Out of the Ordinary®

Investec

2013
Investec Bank Limited salient financial information
for the six months ended 30 September

Specialist Banking | Asset Management | Wealth & Investment

Corporate information

Secretary and registered office

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Sandown Sandton 2196
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Telephone (27 11) 286 7000
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Internet address

www.investec.com

Registration number

Reg. No. 1969/004763/06

Auditors

KPMG Inc.
Ernst & Young Inc.

Transfer secretaries

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Telephone (27 11) 370 5000

Directorate

Executive directors

Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
David M Lawrence (deputy chairman)
Bradley Tapnack

Non-executive directors

Fani Titi (chairman)
SE Abrahams
David Friedland
M Peter Malungani
Sir David Prosser
Karl XT Socikwa
Peter RS Thomas
Busi C Tshili

For queries regarding information in this document

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Investec Bank Limited in perspective

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Overview of Investec's and Investec Bank Limited's organisational structure

Investec Limited, which houses our Southern African and Mauritian operations, has been listed in South Africa since 1986.

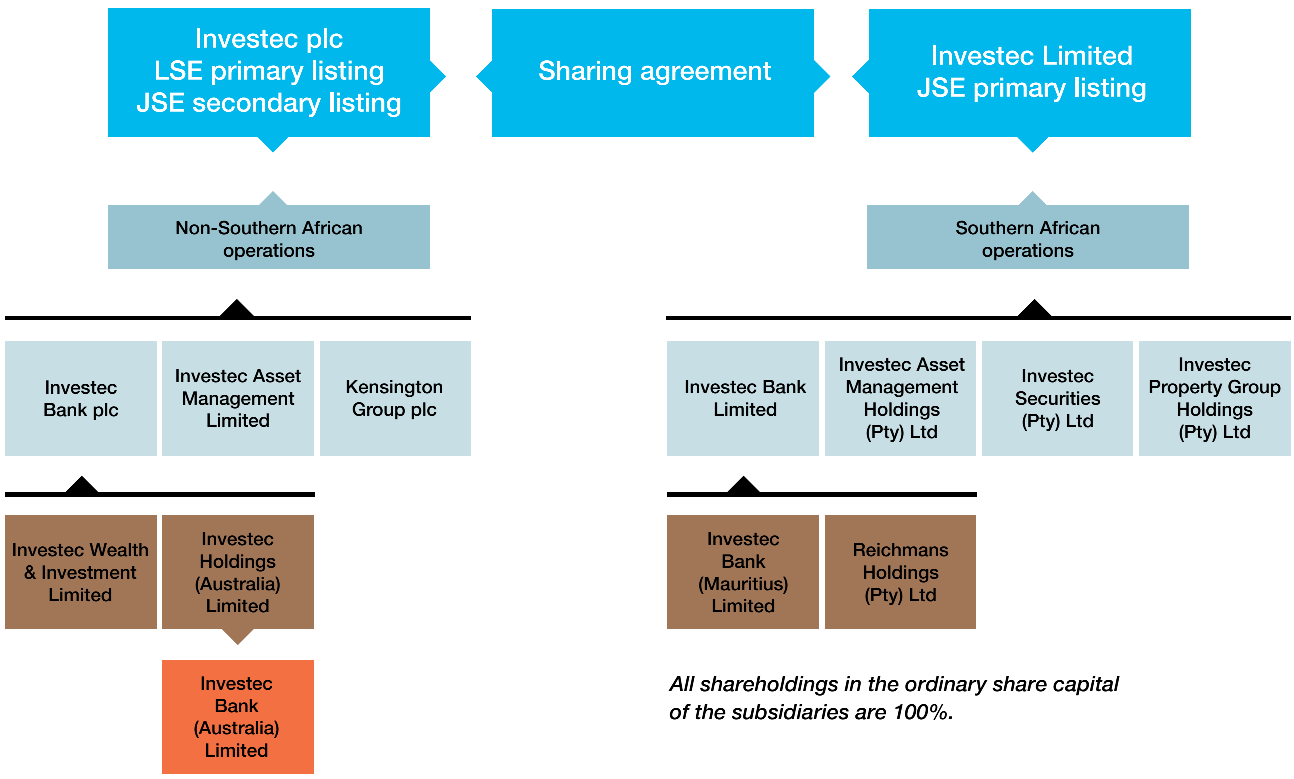
Operating structure

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of the DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius and Investec plc is the controlling company of our non-Southern African businesses. Investec Limited is listed on the JSE Limited South Africa and Investec plc is listed on the London Stock Exchange. Investec Bank Limited (referred to in this report as the bank) is a subsidiary of Investec Limited.

Our DLC structure and main operating subsidiaries as at 30 September 2013



All shareholdings in the ordinary share capital of the subsidiaries are 100%.

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Overview of the activities of Investec Bank Limited

What we do

Investec Bank Limited operates as a specialist bank within Southern Africa. The bank is operationally managed as a single banking entity within Investec Limited.

Corporates/government/institutional clients

Corporate Advisory and Investment Activities

Advisory
Principal investments

Corporate Advisory and Investment Activities engages in a range of investment banking activities and positions itself as an integrated business focused on local client delivery with international access. We target clients seeking a highly customised service, which we offer through a combination of domestic depth and expertise within each geography and a client-centric approach.

Our activities include: advisory and principal investments. Our institutional stockbroking activities are conducted outside of the bank in Investec Securities (Pty) Ltd.

Our target market includes: corporates, government and institutional clients.

Corporate and Institutional Banking Activities

Treasury and trading services
Specialised finance

Corporate and Institutional Banking Activities provides a wide range of specialist products, services and solutions to select corporate clients, public sector bodies and institutions. The division undertakes the bulk of Investec's wholesale debt, structuring, proprietary trading, capital markets and derivatives business.

High income and high net worth private clients

Private Banking Activities

Transactional banking
Lending
Deposits
Investments

Private Banking positions itself as the 'investment bank for private clients', offering both credit and investment services to our select clientele.

Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment. Our target market includes ultra high net worth individuals, active wealthy entrepreneurs, high income professionals, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors.

Integrated systems and infrastructure

Our operational footprint

Specialist expertise delivered with dedication and energy

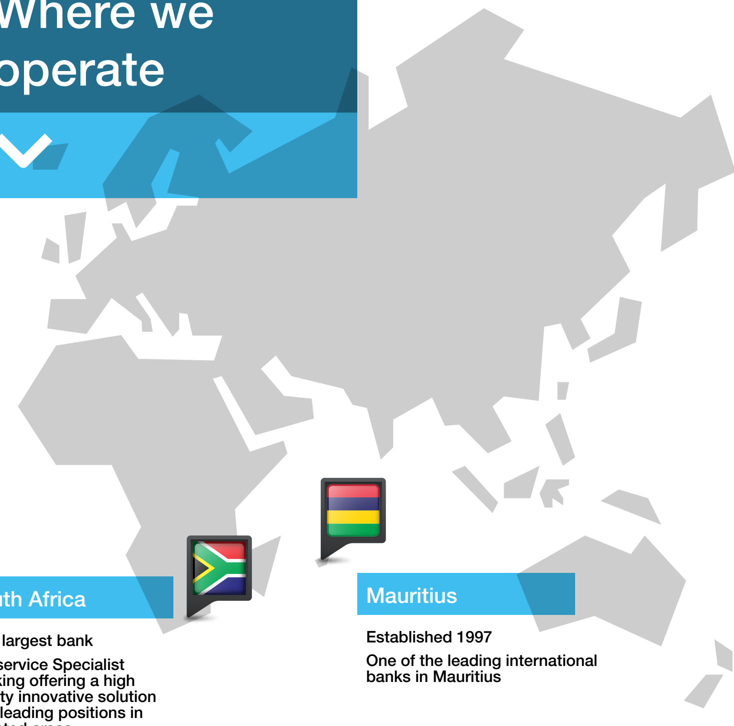
Business leaders
Stephen Koseff
Bernard Kantor
Glynn Burger

The specialist teams are well positioned to provide services for both personal and business needs right across Private Banking, Corporate and Institutional Banking and Corporate Advisory and Investment.

Our value proposition

- High quality specialist banking solution to corporate, institutional and private clients with leading positions in selected areas
- Provide high touch personalised service
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Balanced business model with good business depth and breadth
- Total corporate and other clients: c.144 000
- Total high income and high net worth clients: c.82 000

Where we operate



South Africa

Fifth largest bank

Full service Specialist Banking offering a high quality innovative solution with leading positions in selected areas

Total corporate and private clients c.226 000

Mauritius

Established 1997

One of the leading international banks in Mauritius

Commentary on results and salient information

Investec Bank Limited posted an increase in headline earnings attributable to ordinary shareholders of 62.9% to R1,269 million (2012: R779 million).

The balance sheet remains strong with a capital adequacy ratio of 15.2% as calculated in terms of Basel III (31 March 2013: 16.2%).

Salient features	Six months to 30 Sept 2013	Six months to 30 Sept 2012	% change	Year to 31 March 2013
Total operating income before impairment losses on loans and advances (R'million)	3 696	3 065	20.6%	6 620
Operating costs (R'million)	1 929	1 660	16.2%	3 629
Profit before taxation (R'million)	1 468	1 002	46.5%	2 123
Headline earnings attributable to ordinary shareholders (R'million)	1 269	779	62.9%	1 741
Cost to income ratio	52.2%	54.2%		54.8%
Total capital resources (including subordinated liabilities) (R'million)	34 931	33 040	5.7%	36 005
Total equity (R'million)	24 527	21 729	12.9%	23 509
Total assets (R'million)	284 803	266 967	6.7%	279 274
Net core loans and advances (R'million)	146 623	129 814	12.9%	138 105
Customer accounts (deposits) (R'million)	200 512	178 979	12.0%	185 311
Cash and near cash balances (R'million)	74 479	75 112	(0.8%)	72 974
Capital adequacy ratio	15.2%	16.9%		16.2%
Tier 1 ratio	10.7%	11.3%		10.9%
Defaults (net of impairments) as a % of net core loans and advances	2.12%	2.49%		1.93%
Net defaults (after collateral and impairments) as a % of net core loans and advances	–	–		–
Credit loss ratio (i.e. income statement impairment charge as a % of average core loans and advances)	0.42%	0.62%		0.65%
Total gearing/leverage ratio (i.e. total assets excluding intergroup loans to equity)	11.4x	11.9x		11.4x
Loans and advances to customers: customer deposits	72.0%	71.2%		73.2%

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the six months ended 30 September 2012.

Salient operational features for the six months under review include:

- Total operating income before impairment losses on loans and advances increased by 20.6% to R3 696 million (2012: R3 065 million). The components of operating income are analysed further below:
  - Net interest income was in line with the prior year at R2 388 million (2012: R2 394 million) with the bank benefiting from an increase in its loan portfolio, offset by less interest earned on surplus cash portfolios given the decline in interest rates.
  - Net fee and commission income increased 45.5% to R633 million (2012: R435 million) largely as a result of a good performance from the corporate business with strong growth in project finance renewable energy and structured finance fees. The professional finance business continued to perform well.
  - Investment income increased significantly to R308 million (2012: R15 million) largely due to a solid performance from the bank's unlisted principal investments portfolio.
  - Trading income arising from customer flow increased to R162 million (2012: R45 million) due to increased client activity, notably in forex transactions.
  - Trading income arising from other trading activities increased 20.0% to R210 million (2012: R175 million) reflecting improved activity on the balance sheet.

- Impairments on loans and advances decreased from R403 million to R299 million. The credit loss charge as a percentage of average gross core loans and advances has improved from 0.65% at 31 March 2013 to 0.42%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 2.12% (31 March 2013: 1.93%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.36 times (31 March 2013: 1.44 times).

- Total operating expenses at R1,929 million were 16.2% higher than the prior year (2012: R1,660 million) largely as a result of increased personnel costs and variable remuneration given improved profitability. The ratio of total operating costs to total operating income amounts to 52.2% (2012: 54.2%).

- As a result of the foregoing factors profit before taxation increased by 46.5% to R1 468 million (2012: R1 002 million).

Financial results

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Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, comprising the consolidated balance sheet at 30 September 2013, and the related consolidated income statement, the condensed consolidated statement of total comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the period then ended, and selected notes to the condensed consolidated interim financial statements, in accordance with International Financial Reporting Standards applicable to interim financial reporting and in the manner required by the Companies Act 71 of 2008.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 21 November 2013 and are signed on its behalf by

Fani Titi
Chairman

Stephen Koseff
Chief Executive Officer

Independent auditors' review report on the interim condensed consolidated financial results to the shareholders of Investec Bank Limited

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Investec Bank Limited, which comprise the consolidated balance sheet as at 30 September 2013, the consolidated income statement, condensed consolidated statement of total comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months then ended, and a summary of significant accounting policies, other explanatory notes and supplementary information on pages 10 to 18. Our responsibility is to express a conclusion on these interim results based on our review.

Directors' responsibility

The directors are responsible for the preparation and presentation of this interim financial information 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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the interim financial information that is free from material misstatement, whether due to fraud or error.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information of Investec Bank Limited for the 6 month period ended 30 September 2013 is not prepared, in all material respects, 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 the requirements of the Companies Act of South Africa.

Ernst & Young Inc

Ernst & Young Inc
Registered Auditor

Per Ernest van Rooyen
Chartered Accountant (SA)
Registered Auditor
Director
21 November 2013

KPMG Inc.

KPMG Inc
Registered Auditor

Per Gavin de Lange
Chartered Accountant (SA)
Registered Auditor
Director
21 November 2013

Consolidated income statement

R'million	Reviewed six months to 30 Sept 2013	Reviewed six months to 30 Sept 2012	Audited year to 31 March 2013
Interest income	8 294	8 533	15 809
Interest expense	(5 906)	(6 139)	(10 926)
Net interest income	**2 388**	**2 394**	**4 883**
Fee and commission income	748	485	1 051
Fee and commission expense	(115)	(50)	(109)
Investment income	308	15	459
Trading income arising from			
– customer flow	162	45	119
– balance sheet management and other trading activities	210	175	220
Other operating (loss)/income	(5)	1	(3)
Total operating income before impairment losses on loans and advances	**3 696**	**3 065**	**6 620**
Impairment losses on loans and advances	(299)	(403)	(868)
Operating income	**3 397**	**2 662**	**5 752**
Operating costs	(1 929)	(1 660)	(3 629)
Profit before taxation	**1 468**	**1 002**	**2 123**
Taxation	(146)	(145)	(245)
Profit after taxation	**1 322**	**857**	**1 878**

Condensed consolidated statement of total comprehensive income

R'million	Reviewed six months to 30 Sept 2013	Reviewed six months to 30 Sept 2012	Audited year to 31 March 2013
Profit after taxation	1 322	857	1 878
Other comprehensive income*:			
Fair value movements on cash flow hedges taken directly to other comprehensive income**	(115)	(59)	(194)
Fair value movements on available-for-sale assets taken directly to other comprehensive income**	(330)	65	86
Gain on realisation of available-for-sale assets recycled to the income statement**	(1)	(36)	(39)
Foreign currency adjustments on translating foreign operations	270	170	441
Total comprehensive income	**1 146**	**997**	**2 172**
Total comprehensive income attributable to ordinary shareholders	1 093	945	2 063
Total comprehensive income attributable to perpetual preference shareholders	53	52	109
Total comprehensive income	**1 146**	**997**	**2 172**

* *All items in other comprehensive income are or may subsequently be reclassified to the income statement.*

** *Net of taxation of (R13.8 million) (Six months to 30 September 2012: R11 million; Year to 31 March 2013: R13.8 million).*

Consolidated balance sheet

R'million	Reviewed 30 Sept 2013	Audited 31 March 2013	Reviewed 30 Sept 2012
Assets			
Cash and balances at central banks	7 270	5 677	4 007
Loans and advances to banks	20 336	23 278	17 840
Non-sovereign and non-bank cash placements	7 722	5 875	9 859
Reverse repurchase agreements and cash collateral on securities borrowed	6 067	7 668	8 970
Sovereign debt securities	31 811	33 730	35 164
Bank debt securities	22 247	20 969	24 095
Other debt securities	10 673	6 258	6 099
Derivative financial instruments	11 622	12 161	12 691
Securities arising from trading activities	2 398	1 357	848
Investment portfolio	9 386	9 102	6 140
Loans and advances to customers	144 276	135 726	127 477
Own originated loans and advances to customers securitised	2 347	2 379	2 337
Other loans and advances	638	672	675
Other securitised assets	1 629	1 168	1 071
Interest in associated undertakings	49	45	41
Deferred taxation assets	60	55	55
Other assets	1 328	1 166	1 159
Property and equipment	236	224	250
Investment properties	1	1	1
Intangible assets	95	90	89
Loans to group companies	4 612	11 673	8 099
Total assets	284 803	279 274	266 967
Liabilities			
Deposits by banks	11 591	17 861	16 244
Derivative financial instruments	8 919	9 232	10 710
Other trading liabilities	705	1 063	484
Repurchase agreements and cash collateral on securities lent	15 581	18 188	18 954
Customer accounts (deposits)	200 512	185 311	178 979
Debt securities in issue	5 079	4 091	1 484
Liabilities arising on securitisation of own originated loans and advances	2 659	2 933	2 934
Liabilities arising on securitisation of other assets	572	588	492
Current taxation liabilities	1 143	1 142	1 151
Deferred taxation liabilities	246	61	49
Other liabilities	2 865	2 799	2 446
	249 872	243 269	233 927
Subordinated liabilities	10 404	12 496	11 311
Total liabilities	260 276	255 765	245 238
Equity			
Ordinary share capital	32	32	30
Share premium	14 885	14 885	14 026
Other reserves	44	175	21
Retained income	9 566	8 417	7 652
Total equity	24 527	23 509	21 729
Total liabilities and equity	284 803	279 274	266 967

Condensed consolidated statement of changes in equity

R'million	Reviewed six months to 30 Sept 2013	Reviewed six months to 30 Sept 2012	Audited year to 31 March 2013
Balance at the beginning of the period	23 509	20 933	20 933
Profit after taxation	1 322	857	1 878
Fair value movements on cash flow hedges taken directly to other comprehensive income	(115)	(59)	(194)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	(330)	65	86
Gain on realisation of available-for-sale assets recycled to the income statement	(1)	(36)	(39)
Foreign currency adjustments on translating foreign operations	270	170	441
Total comprehensive income	1 146	997	2 172
Issue of ordinary shares	–	500	1 361
Dividends paid to ordinary shareholders	(75)	(649)	(848)
Dividends paid to perpetual preference shareholders	(53)	(52)	(109)
Balance at the end of the period	24 527	21 729	23 509

Condensed consolidated cash flow statement

R'million	Reviewed six months to 30 Sept 2013	Reviewed six months to 30 Sept 2012	Audited year to 31 March 2013
Net cash inflow/(outflow) from operating activities	5 194	(8 993)	(14 560)
Net cash outflow from investing activities	(97)	(6)	(58)
Net cash (outflow)/inflow from financing activities	(2 219)	2 401	4 191
Effects of exchange rate changes on cash and cash equivalents	244	129	406
Net increase/(decrease) in cash and cash equivalents	3 122	(6 469)	(10 021)
Cash and cash equivalents at the beginning of the period	14 973	24 994	24 994
Cash and cash equivalents at the end of the period	18 095	18 525	14 973

Notes to the interim financial statements

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 2013 are consistent with those adopted in the financial statements for the year ended 31 March 2013 except as noted below.

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 13 Fair Value Measurement, Presentation of other comprehensive income (Amendments to IAS 1), IAS19 Employee Benefits. Adoption of IFRS 10, IFRS 11 and IAS 19 has had no material impact on the group. IFRS 13 has been applied prospectively from 1 April 2013. The standard defines fair value as being a market-based measurement and sets out in a single IFRS a framework for the measurement of fair value. Application of the standard has not had a material impact on the recognition and measurement of assets and liabilities of the group.

The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance Director.

Calculation of headline earnings

R'million	Reviewed six months to 30 Sept 2013	Reviewed six months to 30 Sept 2012	Audited year to 31 March 2013
Profit after taxation	1 322	857	1 878
Preference dividends paid	(53)	(52)	(109)
Earnings attributable to ordinary shareholders	1 269	805	1 769
Headline adjustments, net of taxation:			
Gain on realisation of available-for-sale financial assets	–	(26)	(28)
Headline earnings attributable to ordinary shareholders	1 269	779	1 741

Additional income statement information

Net interest income analysis

For the six months to 30 September R'million	Notes	2013 Balance sheet value	2013 Interest income	2012 Balance sheet value	2012 Interest income
Cash, near cash and bank debt and sovereign debt securities	1	95 453	1 919	99 935	2 419
Core loans and advances	2	146 623	5 759	129 814	5 426
Private client		99 294	3 710	96 274	3 873
Corporate, institutional and other clients		47 329	2 049	33 540	1 553
Other debt securities and other loans and advances		11 311	212	6 774	158
Other interest-earning assets	3	6 241	404	9 170	530
Total interest-earning assets		259 628	8 294	245 693	8 533

Net interest income analysis (continued)

For the six months to 30 September R'million	Notes	2013 Balance sheet value	2013 Interest expense	2012 Balance sheet value	2012 Interest expense
Deposits by banks and other debt related securities	4	32 251	472	36 682	452
Customer accounts (deposits)		200 512	5 073	178 979	5 039
Other interest-bearing liabilities	5	3 231	22	3 426	282
Subordinated liabilities		10 404	339	11 311	366
Total interest-bearing liabilities		246 398	5 906	230 398	6 139
Net interest income			2 388		2 394

Notes
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements; sovereign debt securities; bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets and intergroup loans.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; liabilities arising on securitisation of other assets.*

Net fee and commission income analysis

For the six months to 30 September R'million	2013	2012
Private client transactional fees	220	208
Corporate and institutional transactional and advisory services	528	277
Fee and commission income	748	485
Fee and commission expense	(115)	(50)
Net fees and commissions	633	435
Annuity fees (net of fees payable)	192	288
Deal fees	441	147

Investment income analysis

For the six months to 30 September R'million	Investment portfolio* (listed and unlisted equities)	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
2013					
Realised	68	–	–	8	76
Unrealised	310	(7)	–	(4)	299
Dividend income	31	–	–	–	31
Funding and net other related costs	(97)	–	–	(1)	(98)
Investment income	312	(7)	–	3	308
2012					
Realised	337	5	(1)	6	347
Unrealised	(344)	44	–	–	(300)
Dividend income	66	–	–	–	66
Funding and net other related costs	(93)	–	–	(5)	(98)
Investment income	(34)	49	(1)	1	15

* *Including embedded derivatives (warrants and profit shares).*

Financial results

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Additional disclosures

Analysis of assets and liabilities at fair value and amortised cost

at 30 September 2013 R'million	Financial instruments at fair value	Financial instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	–	7 270	–	**7 270**
Loans and advances to banks	755	19 581	–	**20 336**
Non-sovereign and non-bank cash placements	15	7 707	–	**7 722**
Reverse repurchase agreements and cash collateral on securities borrowed	5 459	608	–	**6 067**
Sovereign debt securities	28 484	3 327	–	**31 811**
Bank debt securities	9 272	12 975	–	**22 247**
Other debt securities	4 231	6 442	–	**10 673**
Derivative financial instruments	11 622	–	–	**11 622**
Securities arising from trading activities	2 398	–	–	**2 398**
Investment portfolio	9 386	–	–	**9 386**
Loans and advances to customers	14 102	130 174	–	**144 276**
Own originated loans and advances to customers securitised	–	2 347	–	**2 347**
Other loans and advances	–	638	–	**638**
Other securitised assets	1 107	522	–	**1 629**
Interest in associated undertakings	–	–	49	**49**
Deferred taxation assets	–	–	60	**60**
Other assets	90	676	562	**1 328**
Property and equipment	–	–	236	**236**
Investment properties	–	–	1	**1**
Intangible assets	–	–	95	**95**
Loans to group companies	(66)	4 678	–	**4 612**
	86 855	196 945	1 003	284 803
Liabilities				
Deposits by banks	3	11 588	–	**11 591**
Derivative financial instruments	8 919	–	–	**8 919**
Other trading liabilities	705	–	–	**705**
Repurchase agreements and cash collateral on securities lent	2 615	12 966	–	**15 581**
Customer accounts (deposits)	11 740	188 772	–	**200 512**
Debt securities in issue	2 875	2 204	–	**5 079**
Liabilities arising on securitisation of own originated loans and advances	–	2 659	–	**2 659**
Liabilities arising on securitisation of other assets	572	–	–	**572**
Current taxation liabilities	–	–	1 143	**1 143**
Deferred taxation liabilities	–	–	246	**246**
Other liabilities	670	781	1 414	**2 865**
Subordinated liabilities	–	10 404	–	**10 404**
	28 099	229 374	2 803	260 276

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 2013 R'million	Total instruments at fair value	Fair value measurement Level 1	Level 2	Level 3
Assets				
Loans and advances to banks	755	–	755	–
Non-sovereign and non-bank cash placements	15	–	15	–
Reverse repurchase agreements and cash collateral on securities borrowed	5 459	–	5 459	–
Sovereign debt securities	28 484	28 484	–	–
Bank debt securities	9 272	1 572	7 700	–
Other debt securities	4 231	3 572	555	104
Derivative financial instruments	11 622	584	11 280	(242)
Securities arising from trading activities	2 398	2 398	–	–
Investment portfolio	9 386	2 503	264	6 619
Loans and advances to customers	14 102	–	14 102	–
Other securitised assets	1 107	–	1 107	–
Other assets	90	90	–	–
Intergroup	(66)	–	(66)	–
	86 855	39 203	41 171	6 481
Liabilities				
Deposits by banks	3	–	3	–
Derivative financial instruments	8 919	557	8 362	–
Other trading liabilities	705	705	–	–
Repurchase agreements and cash collateral on securities lent	2 615	–	2 615	–
Customer accounts (deposits)	11 740	–	11 740	–
Debt securities in issue	2 875	–	2 875	–
Liabilities arising on securitisation of other assets	572	572	–	–
Other liabilities	670	2	668	–
	28 099	1 836	26 263	–

The following table is a reconciliation of the opening balances to the closing balances for fair value measurements in level 3 of the fair value hierarchy:

R'million	
Balance at 1 April 2013	84
Transfers due to application of IFRS 13*	6 230
Restated balance at 1 April 2013	6 314
Total gains or losses included in the income statement	465
Purchases	62
Sales	(113)
Issues	(158)
Settlements	(105)
Foreign exchange adjustments	16
Balance as at 30 September 2013	6 481

* *All reclassifications into Level 3 at 1 April 2013 occurred as a result of inputs to the valuation model being regarded as unobservable as a result of applying the principles in IFRS 13. Observable inputs are defined as inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. All other inputs have been considered to be unobservable.*

The following table quantifies the gains or losses included in the income statement recognised on level 3 financial instruments:

Six months to 30 September 2013 R'million	
Total gains or losses included in the income statement for the period	
Net interest income	(2)
Fee and commission expense	(77)
Investment income	528
Trading income arising from customer flow	16
	465

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:

			Reflected in the income statement R'million	
At 30 September 2013	Significant unobservable input changed	Range which unobservable input has been stressed	Favourable changes	Unfavourable changes
Assets				
Other debt securities	Discount rates	(24%) – 24%	1	(1)
Derivative financial instruments	Credit spreads, volatilities, cash flows EBITDA	(20%) – 25%	310	(47)
Investment portfolio	Price earnings multiple, net asset value, WACC, EBITDA	(25%) – 10%	1 160	(1 036)
			1 471	**(1 084)**

Financial results

2

Fair value of financial instruments at amortised cost

at 30 September 2013 R'million	Carrying value	Fair value
Assets		
Cash and balances at central banks	7 270	7 270
Loans and advances to banks	19 581	19 581
Non-sovereign and non-bank cash placements	7 707	7 707
Reverse repurchase agreements and cash collateral on securities borrowed	608	608
Sovereign debt securities	3 327	3 434
Bank debt securities	12 975	13 511
Other debt securities	6 442	6 528
Loans and advances to customers	130 174	130 181
Own originated loans and advances to customers securitised	2 347	2 347
Other loans and advances	638	638
Other securitised assets	522	522
Other assets	676	676
Loans to group companies	4 678	4 678
	196 945	197 681
Liabilities		
Deposits by banks	11 588	11 749
Repurchase agreements and cash collateral on securities lent	12 966	13 033
Customer accounts (deposits)	188 772	189 088
Debt securities in issue	2 204	2 204
Liabilities arising on securitisation of own originated loans and advances	2 659	2 659
Other liabilities	781	781
Subordinated liabilities	10 404	10 530
	229 374	230 044

Risk management and capital information

03

As per Basel requirements, the following risk management and capital section will provide detail on the quantitative risk disclosures required on a semi-annual basis. For any additional qualitative disclosures, definitions and descriptions, please refer to our annual financial statements for the year ended 31 March 2013.

Philosophy and approach to risk management

Our comprehensive risk management process involves identifying, quantifying, managing and mitigating the risks associated with each of our businesses.

Risk awareness, control and compliance are embedded in all our day-to-day activities.

Group Risk Management monitors, manages and reports on our risk to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee. Business units are ultimately responsible for risks that arise.

We monitor and control risk exposure through Credit, Market, Liquidity, Operational and Legal Risk Reporting teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group.

Group Risk Management divisions with international responsibility are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives. Group Risk Management continually seeks new ways to enhance its techniques.

Overall summary of the period in review from a risk perspective

Investec has continued to maintain a sound balance sheet with low leverage, and a diversified business model. This has been supported by the following key operating fundamentals:

- Intimate involvement of executive management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined largely by realised economic value-added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied within the group for in excess of ten years
- Credit and counterparty exposures to a select target market; our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying sound financial strength and integrity, a core competency and an established track record. Impairments on loans and advances decreased from R403 million to R299 million. The credit loss charge as a percentage of average gross core loans and advances has improved from 0.65% at 31 March 2013 to 0.42%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 2.12% (31 March 2013: 1.93%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.36 times (31 March 2013: 1.44 times).
- Limited exposure to structured credit investments; representing approximately 1.4% of total assets
- No exposures to peripheral European sovereign debt
- A low leverage (gearing) ratio of 11.4 times
- Low equity and investment risk exposure; with total investments comprising 3.5% of total assets
- Modest proprietary market risk within our trading portfolio. Value at risk and stress testing scenarios remain at prudent levels
- Potential losses that could arise in our trading book portfolio when stress tested under extreme market conditions (i.e. per extreme value theory) amount to less than 0.9% of total operating income
- A high level of readily available, high quality liquid assets; cash and near cash of R74.5 billion, representing 32.1% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- Continued increase in retail customer deposits and a growing retail franchise
- Healthy capital ratios; we have always held capital well in excess of regulatory requirements and we intend to perpetuate this philosophy. We continued to meet our capital targets
- Geographical and operational diversity with a high level of recurring income which continues to support sustainability of operating profit.

Credit and counterparty risk management

Credit and counterparty risk description

Credit and counterparty risk is defined as the current and prospective risk to earnings or capital arising from an obligor's (typically a client's or counterparty's) failure to meet the terms of any obligation to us or otherwise to perform as agreed. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on- or off-balance sheet.

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, giving rise to a direct exposure. The risk is created that an obligor will be unable or unwilling to repay capital and/or interest on advances and loans granted to it. This category includes bank placements, where we have placed funds with other financial institutions
- Issuer risk on financial instruments where payments due from the issuer of a financial instrument will not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively, counterparty risk)
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party effecting required settlements as they fall due but not receiving settlements to which they are entitled. In terms of our definition, settlement debtors receivable in the short term (i.e. less than three days) are excluded from credit and counterparty risk due to market guaranteed settlement mechanisms
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to finalise the transaction.

Credit and counterparty risk can manifest as country risk as a result of the geopolitical and transfer risk associated with exposures arising from transactions with borrowers who are resident in a particular foreign country, or dependent on that country's economy.

Credit and counterparty risk may also arise in other ways and it is the role of the various independent credit committees, assisted by Credit Risk Management, to identify situations falling outside these definitions where credit risk may also be present.

Credit and counterparty risk information

The tables that follow provide an analysis of the credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Credit and counterparty exposures increased by 7.2% to R318 billion largely as a result of an increase in core loans and advances and cash and near cash balances. Cash and near cash balances increased by 2.1% to R74.5 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks, non-sovereign and non-bank cash placements, sovereign debt securities.

R'million	30 Sept 2013	31 March 2013	% change	Average*
Cash and balances at central banks	7 270	5 677	28.1%	6 474
Loans and advances to banks	20 336	23 278	(12.6%)	21 807
Non-sovereign and non-bank cash placements	7 722	5 875	31.4%	6 798
Reverse repurchase agreements and cash collateral on securities borrowed	6 067	7 668	(20.9%)	6 868
Sovereign debt securities	31 811	33 730	(5.7%)	32 771
Bank debt securities	22 247	20 969	6.1%	21 608
Other debt securities	10 673	6 258	70.5%	8 465
Derivative financial instruments	11 210	11 704	(4.2%)	11 457
Securities arising from trading activities	2 398	1 357	76.7%	1 877
Loans and advances to customers (gross)	145 813	137 075	6.4%	141 444
Own originated loans and advances to customers (gross)	2 349	2 381	(1.3%)	2 365
Other loans and advances	650	684	(5.0%)	667
Other assets	16	252	(93.7%)	134
Total on-balance sheet exposures	268 562	256 908	4.5%	262 735
Guarantees^	9 243	8 415	9.8%	8 829
Contingent liabilities, committed facilities and other	40 224	31 309	28.5%	35 766
Off-balance sheet exposures	49 467	39 724	24.5%	44 595
Total gross credit and counterparty exposures pre collateral or other credit enhancements	318 029	296 632	7.2%	307 330

* *Where the average is based on a straight-line average for the period 1 April 2013 to 30 September 2013.*

^ *Excludes guarantees provided to clients which are backed/secured by cash on deposit with the bank.*

A further analysis of our on-balance sheet credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) our on-balance sheet credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note refer-ence	Total balance sheet
As at 30 September 2013				
Cash and balances at central banks	7 270	–		7 270
Loans and advances to banks	20 336	–		20 336
Non-sovereign and non-bank cash placements	7 722	–		7 722
Reverse repurchase agreements and cash collateral on securities borrowed	6 067	–		6 067
Sovereign debt securities	31 811	–		31 811
Bank debt securities	22 247	–		22 247
Other debt securities	10 673	–		10 673
Derivative financial instruments	11 210	412		11 622
Securities arising from trading activities	2 398	–		2 398
Investment portfolio	–	9 386	1	9 386
Loans and advances to customers	145 813	(1 537)	2	144 276
Own originated loans and advances to customers	2 349	(2)	2	2 347
Other loans and advances	650	(12)	2	638
Other securitised assets	–	1 629	3	1 629
Interest in associated undertakings	–	49		49
Deferred taxation assets	–	60		60
Other assets	16	1 312	4	1 328
Property and equipment	–	236		236
Investment properties	–	1		1
Intangible assets	–	95		95
Loans to group companies	–	4 612		4 612
Total on-balance sheet exposures	268 562	16 241		284 803

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 36 and 37.*
2. *Largely relates to impairments.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

A further analysis of our on-balance sheet credit and counterparty exposures (continued)

R'million	Total credit and counterparty exposure	Assets that we deem to have no legal credit exposure	Note reference	Total balance sheet
As at 31 March 2013				
Cash and balances at central banks	5 677	–		5 677
Loans and advances to banks	23 278	–		23 278
Non-sovereign and non-bank cash placements	5 875	–		5 875
Reverse repurchase agreements and cash collateral on securities borrowed	7 668	–		7 668
Sovereign debt securities	33 730	–		33 730
Bank debt securities	20 969	–		20 969
Other debt securities	6 258	–		6 258
Derivative financial instruments	11 704	457		12 161
Securities arising from trading activities	1 357	–		1 357
Investment portfolio	–	9 102	1	9 102
Loans and advances to customers	137 075	(1 349)	2	135 726
Own originated loans and advances to customers securitised	2 381	(2)	2	2 379
Other loans and advances	684	(12)	2	672
Other securitised assets	–	1 168	3	1 168
Interest in associated undertakings	–	45		45
Deferred taxation assets	–	55		55
Other assets	252	914	4	1 166
Property and equipment	–	224		224
Investment properties	–	1		1
Intangible assets	–	90		90
Loans to group companies	–	11 673		11 673
Total on-balance sheet exposures	256 908	22 366		279 274

1. *Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 36 and 37.*
2. *Largely relates to impairments.*
3. *Whilst the group manages all risks (including credit risk) from a day-to-day operational perspective, these assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the 'total credit and counterparty exposure' with the maximum credit exposure referenced to credit providers external to the group in the column headed 'assets that we deem to have no legal credit exposure'.*
4. *Other assets include settlement debtors where we deem to have no credit risk exposure as they are settled on a delivery against payment basis.*

Gross credit and counterparty exposures by residual contractual maturity as at 30 September 2013

R'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	7 270	–	–	–	–	–	7 270
Loans and advances to banks	18 449	81	102	1 246	458	–	20 336
Non-sovereign and non-bank cash placements	7 722	–	–	–	–	–	7 722
Reverse repurchase agreements and cash collateral on securities borrowed	2 903	444	198	1 384	752	386	6 067
Sovereign debt securities	8 024	7 483	7 669	1 934	4 012	2 689	31 811
Bank debt securities	–	1 609	7 641	11 960	1 037	–	22 247
Other debt securities	99	287	536	5 646	3 746	359	10 673
Derivative financial instruments	1 589	576	813	4 448	1 624	2 160	11 210
Securities arising from trading activities	1 545	1	–	473	210	169	2 398
Loans and advances to customers (gross)	16 990	4 679	11 220	66 223	14 031	32 670	145 813
Own originated loans and advances to customers (gross)	3	2	14	864	42	1 424	2 349
Other loans and advances (gross)	–	–	–	650	–	–	650
Other assets	16	–	–	–	–	–	16
Total on-balance sheet exposures	64 610	15 162	28 193	94 828	25 912	39 857	268 562
Guarantees	1 085	70	263	2 900	2 276	2 649	9 243
Contingent liabilities, committed facilities and other	7 318	520	3 092	12 501	1 069	15 724	40 224
Total off-balance sheet exposures	8 403	590	3 355	15 401	3 345	18 373	49 467
Total gross credit and counterparty exposures pre collateral or other credit enhancements	73 013	15 752	31 548	110 229	29 257	58 230	318 029

Private client loans account for 67.8% of total core loans and advances.

Summary analysis of gross credit and counterparty exposures by industry

The remainder of core loans and advances largely relate to corporate client lending and are evenly spread across industry sectors.

Other credit and counterparty exposures are largely reflective of cash and near cash balances held with institutions and central banks, thus the large balance reflected in the 'public and non-business services' and 'finance and insurance' sectors. These exposures also include off-balance sheet items such as guarantees, committed facilities and contingent liabilities, largely to our HNW and professional individual clients.

Breakdown of gross credit exposure by industry

	Gross core loans and advances		Other credit and counterparty exposures		Total	
R'million	30 Sept 2013	31 March 2013	30 Sept 2013	31 March 2013	30 Sept 2013	31 March 2013
HNW and professional individuals	58 761	54 142	22 918	21 565	81 679	75 707
Lending collateralised by property largely to private clients	41 693	41 162	7 261	6 994	48 954	48 156
Agriculture	1 067	1 047	201	301	1 268	1 348
Electricity, gas and water (utility services)	2 846	1 959	5 273	554	8 119	2 513
Public and non-business services	1 158	869	40 668	39 892	41 826	40 761
Business services	6 175	5 631	1 434	1 026	7 609	6 657
Finance and insurance	6 288	6 205	67 488	70 753	73 776	76 958
Retailers and wholesalers	2 784	2 690	2 515	2 373	5 299	5 063
Manufacturing and commerce	7 911	7 234	7 173	2 561	15 084	9 795
Construction	1 473	903	460	1 152	1 933	2 055
Corporate commercial real estate	4 286	5 175	853	1 635	5 139	6 810
Mining and resources	4 003	3 787	6 301	5 074	10 304	8 861
Leisure, entertainment and tourism	1 233	1 398	1 226	435	2 459	1 833
Transport	4 934	3 479	3 468	1 700	8 402	5 179
Communication	3 550	3 775	2 628	1 161	6 178	4 936
Total	148 162	139 456	169 867	157 176	318 029	296 632

Detailed analysis of gross credit and counterparty exposures by industry

R'million	HNW and professional individuals	Lending collate-ralised by property – largely to private clients*	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services
As at 30 September 2013						
Cash and balances at central banks	–	–	–	–	7 270	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	8	–	–	–	–	215
Reverse repurchase agreements and cash collateral on securities borrowed	463	–	–	27	–	–
Sovereign debt securities	–	–	–	–	31 811	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	–	–	–	286	–	–
Derivative financial instruments	87	–	7	215	–	38
Securities arising from trading activities	–	–	–	4	775	–
Loans and advances to customers (gross)	56 412	41 693	1 067	2 846	1 158	6 175
Own originated loans and advances to customers (gross)	2 349	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	–	–	–	–	–	–
Total on-balance sheet exposures	**59 319**	**41 693**	**1 074**	**3 378**	**41 014**	**6 428**
Guarantees	2 120	1 370	–	76	805	127
Contingent liabilities, committed facilities and other	20 240	5 891	194	4 665	7	1 054
Total off-balance sheet exposures	**22 360**	**7 261**	**194**	**4 741**	**812**	**1 181**
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**81 679**	**48 954**	**1 268**	**8 119**	**41 826**	**7 609**
As at 31 March 2013						
Cash and balances at central banks	–	–	–	–	5 677	–
Loans and advances to banks	–	–	–	–	–	–
Non-sovereign and non-bank cash placements	–	–	100	–	–	337
Reverse repurchase agreements and cash collateral on securities borrowed	413	–	–	119	–	–
Sovereign debt securities	–	–	–	–	33 730	–
Bank debt securities	–	–	–	–	–	–
Other debt securities	583	–	–	148	–	–
Derivative financial instruments	98	–	1	24	–	53
Securities arising from trading activities	–	–	–	4	484	–
Loans and advances to customers (gross)	51 761	41 162	1 047	1 959	869	5 631
Own originated loans and advances to customers securitised (gross)	2 381	–	–	–	–	–
Other loans and advances (gross)	–	–	–	–	–	–
Other assets	1	–	–	–	–	–
Total on-balance sheet exposures	**55 237**	**41 162**	**1 148**	**2 254**	**40 760**	**6 021**
Guarantees	2 030	1 643	–	164	1	11
Contingent liabilities, committed facilities and other	18 440	5 351	200	95	–	625
Total off-balance sheet exposures	**20 470**	**6 994**	**200**	**259**	**1**	**636**
Total gross credit and counterparty exposures pre collateral or other credit enhancements	**75 707**	**48 156**	**1 348**	**2 513**	**40 761**	**6 657**

* *Further information is provided on page 34.*

	Finance and insurance	Retailers and wholesalers	Manufac-turing and commerce	Construc-tion	Corporate commercial real estate	Mining and resources	Leisure, entertain-ment and tourism	Transport	Com-munication	Total
	–	–	–	–	–	–	–	–	–	7 270
	20 336	–	–	–	–	–	–	–	–	20 336
	1 126	1 694	2 715	217	–	931	–	765	51	7 722
	4 348	–	1 141	–	–	–	–	88	–	6 067
	–	–	–	–	–	–	–	–	–	31 811
	22 247	–	–	–	–	–	–	–	–	22 247
	6 534	181	–	–	–	1 832	–	897	943	10 673
	9 131	111	399	–	746	419	6	51	–	11 210
	1 047	136	150	136	–	77	–	73	–	2 398
	6 288	2 784	7 911	1 473	4 286	4 003	1 233	4 934	3 550	145 813
	–	–	–	–	–	–	–	–	–	2 349
	650	–	–	–	–	–	–	–	–	650
	16	–	–	–	–	–	–	–	–	16
	71 723	4 906	12 316	1 826	5 032	7 262	1 239	6 808	4 544	268 562
	599	–	2 217	–	26	684	1 072	147	–	9 243
	1 454	393	551	107	81	2 358	148	1 447	1 634	40 224
	2 053	393	2 768	107	107	3 042	1 220	1 594	1 634	49 467
	73 776	5 299	15 084	1 933	5 139	10 304	2 459	8 402	6 178	318 029
	–	–	–	–	–	–	–	–	–	5 677
	23 278	–	–	–	–	–	–	–	–	23 278
	1 840	1 259	1 322	33	–	579	–	264	141	5 875
	6 508	–	559	–	–	–	–	69	–	7 668
	–	–	–	–	–	–	–	–	–	33 730
	20 969	–	–	–	–	–	–	–	–	20 969
	4 534	175	–	–	–	597	–	221	–	6 258
	10 083	108	89	–	1 112	67	–	68	1	11 704
	570	96	–	–	–	119	–	84	–	1 357
	6 205	2 690	7 234	903	5 175	3 787	1 398	3 479	3 775	137 075
	–	–	–	–	–	–	–	–	–	2 381
	684	–	–	–	–	–	–	–	–	684
	250	–	–	–	–	1	–	–	–	252
	74 921	4 328	9 204	936	6 287	5 150	1 398	4 185	3 917	256 908
	1 198	493	192	1 110	–	1 379	178	16	–	8 415
	839	242	399	9	523	2 332	257	978	1 019	31 309
	2 037	735	591	1 119	523	3 711	435	994	1 019	39 724
	76 958	5 063	9 795	2 055	6 810	8 861	1 833	5 179	4 936	296 632

An analysis of our core loans and advances, asset quality and impairments

Calculation of core loans and advances to customers

R'million	30 Sept 2013	31 March 2013
Loans and advances to customers as per the balance sheet	144 276	135 726
Add: own originated loans and advances securitised as per the balance sheet	2 347	2 379
Net core loans and advances to customers	146 623	138 105

The tables that follow provide information with respect to the asset quality of our core loans and advances to customers.

R'million	30 Sept 2013	31 March 2013
Gross core loans and advances to customers	148 162	139 456
Total impairments	(1 539)	(1 351)
Portfolio impairments	(138)	(123)
Specific impairments	(1 401)	(1 228)
Net core loans and advances to customers	146 623	138 105
Average gross core loans and advances to customers	143 809	132 841
Current loans and advances to customers	141 568	133 943
Past due loans and advances to customers (1 – 60 days)	807	649
Special mention loans and advances to customers	1 133	852
Default loans and advances to customers	4 654	4 012
Gross core loans and advances to customers	148 162	139 456
Current loans and advances to customers	141 568	133 943
Default loans that are current and not impaired	112	60
Gross core loans and advances to customers that are past due but not impaired	2 880	2 513
Gross core loans and advances to customers that are impaired	3 602	2 940
Gross core loans and advances to customers	148 162	139 456
Total income statement charge for impairments on loans and advances	(299)	(868)
Gross default loans and advances to customers	4 654	4 012
Specific impairments	(1 401)	(1 228)
Portfolio impairments	(138)	(123)
Defaults net of impairments	3 115	2 661
Collateral and other credit enhancements	4 251	3 841
Net default loans and advances to customers (limited to zero)	–	–
Ratios		
Total impairments as a % of gross core loans and advances to customers	1.04%	0.97%
Total impairments as a % of gross default loans	33.07%	33.67%
Gross defaults as a % of gross core loans and advances to customers	3.14%	2.88%
Defaults (net of impairments) as a % of net core loans and advances to customers	2.12%	1.93%
Net default as a % of gross core loans and advances to customers	–	–
Annualised credit loss ratio (i.e. income statement impairment charge as a % of average gross core loans and advances)	0.42%	0.65%

An age analysis of past due and default core loans and advances to customers

R'million	30 Sept 2013	31 March 2013
Default loans that are current	886	621
1 – 60 days	1 997	1 410
61 – 90 days	507	285
91 – 180 days	632	274
181 – 365 days	281	382
>365 days	2 291	2 541
Past due and default core loans and advances to customers (actual capital exposure)	6 594	5 513
1 – 60 days	1 120	722
61 – 90 days	127	61
91 – 180 days	314	70
181 – 365 days	118	170
>365 days	1 993	2 147
Past due and default core loans and advances to customers (actual amount in arrears)	3 672	3 170

A further age analysis of past due and default core loans and advances to customers

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
As at 30 September 2013							
Watchlist loans neither past due nor impaired							
Total capital exposure	112	–	–	–	–	–	112
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 602	246	370	213	449	2 880
Amount in arrears	–	738	23	234	81	361	1 437
Gross core loans and advances to customers that are impaired						–	
Total capital exposure	774	395	261	262	68	1 842	3 602
Amount in arrears	–	382	104	80	37	1 632	2 235
As at 31 March 2013							
Watchlist loans neither past due nor impaired							
Total capital exposure	60	–	–	–	–	–	60
Gross core loans and advances to customers that are past due but not impaired							
Total capital exposure	–	1 315	283	170	151	594	2 513
Amount in arrears	–	687	60	55	93	447	1 342
Gross core loans and advances to customers that are impaired							
Total capital exposure	561	95	2	104	231	1 947	2 940
Amount in arrears	–	35	1	15	77	1 700	1 828

An age analysis of past due and default core loans and advances to customers as at 30 September 2013 (based on total capital exposure)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	807	–	–	–	–	807
Special mention	–	762	126	24	94	127	1 133
Special mention (1 – 90 days)	–	762	26	24*	94*	127*	1 033
Special mention (61 – 90 days and item well secured)	–	–	100	–	–	–	100
Default	886	428	381	608	187	2 164	4 654
Sub-standard	112	33	120	346	119	322	1 052
Doubtful	774	395	261	262	68	1 842	3 602
Total	886	1 997	507	632	281	2 291	6 594

An age analysis of past due and default core loans and advances to customers as at 30 September 2013 (based on actual amount in arrears)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	246	–	–	–	–	246
Special mention	–	482	18	12	6	99	617
Special mention (1 – 90 days)	–	482	1	12*	6*	99*	600
Special mention (61 – 90 days and item well secured)	–	–	17	–	–	–	17
Default	–	392	109	302	112	1 894	2 809
Sub-standard	–	10	5	222	75	262	574
Doubtful	–	382	104	80	37	1 632	2 235
Total	–	1 120	127	314	118	1 993	3 672

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An age analysis of past due and default core loans and advances to customers as at 31 March 2013 (based on total capital exposure)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	649	–	–	–	–	649
Special mention	–	534	188	18	79	33	852
Special mention (1 – 90 days)	–	534	74	18*	79*	33*	738
Special mention (61 – 90 days and item well secured)	–	–	114	–	–	–	114
Default	621	227	97	256	303	2 508	4 012
Sub-standard	60	132	95	155	72	561	1 075
Doubtful	561	95	2	101	231	1 947	2 937
Total	621	1 410	285	274	382	2 541	5 513

An age analysis of past due and default core loans and advances to customers as at 31 March 2013 (based on actual amount in arrears)

R'million	Current watchlist loans	1 – 60 days	61 – 90 days	91 – 180 days	181 – 365 days	>365 days	Total
Past due (1 – 60 days)	–	174	–	–	–	–	174
Special mention	–	490	39	1	73	6	609
Special mention (1 – 90 days)	–	490	19	1*	73*	6*	589
Special mention (61 – 90 days and item well secured)	–	–	20	–	–	–	20
Default	–	58	22	69	97	2 141	2 387
Sub-standard	–	23	22	55	20	441	561
Doubtful	–	35	–	14	77	1 700	1 826
Total	–	722	61	70	170	2 147	3 170

* *Largely relates to solvent deceased estates and bonds under registration at the deeds office. Due to the lengthy external process with respect to these exposures, which are out of the control of Investec, these exposures have been classified as special mention and will remain there until settled or their credit quality deteriorates.*

An analysis of core loans and advances to customers

R'million	Gross core loans and advances that are neither past due nor impaired	Gross core loans and advances that are past due but not impaired	Gross core loans and advances that are impaired	Total gross core loans and advances (actual capital exposure)	Specific impairments	Portfolio impairments	Total net core loans and advances (actual capital exposure)	Actual amount in arrears
As at 30 September 2013								
Current core loans and advances	141 568	–	–	141 568	–	(128)	141 440	–
Past due (1 – 60 days)	–	807	–	807	–	(3)	804	246
Special mention	–	1 133	–	1 133	–	(7)	1 126	617
Special mention (1 – 90 days)	–	1 033	–	1 033	–	(7)	1 026	600
Special mention (61 – 90 days and item well secured)	–	100	–	100	–	–	100	17
Default	112	940	3 602	4 654	(1 401)	–	3 253	2 809
Sub-standard	112	940	–	1 052	–	–	1 052	574
Doubtful	–	–	3 602	3 602	(1 401)	–	2 201	2 235
Total	141 680	2 880	3 602	148 162	(1 401)	(138)	146 623	3 672
As at 31 March 2013								
Current core loans and advances	133 943	–	–	133 943	–	(112)	133 831	–
Past due (1 – 60 days)	–	649	–	649	–	(1)	648	174
Special mention	–	852	–	852	–	(10)	842	609
Special mention (1 – 90 days)	–	738	–	738	–	(9)	729	589
Special mention (61 – 90 days and item well secured)	–	114	–	114	–	(1)	113	20
Default	60	1 012	2 940	4 012	(1 228)	–	2 784	2 387
Sub-standard	60	1 012	3	1 075	–	–	1 075	561
Doubtful	–	–	2 937	2 937	(1 228)	–	1 709	1 826
Total	134 003	2 513	2 940	139 456	(1 228)	(123)	138 105	3 170

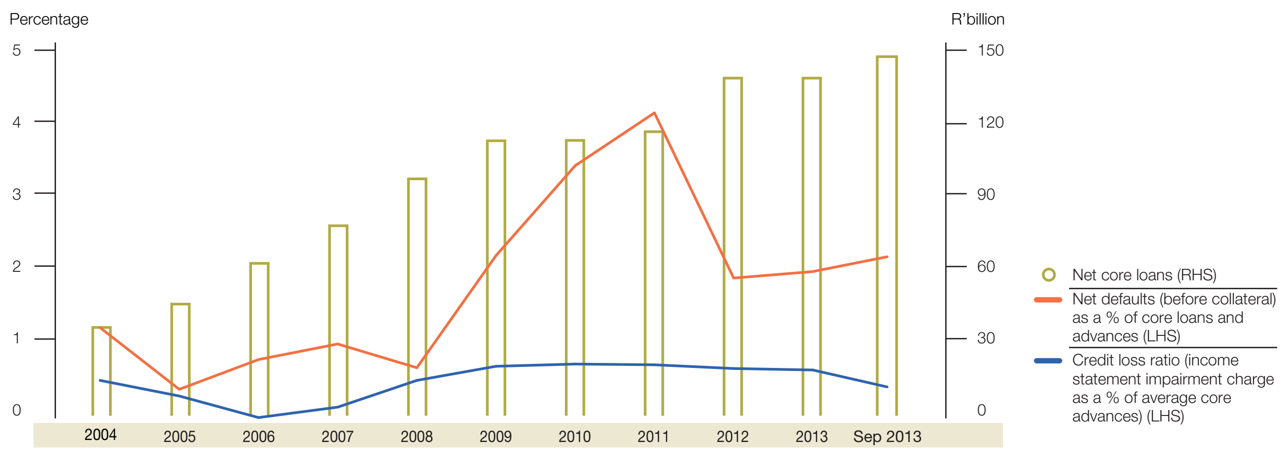
An analysis of core loans and advances to customers and impairments by counterparty type

R'million	Private banking professional and HNW individuals	Corporate sector	Banking, Insurance, financial services (excluding sovereign)	Public and government sector (including central banks)	Trade finance and other	Total core loans and advances to customers
As at 30 September 2013						
Current core loans and advances	94 725	36 905	6 288	1 158	2 492	141 568
Past due (1 – 60 days)	566	129	–	–	112	807
Special mention	1 044	57	–	–	32	1 133
Special mention (1 – 90 days)	976	57	–	–	–	1 033
Special mention (61 – 90 days and item well secured)	68	–	–	–	32	100
Default	4 119	444	–	–	91	4 654
Sub-standard	989	63	–	–	–	1 052
Doubtful	3 130	381	–	–	91	3 602
Total gross core loans and advances to customers	100 454	37 535	6 288	1 158	2 727	148 162
Total impairments	(1 160)	(311)	(3)	(1)	(64)	(1 539)
Specific impairments	(1 065)	(272)	–	–	(64)	(1 401)
Portfolio Impairments	(95)	(39)	(3)	(1)	–	(138)
Net core loans and advances to customers	99 294	37 224	6 285	1 157	2 663	146 623
As at 31 March 2013						
Current core loans and advances	89 267	35 745	5 928	869	2 134	133 943
Past due (1 – 60 days)	428	117	–	–	104	649
Special mention	803	40	–	–	9	852
Special mention (1 – 90 days)	698	40	–	–	–	738
Special mention (61 – 90 days and item well secured)	105	–	–	–	9	114
Default	3 210	420	281	–	101	4 012
Sub-standard	969	103	–	–	3	1 075
Doubtful	2 241	317	281	–	98	2 937
Total gross core loans and advances to customers	93 708	36 322	6 209	869	2 348	139 456
Total impairments	(1 145)	(134)	(4)	–	(68)	(1 351)
Specific impairments	(1 049)	(111)	–	–	(68)	(1 228)
Portfolio Impairments	(96)	(23)	(4)	–	–	(123)
Net core loans and advances to customers	92 563	36 188	6 205	869	2 280	138 105

An analysis of default core loans and advances as at 30 September 2013

R'million	Gross core loans	Gross defaults	Collateral	Balance sheet impair-ments	Income statement impair-ments for the six month period
Lending collaterlised by property	41 693	2 693	2 420	(890)	(154)
Commercial real estate	38 608	1 257	1 312	(364)	(76)
Commercial real estate investment	34 303	883	972	(272)	(57)
Commercial real estate development	2 343	222	216	(31)	(22)
Commercial vacant land and planning	1 962	152	124	(61)	3
Residential real estate	3 085	1 436	1 108	(526)	(78)
Residential development	1 114	405	401	(46)	(23)
Residential vacant land and planning	1 971	1 031	707	(480)	(55)
HNW and other private client lending	58 761	1 425	1 474	(380)	(204)
Mortgages	35 406	646	706	(163)	(32)
High net worth and specialised lending	23 355	779	768	(217)	(172)
Corporate client and other lending	47 708	536	357	(269)	59
Acquisition finance	11 940	196	232	(5)	103
Other corporates and financial institutions and governments	29 134	240	83	(214)	(11)
Asset finance	3 471	–	–	(10)	(3)
Large ticket asset finance	2 501	–	–	(10)	(3)
Small ticket asset finance	970	–	–	–	–
Project finance	3 163	100	42	(40)	(30)
Total	148 162	4 654	4 251	(1 539)	(299)

Asset quality trends



Collateral

A summary of total collateral

R'million	Collateral held against: Core loans and advances	Collateral held against: Other credit and counterparty exposures*	Total
As at 30 September 2013			
Eligible financial collateral	17 335	5 526	22 861
Listed shares	16 221	5 524	21 745
Cash	1 114	2	1 116
Mortgage bonds	171 557	42	171 599
Residential mortgages	72 890	–	72 890
Commercial property development	14 771	42	14 813
Commercial property investments	83 896	–	83 896
Other collateral	66 086	2 431	68 517
Unlisted shares	27 033	1 442	28 475
Bonds other than mortgage bonds	7 832	257	8 089
Asset backed lending	5 246	–	5 246
Guarantees	10 439	21	10 460
Other	15 536	711	16 247
Total collateral	254 978	7 999	262 977
As at 31 March 2013			
Eligible financial collateral	29 465	2 896	32 361
Listed shares	27 564	2 866	30 430
Cash	1 901	30	1 931
Mortgage bonds	169 083	24	169 107
Residential mortgages	79 784	–	79 784
Commercial property development	9 665	24	9 689
Commercial property investments	79 634	–	79 634
Other collateral	51 237	1 446	52 683
Unlisted shares	14 454	–	14 454
Bonds other than mortgage bonds	6 735	471	7 206
Asset backed lending	4 977	–	4 977
Guarantees	10 616	717	11 333
Other	14 455	258	14 713
Total collateral	249 785	4 366	254 151

* *A large percentage of these exposures (for example bank placements) are to highly rated financial institutions where limited collateral would be required due to the nature of the exposure.*

Equity and investment risk in the banking book

Equity and investment risk description

Equity and investment risk in the banking book arises primarily from the following activities conducted within the group:

- Principal Investments (Private Equity and Direct Investments): Investments are selected based on the track record of management, the attractiveness of the industry and the ability to build value for the existing business by implementing an agreed strategy. In addition, as a result of our local market knowledge and investment banking expertise, we are well positioned to take direct positions in listed shares where we believe that the market is mispricing the value of the underlying portfolio with the intention to stimulate corporate activity. In South Africa, we also continue to pursue opportunities to help create and grow black owned and controlled companies
- Lending transactions: The manner in which we structure certain transactions results in equity, warrant and profit shares being held, predominantly within unlisted companies
- Central Funding: Central Funding is the custodian of certain equity and property investments, which have largely arisen from corporate acquisitions made, notably in the early 2000s.

The table below provides an analysis of income and revaluations recorded with respect to these investments.

Valuation and accounting methodologies

	Income (pre-funding costs)				
R'million	Unrealised	Realised	Dividends	Total	Fair value through equity
For the six months to 30 September 2013					
Unlisted investments	403	18	31	452	–
Listed equities	(34)	(3)	–	(37)	(79)
Investment and trading properties	(4)	8	–	4	–
Warrants, profit shares and other embedded derivatives	(59)	53	–	(5)	–
Total	306	76	31	414	(79)
For the year ended 31 March 2013					
Unlisted investments	92	473	159	724	–
Listed equities	(238)	1	–	(237)	35
Investments and trading properties	–	31	–	31	–
Warrants, profit shares and other embedded derivatives	43	38	–	81	–
Total	(103)	543	159	599	35

Unrealised revaluation gains through profit and loss are included in tier 1 capital. Revaluations that are posted directly to equity are excluded from capital.

Summary of investments held and stress testing analyses

The balance sheet value of investments is indicated in the table below.

R'million	On-balance sheet value of investments 30 Sept 2013	Valuation change stress test 30 Sept 2013*	On-balance sheet value of investments 31 March 2013	Valuation change stress test 31 March 2013*
Unlisted investments	6 865	1 030	6 489	973
Listed equities	2 521	630	2 613	653
Investment and trading properties	301	60	391	78
Warrants, profit shares and other embedded derivatives	399	140	459	160
Total	10 086	1 860	9 952	1 864

* *In order to assess our earnings sensitivity to a movement in the valuation of these investments the following stress testing parameters are applied:*

Stress testing summary

Based on the information as at 30 September 2013, as reflected above we could have a R1.9 billion reversal in revenue (which assumes a year in which there is a 'severe stress scenario'). This would not cause the group to report a loss but could have a significantly negative impact on earnings for that period.

Stress test values applied	
Unlisted investments	15%
Listed equities	25%
Trading properties	20%
Investment properties	10%
Warrants, profit shares and other embedded derivatives	35%

Securitisation/credit investment and trading activities exposures

Overview

The group's definition of securitisation/credit investment activities (as explained below) is wider than the definition as applied for regulatory capital purposes, which largely focuses on those securitisations in which the group has achieved significant risk transfer. We however, believe that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a fuller picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the group's credit and counterparty exposure information.

Refer to page 22 for balance sheet and credit risk classification.

The group applies the Standardised approach in the assessment of regulatory capital for securitisation exposures within its banking book and trading book. The trading book exposures as at 30 September 2013 are not regarded as material, and therefore no further information is disclosed for these exposures.

The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been curtailed given the current economic climate.

In South Africa, our securitisation business was established over ten years ago. Over this time, we have arranged a number of residential and commercial mortgage backed programmes, asset-backed commercial paper conduits, and third party securitisations.

We have also assisted in the development of select securitisation platforms with external third party originating intermediaries. At present we have provided limited warehouse funding lines to a single facility.

Furthermore, we are sponsor to and provide a standby liquidity facility to Grayston Conduit 1 (RF) Ltd Series 1 and Series 2. These facilities, which totalled R1.3 billion as at 30 September 2013 (31 March 2013: R1.1 billion), have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis.

Refer to page 38.

We have also sought out select opportunities in the credit/debt markets and traded and invested in structured credit investments. These have largely been investments in rated instruments within the UK and Europe, totalling R3.4 billion at 30 September 2013 (31 March 2013: R2.7 billion).

In addition, we have own originated, securitised assets in our Private Client business. The primary motivations for the securitisation of assets within our Private Client division are to:

- Provide an alternative source of funding
- Provide a source of revenue
- Act as a mechanism to transfer risk
- Leverage returns through the retention of equity tranches in low default rate portfolios.

Total assets that have been originated and securitised by the Private Client division amount to R2.3 billion at 30 September 2013 (31 March 2013: R2.4 billion).

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/credit investment and trading activities reflect only those exposures to which we consider ourselves to be at risk. In addition, assets that have been securitised by our Private Client division are reflected as part of our core lending exposures and not our securitisation/credit investment and trading exposures as we believe this reflects the true nature and intent of these exposures and activities.

Nature of exposure/activity	Exposure as at 30 Sept 2013 R'million	Exposure as at 31 March 2013 R'million	Internal balance sheet and credit risk classification	Asset quality – relevant comments
Structured credit investments*	3 583	2 819	Other debt securities and other loans and advances.	
Rated	3 446	2 674		
Unrated	137	145		
Loans and advances to customers and investment in third party intermediary originating platforms (mortgage and auto loans) (with the potential to be securitised)	638	672	Other loans and advances.	
Private Client division assets which have been securitised	2 347	2 379	Own originated loans and advances to customers securitised.	Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 28.
Liquidity facilities provided to third party corporate securitisation vehicles	1 274	1 122	Off-balance sheet credit exposure as these facilities have remained undrawn and reflect a contingent liability of the bank.	

* *Analysed further below.*

*Analysis of structured rated and unrated credit investments

As at R'million	30 September 2013			31 March 2013		
	Rated**	Unrated	Total	Rated	Unrated	Total
US corporate loans	30	20	50	28	30	58
UK and European RMBS	2 891	–	2 891	2 178	11	2 189
UK and European CMBS	93	–	93	83	–	83
UK and European corporate loans	–	117	117	–	104	104
Australian RMBS	432	–	432	385	–	385
Total	3 446	137	3 583	2 674	145	2 819

**Further analysis of rated structured credit investments as at 30 September 2013

R'million	AAA	AA	A	BBB	BB	B	C and below	Total
US corporate loans	–	–	–		30	–	–	30
UK and European RMBS	–	371	1 098	1 165	257	–	–	2 891
UK and European CMBS	–	–	–	93	–	–	–	93
Australian RMBS	–	239	–	193	–	–	–	432
Total as at 30 September 2013	–	610	1 098	1 451	287	–	–	3 446

Market risk in the trading book

Traded market risk description

Traded market risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in the financial environment (resulting from changes in underlying market risk factors such as interest rates, equity markets, bond markets, commodity markets, exchange rates and volatilities) between now and a future point in time. The Market Risk Management team identifies, quantifies and manages the effects of these potential changes in accordance with Basel and policies determined by the board.

Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions, resulting from proprietary trading, market making, arbitrage, underwriting and investments in the commodity, foreign exchange, equity, capital and money markets. The focus of these businesses is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution.

Management and measurement of traded market risk

Market Risk Management teams review the market risks on our books. Detailed risk reports are produced daily for each trading desk.

These reports are distributed to management and the traders on the desk. Any unauthorised excesses are recorded and require a satisfactory explanation from the desk for the excess. The production of risk reports allows for the monitoring of every instrument traded against prescribed limits. New instruments or products are independently validated before trading can commence. Each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

The Market Risk teams perform a profit attribution, where our daily traded income is attributed to the various underlying risk factors on a day-to-day basis. An understanding of the sources of profit and loss is essential to understanding the risks of the business.

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR, expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored daily at the 95%, 99% and 100% (maximum loss) confidence intervals, with limits set at the 95% confidence interval. ETLs are also monitored daily at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following; October 1987 (Black Monday), 11 September 2001 and the December Rand crisis in 2001. We also consider the impact of extreme yet plausible future economic events on the trading portfolio as well as possible worst case (not necessarily plausible) scenarios. Scenario analysis is done once a week and is included in the data presented to ERRF.

All VaR models, while forward-looking, are based on past events and depend on the quality of available market data. The accuracy of the VaR model as a predictor of potential loss is continuously monitored through back testing. This involves comparing the hypothetical (clean) trading revenues arising from the previous day's closing positions with the one-day VaR calculated for the previous day on these same positions. If the revenue is negative and exceeds the one-day VaR, a 'back testing breach' is considered to have occurred.

In South Africa, we have internal model approval from the SARB and so trading capital is calculated as a function of the 99% 10-day VaR as well as the 99% 10-day stressed VaR (sVaR). Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis.

VaR

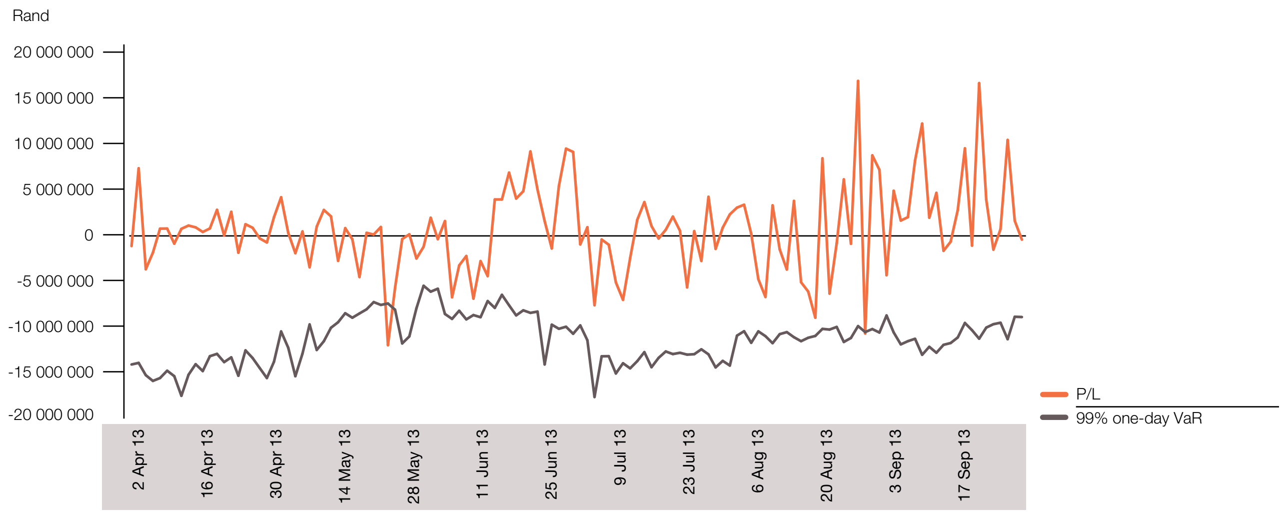
	30 September 2013				31 March 2013			
R'million	Year end	Average	High	Low	Year end	Average	High	Low
95% (one-day)								
Commodities	–	0.1	0.5	–	–	0.1	0.6	–
Equity derivatives	5.0	5.6	9.0	1.8	6.1	2.9	8.6	0.9
Foreign exchange	1.9	2.8	7.2	1.2	3.4	2.1	6.0	0.4
Interest rates	3.8	2.5	6.0	0.7	1.1	2.4	7.2	0.9
Consolidated*	5.9	6.6	9.9	3.7	7.2	4.3	8.8	1.9

* *The consolidated VaR for each desk at the period end is lower than the sum of the individual VaRs. This arises from the consolidation offset between various asset classes (diversification).*

The graph that follows show total daily VaR and profit and loss figures for our trading activities over the reporting period. The values shown are for the 99% one-day VaR, i.e. 99% of the time, the total trading activities will not lose more than the values depicted below. Based on these graphs, we can gauge the accuracy of the VaR figures.

VaR for 30 September 2013 in the South African trading book was lower than for 31 March 2013. Using hypothetical (clean) profit and loss data for backtesting resulted in two exceptions, which is in line with the number of exceptions that a 99% VaR implies. The exceptions were due to normal trading losses. Using actual profit and loss resulted in one exception which is lower than expected.

99% one-day VaR backtesting



ETL 95% (one-day)

R'million	30 Sept 2013	31 March 2013
Commodities	0.1	–
Equity derivatives	7.2	9.3
Foreign exchange	2.5	4.6
Interest rates	5.7	2.6
Consolidated*	7.9	10.5

* *The consolidated ETL for each desk is lower than the sum of the individual ETLs. This arises from the correlation offset between various asset classes.*

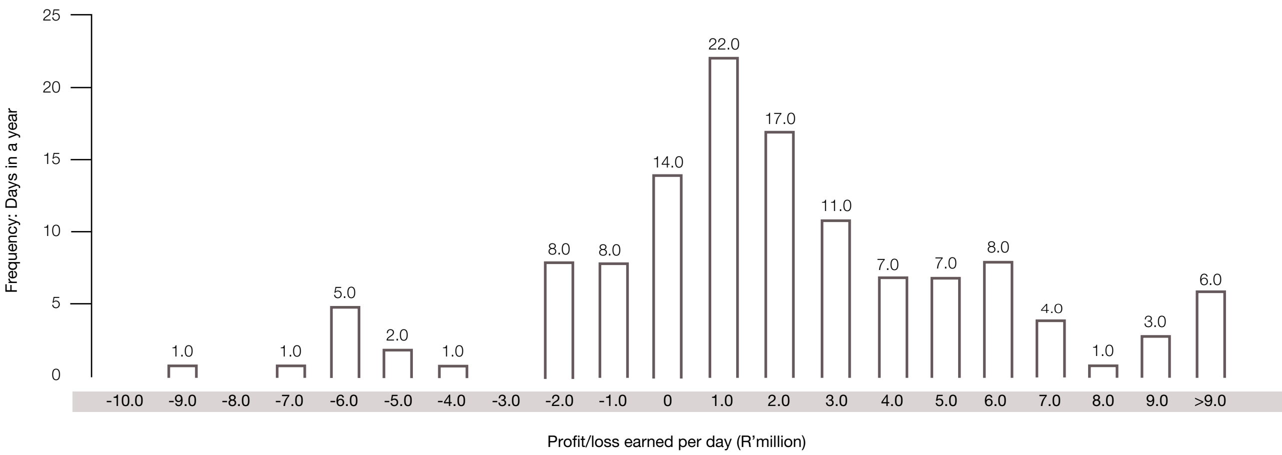
Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions. The method used is known as extreme value theory (EVT), the reported stress scenario below calculates the 99% EVT which is a 1-in-8 year possible loss event. These numbers do not assume normality but rather rely on fitting a distribution to the tails of the distribution.

	30 September 2013				31 March 2013
R'million	Period end	Average	High	Low	Year end
99% (using 99% EVT)					
Commodities	1.9	0.5	4.0	–	–
Equity derivatives	23.8	42.9	68.9	13.8	41.2
Foreign exchange	8.8	21.4	55.1	9.2	13.7
Interest rates	25.6	19.1	45.9	5.4	23.4
Consolidated	33.5	50.5	75.8	28.3	45.4

Profit and loss histograms

The histogram below illustrates the distribution of daily revenue during the six month period for our trading businesses. The distribution is skewed to the profit side and the graph shows that positive trading revenue was realised on 86 days out of a total of 126 days in the trading business. The average daily trading revenue generated for the six months to 30 September 2013 was R1.5 million (year ended 31 March 2013: R1.3 million).



Balance sheet risk management

Balance sheet risk description

Balance sheet risk management encompasses the independent monitoring and prudential management of the financial risks relating to our asset and liability portfolios, comprising market liquidity, funding, concentration, non-trading interest rate and forex risks on balance sheet.

Non-trading interest rate risk description

Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value, as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers.

Sources of interest rate risk include:

- Repricing risk: Arises from the timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive portfolios
- Yield curve risk: Repricing mismatches also expose the bank to changes in the slope and shape of the yield curve
- Basis risk: Arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- Optionality: We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk, while prepayment optionality is restricted to variable rate contracts and has no impact on interest rate risk.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs, when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest income and the economic value of equity.

Interest rate sensitivity as at 30 September 2013

The table below shows our non-trading interest rate mismatch. These exposures affect the interest rate margin realised between lending income and borrowing costs assuming no management intervention.

R'million	Not >3 months	>3 months but <6 months	>6 months but <1 year	>1 year but <5 years	>5 years	Non-rate	Total non-trading
Cash and short-term funds – banks	21 657	–	–	26	–	5 003	26 686
Cash and short-term funds – non-banks	7 705	–	–	–	–	2	7 707
Investment/trading assets and statutory liquids	27 546	9 645	8 806	11 019	7 734	10 288	75 038
Securitised assets	3 608	–	–	–	–	368	3 976
Advances	127 213	1 784	1 247	9 342	4 967	361	144 914
Other assets	–	–	–	–	–	1 532	1 532
Assets	**187 729**	**11 429**	**10 053**	**20 387**	**12 701**	**17 554**	**259 853**
Deposits – banks	(10 768)	(570)	(71)	(131)	–	(51)	(11 591)
Deposits – non-banks	(164 135)	(13 285)	(11 964)	(6 394)	(1 811)	(1 096)	(198 685)
Negotiable paper	(1 571)	–	(50)	(3 458)	–	–	(5 079)
Securitised liabilities	(2 785)	–	–	–	–	(446)	(3 231)
Investment/trading liabilities	(10 055)	–	–	(3 078)	–	(598)	(13 731)
Subordinated liabilities	(7 360)	–	–	(325)	(2 684)	(35)	(10 404)
Other liabilities	(110)	–	–	–	–	(3 079)	(3 189)
Liabilities	**(196 784)**	**(13 855)**	**(12 085)**	**(13 386)**	**(4 495)**	**(5 305)**	**(245 910)**
Intercompany loans	9 586	1 530	(300)	2 178	(3)	1 462	14 453
Shareholders' funds	(1 173)	–	–	–	(11)	(23 343)	(24 527)
Balance sheet	**(642)**	**(896)**	**(2 332)**	**9 179**	**8 192**	**(9 632)**	**3 869**
Off-balance sheet	17 154	(6 404)	5 197	(13 214)	(6 602)	–	(3 869)
Repricing gap	**16 512**	**(7 300)**	**2 865**	**(4 035)**	**1 590**	**(9 632)**	**–**
Cumulative repricing gap	16 512	9 212	12 077	8 042	9 632	–	–

Economic value sensitivity as at 30 September 2013

Our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention. The numbers represent the change to the value of the mark-to-market portfolios should such a hypothetical scenario arise. This sensitivity effect does not have a significant direct impact on our equity.

	Sensitivity to the following interest rates (expressed in original currencies)					
'million	ZAR	GBP	USD	EUR	AUD	All (ZAR)
200bps down	(159.2)	4.3	(10.2)	(4.5)	0.8	(246.1)
200bps up	110.4	(3.6)	9.2	6.3	(0.9)	221.1

Liquidity risk

Liquidity risk description

Liquidity risk is the risk that we have insufficient capacity to fund increases in assets, or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

Liquidity risk is further broken down into:

- Funding liquidity: which relates to the risk that the bank will be unable to meet current and/or future cash flow or collateral requirements in the normal course of business, without adversely affecting its financial position or its reputation
- Market liquidity: which relates to the risk that the bank may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Sources of liquidity risk include:

- Unforeseen withdrawals of deposits
- Restricted access to new funding with appropriate maturity and interest rate characteristics
- Inability to liquidate a marketable asset in a timely manner with minimal risk of capital loss
- Unpredicted customer non-payment of loan obligations
- A sudden increased demand for loans in the absence of corresponding funding inflows of appropriate maturity.

Liquidity mismatch

The table that follows show our contractual liquidity mismatch.

The table will not agree directly to the balances disclosed in the balance sheet since the table incorporates cash flows on a contractual, undiscounted basis based on the earliest date on which the group can be required to pay.

Our liquidity and funding profile reflects our strategy, risk appetite and business activities. The table reflects that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

- No assumptions are made except as mentioned below, and we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal
- As an integral part of the broader liquidity generation strategy, we maintain a liquidity buffer in the form of unencumbered cash, government, or bank paper (typically eligible for repurchase with the central bank), and near cash as a buffer against both expected and unexpected cash flows
- The actual contractual profile of this asset class is of little consequence, as practically Investec would meet any unexpected net cash outflows by repo'ing or selling these securities, we have:
  - set the time horizon to 'on demand' to monetise our statutory liquid assets for which liquidity is guaranteed by the central bank;
  - set the time horizon to one month to monetise our cash and near cash portfolio of 'available-for-sale' discretionary treasury assets, where there are deep secondary markets for this elective asset class; and
  - reported the 'contractual' profile by way of a note to the tables.

With respect to the behavioural liquidity mismatch:

- Behavioural liquidity mismatch tends to display fairly high probability, low severity liquidity position. Many retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the group's operations and liquidity needs because of the broad base of customers. To this end, behavioural profiling is applied to liabilities with an indeterminable maturity, as the contractual repayments of many customer accounts are on demand or at short notice but expected cash flows vary significantly from contractual maturity. An internal analysis model is used, based on statistical research of the historical series of products. This is used to identify significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour. In addition, reinvestment behaviour, with profile and attrition based on history, is applied to term deposits in the normal course of business.

Contractual liquidity as at 30 September 2013

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks*	23 271	965	1 978	83	13	1 240	56	27 606
Cash and short-term funds – non-banks	7 614	87	21	–	–	–	–	7 722
Investment/trading assets and statutory liquids**	30 818	11 936	2 721	1 069	902	19 087	27 721	94 254
Securitised assets	103	16	65	383	1 025	412	1 972	3 976
Advances	3 259	6 551	10 184	9 476	15 444	61 941	38 059	144 914
Other assets	310	112	758	1 057	36	–	4 058	6 331
Assets	65 375	19 667	15 727	12 068	17 420	82 680	71 866	284 803
Deposits – banks	(2 159)	(3 823)	(818)	(138)	(480)	(4 173)	–	(11 591)
Deposits – non-banks	(70 444)^	(23 439)	(33 050)	(22 284)	(24 600)	(24 579)	(2 116)	(200 512)
Negotiable paper	–	(34)	–	(300)	(180)	(4 565)	–	(5 079)
Securitised liabilities	–	(515)	–	(2 000)	–	(32)	(684)	(3 231)
Investment/trading liabilities	(387)	(4 988)	(1 975)	(1 203)	(2 299)	(12 758)	(1 595)	(25 205)
Subordinated liabilities	–	(35)	–	–	(162)	(525)	(9 682)	(10 404)
Other liabilities	(30)	(263)	(44)	–	(162)	(405)	(3 350)	(4 254)
Liabilities	(73 020)	(33 097)	(35 887)	(25 925)	(27 883)	(47 037)	(17 427)	(260 276)
Shareholders' funds	–	–	–	–	–	–	(24 527)	(24 527)
Contractual liquidity gap	(7 645)	(13 430)	(20 160)	(13 857)	(10 463)	35 643	29 912	–
Cumulative liquidity gap	(7 645)	(21 075)	(41 235)	(55 092)	(65 555)	(29 912)	–	–

Note: contractual profile of 'cash and near cash' asset class.

As discussed on page 43.

R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
*Cash and short-term funds – banks	18 343	965	1 978	83	13	1 240	4 984	27 606
**Investment/trading assets and statutory liquids	2 355	7 556	7 049	11 822	13 370	20 610	31 492	94 254

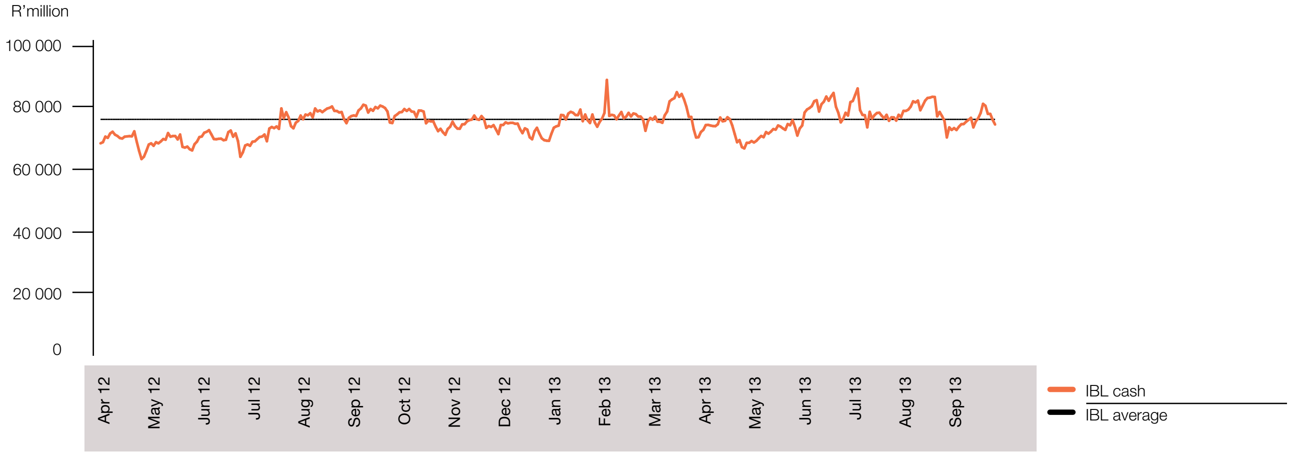
Behavioural liquidity

As discussed on page 43.

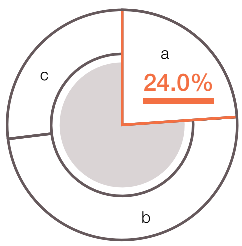
R'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	31 853	(10 500)	4 133	1 418	6 390	(77 966)	44 672	–
Cumulative	31 853	21 353	25 486	26 904	33 295	(44 672)	–	–

^ *Includes call deposits of R63.3 billion and the balance reflects term deposits which have finally reached/are reaching contractual maturity.*

Investec Bank Limited cash and near cash trend



An analysis of cash and near cash

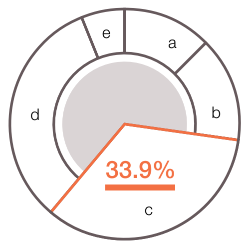


Investec Bank Limited

R74 479 million

a	Cash	24.0%
b	Near cash (central bank guaranteed liquidity)	49.2%
c	Near cash (other 'monetisable' assets)	26.8%

Bank and non-bank depositor concentration by type



South Africa

R212 103 million

a	Financial institutions/banks	12.6%
b	Corporate	14.7%
c	Private client	33.9%
d	Fund managers	32.8%
e	Public sector	6.0%

Capital management and allocation

Capital structure and capital adequacy

R'million	30 Sept 2013*	31 March 2013
Tier 1 capital		
Shareholders' equity	22 993	21 975
Shareholders' equity per balance sheet	24 527	23 509
Perpetual preference share capital and share premium	(1 534)	(1 534)
Regulatory adjustments to the accounting basis	561	446
Cash flow hedging reserve	–	446
Deductions	561	(90)
Goodwill and intangible assets net of deferred tax	(95)	(90)
Common equity tier 1 capital	23 458	22 331
Additional tier 1 capital before deductions	1 381	1 381
Additional tier 1 instruments	1 534	1 534
Phase out of non-qualifying additional tier 1 instruments	(153)	(153)
Total tier 1 capital	24 840	23 712
Tier 2 capital		
Total qualifying tier 2 capital before deductions	10 541	11 493
Collective impairment allowances	137	122
Tier 2 instruments	10 404	12 496
Phase out of non-qualifying tier 2 instruments	–	(1 125)
Total tier 2 capital	10 541	11 493
Total regulatory capital	35 380	35 205
Risk-weighted assets	232 848	217 715
Capital ratios		
Common equity tier 1 ratio	10.1%	10.3%
Tier 1 ratio	10.7%	10.9%
Total capital ratio	15.2%	16.2%

* *Based on Basel III capital requirements as currently applicable in South Africa. Comparative information is also disclosed on a Basel III basis.*

Capital management and allocation (continued)

Capital requirements

R'million	30 Sept 2013	31 March 2013
Capital requirements	22 121	20 681
Credit risk – prescribed standardised exposure classes	16 005	14 798
Corporates	9 248	9 023
Secured on real estate property	1 703	1 513
Short-term claims on institutions and corporates	2 421	2 155
Retail	456	325
Institutions	1 099	1 058
Other exposure classes	88	73
Securitisation exposures	990	651
Equity risk – Standardised approach	3 547	3 472
Listed equities	761	789
Unlisted equities	2 786	2 683
Counterparty credit risk	620	716
Market risk	661	426
Interest rate	218	117
Foreign exchange	92	74
Commodities	4	2
Equities	347	233
Operational risk – Standardised approach	1 288	1 269

Risk-weighted assets

R'million	30 Sept 2013	31 March 2013
Risk-weighted assets (banking and trading)	232 848	217 715
Credit risk – prescribed standardised exposure classes	168 484	155 781
Corporates	97 349	94 983
Secured on real estate property	17 929	15 925
Short-term claims on institutions and corporates	25 484	22 685
Retail	4 804	3 426
Institutions	11 565	11 141
Other exposure classes	927	768
Securitisation exposures	10 426	6 853
Equity risk – Standardised approach	37 338	36 548
Listed equities	8 015	8 306
Unlisted equities	29 323	28 242
Counterparty credit risk	6 523	7 537
Market risk	6 944	4 488
Interest rate	2 291	1 229
Foreign exchange	966	783
Commodities	37	20
Equities	3 650	2 456
Operational risk – Standardised approach	13 559	13 361

Annexure

04

Annexure 1 Dividend announcement

Investec Bank Limited

Preference share dividend announcement

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

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

Declaration of dividend number 21

Notice is hereby given that preference dividend number 21 has been declared for the period 01 April 2013 to 30 September 2013 amounting to 355.12278 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, 06 December 2013.

The relevant dates for the payment of dividend number 21 are as follows:

Last day to trade cum-dividend	Friday, 29 November 2013
Shares commence trading ex-dividend	Monday, 02 December 2013
Record date	Friday, 06 December 2013
Payment date	Tuesday, 17 December 2013

Share certificates may not be dematerialised or rematerialised between Monday, 02 December 2013 and Friday, 06 December 2013, 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).
- The total Secondary Tax on Companies ("STC") credits utilised as part of this dividend declaration amount to R17 622 569 (114.07943 cents per preference share) and consequently the STC credits utilised are sufficient to cover a portion of any Dividend Tax and the remaining 241.04335 cents dividend per preference share will be subject to Dividends Tax (subject to any available exemptions as legislated).
- Shareholders subject to Dividends Tax will receive a net dividend of 318.96628 cents per preference share and shareholders exempt from paying the Dividend Tax will receive a net dividend of 355.12278 cents per preference share.

By order of the board

B Coetsee
Company Secretary

20 November 2013

Notes

Notes