

**Investec Bank (Australia) Limited**

ABN 55 071 292 594

Unaudited consolidated financial information for the six months ended 30 September 2008





## Executive summary

The operating environment over the past six months has, and continues to be, extremely challenging with heavy volatility and increasing weakness in the Australian and global economies.

Our focus and strategy during this period has been on maintaining the strength and stability of our balance sheet, albeit at the expense of short term profitability.

Operating profit for the six months ended 30 September 2008 was \$20.1 million, 21% lower than the prior six month period and 59% lower than the same period last year.

The underperformance for the year to date is largely attributable to:

- Slow down in lending activity.
- Less transaction income.
- Less opportunity to exit investments.
- Increased impairments.
- Adverse mark-to-market movements on equity options portfolio.
- Global Ethanol equity accounted losses.

Balance sheet fundamentals at 30 September 2008 were strong, with a capital adequacy ratio of 18.1% (tier 1 of 14.8%) and a core liquidity ratio of 26.5%, both well in excess of our minimum regulatory requirements.

At 30 September 2008, IBAL's loan book was \$2.8 billion, approximately 8% up from 31 March 2008. The loan book at 30 September 2008 includes Experien loans of approximately \$1.05 billion (up from approximately \$850 million at 31 March 2008). Excluding Experien, the IBAL loan book has been relatively flat since 31 March 2008.

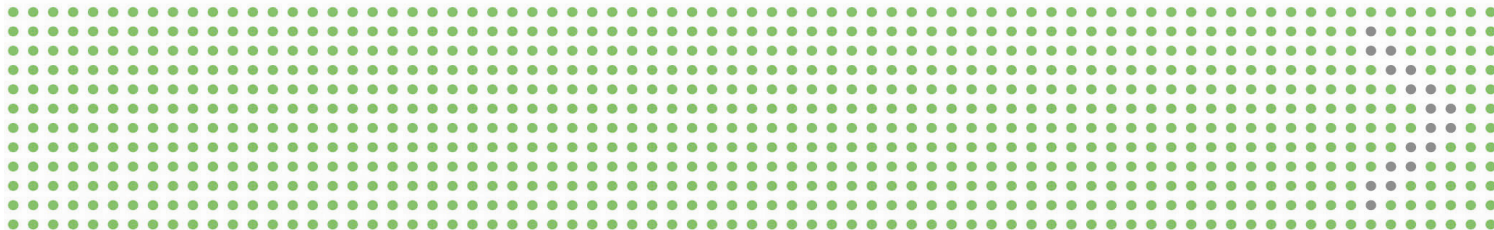
The deposit book at 30 September 2008 closed at approximately \$2.5 billion, 17% up from 31 March 2008. Wholesale deposits have grown strongly since the start of the financial year, however retail deposit growth has proved challenging in the current environment.

The Australian Federal Government deposit guarantee scheme announced during October 2008, together with a number of other initiatives by foreign governments (including the US, UK and Europe) has provided some stability to financial markets.

However, we do not expect the operating environment to improve materially in the short-term and our focus is therefore on:

- Moderating loan book growth and shifting the emphasis to increasing non-lending income;
- Broadening our retail deposit base;
- Maintaining credit quality;
- Strictly managing risk and liquidity;
- Creating additional operational efficiencies and containing costs; and
- Building business depth rather than business breadth in our attempt to deepen existing client relationships and generate high quality income through diversified and sustainable revenue streams.

We believe that the above strategy, coupled with an already sound balance sheet, will place us in a strong position to take advantage of selective opportunities and address the challenges arising from the current market dislocation.



## Overview of results

IFRS	6 months to 30 Sept 2008	6 months to 30 Sept 2007	% Change	Year to 31 March 2008
Operating profit (Aus \$'000)	20,129	49,487	-59.3%	74,987
Cost to income ratio	64.0%	51.8%	-	58.6%
Total shareholders' equity (including minority interest) (Aus \$'000)	654,264	635,701	2.9%	654,001
Total assets (Aus \$'000)	4,329,876	3,207,003	35.0%	3,909,646
Total loans and advances to customers, including securitised assets (Aus \$'000)	2,794,377	1,740,412	60.6%	2,583,260
Total loans and advances to customers, including securitised assets, as a percentage of total assets	64.5%	54.3%	-	66.1%
Capital adequacy ratio *	18.1%	23.7%	-	18.8%
Tier 1 ratio *	14.8%	19.0%	-	15.7%
Liquidity ratio	26.5%	23.6%	-	24.6%

\* Sept 2007 is based on Basel 1, Mar 2008 and Sept 2008 are based on Basel 2, implemented Jan 2008

## Consolidated income statement

Aus \$'000	6 months to 30 Sept 2008	6 months to 30 Sept 2007	Year to 31 March 2008
Interest income	189,898	131,575	310,011
Interest expense	(121,639)	(70,923)	(181,019)
<b>Net interest income</b>	<b>68,259</b>	<b>60,652</b>	<b>128,992</b>
Fee and commission income	24,637	28,483	58,605
Fee and commission expense	(350)	(552)	(3,628)
Principal transactions	2,213	36,524	33,753
Operating income from associates	(1,604)	3,072	2,981
<b>Other income</b>	<b>24,896</b>	<b>67,527</b>	<b>91,711</b>
<b>Total operating income</b>	<b>93,155</b>	<b>128,179</b>	<b>220,703</b>
Impairment losses on loans and advances	(12,587)	(11,575)	(14,808)
<b>Operating income</b>	<b>80,568</b>	<b>116,604</b>	<b>205,895</b>
Administrative expenses	(59,632)	(66,401)	(129,264)
Depreciation, amortisation and impairment of property, equipment and intangible assets	(807)	(716)	(1,644)
<b>Profit before taxation</b>	<b>20,129</b>	<b>49,487</b>	<b>74,987</b>
Taxation	(5,340)	(7,263)	(13,302)
<b>Profit after taxation</b>	<b>14,789</b>	<b>42,224</b>	<b>61,685</b>

## Condensed balance sheet

Aus \$'000	Consolidated		Investec Bank (Australia) Limited	
	30 Sept 2008	31 March 2008	30 Sept 2008	31 March 2008
<b>Assets</b>				
Cash and liquid assets	1,089,015	936,992	1,042,746	900,241
Trading securities	24,866	26,962	24,866	24,362
Derivative financial instruments	175,558	148,536	174,984	141,868
Investment securities	56,065	50,283	52,369	38,069
Loans and advances to customers	2,794,377	2,583,260	1,942,025	1,842,558
Interests in associated undertakings	20,944	19,802	18,103	16,315
Deferred taxation assets	8,046	14,256	10,934	21,225
Other assets	52,247	27,533	9,636	10,095
Investments in subsidiaries	-	-	159,535	120,343
Property and equipment	8,800	9,332	8,185	8,722
Goodwill	89,376	89,376	-	-
Intangible assets	10,582	3,314	10,364	2,977
	<b>4,329,876</b>	<b>3,909,646</b>	<b>3,453,747</b>	<b>3,126,775</b>
<b>Liabilities</b>				
Derivative financial instruments	126,039	117,483	117,709	117,157
Customer accounts	1,657,169	1,305,183	1,657,169	1,305,183
Debt securities in issue	1,747,696	1,655,878	897,525	931,500
Current taxation liabilities	-	-	-	-
Other liabilities	43,790	76,565	19,265	55,853
	<b>3,574,694</b>	<b>3,155,109</b>	<b>2,691,668</b>	<b>2,409,693</b>
Subordinated liabilities	100,918	100,536	100,918	100,536
	<b>3,675,612</b>	<b>3,255,645</b>	<b>2,792,586</b>	<b>2,510,229</b>
<b>Equity</b>				
Called up share capital	291,698	291,698	291,698	291,698
Other reserves	15,744	17,733	24,662	17,039
Profit and loss account	346,822	344,570	344,801	307,809
<b>Total equity</b>	<b>654,264</b>	<b>654,001</b>	<b>661,161</b>	<b>616,546</b>
	-	-	-	-
<b>Total liabilities and shareholders' equity</b>	<b>4,329,876</b>	<b>3,909,646</b>	<b>3,453,747</b>	<b>3,126,775</b>

## Segmental information - business analysis

For the six months to 30 September 2008

Aus \$'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total group
Net interest income	45,852	9,536	53	(222)	13,040	68,259
Fees and commissions receivable	7,598	4,386	9,716	2,700	237	24,637
Fees and commissions payable	284	(88)	(15)	(530)	(1)	(350)
Principal transactions	(118)	1,762	342	220	7	2,213
Operating income from associates	1,533	-	(3,137)	-	-	(1,604)
<b>Other income</b>	<b>9,297</b>	<b>6,060</b>	<b>6,906</b>	<b>2,390</b>	<b>243</b>	<b>24,896</b>
<b>Total operating income</b>	<b>55,149</b>	<b>15,596</b>	<b>6,959</b>	<b>2,168</b>	<b>13,283</b>	<b>93,155</b>
Impairment losses on loans and advances	(12,264)	(323)	-	-	-	(12,587)
<b>Net operating income</b>	<b>42,885</b>	<b>15,273</b>	<b>6,959</b>	<b>2,168</b>	<b>13,283</b>	<b>80,568</b>
Administrative expenses	(30,896)	(12,213)	(10,752)	(1,464)	(4,307)	(59,632)
Depreciation and impairment of property, equipment and intangibles	(138)	-	-	-	(669)	(807)
<b>Profit before taxation</b>	<b>11,851</b>	<b>3,060</b>	<b>(3,793)</b>	<b>704</b>	<b>8,307</b>	<b>20,129</b>

For the six months to 30 September 2007

Aus \$'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total group
Net interest income	35,052	11,610	(1,736)	(2)	15,728	60,652
Fees and commissions receivable	8,015	2,763	17,084	479	142	28,483
Fees and commissions payable	(44)	(213)	(53)	-	(242)	(552)
Principal transactions	15,623	12,573	4,326	-	4,002	36,524
Operating income from associates	577	(105)	2,600	-	-	3,072
<b>Other income</b>	<b>24,171</b>	<b>15,018</b>	<b>23,957</b>	<b>479</b>	<b>3,902</b>	<b>67,527</b>
<b>Total operating income</b>	<b>59,223</b>	<b>26,628</b>	<b>22,221</b>	<b>477</b>	<b>19,630</b>	<b>128,179</b>
Impairment losses on loans and advances	(11,575)	-	-	-	-	(11,575)
<b>Net operating income</b>	<b>47,648</b>	<b>26,628</b>	<b>22,221</b>	<b>477</b>	<b>19,630</b>	<b>116,604</b>
Administrative expenses	(21,198)	(15,433)	(12,234)	(1,016)	(16,520)	(66,401)
Depreciation and impairment of property, equipment and intangibles	(24)	(3)	-	-	(689)	(716)
<b>Profit before taxation</b>	<b>26,426</b>	<b>11,192</b>	<b>9,987</b>	<b>(539)</b>	<b>2,421</b>	<b>49,487</b>

For the twelve months to 31 March 2008

Aus \$'000	Private Client Activities	Capital Markets	Investment Banking	Property Activities	Group Services and Other Activities	Total group
Net interest income	79,751	26,105	(3,440)	(124)	26,700	128,992
Fees and commissions receivable	15,062	7,804	31,573	2,723	1,443	58,605
Fees and commissions payable	(1,521)	(275)	(341)	(1,248)	(243)	(3,628)
Principal transactions	17,051	14,732	3,766	-	(1,796)	33,753
Operating income from associates	124	(175)	3,032	-	-	2,981
<b>Other income</b>	<b>30,716</b>	<b>22,086</b>	<b>38,030</b>	<b>1,475</b>	<b>(596)</b>	<b>91,711</b>
<b>Total operating income</b>	<b>110,467</b>	<b>48,191</b>	<b>34,590</b>	<b>1,351</b>	<b>26,104</b>	<b>220,703</b>
Impairment losses on loans and advances	(14,838)	30	-	-	-	(14,808)
<b>Net operating income</b>	<b>95,629</b>	<b>48,221</b>	<b>34,590</b>	<b>1,351</b>	<b>26,104</b>	<b>205,895</b>
Administrative expenses	(53,424)	(28,160)	(23,441)	(1,057)	(23,182)	(129,264)
Depreciation and impairment of property, equipment and intangibles	(136)	(4)	-	-	(1,504)	(1,644)
<b>Profit before taxation</b>	<b>42,069</b>	<b>20,057</b>	<b>11,149</b>	<b>294</b>	<b>1,418</b>	<b>74,987</b>

## Capital adequacy

Aus \$'000	30 Sept 2008	31 March 2008
<b>Regulatory capital</b>		
<b>Tier 1</b>		
Share capital	291,698	291,698
Retained income	346,623	344,609
Other reserves	(1,623)	(1,623)
Less: impairments (goodwill and other deductions)	(190,353)	(174,169)
	<b>446,345</b>	<b>460,514</b>
<b>Tier 2</b>		
Aggregate amount	126,791	117,864
Less: deductions	(26,658)	(25,669)
	<b>100,133</b>	<b>92,196</b>
<b>Total eligible capital</b>	<b>546,478</b>	<b>552,710</b>
<b>Risk-weighted assets (banking and trading)</b>	<b>3,024,470</b>	<b>2,941,953</b>
Credit risk - prescribed standardised exposure classes	2,587,023	2,520,818
Corporates	2,064,944	1,972,801
Secured on real estate property	75,330	72,706
Counterparty risk on trading positions	85,503	86,856
Short term claims on institutions and corporates	189,951	162,759
Retail	127,148	133,156
Institutions	15,246	21,511
Other exposure classes	28,901	71,029
Equity risk - standardised approach	100,267	99,175
Market risk - portfolios subject to internal models approach	25,906	18,375
Interest rate	21,777	16,543
Foreign Exchange	3,822	1,752
Commodities	307	80
Equities	-	-
Operational risk - standardised approach	311,274	303,585
<b>Capital requirements</b>	<b>393,182</b>	<b>382,454</b>
Credit risk - prescribed standardised exposure classes	336,313	327,706
Corporates	268,443	256,464
Secured on real estate property	9,793	9,452
Counterparty risk on trading positions	11,115	11,291
Short term claims on institutions and corporates	24,694	21,159
Retail	16,529	17,310
Institutions	1,982	2,796
Other exposure classes	3,757	9,234
Equity risk - standardised approach	13,035	12,893
Market risk - portfolios subject to internal models approach	3,368	2,389
Interest rate	2,831	2,151
Foreign Exchange	497	228
Commodities	40	10
Equities	-	-
Operational risk - standardised approach	40,466	39,466
<b>Capital adequacy ratio</b>	<b>18.1%</b>	<b>18.8%</b>
Tier 1 ratio	14.8%	15.7%
<b>Capital adequacy ratio - pre operational risk</b>	<b>20.1%</b>	<b>20.9%</b>
Tier 1 ratio - pre operational risk	16.5%	17.5%

## Australian Prudential Regulation Authority (APRA) Prudential Standard 330 disclosure

The disclosure is on a consolidated basis being Investec Bank (Australia) Limited and the entities it controls.

Capital adequacy	Risk-weighted assets
Aus \$'000	30 Sept 2008

### Credit risk:

- claims secured by residential mortgage	75,330
- other retail	127,148
- corporate	2,097,092
- bank	255,537
- government	3,016
- all other	129,168
	2,687,291
<b>Securitisation</b>	-
<b>Market risk</b>	25,905
<b>Operational risk</b>	311,274
<b>Total</b>	3,024,470

<b>Total capital adequacy ratio</b>	18.1%
Tier 1 ratio	14.8%

<b>Capital adequacy ratio - pre operational risk</b>	20.1%
Tier 1 ratio - pre operational risk	16.5%

Credit and counterparty risk exposure by type **	Gross exposure 30 Sept 2008	* Average gross exposure 30 Sept 2008
Aus \$'000		

- debt instruments (NCDs, bank bills, bonds held)	740,931	789,295
- bank placements	241,461	337,419
- sovereign, government placements	15,082	15,087
- trading exposures (positive fair value excluding potential future exposures)	182,340	134,470
- gross core loans and advances to customers	1,906,484	1,920,330
- all other	28,830	28,663
<b>Total on-balance sheet exposures</b>	3,115,128	3,225,264
Guarantees entered into in the normal course of business	122,607	121,496
Commitments to provide credit	390,762	413,226
<b>Total off-balance sheet exposures</b>	513,369	534,722
<b>Total credit and counterparty exposures pre collateral and other credit enhancements</b>	3,628,497	3,759,986

Credit and counterparty risk exposure by portfolio**	Gross exposure 30 Sept 2008	* Average gross exposure 30 Sept 2008
Aus \$'000		

- claim secured by residential mortgage	97,200	98,292
- other retail	127,929	138,366
- corporate	2,225,801	2,242,092
- bank	1,133,583	1,237,488
- government	15,082	15,087
- all other	28,902	28,661
<b>Total credit and counterparty exposures by portfolio</b>	3,628,497	3,759,986

<b>General reserve for credit losses</b>	30,705
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\*Where the average is based on a month-end balances for the period 1 July 08 to 30 September 08

\*\*Excluding equities and securitisation exposures



