

Investec Bank Limited salient financial information for the
six months ended **30 September 2004**

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Section. I

An overview of Investec Bank Limited

Corporate information

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Internet Address

www.investec.com

Registration Number

Investec Bank Limited Reg. No. 1969/004763/06

Auditors

Ernst & Young
KPMG Inc.

Transfer Secretaries in South Africa

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street Johannesburg 2001
PO Box 61051 Marshalltown 2107
Telephone (27 11) 370 5000

Directorate

Executive Directors

S Koseff (Chief Executive Officer)
B Kantor (Managing Director)
GR Burger
DM Lawrence (Deputy Chairman)
B Tapnack

Non-Executive Directors

HS Herman (Chairman)
SE Abrahams
DE Jowell
MP Malungani
DR Motsepe
Dr MZ Nkosi
PRS Thomas
FTiti
RAP Upton

An overview of the Investec group

Investec (comprising Investec Limited and Investec plc) is an international, specialist banking group that provides a diverse range of financial products and services to a niche client base in three principal markets, the UK, Australia and South Africa.

Investec is organised as a network comprising four business divisions, Investment Banking, Private Client Activities, Treasury and Specialised Finance, and Asset Management. In addition, Investec's head office provides certain group-wide integrating functions including Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It also has responsibility for the group's central funding as well as other activities, such as its Property and Trade Finance businesses.

Since inception in Johannesburg in 1974 Investec has expanded through a combination of substantial organic growth and a series of strategic acquisitions in South Africa, the UK and other geographies in which it operates. Investec employs approximately 4 300 people.

Investec's strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in its four principal business areas. Investec does not seek to be all things to all people and aims to build well-defined, value-added businesses focused on serving the needs of select market niches where the group can compete effectively.

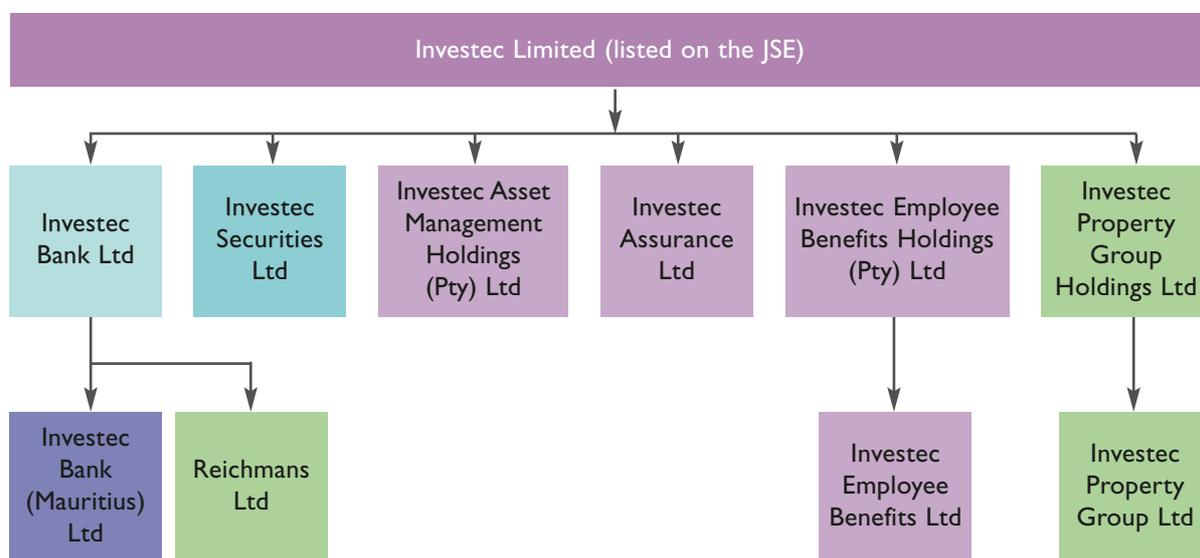
Investec Limited and Investec Bank Limited

Investec operates under a Dual Listed Companies (DLC) structure with linked companies listed in London and Johannesburg.

In terms of the implementation of Investec's DLC structure, Investec Limited is the controlling company of Investec's businesses in Southern Africa and Mauritius. Investec Limited is listed on the JSE Securities Exchange South Africa.

Investec Limited holds 100% of the ordinary shares in issue of Investec Bank Limited (referred to in this report as the bank).

Investec Bank Limited organisational structure as at 30 September 2004



Key activities conducted

- Private Banking, Investment Banking, Treasury and Specialised Finance, Other Activities
- Asset Management and Assurance Activities
- Private Client Portfolio Management and Stockbroking, Investment Banking
- Private Banking, Treasury and Specialised Finance
- Other Activities

Note: All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

Overview of activities of Investec Bank Limited

Introduction

Investec Bank Limited's structure comprises three principal business units: Private Banking, Treasury and Specialised Finance and Investment Banking. Each division focuses on providing specialised products and services to defined target markets. Furthermore, the bank's head office provides certain group-wide integrating functions including Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It also has responsibility for the group's central funding as well as other activities, such as trade finance.

Private Banking

Investec Bank Limited provides a range of private banking services, targeting select, high income and high net worth individuals. The products and services provided by the Private Banking business principally comprises structured finance and specialised lending activities; trust and fiduciary services; banking services; investment management; and private client investment banking. The bank seeks to position its private banking operations in the low volume, high value advisory market. The bank's directors believe that one of Investec Bank Limited's strengths is its ability to originate new business by leveraging off the strong client relationships it has established through its lending activities. The bank believes that this operating model positions it more favourably during times of high market volatility, compared to private banks that are dependent on the more traditional asset-gathering model.

Investec Bank Limited operates one of South Africa's leading private banks, offering comprehensive wealth management services to its target client base. The bank achieved its current market status primarily by leveraging off its strong residential and commercial lending and deposit taking operations. In 1998, it built on this platform with the addition of structured finance activities, as well as trust and fiduciary services, investment management services and private client investment banking. The bank targets and offers services and products to three distinct market segments. These comprise individuals with a net asset value of at least R50 million and investable assets of at least R15 million; private clients with a net asset value of at least R5 million and minimum earnings of at least R1 million; and professionals and others with high earnings potential.

Treasury and Specialised Finance

Investec's Treasury and Specialised Finance division provides a wide range of products, services and solutions to select corporate clients, public sector bodies and financial institutions. The division undertakes the bulk of Investec's proprietary trading activities. Furthermore, all non-private client deposit taking, corporate and public sector lending, project finance, advisory and structuring activities are transacted through the division.

Investec Bank Limited's Treasury and Specialised Finance division comprises a number of activities that can be described as either banking and advisory or trading operations. Banking and advisory activities comprise: structured and asset finance; project and resource finance; financial products; corporate treasury and balance sheet management.

Trading activities comprise: commodities; foreign exchange; equity derivatives and interest rates. These units are mainly involved in the execution of client driven transaction flow, structuring and proprietary trading. Speculative proprietary trading is limited.

Investment Banking

Investec Bank Limited engages in a range of investment banking activities, including corporate finance, direct investments and private equity. The bank has established itself as one of South Africa's leading domestic corporate finance houses, focusing on the provision of corporate advisory services to large and midcapitalisation companies. In addition, as a result of the local knowledge and expertise it has developed, Investec Bank Limited has been well placed to take advantage of opportunistic, direct investments in connection with corporate advisory transactions in which it has been involved.

Corporate Finance

Since 1999, there has been relatively little domestic capital market activity in South Africa. Accordingly, Investec Bank Limited has focused on the development of its domestic financial advisory business, in particular with respect to mergers and acquisitions, divestitures, restructurings, spinoffs and joint ventures, and the provision of innovative and creative deal structures and advice.

Direct Investments

As a result of its in-depth market knowledge and local expertise, Investec Bank Limited is well positioned to take direct positions in predominantly JSE listed shares where the group believes that the market is mispricing the value of the underlying portfolio of assets. These investment positions would be carefully researched with the intention to stimulate corporate activity.

Private Equity

Investec Bank Limited also actively seeks and selects expansion and buy-out investments as principal in unlisted South African companies. Investments are selected based on the track record of the management, the attractiveness of the industry and the ability to build value on top of the existing business by affecting an agreed strategy.

Group Services and Other Activities

Comprises central services, central funding and other activities.

Central Services

Central services is made up of functional areas that provide services centrally across all of the group's business operations. Consistent with Investec's philosophy of operating as a single organisation, Central services provide integrating mechanisms between the business operations. Investec's principal Central services, relating to the operations and control of its business, are Group Risk Management, Group Information Technology, Group Finance, Investor Relations, Group Marketing and Organisational Development. Other group support services include: Head office, Internal Audit and Compliance, Legal, Company Secretarial, Tax, Information Centre, Regulatory and Facilities.

Central Funding

Investec has a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained. Investec employs various sources of funding, the determination of which depends on the specific financial and strategic requirements it faces at the relevant point in time. The funds raised are applied towards the making of acquisitions, the funding of central services and debt obligations, and the purchase of corporate assets and investments not allocated to the group's principal operating divisions.

Other Activities

Other activities include those operations which are better managed separately due to the specific expertise which would be diluted if incorporated and split across the business operations. Also included are those operations that do not fall into one of Investec's principal business divisions yet and have been grown organically by Investec or retained following acquisition due to their profitability and diversifying effect on Investec's income streams.

- **International Trade Finance**

Investec acquired its International Trade Finance business, ReichmansCapital, in South Africa in 1990. The division's clients are small to medium-sized owner managed businesses. The division offers trade, asset and debtor finance to provide clients with working capital, funding for the acquisition of assets and to facilitate growth.

Commentary on financial performance

Investec Bank Limited posted a marginal decrease in operating profit before taxation from R723 million to R712 million for the six months ended 30 September 2004. Excluding the impact of AC133, however, operating profit before taxation increased by 13.4% to R717 million while operating profit after taxation increased marginally by 2.8% to R635 million as a result of a substantial increase in taxation (refer to page 14).

Salient operational features of the six months (incorporating AC 133) include:

- The Private Banking division posted a significant increase in operating profit of 72.8% to R178 million driven by solid growth in advances and non-interest income.
- Treasury and Specialised Finance reported an improvement in operating profit from R141 million to R185 million. The division benefited from a relatively stable interest rate environment, a sound result from the advisory and lending businesses, and an increase in dealing profits following a poor performance reported by the trading activities in the prior period.
- The Investment Banking division posted a decline in operating profit of 26.0% to R134 million. The Corporate Finance division delivered a sound performance. Off a high base in the prior period, Direct Investments and Private Equity divisions posted a lower operating profit.

Salient financial features (incorporating AC133)

	6 months ended 30 Sept 2004	6 months ended 30 Sept 2003*
Operating profit before taxation, exceptional items and amortisation of goodwill (R'million)	712	723
Headline earnings (R'million)	415	553
Total capital resources (R'million)	13 069	13 117
Total shareholders' funds (R'million)	10 108	10 172
Total assets (R'million)	86 556	80 299
Cost to income ratio	41.6%	40.5%
Capital adequacy ratio	21.6%	19.9%

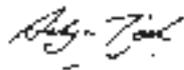
* Restated for changes in accounting policies and disclosures.

Section.2

Financial performance of Investec Bank Limited for the six months ended 30 September 2004

Declaration by Company Secretary

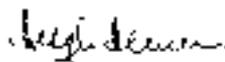
In terms of Section 268G (d) of the Companies Act, 1973, as amended, I hereby certify that to the best of my knowledge, the company has lodged with the Registrar of Companies, for the six months ended 30 September 2004, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true correct and up to date.



S. Noik
Group Secretary
24 November 2004

Directors' Approval

The financial statements set out on pages 9 to 12 were approved by the Board of Directors on 24 November 2004 and are signed on its behalf by:



Hugh Herman
Chairman
24 November 2004



Stephen Koseff
Chief Executive Officer
24 November 2004

Financial performance of Investec Bank Limited

Salient financial information in SA GAAP Rands for the six months ended 30 September 2004

Accounting policies and disclosures

Basis of preparation

The financial information has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the South African Companies Act of 1973 and are consistent with that of the prior year.

Restatements to comparative figures

- Interest on compulsorily convertible debentures, which are classified as equity instruments, has been reflected in the statement of changes in equity.
- Following from the consolidation of the staff share scheme in the Investec Limited financial statements, loans to the staff share scheme have been reclassified from other assets to intergroup balances.

Consolidated balance sheets

R'million	30 Sept 2004 Unaudited	30 Sept 2003* Unaudited	31 March 2004* Audited
Assets			
Cash and short-term funds	15 800	10 396	11 764
Short-term negotiable securities	3 781	9 514	6 336
Investment and trading securities	14 889	14 001	16 710
Other assets	495	561	629
Advances	40 103	33 354	35 726
Intergroup	10 798	12 322	10 548
Property and equipment	690	150	686
Intangible assets	–	1	–
	86 556	80 299	82 399
Equity and liabilities			
Capital and reserves			
Ordinary share capital	16	16	16
Perpetual preference shares	1 491	1 492	1 491
Compulsorily convertible debentures	1 938	1 938	1 938
Reserves	6 644	6 693	6 226
	10 089	10 139	9 671
Interest of minority shareholder in subsidiary	19	33	29
Total shareholders' funds	10 108	10 172	9 700
Subordinated debt	2 961	2 945	2 961
	13 069	13 117	12 661
Liabilities			
Redeemable preference shares	2 294	1 608	1 740
Deposits and other accounts	70 980	65 514	67 866
Taxation	213	60	132
	86 556	80 299	82 399

* Restated for changes in accounting policies and disclosures.

Consolidated income statements

R'million	6 months ended 30 Sept 2004 Unaudited	6 months ended 30 Sept 2003* Unaudited	Year ended 31 March 2004* Audited
Interest received	3 182	3 894	6 551
Interest paid	(2 359)	(3 010)	(5 242)
Net interest income	823	884	1 309
Impairment of advances	(38)	(23)	(173)
	785	861	1 136
Other income	462	370	962
Total income	1 247	1 231	2 098
Operating expenses	(535)	(508)	(1 076)
Operating profit before taxation	712	723	1 022
Taxation	(82)	(14)	(131)
Operating profit after taxation**	630	709	891
Earnings attributable to minority shareholders	–	–	(1)
Earnings attributable to shareholders	630	709	890
Calculation of headline earnings			
Earnings attributable to shareholders	630	709	890
Headline adjustments	(14)	–	(3)
Revaluation of investment properties	(14)	–	–
Profit on disposal of subsidiaries and fixed assets	–	–	(3)
Headline earnings attributable to shareholders	616	709	887
Compulsorily convertible debenture interest	(134)	(134)	(268)
Preference dividends declared	(67)	(22)	(22)
Headline earnings attributable to ordinary shareholders	415	553	597

* Restated for changes in accounting policies and disclosures.

** The impact of AC133 (Financial Instruments: Recognition and Measurement) is shown on page 14.

Statements of changes in shareholders' funds

R'million	6 months ended 30 Sept 2004 Unaudited	6 months ended 30 Sept 2003* Unaudited	Year ended 31 March 2004* Audited
Balance at the beginning of the period	9 671	7 974	7 974
Adjustments to opening reserves as a result of the adoption of AC133	–	160	160
Restated balance at the beginning of the period	9 671	8 134	8 134
Net issue of perpetual preference shares	–	1 491	1 491
Earnings attributable to shareholders	630	709	890
Compulsorily convertible debenture interest	(134)	(134)	(268)
Preference dividends declared	(67)	(22)	(22)
Dividends paid	–	–	(500)
Movement in foreign currency translation reserves	(1)	28	(59)
(Decrease)/increase in cash flow hedge fair value adjustments	(10)	–	10
Net movement in investment revaluation reserves	–	(67)	(5)
Balance at the end of the period	10 089	10 139	9 671

Abridged cash flow statements

R'million	6 months ended 30 Sept 2004 Unaudited	6 months ended 30 Sept 2003* Unaudited	Year ended 31 March 2004* Audited
Cash inflow from operating activities	556	605	331
Cash inflow/(outflow) from banking operations	3 201	(5 669)	(5 130)
Cash (outflow)/inflow from investing activities	(17)	640	161
Cash inflow from financing activities	296	397	1 979
Net increase/(decrease) in cash and short-term funds	4 036	(4 027)	(2 659)
Cash and short-term funds at the beginning of the period	11 764	14 423	14 423
Cash and short-term funds at the end of the period	15 800	10 396	11 764

* Restated for changes in accounting policies and disclosures.

Segmental information

For the six months ended 30 September 2004

R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Other	Total group
Total income - headline	417	351	175	290	1 233
Operating expenses	(239)	(166)	(41)	(89)	(535)
Operating profits before headline adjustments and taxation	178	185	134	201	698
Cost to income ratio	53.9%	47.3%	23.3%	16.4%	41.6%

For the six months ended 30 September 2003*

R'million	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Other	Total group
Total income - headline	311	317	208	395	1 231
Operating expenses	(208)	(176)	(27)	(97)	(508)
Operating profits before headline adjustments and taxation	103	141	181	298	723
Cost to income ratio	61.9%	56.6%	12.9%	25.3%	40.5%

* Restated for changes in accounting policies and disclosures.

Asset quality

R'million	30 Sept 2004 Unaudited	30 Sept 2003* Unaudited	31 March 2004* Audited
Total loans and advances to customers (gross of provisions)	40 741	33 419	36 364
Managed book	(1 099)	(584)	(998)
Net loans and advances to customers	39 642	32 835	35 366
Income statement provision charge	(64)	(53)	(173)
Specific provisions	191	208	193
General provisions	447	371	417
Total provisions	638	579	610
Gross non-performing loans	459	310	714
Security	(270)	(130)	(539)
Net non-performing loans	189	180	175
Adequacy of provisions			
Specific provisions as a % of total loans and advances to customers	0.47%	0.62%	0.53%
General provisions as a % of net loans and advances to customers	1.13%	1.13%	1.18%
Total provisions as a % of total loans and advances to customers	1.57%	1.73%	1.68%
Total provisions as a % of gross non-performing loans	138.87%	186.77%	85.43%
Total provisions as a % of net non-performing loans	337.13%	321.67%	348.57%

The group has shown Asset Quality disclosure pre the effects of AC 133 which the group believes is more meaningful.

* Restated for changes in accounting policies and disclosures.

Capital adequacy

R'million	30 Sept 2004	Company 30 Sept 2003	31 March 2004
The regulatory capital of the bank as reported to the South African Reserve Bank is detailed below:			
Primary capital (Tier 1)	6 878	6 714	6 410
Secondary capital (Tier 2)	5 527	5 316	5 623
Total	12 405	12 030	12 033
Less : Impairments	585	610	573
Net qualifying capital	11 820	11 420	11 460
Risk weighted assets (banking and trading assets)	54 796	57 292	57 967
Capital adequacy ratio	21.6%	19.9%	19.8%

Impact of ACI33

The impact of ACI33 (Financial Instruments: Recognition and Measurement) is detailed in the table below:

For the six months ended 30 September 2004

R'million	Pre ACI33	ACI33 adj	Post ACI33
Operating profit before taxation	717	(5)	712
Taxation	(82)	–	(82)
Profit after taxation	635	(5)	630

For the six months ended 30 September 2003*

R'million	Pre ACI33	ACI33 adj	Post ACI33
Operating profit before taxation	632	91	723
Taxation	(14)	–	(14)
Profit after taxation	618	91	709

* Restated for changes to accounting policies and disclosures.

