Out of the Ordinary®

Investec

Specialist Bank and
Asset Manager

Investec Bank (Australia) Limited

ABN 55 071 292 594

Unaudited consolidated financial information for the year ended 31 March 2013

Executive summary

1. Introduction

The financial results of Investec Bank (Australia) Limited (Investec Australia) reflect a year where much was achieved in setting the foundations for the years ahead; the establishment of an Asset Finance business, the expansion of the Private Banking offering and a significant focus on our funding drivers.

Investec Australia's balance sheet reflects:

- HQLA ratio of 25.5%;
- A Level 2 capital adequacy ratio of 15.8% (tier 1 of 11.8%) and a Level 1 capital adequacy ratio of 15.4% (tier 1 of 11.3%);
- Private client deposits now comprising 60% of total funding (excluding securitisation);

With a strong balance sheet we remain well-positioned to grow our core businesses and benefit from the opportunities as a Specialist Bank which we believe will emerge as markets recover.

Our targeted business initiatives and strategies include:

- Selectively growing our loan portfolio with high quality clients in chosen sectors;
- Reshaping our high net worth platform towards a more focused offering of integrated solutions, including lending for business, property or other investment purposes, corporate advisory, treasury and specialist investment opportunities;
- Expanding our Professional Finance business by further investment and developing additional products and services;
- Continued diversifying of our deposit base;
- Building a balanced business model between lending and non-lending income;
- Growing our Financial Markets business to include foreign exchange, interest rate and other treasury products;
- Increasing the scale and diversity of our Asset Finance business to build a loan book of scale and quality;
- Expanding and integrating our Corporate Finance, Securities and Capital Markets offerings in the resources sector;

2. Financial performance

As part of year end reporting at 31 March 2012, Investec Australia indicated it had divested from and exited it's non-core property development finance business.

To reflect this in a meaningful way, results were allocated between ongoing core businesses and the property development finance business whose loan assets were substantially sold or being run-off. This year we continue to reflect the net profit before tax numbers on this basis.

For the year ended 31 March 2013, Investec Australia reported a 30% increase in operating income from $156.9 million to $203.2 million. The profit pre impairments from ongoing core activities amounted to $58.6 million (2012: $45.9 million). After impairments the profit from core activities was $36.6 million (2012: $25.1 million). The profit before tax including all activities amounted to $5.2 million as set out below, and a profit after tax of $7.3 million.

The net result is summarised below:

Profit/(loss) before income tax $m	**Year ended 31-Mar 2013**	**Year ended 31-Mar 2012**
Core businesses	36.6	25.1
Non core property development finance business	(31.4)	(126.8)
	5.2	(101.7)

At 31 March 2013, Investec Australia's loan book was $3.2 billion. In line with our previously-stated strategy of diversifying our loan book, Investec Australia focused on diversifying loans across all sectors in which it operates. We are pleased to report that our Professional Finance business now comprises in excess of 60% of the loan book.

Total deposits and wholesale funding (excluding securitised liabilities and subordinated liabilities) at 31 March 2013 were $3.3 billion, including $2.1 billion of Private Client deposits which are up 2% since March 2012. Wholesale funding has actively been managed to maintain realistic liquidity levels.

3. Strategy and outlook

Investec Australia's direction continues to be as a specialist bank to the private client, corporate and institutional markets. Our aim is to create wealth for our clients. We lend, we provide investment opportunities and we find solutions.

Our outlook is positive as we continue to implement the initiatives outlined above. Our strong balance sheet, sound risk disciplines, ongoing investment in quality people and systems allow us to look forward to the 2014 year and beyond with enthusiasm and confidence, and we are well- positioned to capitalise on the opportunities the changing market landscape is likely to present.

4. Presentation of information

The information contained in this report is presented in Australian dollars and values have been rounded to the nearest million dollars unless otherwise stated.

Overview of results

	31 March 2013	31 March 2012
Total group profit/(loss) before income tax ($m)	5.2	(101.7)
Ongoing core business ($m)	36.6	25.1
Non core property development finance business ($m)	(31.4)	(126.8)
Total operating income	203.2	156.9
Total shareholders' equity ($m)	607.4	598.1
Total assets ($m)	4,753.6	5,242.7
Gross loans and advances to customers including securitised	3,237.2	3,023.9
Customer deposits ($m)	2,465.5	2,370.0
Retail deposits ($m)	2,120.7	2,012.5
Cash and liquid assets ($m)	1,021.5	1,578.1
Leverage ratio (total assets divided by shareholders equity)	7.8 x	8.7 x
Capital adequacy ratio (Level 2)	15.8%	17.6%
Tier 1 ratio (Level 2)	11.8%	14.6%
Capital adequacy ratio (Level 1)	15.4%	16.7%
Tier 1 ratio (Level 1)	11.3%	13.5%
HQLA ratio	25.5%	35.7%

Income statement

$m	Year to 31 March 2013	Year to 31 March 2012
Interest income	**329.4**	**382.1**
Interest expense	(223.4)	(281.0)
Net interest income	**106.0**	**101.1**
Fee and commission income (net)	83.9	53.1
Investment income	1.0	(12.2)
Client flow trading income	10.5	16.5
Trading income arising from balance sheet management activities	(0.9)	(1.7)
Share of profit/(loss) of investments accounted for using the equity method	2.7	0.1
Non-interest income	**97.2**	**55.8**
Total operating income	**203.2**	**156.9**
Operating costs	(170.9)	(152.0)
Net income before impairments	**32.3**	**4.9**
Impairment losses on loans	(27.1)	(106.6)
Profit/(loss) before income tax	**5.2**	**(101.7)**
Income tax benefit	2.1	30.1
Profit/(loss) attributable to members	**7.3**	**(71.6)**

Segmental information - business analysis

Profit/(loss) before income tax ($m)	Year to 31 March 2013	Year to 31 March 2012
Corporate & Institutional Banking activities	24.5	19.1
Private Banking activities *	7.7	14.1
Investment Banking	9.6	(5.5)
Property Investments	3.5	4.7
Group services and other activities	(8.7)	(7.3)
Ongoing Core business	**36.6**	**25.1**
Non core property development finance business	(31.4)	(126.8)
Total	**5.2**	**(101.7)**

* March 2013 includes $17.9 million from Professional Finance (March 2012: $17.5 million).

Consolidated balance sheet

$m	31 March 2013	31 March 2012
Assets		
Cash and balances at central banks	214.5	277.7
Loans and advances to banks	128.1	105.6
Derivative financial instruments	108.7	206.3
Sovereign debt securities	429.5	357.6
Bank debt securities	262.2	817.7
Other debt securities	32.8	126.3
Investment portfolio	16.8	18.6
Trading book securities	12.0	10.6
Loans and advances to customers	2,496.1	2,180.1
Loans and advance to customers securitised	715.4	825.2
Investments accounted for using the equity method	5.6	8.0
Other financial assets	54.7	65.6
Property, plant and equipment	14.3	14.8
Deferred tax assets	15.7	14.4
Other assets	137.8	111.4
Goodwill	94.1	90.0
Assets held for sale	3.9	1.7
Intangible assets	11.4	11.1
Total assets	**4,753.6**	**5,242.7**
Liabilities		
Customer accounts	2,465.5	2,370.0
Derivative financial instruments	84.3	134.2
Debt issued and other borrowed funds	685.5	1,198.8
Liabilities arising on securitisation of other assets	696.0	812.7
Other liabilities	94.6	57.4
Subordinated debt	120.3	71.5
Total liabilities	**4,146.2**	**4,644.6**
Total equity	**607.4**	**598.1**
Equity		
Share capital	291.7	291.7
Retained earnings	305.6	297.0
Other reserves	10.1	9.4
Total equity	**607.4**	**598.1**

Asset quality

$m	31 March 2013	31 March 2012
Current loans to customers	3,115.8	2,930.1
Total gross non current loans to customers	121.3	94.1
Past due loans to customers (1-60 days and management not concerned)	25.7	22.0
Special mention loans to customers	1.4	2.2
Default loans to customers	94.2	69.9
Gross loans to customers	**3,237.2**	**3,024.2**
Total balance sheet impairments	(25.7)	(18.9)
Portfolio impairments	(2.5)	(2.4)
Specific impairments	(23.2)	(16.5)
Net loans to customers	**3,211.5**	**3,005.3**
Average gross loans	**3,130.7**	**3,185.3**
Total gross non-current loans to customers	**121.3**	**94.1**
- Gross loans to customers that are past due but not impaired	46.5	40.3
- Gross loans to customers that are impaired	74.9	53.8
Total income statement charge for impairments on loans	27.1	106.1
Gross loans to customers that are impaired	74.9	53.8
Specific impairments	(23.2)	(16.5)
Impaired loans net of specific impairments	**51.7**	**37.3**
Collateral and other credit enhancements	51.9	38.0
Net default loans to customers (limited to zero)	-	-
Total balance sheet impairments as a % of gross loans to customers	0.8%	0.6%
Total balance sheet impairments as a % of gross default loans	27.2%	27.0%
Gross defaults as a % of gross loans to customers	2.9%	2.3%
Impaired loans net of specific impairments as a % of gross loans to customers	1.6%	1.2%

Capital adequacy (Level 2)

March 2013 disclosures are subject to Basel III regulations, March 2012 disclosures are subject to Basel II regulations

$m	31 March 2013	31 March 2012
Tier 1 capital		
Shareholder's equity	**596.1**	**588.9**
Shareholder's equity per balance sheet	596.1	588.9
Non-contolling interests	**-**	**-**
Regulatory adjustments to the accounting basis	**2.0**	**(0.1)**
Unrealised losses on available-for-sale equities	-	-
Defined benefit pension fund adjustment	-	-
Unrealised gains on available-for-sale equities	2.0	(0.1)
Prudent valuation	-	-
Cash flow hedge reserve	-	-
Deductions	**(193.6)**	**(154.8)**
Goodwill and intangible assets	(105.4)	(101.1)
Unconsolidated investments	(22.9)	(6.9)
Securitisation positions	(55.2)	(35.2)
Other deductions	(10.0)	(11.7)
Common equity Tier 1 capital	**404.5**	**434.0**
Additional tier 1 capital before deductions	**-**	**-**
Deductions	**-**	**-**
Tier 1 capital	**404.5**	**434.0**
Total qualifying tier 2 capital before deductions	**135.2**	**97.7**
Unrealised gains on available-for-sale equities	-	-
Collective impairment allowances	-	-
Tier 2 instruments	24.8	97.7
Phase out of non-qualifying tier 2 instruments	110.4	-
Deductions	**-**	**(6.9)**
Unconsolidated investments	-	(6.9)
Securitisation positions	-	-
Tier 2 capital	**135.2**	**90.8**
Total regulatory capital	**539.7**	**524.9**

Capital adequacy (Level 2) continued

March 2013 disclosures are subject to Basel III regulations, March 2012 disclosures are subject to Basel II regulations

$m	31 March 2013	31 March 2012
Risk weighted assets	**3,422.4**	**2,982.6**
Credit risk - prescribed standardised exposure classes	**2,978.8**	**2,496.5**
Corporates	1,095.1	1,971.2
Secured on real estate property	121.6	32.4
Counterparty risk on trading positions	68.3	68.3
Short term claims on institutions and corporates	19.5	13.1
Retail	1,181.6	0.1
Institutions	69.2	108.9
Other exposure classes	423.5	302.6
Securitised exposures	4.4	20.3
Equity risk - standardised approach	-	66.0
Listed equities	-	15.8
Unlisted equities	-	50.2
Market risk - portfolios subject to internal models approach	**46.7**	**16.4**
Interest rate	43.1	13.8
Foreign exchange	3.4	0.4
Commodities	0.2	2.3
Equities	-	-
Operational risk - standardised approach	**392.5**	**383.3**
Total Capital adequacy ratio (Level 2)	15.8%	17.6%
Tier 1 ratio (Level 2)	11.8%	14.6%
Common equity Tier 1 ratio (Level 2)	11.8%	14.6%
Total Capital adequacy ratio - pre operational risk (Level 2)	17.8%	20.2%
Tier 1 ratio - pre operational risk (Level 2)	13.3%	16.7%
Common equity Tier 1 ratio - pre operational risk (Level 2)	13.3%	16.7%
Total Capital adequacy ratio (Level 1)	15.3%	16.7%
Tier 1 ratio (Level 1)	11.3%	13.5%
Common equity Tier 1 ratio (Level 1)	11.3%	13.5%
Total Capital adequacy ratio - pre operational risk (Level 1)	17.2%	18.9%
Tier 1 ratio - pre operational risk (Level 1)	12.7%	15.3%
Common equity Tier 1 ratio - pre operational risk (Level 1)	12.7%	15.3%