



Reviewed preliminary condensed consolidated financial results for the year ended 31 March 2014

Consolidated income statement

Year to 31 March R'mn	Reviewed 2014	Audited 2013
Interest income	17 063	15 809
Interest expense	(12 147)	(10 926)
Net interest income	4 916	4 883
Fee and commission income	1 567	1 051
Fee and commission expense	(174)	(109)
Investment income	334	459
Trading income arising from		
– customer flow	343	119
– balance sheet management and other trading activities	235	220
Other operating loss	(5)	(3)
Total operating income before impairment losses on loans and advances	7 216	6 620
Impairment losses on loans and advances	(638)	(868)
Operating income	6 578	5 752
Operating costs	(4 113)	(3 629)
Profit before taxation	2 465	2 123
Taxation	(315)	(245)
Profit after taxation	2 150	1 878

Calculation of headline earnings

Year to 31 March R'mn	Reviewed 2014	Audited 2013
Profit after taxation	2 150	1 878
Preference dividends paid	(108)	(109)
Earnings attributable to ordinary shareholders	2 042	1 769
Headline adjustments, net of taxation:		
Revaluation of investment properties [^]	46	–
Gain on realisation of available-for-sale financial assets [^]	(2)	(28)
Headline earnings attributable to ordinary shareholders	2 086	1 741

[^]Taxation on headline earnings adjustments amounted to R18.2 million (2013: R10.9 million).

Consolidated statement of total comprehensive income

Year to 31 March R'mn	Reviewed 2014	Audited 2013
Profit after taxation	2 150	1 878
Other comprehensive income:		
Items that may be reclassified to the income statement:		
Fair value movements on cash flow hedges taken directly to other comprehensive income*	(75)	(194)
Fair value movements on available-for-sale assets taken directly to other comprehensive income*	(212)	86
Gain on realisation of available-for-sale assets recycled to the income statement*	(2)	(39)
Foreign currency adjustments on translating foreign operations	414	441
Total comprehensive income	2 275	2 172
Total comprehensive income attributable to ordinary shareholders	2 167	2 063
Total comprehensive income attributable to perpetual preference shareholders	108	109
Total comprehensive income	2 275	2 172

*Net of taxation of R120 million (2013: R1.4 million).

Condensed consolidated statement of changes in equity

Year to 31 March R'mn	Reviewed 2014	Audited 2013
Balance at beginning of the year	23 509	20 933
Total comprehensive income for the year	2 275	2 172
Issue of ordinary shares	–	1 361
Dividends paid to ordinary shareholders	(75)	(848)
Dividends paid to perpetual preference shareholders	(108)	(109)
Balance at the end of the year	25 601	23 509

Condensed consolidated cash flow statement

Year to 31 March R'mn	Reviewed 2014	Audited 2013
Net cash inflow/(outflow) from operating activities	7 412	(14 560)
Net cash outflow from investing activities	(154)	(58)
Net cash (outflow)/inflow from financing activities	(2 181)	4 191
Effects of exchange rate changes on cash and cash equivalents	410	406
Net increase/(decrease) in cash and cash equivalents	5 487	(10 021)
Cash and cash equivalents at the beginning of the year	14 973	24 994
Cash and cash equivalents at the end of the year	20 460	14 973

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

Consolidated balance sheet

At 31 March R'mn	Reviewed 2014	Audited 2013
Assets		
Cash and balances at central banks	5 927	5 677
Loans and advances to banks	32 672	23 278
Non-sovereign and non-bank cash placements	9 045	5 875
Reverse repurchase agreements and cash collateral on securities borrowed	6 442	7 668
Sovereign debt securities	34 815	33 730
Bank debt securities	21 538	20 969
Other debt securities	11 933	6 258
Derivative financial instruments	12 299	12 161
Securities arising from trading activities	1 316	1 357
Investment portfolio	8 834	9 102
Loans and advances to customers	148 562	135 726
Own originated loans and advances to customers securitised	2 822	2 379
Other loans and advances	552	672
Other securitised assets	1 503	1 168
Interest in associated undertakings	52	45
Deferred taxation assets	75	55
Other assets	1 771	1 166
Property and equipment	219	224
Investment properties	84	1
Intangible assets	102	90
Loans to group companies	1 924	11 673
Non-current assets classified as held for sale	731	–
	303 218	279 274
Liabilities		
Deposits by banks	22 407	17 861
Derivative financial instruments	9 259	9 232
Other trading liabilities	1 431	1 063
Repurchase agreements and cash collateral on securities lent	17 686	18 188
Customer accounts (deposits)	204 903	185 311
Debt securities in issue	5 366	4 091
Liabilities arising on securitisation of own originated loans and advances	1 369	2 933
Liabilities arising on securitisation of other assets	156	588
Current taxation liabilities	1 288	1 142
Deferred taxation liabilities	61	61
Other liabilities	3 193	2 799
	267 119	243 269
Subordinated liabilities	10 498	12 496
	277 617	255 765
Equity		
Ordinary share capital	32	32
Share premium	14 885	14 885
Other reserves	364	175
Retained income	10 320	8 417
	25 601	23 509
Total liabilities and equity	303 218	279 274

Commentary

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.

Overview of results

Investec Bank Limited, a subsidiary of Investec Limited, posted an increase in headline earnings attributable to ordinary shareholders of 19.8% to R2,086 million (2013: R1,741 million). The balance sheet remains strong with a capital adequacy ratio of 15.3% as calculated in terms of Basel III (2013: 16.2%). 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

Salient operational features of the year under review include:

Total operating income before impairment losses on loans and advances increased by 9.0% to R7,216 million (2013: R6,620 million). The components of operating income are analysed further below:

- Net interest income was marginally ahead of the prior year at R4,916 million (2013: R4,883 million) with the bank benefiting from an increase in its loan portfolio, offset by a lower return earned on the credit investment portfolio.
- Net fee and commission income increased 47.9% to R1,393 million (2013: R942 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 decreased by 27.2% to R334 million (2013: R459 million) largely due to a lower return earned on the bank's fixed income portfolio. The bank's unlisted principal investments portfolio continued to perform well.
- Trading income arising from customer flow increased to R343 million (2013: R119 million) due to increased client activity, notably in forex transactions.
- Trading income arising from other trading activities increased 6.8% to R235 million (2013: R220 million) reflecting improved activity on the balance sheet.

Impairments on loans and advances decreased from R868 million to R638 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 0.44%. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounts to 1.50% (2013: 1.93%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.55 times (2013: 1.44 times).

The ratio of total operating costs to total operating income amounts to 57.0% (2013: 54.8%). Total operating expenses at R4,113 million were 13.3% higher than the prior year (2013: R3,629 million) largely as a result of increased variable remuneration given improved profitability.

As a result of the foregoing factors profit before taxation increased by 16.1% to R2,465 million (2013: R2,123 million).

Accounting policies and disclosures

These annual 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 Guides 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 year ended 31 March 2014 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 12 Disclosure of Interests in Other Entities, IFRS 13 Fair Value Measurement, Presentation of other comprehensive income (Amendments to IAS 1), IAS19 Employee Benefits. Adoption of IFRS 10, IFRS 11, IFRS 12 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 an exit price 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 measurement of assets and liabilities of the Group, but has resulted in additional disclosures.

The financial results have been prepared under the supervision of Glynn Burger, the Group Risk and Finance Director. The annual financial statements for the year ended 31 March 2014 will be posted to stakeholders on 30 June 2014. These financial statements will be available on the Group's website at the same date.

On behalf of the Board of Investec Bank Limited

Fani Titi
Chairman
21 May 2014

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

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 22

Notice is hereby given that preference dividend number 22 has been declared for the period 01 October 2013 to 31 March 2014 amounting to 360.14541 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, 13 June 2014.

The relevant dates for the payment of dividend number 22 are as follows:

Last day to trade cum-dividend	Friday, 06 June 2014
Shares commence trading ex-dividend	Monday, 09 June 2014
Record date	Friday, 13 June 2014
Payment date	Tuesday, 24 June 2014

Share certificates may not be dematerialised or rematerialised between Monday, 09 June 2014 and Friday, 13 June 2014, 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).
- No Secondary Tax on Companies ("STC") credits has been utilised in respect of this preference share dividend declaration.
- The net dividend amounts to 306.12360 cents per preference share for shareholders liable to pay the Dividend Tax and 360.14541 cents per preference share for preference shareholders exempt from paying the dividend tax.

By order of the board

B Coetsee
Company Secretary
21 May 2014

Registered office
100 Grayston Drive
Sandown, Sandton, 2196

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

Investec Bank Limited
(Registration number 1969/004763/06)
Share code: INLP
ISIN: ZAE000048393

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

Company Secretary
B Coetsee

Analysis of assets and liabilities at fair value and amortised cost

At 31 March 2014 R'mn	Financial instruments at fair value	Financial instruments at amortised cost	Non-financial instruments	Total
Assets				
Cash and balances at central banks	–	5 927	–	5 927
Loans and advances to banks	26	32 646	–	32 672
Non-sovereign and non-bank cash placements	27	9 018	–	9 045
Reverse repurchase agreements and cash collateral on securities borrowed	6 442	–	–	6 442
Sovereign debt securities	31 418	3 397	–	34 815
Bank debt securities	8 312	13 226	–	21 538
Other debt securities	5 337	6 596	–	11 933
Derivative financial instruments	12 299	–	–	12 299
Securities arising from trading activities	1 316	–	–	1 316
Investment portfolio	8 834	–	–	8 834
Loans and advances to customers	13 008	135 554	–	148 562
Own originated loans and advances to customers securitised	–	2 822	–	2 822
Other loans and advances	–	552	–	552
Other securitised assets	–	1 503	–	1 503
Interest in associated undertakings	–	–	52	52
Deferred taxation assets	–	–	75	75
Other assets	2	1 288	481	1 771
Property and equipment	–	–	219	219
Investment properties	–	–	84	84
Intangible assets	–	–	102	102
Loans to group companies	(1 341)	3 265	–	1 924
Non-current assets classified as held for sale	–	–	731	731
	85 680	215 794	1 744	303 218
Liabilities				
Deposits by banks	1	22 406	–	22 407
Derivative financial instruments	9 259	–	–	9 259
Other trading liabilities	1 431	–	–	1 431
Repurchase agreements and cash collateral on securities lent	3 320	14 366	–	17 686
Customer accounts (deposits)	19 473	185 430	–	204 903
Debt securities in issue	3 135	2 231	–	5 366
Liabilities arising on securitisation of own originated loans and advances	–	1 369	–	1 369
Liabilities arising on securitisation of other assets	–	156	–	156
Current taxation liabilities	–	–	1 288	1 288
Deferred taxation liabilities	–	–	61	61
Other liabilities	517	989	1 687	3 193
Subordinated liabilities	–	10 498	–	10 498
	37 136	237 445	3 036	277 617

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 that the entity can access at the measurement date

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 31 March 2014 R'mn	Financial instruments at fair value	Level within the fair value hierarchy		
		Level 1	Level 2	Level 3
Financial assets				
Loans and advances to banks	26	–	26	–
Non-sovereign and non-bank cash placements	27	–	27	–
Reverse repurchase agreements and cash collateral on securities borrowed	6 442	2 968	3 474	–
Sovereign debt securities	31 418	31 418	–	–
Bank debt securities	8 312	2 227	6 085	–
Other debt securities	5 337	5 278	–	59
Derivative financial instruments	12 299	–	12 545	(246)
Securities arising from trading activities	1 316	1 316	–	–
Investment portfolio	8 834	2 357	362	6 115
Loans and advances to customers	13 008	–	13 008	–
Other assets	2	2	–	–
Loans to group companies	(1 341)	–	(1 341)	–
	85 680	45 566	34 186	5 928
Financial liabilities				
Deposits by banks	1	–	1	–
Derivative financial instruments	9 259	–	9 259	–
Other trading liabilities	1 431	763	668	–
Repurchase agreements and cash collateral on securities lent	3 320	2 963	357	–
Customer accounts (deposits)	19 473	–	19 473	–
Debt securities in issue	3 135	–	3 135	–
Other liabilities	517	–	517	–
	37 136	3 726	33 410	–

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

Year to 31 March R'mn	2014
Balance at 1 April 2013	83
Transfers due to application of IFRS 13 [^]	6 230
Total gains or losses included in the income statement	(78)
Purchases	832
Sales	(363)
Issues	(175)
Transfers out of Level 3	(126)
Transfers into Level 3	239
Transfer to non-current assets held for sale	(731)
Foreign exchange adjustments	17
Balance as at 31 March 2014	5 928

[^]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. For the year ended 31 March 2014, investments to the value of R239 million has been transferred into Level 3 due to inputs into the valuation model becoming unobservable. R126 million has been transferred out of Level 3 due to inputs becoming observable.

The group transfers between levels within the fair value hierarchy when the observability of inputs change or if the valuation methods change.

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

Year to 31 March R'mn	2014
Net interest expense	(2)
Investment income	(133)
Trading income arising from customer flow	57
Total gains or (losses) included in the income statement	(78)

R151.2 million of the total loss shown in investment income is an unrealised loss.

Sensitivity of fair values to reasonably possible alternative assumptions by Level 3 instrument type

The fair value of financial instruments in Level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2014	Balance sheet value R'mn	Valuation method	Significant unobservable input changed	Range which unobservable input has been stressed	Reflected in the income statement	
					Favourable changes R'mn	Unfavourable changes R'mn
Assets						
Other debt securities	59	Discounted cash flows	Discount rates	(3)/2%	8	(7)
Derivative financial instruments	(246)	Black Scholes	Volatilities	25%/40%	74	(41)
		Discounted cash flows	Credit spreads	(50bps)/50bps	4	(12)
		Other*	Various*	•	56	(24)
Investment portfolio	6 115	Other*	Various*	•	1 260	(702)
Total	5 928				1 402	(786)

* Other – The valuation sensitivity for the private equity and embedded derivatives (profit share portfolios) has been assessed on an adjustment to various inputs such as expected cash flows, discount rates, PE ratios. It is deemed appropriate to reflect the outcome in totality for the purposes of this analysis.

Fair value of financial assets and liabilities at amortised cost

At 31 March 2014 R'mn	Carrying value	Fair value
Financial assets		
Cash and balances at central banks	5 927	5 927
Loans and advances to banks	32 646	32 646
Non-sovereign and non-bank cash placements	9 018	9 018
Sovereign debt securities	3 397	3 476
Bank debt securities	13 226	13 790
Other debt securities	6 596	6 780
Loans and advances to customers	135 554	135 958
Own originated loans and advances to customers securitised	2 822	2 822
Other loans and advances	552	552
Other securitised assets	1 503	1 503
Other assets	1 288	1 288
Loans to group companies	3 265	3 747
	215 794	217 507
Financial liabilities		
Deposits by banks	22 406	22 718
Repurchase agreements and cash collateral on securities lent	14 366	14 419
Customer accounts (deposits)	185 430	185 657
Debt securities in issue	2 231	2 231
Liabilities arising on securitisation of own originated loans and advances	1 369	1 369
Liabilities arising on securitisation of other assets	156	156
Other liabilities	989	989
Subordinated liabilities	10 498	10 575
	237 445	238 114