

Out of the Ordinary®

 **Investec**

Specialist Bank and  
Asset Manager

## **Investec Limited silo financial information (excluding the results of Investec plc)**

Unaudited condensed consolidated financial information for the year ended 31 March 2015

IFRS - Rand





## Overview of results

### Unaudited

Year to 31 March	2015	2014	% change
Total operating income before impairment losses on loans and advances (R'million)	14,536	12,331	17.9%
Operating costs (R'million)	7,617	6,718	13.4%
Operating profit before taxation and headline adjustments (R'million)	6,446	4,919	31.0%
Headline earnings attributable to ordinary shareholders (R'million)	3,874	3,211	20.7%
Cost to income ratio	52.4%	54.5%	
Total capital resources (including subordinated liabilities) (R'million)	45,975	41,625	10.5%
Total equity (R'million)	35,526	31,127	14.1%
Total assets (R'million)	473,633	430,091	10.1%
Net core loans and advances (R'million)	182,058	156,870	16.1%
Customer accounts (deposits) (R'million)	221,377	204,903	8.0%
Cash and near cash balances (R'million)	88,691	84,476	5.0%
Funds under management (R'million)	788,711	711,115	10.9%
Common equity tier 1 ratio	9.6%	9.4%	
Tier 1 ratio	11.3%	11.0%	
Total capital adequacy ratio	14.7%	14.9%	
Leverage ratio	8.1%	7.8%	
Leverage ratio - "fully loaded"	7.2%	6.7%	
Default loans (net of impairments) as a % of net core loans and advances	1.43%	1.46%	
Net defaults (after collateral and impairments) as a % of net core loans and advances	-	-	
Credit loss ratio (i.e. income statement charge as a % of average core loans and advances)	0.28%	0.42%	
Total gearing ratio (i.e. total assets excluding assurance assets to equity)	10.1x	10.5x	
Loans and advances to customers: customer deposits	78.6%	72.9%	



## Consolidated income statement

### Unaudited

For the year to 31 March R'million	2015	2014
Interest income	20,099	17,453
Interest expense	(14,619)	(12,700)
<b>Net interest income</b>	<b>5,480</b>	<b>4,753</b>
Fee and commission income	6,825	5,972
Fee and commission expense	(425)	(246)
Investment income	2,067	1,069
Trading income arising from		
– customer flow	327	432
– balance sheet management and other trading activities	233	309
Other operating income	29	42
<b>Total operating income before impairment losses on loans and advances</b>	<b>14,536</b>	<b>12,331</b>
Impairment losses on loans and advances	(456)	(636)
<b>Operating income</b>	<b>14,080</b>	<b>11,695</b>
Operating costs	(7,617)	(6,718)
<b>Operating profit before goodwill impairment</b>	<b>6,463</b>	<b>4,977</b>
Impairment of goodwill	(17)	(27)
<b>Operating profit</b>	<b>6,446</b>	<b>4,950</b>
Operating costs arising from partial disposal of subsidiary	-	(31)
<b>Profit before taxation</b>	<b>6,446</b>	<b>4,919</b>
Taxation	(1,264)	(825)
<b>Profit after taxation</b>	<b>5,182</b>	<b>4,094</b>
Profit attributable to Asset Management non-controlling interests	(145)	(93)
Profit attributable to other non-controlling interests	(569)	(274)
<b>Earnings attributable to shareholders</b>	<b>4,468</b>	<b>3,727</b>

## Consolidated statement of comprehensive income

For the year to 31 March R'million	2015	2014
Profit after taxation	5,182	4,094
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to the income statement:</b>		
Fair value movements on cash flow hedge movements taken directly to other comprehensive income	(614)	(75)
Gain on realisation of available-for-sale assets recycled through the income statement	(60)	(2)
Fair value movements on available-for-sale assets taken directly to other comprehensive income	16	23
Foreign currency adjustments on translating foreign operations	602	482
<b>Total comprehensive income</b>	<b>5,126</b>	<b>4,522</b>
Total comprehensive income attributable to non-controlling interests	714	367
Total comprehensive income attributable to ordinary shareholders	4,046	3,836
Total comprehensive income attributable to perpetual preference shareholders and other Additional Tier 1 shareholders	366	319
<b>Total comprehensive income</b>	<b>5,126</b>	<b>4,522</b>

## Calculation of headline earnings

For the year to 31 March R'million	2015	2014
Earnings attributable to shareholders	4,468	3,727
Dividends paid to perpetual preference shareholders and other Additional Tier 1 shareholders	(366)	(319)
<b>Earnings attributable to ordinary shareholders</b>	<b>4,102</b>	<b>3,408</b>
Headline adjustments:		
Impairment of goodwill	(228)	(197)
Revaluation of investment properties, net of taxation <sup>^</sup>	17	27
Gain on available-for-sale assets recycled to the income statement, net of taxation <sup>^</sup>	(185)	(225)
Gain on available-for-sale assets recycled to the income statement, net of taxation <sup>^</sup>	(60)	1
<b>Headline earnings attributable to ordinary shareholders</b>	<b>3,874</b>	<b>3,211</b>

<sup>^</sup>Taxation on headline earnings adjustments amounted to R76.9 million (for the year to 31 March 2014: R55.1 million) with no impact on earnings attributable to non-controlling interests.



## Consolidated balance sheet

### Unaudited

At 31 March		
R'million	2015	2014
<b>Assets</b>		
Cash and balances at central banks	6,261	5,927
Loans and advances to banks	35,867	35,169
Non-sovereign and non-bank cash placements	10,540	9,045
Reverse repurchase agreements and cash collateral on securities borrowed	10,734	8,419
Sovereign debt securities	31,378	34,815
Bank debt securities	18,215	22,355
Other debt securities	9,037	10,112
Derivative financial instruments	15,177	12,299
Securities arising from trading activities	7,478	4,975
Investment portfolio	10,079	8,657
Loans and advances to customers	173,994	149,354
Own originated loans and advances to customers securitised	8,064	7,516
Other loans and advances	472	552
Other securitised assets	1,289	1,968
Interests in associated undertakings	60	52
Deferred taxation assets	462	457
Other assets	8,967	5,925
Property and equipment	706	752
Investment properties	9,925	7,857
Goodwill	101	118
Intangible assets	190	102
Non-current assets classified as held for sale	732	731
	<b>359,728</b>	<b>327,157</b>
Other financial instruments at fair value through profit or loss in respect of liabilities to customers	113,905	102,934
	<b>473,633</b>	<b>430,091</b>
<b>Liabilities</b>		
Deposits by banks	30,562	22,902
Derivative financial instruments	12,401	9,259
Other trading liabilities	11,380	8,247
Repurchase agreements and cash collateral on securities lent	16,556	17,686
Customer accounts (deposits)	221,377	204,903
Debt securities in issue	9,426	8,556
Liabilities arising on securitisation of own originated loans and advances	1,976	4,924
Liabilities arising on securitisation of other assets	-	156
Current taxation liabilities	1,747	1,770
Deferred taxation liabilities	531	463
Other liabilities	7,797	6,666
	<b>313,753</b>	<b>285,532</b>
Liabilities to customers under investment contracts	113,872	102,906
Insurance liabilities, including unit-linked liabilities	33	28
	<b>427,658</b>	<b>388,466</b>
Subordinated liabilities	10,449	10,498
	<b>438,107</b>	<b>398,964</b>
<b>Equity</b>		
Ordinary share capital	1	1
Share premium	10,297	10,044
Treasury shares	(971)	(951)
Other reserves	733	694
Retained income	18,751	16,702
Shareholders' equity excluding non-controlling interests	<b>28,811</b>	<b>26,490</b>
Other Additional Tier 1 securities in issue	550	-
Non-controlling interests	6,165	4,637
- Perpetual preferred securities issued by subsidiaries	1,534	1,534
- Non-controlling interests in partially held subsidiaries	4,631	3,103
Total equity	<b>35,526</b>	<b>31,127</b>
<b>Total liabilities and equity</b>	<b>473,633</b>	<b>430,091</b>



## Condensed consolidated statement of changes in equity

Unaudited

For the year to 31 March		
R'million	2015	2014
<b>Balance at the beginning of the year</b>	<b>31,127</b>	<b>24,546</b>
Total comprehensive income	5,126	4,522
Issue of ordinary shares	252	231
Issue of other Additional Tier 1 securities in issue	550	-
Movement of treasury shares	(1,205)	(771)
Share-based payments adjustments	506	485
Partial disposal of group operations	798	1,449
Movement in non-controlling interest due to capital conversion of subsidiary	-	2,044
Movement in non-controlling interests due to share issues in subsidiary	430	623
Dividends paid to perpetual preference shareholders included in non-controlling interests	(114)	(108)
Dividends paid to ordinary shareholders	(1,263)	(1,578)
Dividends declared to other equity holders including other Additional Tier 1 securities	(252)	(211)
Dividends paid to non-controlling interests	(429)	(105)
<b>Balance at the end of the year</b>	<b>35,526</b>	<b>31,127</b>



## Segmental information - business analysis

Unaudited

For the year to 31 March 2015

R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total
Net interest income	71	6	5,403	-	5,480
Fee and commission income	3,047	1,117	2,661	-	6,825
Fee and commission expense	(170)	(30)	(225)	-	(425)
Investment income	-	12	2,055	-	2,067
Trading income arising from					
- customer flow	-	2	325	-	327
- balance sheet management and other trading activities	-	4	229	-	233
Other operating income	28	-	1	-	29
<b>Total operating income before impairment losses on loans and advances</b>	<b>2,976</b>	<b>1,111</b>	<b>10,449</b>	-	<b>14,536</b>
Impairment losses on loans and advances	-	-	(456)	-	(456)
<b>Operating income</b>	<b>2,976</b>	<b>1,111</b>	<b>9,993</b>	-	<b>14,080</b>
Operating costs	(1,666)	(721)	(5,065)	(165)	(7,617)
<b>Operating profit before impairment of goodwill and non-controlling interests</b>	<b>1,310</b>	<b>390</b>	<b>4,928</b>	<b>(165)</b>	<b>6,463</b>
Profit attributable to non-controlling interests	(145)	-	(569)	-	(714)
<b>Profit before goodwill, taxation and after non-controlling interests</b>	<b>1,165</b>	<b>390</b>	<b>4,359</b>	<b>(165)</b>	<b>5,749</b>
Cost to income ratio	56.0%	64.9%	48.4%	-	52.4%
Total assets	2,304	12,439	458,890	-	473,633

For the year to 31 March 2014

R'million	Asset Management	Wealth & Investment	Specialist Banking	Group costs	Total
Net interest income	58	(4)	4,699	-	4,753
Fee and commission income	2,643	968	2,361	-	5,972
Fee and commission expense	-	(35)	(211)	-	(246)
Investment income	-	6	1,063	-	1,069
Trading income arising from					
- customer flow	-	17	415	-	432
- balance sheet management and other trading activities	5	2	302	-	309
Other operating income	49	-	(7)	-	42
<b>Total operating income before impairment losses on loans and advances</b>	<b>2,755</b>	<b>954</b>	<b>8,622</b>	-	<b>12,331</b>
Impairment losses on loans and advances	-	-	(636)	-	(636)
<b>Operating income</b>	<b>2,755</b>	<b>954</b>	<b>7,986</b>	-	<b>11,695</b>
Operating costs	(1,528)	(631)	(4,418)	(141)	(6,718)
<b>Operating profit before impairment of goodwill and non-controlling interests</b>	<b>1,227</b>	<b>323</b>	<b>3,568</b>	<b>(141)</b>	<b>4,977</b>
Profit attributable to non-controlling interests	(93)	-	(274)	-	(367)
<b>Profit before goodwill, taxation and after non-controlling interests</b>	<b>1,134</b>	<b>323</b>	<b>3,294</b>	<b>(141)</b>	<b>4,610</b>
Cost to income ratio	55.5%	66.1%	51.2%	-	54.5%
Total assets	2,341	8,865	418,885	-	430,091



## Additional income statement note disclosures

Unaudited

### Net interest income

Year to 31 March R'million	Note	2015		2014	
		Balance sheet value	Interest income	Balance sheet value	Interest income
Cash, near cash and bank debt and sovereign debt securities	1	112,996	4,916	115,730	4,679
Core loans and advances	2	182,058	14,497	156,870	12,102
Private client		120,912	9,397	105,769	7,722
Corporate, institutional and other clients		61,146	5,100	51,101	4,380
Other debt securities and other loans and advances		9,509	425	10,664	519
Other interest-earning assets	3	1,289	261	1,968	153
<b>Total interest-earning assets</b>		<b>305,852</b>	<b>20,099</b>	<b>285,232</b>	<b>17,453</b>

Year to 31 March R'million		2015		2014	
		Balance sheet value	Interest paid	Balance sheet value	Interest paid
Deposits by banks and other debt related securities	4	56,545	(926)	49,144	(981)
Customer accounts (deposits)		221,377	(12,626)	204,903	(10,305)
Other interest-earning liabilities	5	1,976	(291)	5,080	(653)
Subordinated liabilities		10,449	(776)	10,498	(761)
<b>Total interest-earning liabilities</b>		<b>290,347</b>	<b>(14,619)</b>	<b>269,625</b>	<b>(12,700)</b>

Net interest income

5,480

4,753

#### 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 and cash collateral on securities borrowed; 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 asset; loans to group companies.
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.

### Net fee and commission income

Year to 31 March R'million	2015		2014	
<b>Asset management and wealth management businesses net fee and commission income</b>	<b>3,964</b>	<b>3,576</b>		
Fund management fees/fees for assets under management	3,588	3,086		
Private client transactional fees	576	525		
Fee and commission expense	(200)	(35)		
<b>Specialist Banking net fee and commission income</b>	<b>2,436</b>	<b>2,150</b>		
Corporate and institutional transactional and advisory services	2,076	1,913		
Private client transactional fees	585	448		
Fee and commission expense	(225)	(211)		
<b>Net fee and commission income</b>	<b>6,400</b>	<b>5,726</b>		
Annuity fees (net of fees payable)	4,940	4,158		
Deal fees	1,460	1,568		

### Investment income

Year to 31 March R'million	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
<b>2015</b>					
Realised	753	68	352	2	1,175
Unrealised	490	(81)	181	6	596
Dividend income	442	-	-	-	442
Funding and net other related (costs)/income	(236)	-	-	90	(146)
	<b>1,449</b>	<b>(13)</b>	<b>533</b>	<b>98</b>	<b>2,067</b>
<b>2014</b>					
Realised	275	-	147	(29)	393
Unrealised	22	(194)	280	(6)	102
Dividend income	663	-	-	-	663
Funding and net other related (costs)/income	(168)	-	(26)	105	(89)
	<b>792</b>	<b>(194)</b>	<b>401</b>	<b>70</b>	<b>1,069</b>

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



## Investec Limited

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

Unaudited

R'mn	31 March 2015	31 March 2014
Loans and advances to customers as per the balance sheet	173,994	149,354
Add: own originated loans and advances securitised as per the balance sheet	8,064	7,516
<b>Net core loans and advances to customers</b>	<b>182,058</b>	<b>156,870</b>
The tables below provides information with respect to the asset quality of our core loans and advances		
R'mn	31 March 2015	31 March 2014
<b>Gross core loans and advances to customers</b>	<b>183,202</b>	<b>158,121</b>
<b>Total impairments</b>	<b>(1,144)</b>	<b>(1,251)</b>
Portfolio impairments	(172)	(174)
Specific impairments	(972)	(1,077)
<b>Net core loans and advances to customers</b>	<b>182,058</b>	<b>156,870</b>
<b>Average gross core loans and advances to customers</b>	<b>170,662</b>	<b>150,669</b>
Current loans and advances to customers	178,265	153,166
Past due loans and advances to customers (1 - 60 days)	528	746
Special mention loans and advances to customers	666	668
Default loans and advances to customers	3,743	3,541
<b>Gross core loans and advances to customers</b>	<b>183,202</b>	<b>158,121</b>
Current loans and advances to customers	178,265	153,166
Default loans that are current and not impaired	787	162
Gross core loans and advances to customers that are past due and not impaired	1,756	2,211
Gross core loans and advances to customers that are impaired	2,394	2,582
<b>Gross core loans and advances to customers</b>	<b>183,202</b>	<b>158,121</b>
<b>Total income statement charge for impairments on core loans and advances</b>	<b>(484)</b>	<b>(636)</b>
Gross default loans and advances to customers	3,743	3,541
Specific impairments	(972)	(1,077)
Portfolio impairments	(172)	(174)
<b>Defaults net of impairments</b>	<b>2,599</b>	<b>2,290</b>
Aggregate collateral and other credit enhancements	3,732	3,549
<b>Net default loans and advances to customers (limited to zero)</b>	<b>-</b>	<b>-</b>
<b>Ratios:</b>		
Total impairments as a % of gross core loans and advances to customers	0.62%	0.79%
Total impairments as a % of gross default loans	30.56%	35.33%
Gross defaults as a % of gross core loans and advances to customers	2.04%	2.24%
Defaults (net of impairments) as a % of net core loans and advances to customers	1.43%	1.46%
Net defaults a a % of net core loans and advances to customers	-	-
Credit loss ratio (i.e. Income statement impairment charge on core loans as a % of average gross core loans and advances)	0.28%	0.42%





## Capital structure and capital adequacy

Unaudited

R'million	31 March 2015	31 March 2014
<b>Tier 1 capital</b>		
Shareholders' equity	24,988	22,641
Shareholders' equity per balance sheet	28,811	26,490
Perpetual preference share capital and share premium	(3,183)	(3,183)
Equity holding in deconsolidated entities	(640)	(666)
Non-controlling interests	-	470
Non-controlling interests per balance sheet	4,631	3,102
Non-controlling interests excluded for regulatory purposes	(4,631)	(2,632)
Regulatory adjustments to the accounting basis	1,134	521
Cash flow hedging reserve	1,134	521
Deductions	(291)	(221)
Goodwill and intangible assets net of deferred tax	(291)	(221)
<b>Common equity tier 1 capital</b>	<b>25,831</b>	<b>23,411</b>
<b>Additional tier 1 capital</b>	<b>4,584</b>	<b>3,764</b>
Additional tier 1 instruments	5,267	4,717
Phase out of non-qualifying additional tier 1 instruments	(1,415)	(943)
Non-qualifying surplus capital attributable to non-controlling interests	(61)	(10)
Minority interest in non banking entities	793	-
<b>Tier 1 capital</b>	<b>30,415</b>	<b>27,175</b>
<b>Tier 2 capital</b>	<b>9,213</b>	<b>9,846</b>
Collective impairment allowances	169	172
Tier 2 instruments	10,449	10,498
Phase out of non-qualifying tier 2 instruments	(299)	-
Non-qualifying surplus capital attributable to non-controlling interests	(1,106)	(824)
<b>Total regulatory capital</b>	<b>39,628</b>	<b>37,021</b>
<b>Risk-weighted assets</b>	<b>269,466</b>	<b>248,040</b>
<b>Capital ratios</b>		
Common equity tier 1 ratio	9.6%	9.4%
Tier 1 ratio	11.3%	11.0%
Total capital adequacy ratio	14.7%	14.9%
Leverage ratio	8.1%	7.8%
Leverage ratio - "fully loaded"	7.2%	6.7%
<b>Capital requirements</b>	<b>26,946</b>	<b>24,804</b>
Credit risk - prescribed standardised exposure classes	19,826	18,308
Corporates	12,167	11,082
Secured on real estate property	1,923	1,601
Short-term claims on institutions and corporates	3,308	2,732
Retail	549	544
Institutions	872	1,064
Other exposure classes	302	199
Securitisation exposures	705	1,086
Equity risk - standardised approach	3,834	3,325
Listed equities	332	217
Unlisted equities	3,502	3,108
Counterparty credit risk	576	550
Credit valuation adjustment risk	32	98
Market risk	342	473
Interest rate	88	117
Foreign exchange	113	98
Commodities	10	5
Equities	131	253
Operational risk - standardised approach	2,336	2,050

<b>Capital adequacy</b>		
<b>Risk-weighted assets (banking and trading)</b>	<b>269,466</b>	<b>248,040</b>
Credit risk - prescribed standardised exposure classes	198,255	183,080
Corporates	121,671	110,817
Secured on real estate property	19,230	16,011
Short-term claims on institutions and corporates	33,084	27,319
Retail	5,488	5,441
Institutions	8,717	10,644
Other exposure classes	3,020	1,987
Securitisation exposures	7,045	10,861
Equity risk - standardised approach	38,346	33,250
Listed equities	3,324	2,167
Unlisted equities	35,022	31,083
Counterparty credit risk	5,762	5,503
Credit valuation adjustment risk	324	976
Market risk	3,424	4,731
Interest rate	878	1,174
Foreign exchange	1,134	978
Commodities	96	50
Equities	1,316	2,529
Operational risk - standardised approach	23,355	20,500

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**The full set of annual financial statements will be available on 30 June 2015**

