	1
Goodwill	171	171	172
Intangible assets	521	524	557
Loans to group companies	7 748	5 460	2 806
Non-current assets classified as held for sale	497	–	601
	411 408	**405 629**	**365 637**
Liabilities			
Deposits by banks	32 934	37 242	32 539
Derivative financial instruments	11 897	13 424	13 088
Other trading liabilities	1 529	1 405	1 949
Repurchase agreements and cash collateral on securities lent	16 721	16 916	14 368
Customer accounts (deposits)	290 903	279 736	250 099
Debt securities in issue	5 418	7 665	6 452
Liabilities arising on securitisation of own originated loans and advances	728	809	957
Current taxation liabilities	692	671	746
Deferred taxation liabilities	159	122	221
Other liabilities	4 874	5 042	4 195
	365 855	**363 032**	**324 614**
Subordinated liabilities	12 407	10 732	10 408
	378 262	**373 764**	**335 022**
Equity			
Ordinary share capital	32	32	32
Share premium	14 885	14 885	14 885
Other reserves	1 128	566	848
Retained income	17 101	16 382	14 850
Total equity	**33 146**	**31 865**	**30 615**
Total liabilities and equity	**411 408**	**405 629**	**365 637**

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. The minimum LCR requirement is 70% throughout 2016 and will increase by 10% each year to 100% on 1 January 2019.

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, as set out in Directive 6/2014 and Directive 11/2014. This disclosure is in accordance with Pillar 3 of the Basel III liquidity accord.

R'million	Investec Bank Limited Solo – Total weighted value	Investec Bank Limited Consolidated Group – Total weighted value
Total high quality liquid assets	75 716	75 803
Total net cash outflows	54 853	49 725
Actual LCR (%)	138.4	153.1
Required LCR (%)	70.0	70.0

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 headline earnings attributable to ordinary shareholders of R1 486 million (2015: R1 807 million). Operating fundamentals were supported by sound levels of corporate and private client activity. Operating income excluding investment income increased by 19.8%. The balance sheet remains sound with a capital adequacy ratio of 14.9% (31 March 2016: 14.6%). 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 2015.

Salient operational features for the period under review include:

Total operating income before impairment losses on loans and advances remained in line with the prior year amounting to R5 204 million (2015: R5 199 million). The components of operating income are analysed further below:

- Net interest income increased 22.8% to R3 759 million (2015: R3 061 million) driven by strong book growth in the 2016 financial year as well as sound levels of lending activity in the current period.
- Net fee and commission income increased 1.7% to R894 million (2015: R879 million) as a result of a sound performance from the corporate lending and treasury teams as well as the acquisition of Blue Strata (rebranded Investec Import Solutions) in the prior period.
- Investment income decreased 83.0% to R170 million (2015: R1 002 million) impacted by a change in accounting treatment from fair value to equity accounting (refer to additional information).
- Share of post taxation operating profit of associates of R172 million in the current period largely reflects earnings in relation to the group's investment in Investec Equity Partners.
- Total trading income decreased 21.8% to R208 million (2015: R266 million) largely due to foreign currency translation impacts, while corporate customer flow trading income remained in line with the prior period.

Impairments on loans and advances increased from R287 million to R322 million, with the credit loss ratio on average core loans and advances amounting to 0.30% (31 March 2016: 0.26%), remaining at the lower end of its long term average trend. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 1.25% (31 March 2016: 1.06%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.66 times (31 March 2016: 1.61 times).

The ratio of total operating costs to total operating income amounted to 55.6% (2015: 54.1%). Total operating expenses at R2 894 million were 3.0% higher than the prior year (2015: R2 811 million) reflecting higher headcount and IT infrastructure costs across the business to support increased activity and growth initiatives.

As a result of the foregoing factors profit before taxation and acquired intangibles decreased by 5.4% to R1 988 million (2015: R2 101 million).

Additional Information – Investec Equity Partners

A new investment vehicle, Investec Equity Partners (IEP), was created on 11 January 2016 in which Investec holds a 45% stake alongside other strategic investors who hold the remaining 55%. Investec Principal Investments transferred certain portfolio investments to the value of R5.1 billion to IEP. In exchange Investec received R0.7 billion in cash and 45% of the shares in IEP (R5.1 billion), reflected as an associate on the balance sheet. Since the date of the transaction Investec has applied the equity accounting method to account for its investment in the new vehicle as opposed to the fair value accounting method previously applied to the underlying investments held.

Accounting policies and disclosures

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of the results for the six months ended 30 September 2016 are consistent with those adopted in the financial statements for the year ended 31 March 2016.

The financial results have been prepared under the supervision of Nishlan Samujh, the Group Chief Financial Officer. The annual financial statements for the six months ended 30 September 2016 will be posted to stakeholders on 30 November 2016. These annual 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	**Richard Wainwright**
Chairman	*Chief Executive Officer*

16 November 2016

Review conclusion

These condensed consolidated interim financial statements for the period ended 30 September 2016 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 auditor's report.

Analysis of assets and liabilities by measurement basis

At 30 September 2016 R'million	Total instruments at fair value	Total instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	–	8 101	–	**8 101**
Loans and advances to banks	–	32 571	–	**32 571**
Non-sovereign and non-bank cash placements	38	10 180	–	**10 218**
Reverse repurchase agreements and cash collateral on securities borrowed	15 931	15 137	–	**31 068**
Sovereign debt securities	43 953	3 847	–	**47 800**
Bank debt securities	4 998	3 296	–	**8 294**
Other debt securities	9 436	1 960	–	**11 396**
Derivative financial instruments	11 821	–	–	**11 821**
Securities arising from trading activities	824	–	–	**824**
Investment portfolio	7 073	–	–	**7 073**
Loans and advances to customers	14 345	200 107	–	**214 452**
Own originated loans and advances to customers securitised	–	8 323	–	**8 323**
Other loans and advances	–	336	–	**336**
Other securitised assets	–	106	–	**106**
Interests in associated undertakings	–	–	5 382	**5 382**
Deferred taxation assets	–	–	118	**118**
Other assets	462	2 521	1 368	**4 351**
Property and equipment	–	–	236	**236**
Investment properties	–	–	1	**1**
Goodwill	–	–	171	**171**
Intangible assets	–	–	521	**521**
Loans to group companies	30	7 718	–	**7 748**
Non-current assets classified as held for sale	–	–	497	**497**
	108 911	**294 203**	**8 294**	**411 408**
Liabilities				
Deposits by banks	–	32 934	–	32 934
Derivative financial instruments	11 897	–	–	11 897
Other trading liabilities	1 529	–	–	1 529
Repurchase agreements and cash collateral on securities lent	78	16 643	–	16 721
Customer accounts (deposits)	9 160	281 743	–	290 903
Debt securities in issue	3 941	1 477	–	5 418
Liabilities arising on securitisation of own originated loans and advances	–	728	–	728
Current taxation liabilities	–	–	692	692
Deferred taxation liabilities	–	–	159	159
Other liabilities	731	1 325	2 818	4 874
Subordinated liabilities	–	12 407	–	12 407
	27 336	**347 257**	**3 669**	**378 262**

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 (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 2016 R'million	Financial instruments at fair value	Fair value category Level 1	Level 2	Level 3
Assets				
Non-sovereign and non-bank cash placements	38	–	38	–
Reverse repurchase agreements and cash collateral on securities borrowed	15 931	–	15 931	–
Sovereign debt securities	43 953	43 953	–	–
Bank debt securities	4 998	2 833	2 165	–
Other debt securities	9 436	9 436	–	–
Derivative financial instruments	11 821	–	11 811	10
Securities arising from trading activities	824	824	–	–
Investment portfolio	7 073	3 646	187	3 240
Loans and advances to customers	14 345	–	14 345	–
Loans to group companies	30	–	30	–
Other assets	462	462	–	–
	108 911	**61 154**	**44 507**	**3 250**
Liabilities				
Derivative financial instruments	11 897	–	11 897	–
Other trading liabilities	1 529	430	1 099	–
Repurchase agreements and cash collateral on securities lent	78	–	78	–
Customer accounts (deposits)	9 160	–	9 160	–
Debt securities in issue	3 941	–	3 941	–
Other liabilities	731	–	731	–
	27 336	**430**	**26 906**	**–**
Net financial assets at fair value	**81 575**	**60 724**	**17 601**	**3 250**

Transfers between level 1 and level 2

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

Level 3 instruments

The following table shows a reconciliation of the opening balances to the closing balances for financial instruments in level 3 at fair value category. All instruments are at fair value through profit and loss.

R'million	2016
Balance as at 1 April 2016	**2 580**
Total losses in the income statement	(27)
Purchases	874
Sales	(127)
Transfers into level 3	4
Foreign exchange adjustments	(54)
Balance at 30 September 2016	**3 250**

For the period ended 30 September 2016, R4.4 million has been transferred into level 3 from level 2 as a result of the inputs to the valuation methods becoming unobservable in the market.

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 2016 R'million	Total	Realised	Unrealised
Total gains or (losses) included in the income statement for the period			
Net interest expense	(6)	(6)	–
Investment income	10	39	(29)
Trading income arising from customer flow	(31)	(27)	(4)
	(27)	**6**	**(33)**

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 2016	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
Assets						
Derivative financial instruments	10				**1**	**(1)**
		Price multiple	Net asset value	(10%) – 10%	1	(1)
Investment portfolio	3 240				**705**	**(457)**
		Price earnings	Change in PE multiple	*	373	(80)
		Other^	Various	***	332	(377)
Total	**3 250**				**706**	**(458)**

* *The price-earnings multiple has been stressed on an investment-by-investment basis in order to obtain aggressive and conservative valuations.*

** *These valuation sensitivities have been determined individually using varying scenario-based techniques to obtain the favourable and unfavourable valuations.*

^ *Other – The valuation sensitivity for the private equity and embedded derivatives (profit share portfolios) has been assessed by adjusting various inputs such as expected cash flows, discount rates and earnings multiples. 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.*

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

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 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 Black-Scholes	Yield curve Volatilities
Bank debt securities	Discounted cash flow model	Yield curve
Derivative financial instruments	Discounted cash flow model Black-Scholes	Yield curve Volatilities
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

At 30 September 2016 R'million	Carrying value	Fair value
Assets		
Cash and balances at central banks	8 101	8 101
Loans and advances to banks	32 571	32 571
Non-sovereign and non-bank cash placements	10 180	10 180
Reverse repurchase agreements and cash collateral on securities borrowed	15 137	15 137
Sovereign debt securities	3 847	3 897
Bank debt securities	3 296	4 413
Other debt securities	1 960	1 974
Loans and advances to customers	200 107	200 267
Own originated loans and advances to customers securitised	8 323	8 323
Other loans and advances	336	336
Other securitised assets	106	106
Other assets	2 521	2 521
Loan to group companies	7 718	7 718
	294 203	**295 544**
Liabilities		
Deposits by banks	32 934	33 314
Repurchase agreements and cash collateral on securities lent	16 643	16 638
Customer accounts (deposits)	281 743	281 760
Debt securities in issue	1 477	1 545
Liabilities arising on securitisation of own originated loans and advances	728	728
Other liabilities	1 325	1 325
Subordinated liabilities	12 407	13 498
	347 257	**348 808**

INVESTEC BANK LIMITED

Incorporated in the Republic of South Africa
Registration number: 1969/004763/06
Share code: INLP
ISIN: ZAE000048393

Preference share dividend announcement

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

Declaration of dividend number 27

Notice is hereby given that preference dividend number 27 has been declared by the Board from income reserves for the period 01 April 2016 to 30 September 2016 amounting to a gross preference dividend of 438.68108 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, 02 December 2016.

The relevant dates for the payment of dividend number 27 are as follows:

Last day to trade cum-dividend	Tuesday, 29 November 2016
Shares commence trading ex-dividend	Wednesday, 30 November 2016
Record date	Friday, 02 December 2016
Payment date	Monday, 12 December 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 02 December 2016, both dates inclusive.

Additional information to take note of:

- Investec Bank Limited 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)
- The net dividend amounts to 372.87892 cents per preference share for shareholders liable to pay the Dividend Tax and 438.68108 cents per preference share for preference shareholders exempt from paying the dividend tax.

By order of the board

N van Wyk
Company Secretary
16 November 2016

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: ZAE000048393

Directors
F Titi (Chairman)
D M Lawrence^ (Deputy Chairman)
S Koseff^ (Group Chief Executive)
B Kantor^ (Managing Director)
R J Wainwright^* (Chief Executive)
S E Abrahams, Z B M Bassa
G R Burger^, D Friedland,
N A Samujh^**, K L Shuenyane,
B Tapnack^, P R S Thomas

^ Executive
** Appointed on 01 February 2016*
*** Appointed on 10 August 2016*

Company secretary
N van Wyk

Sponsor
Investec Bank Limited