Investec
Specialist Bank and Asset Manager

Investec Bank Limited

Reviewed preliminary condensed consolidated financial results for the year ended 31 March 2012

Consolidated income statement

Year to 31 March R'million	Reviewed 2012	Restated* 2011
Interest income	15 850	14 932
Interest expense	(11 581)	(11 062)
Net interest income	4 269	3 870
Fee and commission income	1 146	948
Fee and commission expense	(91)	(39)
Investment income	589	1 208
Trading income		
– Arising from customer flow	259	209
– Arising from balance sheet management and other trading activities	175	253
Other operating income/(loss)	10	(2)
Total operating income before impairment losses on loans and advances	6 357	6 447
Impairment losses on loans and advances	(833)	(852)
Operating income	5 524	5 595
Operating costs	(3 351)	(3 181)
Profit before taxation	2 173	2 414
Taxation	(215)	(132)
Profit after taxation	1 958	2 282
Loss attributable to non-controlling interests	–	4
Earnings attributable to shareholders	1 958	2 286
Headline earnings		
Earnings attributable to shareholders	1 958	2 286
Preference dividends paid	(104)	(120)
Earnings attributable to ordinary shareholders	1 854	2 166
Headline adjustments, net of taxation	(42)	25
Gain on realisation of available-for-sale financial assets	(42)	–
Impairment of associate	–	25
Headline earnings attributable to ordinary shareholders	1 812	2 191

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

Condensed consolidated statement of total comprehensive income

Year to 31 March R'million	Reviewed 2012	Audited 2011
Profit after taxation	1 958	2 282
Other comprehensive income:		
Cash flow hedge movements taken directly to other comprehensive income**	(354)	82
Fair value movements on available-for-sale assets taken directly to other comprehensive income**	84	23
Gain on realisation of available-for-sale assets recycled through the income statement	(42)	–
Foreign currency adjustments on translating foreign operations	229	(128)
Total comprehensive income	1 875	2 259
Total comprehensive loss attributable to non-controlling interests	–	(4)
Total comprehensive income attributable to shareholders	1 875	2 263
Total comprehensive income	1 875	2 259

*** Net of taxation of (R105 million) (2011: R41 million).*

Consolidated balance sheet

At 31 March R'million	Reviewed 2012	Restated* 2011	Restated* 2010
Assets			
Cash and balances at central banks	9 303	6 813	3 660
Loans and advances to banks	19 191	4 918	13 245
Non-sovereign and non-bank cash placements	7 885	5 829	6 455
Reverse repurchase agreements and cash collateral on securities borrowed	5 098	8 157	3 776
Sovereign debt securities	30 222	29 118	18 668
Bank debt securities	27 695	18 169	13 305
Other debt securities	6 284	4 888	2 003
Derivative financial instruments	10 595	11 487	7 829
Securities arising from trading activities	1 628	625	624
Investment portfolio	6 036	5 766	5 380
Loans and advances to customers	122 615	114 439	110 894
Own originated loans and advances to customers securitised	2 302	934	1 369
Other loans and advances	669	784	1 025
Other securitised assets	1 057	1 242	2 162
Interest in associated undertakings	38	135	180
Deferred taxation assets	46	42	22
Other assets	1 074	981	924
Property and equipment	308	286	164
Investment properties	5	5	5
Intangible assets	96	108	96
Loans to group companies	3 805	6 836	6 093
Total assets	255 952	221 562	197 879
Liabilities			
Deposits by banks	13 933	10 956	9 554
Derivative financial instruments	8 570	10 495	7 144
Other trading liabilities	172	389	454
Repurchase agreements and cash collateral on securities lent	18 174	10 733	6 281
Customer accounts (deposits)	176 094	154 772	143 390
Debt securities in issue	1 738	2 489	2 758
Liabilities arising on securitisation of own originated loans and advances	2 933	931	1 487
Liabilities arising on securitisation of other assets	492	1 243	1 220
Current taxation liabilities	1 113	1 024	857
Deferred taxation liabilities	9	349	444
Other liabilities	3 082	2 478	2 495
	226 310	195 859	176 084
Subordinated liabilities	8 709	6 866	5 341
Total liabilities	235 019	202 725	181 425
Equity			
Ordinary share capital	29	27	25
Share premium	13 527	11 845	10 530
Other reserves	(119)	(100)	(156)
Retained income	7 496	7 065	6 051
Shareholders' equity excluding non-controlling interests	20 933	18 837	16 450
Non-controlling interests	–	–	4
Total equity	20 933	18 837	16 454
Total liabilities and equity	255 952	221 562	197 879

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

Condensed consolidated statement of changes in equity

Year to 31 March R'million	Reviewed 2012	Audited 2011
Balance at the beginning of the year	18 837	16 454
Total comprehensive income for the year	1 875	2 259
Issue of ordinary shares	1 684	1 300
Issue of perpetual preference shares	–	17
Dividends paid to ordinary shareholders	(1 359)	(1 073)
Dividends paid to perpetual preference shareholders	(104)	(120)
Balance at the end of the year	20 933	18 837

Condensed consolidated cash flow statement

Year to 31 March R'million	Reviewed 2012	Audited 2011
Net cash inflow from operating activities	8 353	2 492
Net cash outflow from investing activities	(37)	(226)
Net cash inflow from financing activities	2 064	1 649
Effects of exchange rate changes on cash and cash equivalents	146	(21)
Net increase in cash and cash equivalents	10 526	3 894
Cash and cash equivalents at the beginning of the year	14 468	10 574
Cash and cash equivalents at the end of the year	24 994	14 468

Cash and cash equivalents is defined as including cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

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

Commentary

Overview of results

Investec Bank Limited, a subsidiary of Investec Limited, posted a decrease in headline earnings attributable to ordinary shareholders of 17.3% to R1,812 million (2011: R2,191 million).

The balance sheet remains strong with a capital adequacy ratio of 16.1% (2011: 15.6%).

For full information on the Investec Group results, refer to the combined results of Investec plc and Investec Limited or the group's website http://www.investec.com

Financial review

Unless the context indicates otherwise, all comparatives referred to in the financial review relate to the year ended 31 March 2011. Operating profit is before taxation and headline adjustments.

Salient operational features of the year under review include:

- Total operating income before impairment losses on loans and advances decreased by 1.4% to R6,357 million (2011: R6,447 million). The components of operating income are analysed further below:
  - Net interest income increased by 10.3% to R4,269 million (2011: R3,870 million) largely as a result of improved margins and a sound performance from the bank's fixed income portfolio, partially offset by higher costs on subordinated liabilities.
  - Net fee and commission income increased by 16.1% to R1,055 million (2011: R909 million) supported by increased activity in the corporate and advisory divisions.
  - Investment income decreased by 51.2% to R589 million (2011: R1,208 million) largely due to a weaker performance from the bank's listed principal investments portfolio.
  - Trading income arising from customer flow increased by 23.9% to R259 million (2011: R209 million) whilst trading income arising from other trading activities decreased by 30.8% to R175 million (2011: R253 million) reflecting lower activity on the balance sheet management desk.
- Since 31 March 2011 the level of defaults has improved resulting in a 2.2% decline in impairments on loans and advances to R833 million (2011: R852 million). The credit loss charge as a percentage of average gross loans and advances has improved from 0.74% at 31 March 2011 to 0.69%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 2.79% (2011: 4.13%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.68 times (2011: 1.49 times).
- The ratio of total operating costs to total operating income amounts to 52.7% (2011: 49.3%). Total operating expenses grew by 5.3% to R3,351 million (2011: R3,181 million) largely as a result of inflationary adjustments.
- As a result of the foregoing factors operating profit decreased by 10.0% to R2,173 million (2011: R2,414 million).

Accounting policies and disclosures

These reviewed preliminary condensed consolidated financial results for the year ended 31 March 2012 have been prepared in terms of the recognition and measurement criteria of International Financial Reporting Standards, and the presentation and disclosure requirements of IAS 34, Interim Financial Reporting, the AC 500 Standards as issued by the Accounting Practices Board and the Companies Act 71 of 2008.

The accounting policies applied in the preparation of the results for the year ended 31 March 2012 are consistent with those adopted in the financial statements for the year ended 31 March 2011. The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance Director.

The audited financial statements and the annual report for the year ended 31 March 2012 will be posted to stakeholders on 29 June 2012. These accounts will be available on the group's website at the same date.

Restatements

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

Consolidated income statement

- The previously reported principal transaction income line item has been split into the following line items:
  - Investment income: income, other than margin, from securities held for the purpose of generating interest yield, dividends and capital appreciation.
  - Client flow trading income: income from trading activities arising from making and facilitating client activities.
  - Income from balance sheet management and other trading activities: includes proprietary trading income and other gains and losses as well as income earned from the balance sheet management desk.

For the year ended 31 March 2011 R'million	New format	As previously reported	Reclassifications
Interest income	14 932	14 932	–
Interest expense	(11 062)	(11 062)	–
Net interest income	3 870	3 870	–
Fee and commission income	948	948	–
Fee and commission expense	(39)	(39)	–
Principal transactions	–	1 670	(1 670)
Investment income	1 208	–	1 208
Trading income			
– From customer flow	209	–	209
– From balance sheet management and other trading activities	253	–	253
Operating loss from associates	–	(17)	17
Other operating income/(loss)	(2)	15	(17)
Total operating income before impairment losses on loans and advances	6 447	6 447	–

Consolidated balance sheet

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

Each category of reclassification is noted below:

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

At 31 March 2011 R'million	New format	As previously reported	Total reclassi-fications	Cash equivalent corporate paper	Loans and securiti-sation	Securities reclassi-fication
Total assets reclassified						
Cash equivalent advances to customers	–	5 829	(5 829)	(5 829)	–	–
Non-sovereign and non-bank cash placements	5 829	–	5 829	5 829	–	–
Sovereign debt securities	29 118	–	29 118	–	–	29 118
Bank debt securities	18 169	–	18 169	–	–	18 169
Other debt securities	4 888	–	4 888	–	–	4 888
Trading securities	–	44 352	(44 352)	–	–	(44 352)
Securities arising from trading activities	625	–	625	–	–	625
Investment portfolio	5 766	–	5 766	–	–	5 766
Investment securities	–	14 214	(14 214)	–	–	(14 214)
Loans and advances to customers	114 439	115 223	(784)	–	(784)	–
Securitised assets	–	2 176	(2 176)	–	(2 176)	–
Own originated loans and advances to customers securitised	934	–	934	–	934	–
Other loans and advances	784	–	784	–	784	–
Other securitised assets	1 242	–	1 242	–	1 242	–
	181 794	181 794	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	–	2 174	(2 174)	–	(2 174)	–
Liabilities arising on securitisation of own originated loans and advances	931	–	931	–	931	–
Liabilities arising on securitisation of other assets	1 243	–	1 243	–	1 243	–
	2 174	2 174	–	–	–	–

At 31 March 2010 R'million	New format	As previously reported	Total reclassi-fications	Cash equivalent corporate paper	Loans and securiti-sation	Securities reclassi-fication
Total assets reclassified						
Cash equivalent advances to customers	**–**	6 455	(6 455)	(6 455)	–	–
Non-sovereign and non-bank cash placements	**6 455**	–	6 455	6 455	–	–
Sovereign debt securities	**18 668**	–	18 668	–	–	18 668
Bank debt securities	**13 305**	–	13 305	–	–	13 305
Other debt securities	**2 003**	–	2 003	–	–	2 003
Trading securities	**–**	36 375	(36 375)	–	–	(36 375)
Securities arising from trading activities	**624**	–	624	–	–	624
Investment portfolio	**5 380**	–	5 380	–	–	5 380
Investment securities	**–**	3 605	(3 605)	–	–	(3 605)
Loans and advances to customers	**110 894**	111 919	(1 025)	–	(1 025)	–
Securitised assets	**–**	3 531	(3 531)	–	(3 531)	–
Own originated loans and advances to customers securitised	**1 369**	–	1 369	–	1 369	–
Other loans and advances	**1 025**	–	1 025	–	1 025	–
Other securitised assets	**2 162**	–	2 162	–	2 162	–
	161 885	161 885	–	–	–	–
Total liabilities reclassified						
Liabilities arising on securitisation	**–**	2 707	(2 707)	–	(2 707)	–
Liabilities arising on securitisation of own originated loans and advances	**1 487**	–	1 487	–	1 487	–
Liabilities arising on securitisation of other assets	**1 220**	–	1 220	–	1 220	–
	2 707	2 707	–	–	–	–

Commentary on line of business segmental reclassifications

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

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

On behalf of the Board of Investec Bank Limited

Fani Titi
Chairman

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

16 May 2012

Review conclusion

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

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

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

Declaration of dividend number 18

Notice is hereby given that preference dividend number 18 has been declared for the period 01 October 2011 to 31 March 2012 amounting to a gross dividend of 338.42 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, 15 June 2012.

The relevant dates for the payment of dividend number 18 are as follows:

Last day to trade cum-dividend	Friday, 08 June 2012
Shares commence trading ex-dividend	Monday, 11 June 2012
Record date	Friday, 15 June 2012
Payment date	Tuesday, 26 June 2012

Share certificates may not be dematerialised or rematerialised between Monday, 11 June 2012 and Friday, 15 June 2012, both dates inclusive

Additional information to take note of:

- The Investec Bank Limited company tax reference number: 9675/053/71/5.
- The issued preference share capital of Investec Bank Limited is 15 447 630 preference shares.
- The dividend paid by Investec Bank Limited is subject to South African Dividend Tax (Dividend Tax) of 15% (subject to any available exemptions as legislated).
- The total Secondary Tax on Companies ("STC") credits utilised as part of this declaration amount to R52 277 869 (338.42 cents per preference share) and consequently the STC credits utilised are sufficient to cover the 15% Dividend Tax required and shareholders will receive a net dividend of 338.42 cents per preference share.

By order of the Board

B Coetsee
Company Secretary

16 May 2012

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

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

Share code: INLP **ISIN:** ZAE000048393

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

Investec