

# Investec Bank Limited

## Unaudited consolidated SA GAAP financial results in Rands for the six months ended 30 September 2003

### Consolidated income statement

(R millions)	6 months to 30 Sept. 2003 Unaudited	6 months to 30 Sept. 2002 Unaudited	Year to 31 March 2003 Audited
Interest received	3,889	2,373	7,226
Interest paid	(3,056)	(1,749)	(5,970)
<b>Net interest income</b>	<b>833</b>	<b>624</b>	<b>1,256</b>
Provision for bad and doubtful debts	(23)	(79)	(281)
<b>Other income</b>	<b>810</b>	<b>545</b>	<b>975</b>
	426	557	976
<b>Total income</b>	<b>1,236</b>	<b>1,102</b>	<b>1,951</b>
Operating expenses	(513)	(615)	(1,247)
<b>Income before headline adjustments</b>	<b>723</b>	<b>487</b>	<b>704</b>
Headline adjustments	-	(7)	(256)
<b>Income before taxation</b>	<b>723</b>	<b>480</b>	<b>448</b>
Taxation	(14)	(16)	(42)
<b>Income after taxation</b>	<b>709</b>	<b>464</b>	<b>406</b>
Earnings attributable to minority shareholders	-	-	(2)
Compulsorily convertible debenture interest	709	464	404
	(134)	(134)	(267)
<b>Earnings attributable to ordinary shareholders</b>	<b>575</b>	<b>330</b>	<b>137</b>
<b>Headline earnings attributable to shareholders</b>	<b>575</b>	<b>330</b>	<b>137</b>
<b>Calculation of headline earnings</b>	<b>575</b>	<b>330</b>	<b>137</b>
Earnings attributable to ordinary shareholders	-	7	256
Headline adjustments	-	-	-
Goodwill amortised	-	7	10
Loss on disposal of subsidiaries and fixed assets	-	-	(17)
Losses on the impairment of non-trading loans	-	-	263
<b>Headline earnings attributable to shareholders</b>	<b>575</b>	<b>337</b>	<b>393</b>
Less preference dividends payable	(22)	-	-
<b>Headline earnings attributable to ordinary shareholders</b>	<b>553</b>	<b>337</b>	<b>393</b>

### Statement of changes in shareholders' funds

(R millions)	6 months to 30 Sept. 2003 Unaudited	6 months to 30 Sept. 2002 Unaudited	Year to 31 March 2003 Audited
<b>Balance at the beginning of the period</b>	<b>7,974</b>	<b>8,649</b>	<b>8,649</b>
Adjustments to opening reserves as a result of AC 133	160	-	-
Net issue of perpetual preference shares	1,492	-	-
Earnings attributable to shareholders	575	330	137
Preference dividends payable	(22)	-	-
Dividends paid	-	(800)	(800)
Movement in foreign currency translation reserves	27	(12)	(53)
Movement in investment revaluation reserves	(67)	9	41
<b>Balance at the end of the period</b>	<b>10,139</b>	<b>8,176</b>	<b>7,974</b>

### Abridged cash flow statement

(R millions)	6 months to 30 Sept. 2003 Unaudited	6 months to 30 Sept. 2002 Unaudited	Year to 31 March 2003 Audited
Cash inflow/(outflow) from operating activities	605	(376)	(72)
Cash outflow from banking operations	(1,023)	(1,144)	(166)
Cash (utilised)/generated in investing activities	(12)	(18)	18
Cash inflows from financing activities	397	2,198	1,533
Net (decrease)/increase in cash and short-term funds	(33)	660	1,313
Cash and short-term funds at beginning of period	10,429	9,116	9,116
Cash and short-term funds at end of period	10,396	9,776	10,429

### Consolidated balance sheet

(R millions)	30 Sept. 2003 Unaudited	30 Sept. 2002 Unaudited	31 March 2003 Audited
<b>Assets</b>			
Cash and short-term funds	10,396	9,776	10,429
Short-term negotiable securities	9,514	5,841	8,199
Investment and trading securities	14,001	10,958	10,183
Other assets	1,370	4,615	5,675
Advances	33,354	27,458	28,158
Intergroup	11,513	9,325	10,274
Associated companies	-	16	-
Fixed assets	150	199	164
Intangible assets	1	3	1
	<b>80,299</b>	<b>68,191</b>	<b>73,083</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Ordinary share capital	16	16	16
Perpetual preference shares	1,492	-	-
Compulsorily convertible debentures	1,938	1,938	1,938
Reserves	6,693	6,222	6,020
	<b>10,139</b>	<b>8,176</b>	<b>7,974</b>
Interest of minority shareholders in subsidiaries	33	31	33
Total shareholders' funds	10,172	8,207	8,007
Subordinated debt	2,945	2,245	2,801
Redeemable preference shares	1,608	1,812	1,820
Total capital resources	14,725	12,264	12,628
<b>Liabilities</b>			
Deposits and other accounts	65,514	55,886	60,398
Taxation	60	41	57
	<b>80,299</b>	<b>68,191</b>	<b>73,083</b>

### Segmental information

#### For the 6 months ended 30 September 2003

	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Other	Total
Total income	311	317	208	400	1,236
Operating expenses	(208)	(176)	(27)	(102)	(513)
<b>Operating profits before headline adjustments and taxation</b>	<b>103</b>	<b>141</b>	<b>181</b>	<b>298</b>	<b>723</b>
Cost to income ratio (%)	61.9	56.0	12.9	25.5	40.7

#### For the 6 months ended 30 September 2002

	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Other	Total
Total income	249	541	53	259	1,102
Operating expenses	(164)	(175)	(29)	(247)	(615)
<b>Operating profits before headline adjustments and taxation</b>	<b>85</b>	<b>366</b>	<b>24</b>	<b>12</b>	<b>487</b>
Cost to income ratio (%)	64.0	37.7	66.6	63.5	51.5

These consolidated interim financial results are published to provide information to holders of Investec Bank Limited's listed non-cumulative, non-redemable and non-participating preference shares.

### Commentary

Investec Bank Limited, a wholly owned subsidiary of Investec Limited, is pleased to announce that headline earnings increased by 70.6% from R337 million to R575 million. Excluding the impact of AC133, would have resulted in an increase of 43.6%.

Income before taxation and headline adjustments (NIBT) increased by 48.5% to R723 million, with solid performances from the Investment Banking, Private Banking and Group Services and Other Activities divisions.

The banking capital adequacy ratio for Investec Bank Limited was 21.1%.

### Accounting policies

#### Basis of preparation

The interim report has been prepared in conformity with South African Statements of Generally Accepted Accounting Practice and in the manner required by the South African Companies Act of 1973.

#### Changes to accounting policies

Accounting policies applied are consistent with those applied in the 31 March 2003 annual report, except for the changes as a result of the adoption of the accounting statement on recognition and measurement of financial instruments (AC133).

In terms of AC133, all financial assets and financial liabilities are required to be classified into prescribed categories which determine their recognition and measurement criteria. Further, the statement has introduced principles in relation to impairments of financial instruments carried at amortised cost which replaces previous methodologies of determining specific and general provisions.

The major changes to Investec Bank Limited Group (Bank) as a result of adopting the standard are detailed below:

#### Fair value adjustments

- The statement requires all derivatives to be recorded on balance sheet at fair value, with changes in fair value being recognised in the income statement (except for fair value adjustments relating to the successful application of cash flow hedging principles, which result in fair value adjustments being recognised directly in equity until the occurrence of the cash flow being hedged). In prior years, non trading derivatives within the banking book were accounted for on the same basis as the underlying asset, liability or cash flow being hedged. On adoption of AC133, all of these derivatives have been recognised on balance sheet at fair value. Except for the application of cash flow hedging, all changes in fair value are recognised in income. To the extent that hedge accounting principles have been successfully applied, changes in fair value relating to the hedged risk of the underlying hedged item have also been recognised in income.
- In certain instances where hedge accounting is impractical to apply, and the Bank deems it appropriate, related financial assets and financial liabilities are designated as held at fair value. This designation is made at inception of the financial asset or financial liability (or on adoption of AC 133) and cannot be changed.
- To the extent that derivatives have been identified as embedded in a host contract that is not carried at fair value and the economic characteristics of the embedded derivative are not closely related to that of the host contract, the embedded derivative has been separated from the host contract and accounted for as a stand alone derivative.

#### Impairments

- Specific impairments are determined for non performing loans and advances based on a discounted cash flow methodology. This has resulted in specific impairments greater than the previous specific provisions due to the introduction of a discount factor in determining the present value of the expected cash flows.
- In prior years, the Bank's general provision had been determined taking into account the structure and risk characteristics of the Bank loan portfolio and ensuring that the minimum requirements of the banking regulations in the jurisdictions in which the Bank operated were maintained. Portfolio impairments are determined for loans that are not specifically identified as impaired or non performing based on a discounted cash flow methodology, taking into account historical loss given defaults, probabilities of default and changes in the credit quality of loans and advances since inception. This has resulted in significantly lower portfolio impairments when compared to general provisions raised previously. The difference between impairments and regulatory minimum provisions per regulatory asset category has been met by transferring sufficient distributable reserves to a non-distributable regulatory reserve.

#### Opening transitional adjustments

AC133 provides that changes resulting from the adoption of the standard be applied prospectively and therefore adjustments at 1 April 2003 have been accounted for as an adjustment to opening

retaining income. Based on the Bank's interpretation of ED168 issued by The South African Institute of Chartered Accountants, the release of previous provisions has been treated consistently with the above mentioned transitional adjustments.

The impact of adopting AC133 on the opening shareholders funds is detailed in the table below:

At 1 April 2003	Retained income	Equity distributable revaluation reserve	Non regulatory shareholders' reserve	Total shareholders' funds
<b>R million</b>				
Adjustments:				
- Fair value adjustments to derivatives and other financial instruments	(123)	-	-	(123)
- Reclassification of equity revaluations	20	(20)	-	-
- Present value adjustments to specific impairments	(36)	-	-	(36)
- Reversal of general debt provision	354	-	-	354
- Creation of portfolio impairment	(35)	-	-	(35)
	180	(20)	-	160
- Transfer to non distributable regulatory reserve	(333)	-	333	-
Change in total shareholders funds	(153)	(20)	333	160

The impact of AC133 was to increase earnings for the six months ended 30 September 2003 as follows:

	R million
Net interest income	110
Impairments	29
Non interest income	(48)
Income before taxation	91
Taxation	-
Income after taxation	91

At 30 September 2003 a further transfer of R94 million was made from retained income to the non distributable regulatory reserve.

Interpretations relating to accounting, regulatory and taxation effects on adoption of AC133 are currently subject to debate within the South African context. The resolution of the above may impact on the opening adjustments presented. The Bank's financial reporting will be affected by further amendments to the international accounting standard (IAS39) when incorporated into AC133.

### Non-redeemable non-cumulative non-participating preference shares Declaration of dividend number 1

Notice is hereby given that preference dividend number 1 amounting to 143,74 cents per share has been declared for the period 13 August 2003 to 30 September 2003. The dividend is 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 5 December 2003.

The relevant dates relating to the payment of dividend number 1 are as follows:

Last day to trade cum dividend	Friday, 28 November 2003
Shares trade ex dividend	Monday, 1 December 2003
Record date	Friday, 5 December 2003
Payment date	Monday, 8 December 2003

Share certificates may not be dematerialised or rematerialised between Monday, 1 December 2003 and Friday, 5 December 2003 both days inclusive.

By order of the board

**S. Noik**  
Company secretary

Sandton  
14 November 2003

**Registered office**  
100 Grayston Drive  
Sandown  
Sandton 2196

**Transfer secretaries**  
Computershare Limited  
70 Marshall Street  
Johannesburg 2001

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

JSE Code: INLP ISIN: ZAE00048393

Directors: H S Herman (Chairman), D M Lawrence\* (Deputy Chairman), S Koseff\* (Chief Executive), B Kantor\* (Managing), S E Abrahams, G R Burger\*, D E Jewell, M P Malungani, D R Mosepe, Dr M Z Nkosi, B Tapack\*, P R S Thomas, F Titi, R A P Upton. \*Executive

Company secretary: S Noik

