

Investec Bank Limited

Unaudited interim consolidated financial results for the six months to 30 September 2005

Consolidated income statements

(R millions)	6 months to 30 Sept. 2005	Pro forma* IFRS restated 6 months to 30 Sept. 2004	Pro forma* IFRS restated Year to 31 March 2005	IFRS restated* 6 months to 30 Sept. 2004	IFRS restated* Year to 31 March 2005
Interest received	3,639	3,246	6,905	3,179	6,764
Interest paid	(2,644)	(2,361)	(5,050)	(2,361)	(5,050)
Net interest income	995	885	1,855	818	1,714
Fees and commissions receivable	323	174	392	284	605
Fees and commissions payable	(21)	(8)	(22)	(8)	(22)
Principal transactions	331	177	600	177	600
Other operating income	-	14	(42)	14	(42)
Other income	633	357	928	467	1,141
Total operating income	1,628	1,242	2,783	1,285	2,855
Impairment losses on loans and advances	(37)	(30)	(134)	(30)	(134)
Net operating income	1,591	1,212	2,649	1,255	2,721
Administrative expenses	(773)	(579)	(1,369)	(579)	(1,369)
Depreciation and impairment of property, plant and equipment	(18)	(18)	(49)	(18)	(49)
Operating profit	800	615	1,231	658	1,303
Loss on disposal of subsidiaries	-	-	(2)	-	(2)
Profit before taxation	800	615	1,229	658	1,301
Taxation	(178)	(58)	(203)	(68)	(221)
Profit after taxation	622	557	1,026	590	1,080
Earnings attributable to minority interests	3	8	19	8	19
Earnings attributable to shareholders	619	549	1,007	582	1,061
Earnings attributable to shareholders' equity	622	557	1,026	590	1,080
Calculation of headline earnings					
Earnings attributable to shareholders	619	549	1,007	582	1,061
Headline adjustments	(1)	(14)	14	(14)	14
Realisation of available for sale instrument	(1)	-	-	-	-
Loss on disposal of subsidiaries	-	-	2	-	2
Loss on the impairment of owner occupied property	-	-	12	-	12
Revaluation of investment properties	-	(14)	-	(14)	-
Headline earnings attributable to shareholders	618	535	1,021	568	1,075
Preference dividends paid	(62)	(67)	(131)	(67)	(131)
Compulsorily convertible debenture interest	-	(134)	(214)	(134)	(214)
Headline earnings attributable to ordinary shareholders	556	334	676	367	730

Consolidated balance sheets at

(R millions)	30 Sept. 2005	1 April* 2005	31 March* 2005	30 Sept.* 2004
Assets				
Cash and balances at central banks	1,249	1,113	1,113	1,071
Loans and advances to banks	9,214	6,075	6,075	8,368
Reverse repurchase agreements and cash collateral on securities borrowed	793	2,148	2,148	489
Cash equivalent advances to customers	4,806	3,960	3,960	4,119
Trading securities	10,023	9,519	9,146	6,014
Derivative financial instruments	7,963	9,488	9,499	9,754
Loans and advances to customers	53,037	45,983	45,737	41,331
Loans to group companies	8,773	8,455	8,455	12,658
Other assets	621	634	636	596
Investment securities	1,361	1,095	1,468	2,028
Deferred taxation assets	187	174	128	24
Property, plant and equipment	122	121	121	694
	98,149	88,765	88,486	87,146
Liabilities				
Deposits by banks	4,867	4,008	4,011	4,034
Repurchase agreements and cash collateral on securities lent	582	2,005	2,005	478
Derivative financial instruments	6,476	8,725	8,725	9,326
Other trading liabilities	321	262	262	102
Customer accounts	52,105	44,661	44,322	46,218
Debt securities in issue	17,389	12,728	12,728	8,526
Other liabilities	4,093	4,204	4,199	5,148
Current taxation liabilities	295	275	275	89
Deferred taxation liabilities	244	192	192	128
	86,372	77,060	76,719	74,049
Subordinated liabilities (including convertible debt)	3,173	3,204	2,961	2,961
	89,545	80,264	79,680	77,010
Equity				
Share capital	16	16	16	16
Share premium account	4,732	4,731	4,731	4,732
IFRS 2 equity settled option reserve	90	90	90	76
Equity portion of convertible instruments	229	229	-	-
Compulsorily convertible debentures	-	-	681	1,938
Perpetual preference shares	1,491	1,491	1,491	1,491
Other reserves	438	284	412	470
Profit and loss account	1,506	1,580	1,305	1,329
Shareholders' equity excluding minority interests	8,502	8,421	8,726	10,052
Minority interests	102	80	80	84
Total shareholders' equity	8,604	8,501	8,806	10,136
Total liabilities and shareholders' equity	98,149	88,765	88,486	87,146

Statements of changes in equity

(R millions)	6 months to 30 Sept. 2005	6 months* to 30 Sept. 2004	12 months* to 31 March 2005
Balance at the beginning of the period	8,501	9,825	9,825
As previously reported	8,796	9,671	9,671
- IAS 17 - Leases #	(73)	(6)	(6)
Changes in accounting policies arising from adoption of IFRS	5	29	29
- Minority interest included within reconciliation of reserves	78	131	131
- IAS 27/28/31 - consolidations, associates and joint ventures			
Restated balance as at 31 March 2005	8,806	9,825	9,825
- IAS 32/39 - financial instruments (adopted from 1 April 2005)	(305)	-	-
Foreign currency adjustments	(3)	1	(6)
Earnings for the period attributable to ordinary shareholders	619	582	1,061
Earnings for the period attributable to minority interests	3	8	19
Compulsorily convertible debenture interest	-	(134)	(214)
Share based payments adjustments	-	15	29
Fair value movements on available for sale assets	(33)	(10)	(26)
Dividends paid to ordinary shareholders	(440)	-	(395)
Dividends paid to perpetual preference shareholders	(62)	(67)	(131)
Movement on minorities on disposals and acquisitions	19	(84)	(99)
Buyback of debentures	-	-	(1,257)
Balance at the end of the period	8,604	10,136	8,806

Consolidated cash flow statements

(R millions)	6 months to 30 Sept. 2005	6 months* to 30 Sept. 2004	Year* to 31 March 2005
Net cash inflow from operating activities	202	502	748
Net cash (outflow)/inflow from investing activities	(19)	(7)	534
Net cash inflow/(outflow) from banking activities	101	(1,425)	(5,031)
Net cash (outflow)/inflow from financing activities	(299)	(58)	2,873
Net decrease in cash and cash equivalents	(15)	(988)	(876)
Cash and cash equivalents at the beginning of the period	1,398	2,274	2,274
Cash and cash equivalents at the end of the period	1,383	1,286	1,398

Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and cash equivalent advances to customers (all of which have a maturity profile of less than three months).

Segmental information

For the six months to 30 September 2005

(R millions)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Other	Total
Total income	456	507	242	385	1,590
Operating expenses	(306)	(231)	(80)	(174)	(791)
Operating profits before taxation and headline adjustments	150	276	162	211	799
Headline adjustments	1	-	-	-	1
Operating profit before taxation	151	276	162	211	800
Cost to income ratio (%)	66.7	43.3	32.3	45.0	48.6

Pro forma IFRS restated for the six months to 30 September 2004*

(R millions)	Private Client Activities	Treasury & Specialised Finance	Investment Banking	Other	Total
Total income	387	350	183	278	1,198
Operating expenses	(243)	(170)	(42)	(142)	(597)
Operating profits before taxation and headline adjustments	144	180	141	136	601
Headline adjustments	-	-	-	14	14
Operating profit before taxation	144	180	141	150	615
Cost to income ratio (%)	59.7	48.4	22.6	47.7	48.1

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

Commentary

Overview of results

We are pleased to announce that Investec Bank Limited, a subsidiary of Investec Limited, posted a strong increase in headline earnings attributable to ordinary shareholders of 66.5% from R334 million (pro forma restated) to R556 million. The bank has benefited from a solid performance from its businesses, supported by favourable economic conditions.

Business unit review**

Salient operational features of the period under review include:

- The Private Client Activities division posted a marginal increase in operating profit from R144 million to R150 million. The impact of IAS 18 has resulted in R247 million (Sept 2004: R125 million) of lending fees in the Private Bank being deferred for recognition as margin, 75% of which will be recognised as income by 31 March 2008. This adjustment has affected the cost to income ratio as reflected in the tables above. The Private Bank has benefited from a solid growth in total advances and strong performances recorded across the majority of the division's areas of specialisation. Since 31 March 2005, the private client lending book has grown by 18.9% to R34.6 billion and the division has increased its retail deposit book by 16.3% to R14.1 billion.
- The Treasury and Specialised Finance division posted operating profit of R276 million (2004: R180 million), an increase of 53.3%. Growth was underpinned by a strong performance from the division's advisory, structuring, trading, asset creation and distribution activities with advances increasing by 10.3% to R16.5 billion since 31 March 2005.
- Operating profit of the Investment Banking division increased by 14.9% to R162 million (2004: R141 million). The Corporate Finance division benefited from a sound deal pipeline and the Direct Investments and Private Equity divisions continued to perform strongly reflecting the bank's increasing presence in this activity.
- Other Activities posted an increase in operating profit from R136 million to R211 million, largely as a result of a solid performance by the Central Funding division which benefited from an improved capital structure and favourable capital market conditions.

For further information on the Investec group results, please refer to the results of Investec plc (incorporating the results of Investec Limited).

* Unless the context indicates otherwise, all comparatives relate to the pro forma IFRS restated results for the six months ended 30 September 2004. Operating profit is before taxation and headline adjustments.

Accounting policies and disclosures

Transition to International Financial Reporting Standards (IFRS)

From 1 April 2005 Investec Bank Limited is required to prepare its consolidated results in accordance with IFRS. Previously these were prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). The first set of IFRS compliant financial statements that will be prepared by Investec Bank Limited will be for the year ending 31 March 2006.

Our transition to IFRS has been performed in accordance with IFRS 1 "First-Time Adoption of International Reporting Standards" and other relevant standards as expected to be applicable at 31 March 2006.

The following dates are applicable for the transition to IFRS:

- 1 April 2004 - date of transition to IFRS, being the start of the earliest period of comparative information.
- 30 September 2004 - six month comparative period to 30 September 2005.
- 31 March 2005 - twelve month comparative period to 31 March 2006.

* In accordance with the provisions of IFRS 1, we have elected not to apply the requirements of IAS 32, "Financial Instruments: Disclosure and Recognition" and IAS 39, "Financial Instruments: Recognition and Measurement" to the comparative period. The impact of adoption of these standards is reflected as an adjustment to the opening balance sheet at 1 April 2005. To facilitate comparability, a pro forma income statement is presented which incorporates the impact of the adoption of the revised IAS39 in respect of the recognition of certain fees on an effective yield basis.

A summary of the impact on Investec Bank Limited's consolidated results of the transition to IFRS for the year ended 31 March 2005 and for the six months ended 30 September 2004 is provided in the tables below:

Key statements/impacts

(R millions)	Earnings attributable to shareholders	Assets	Liabilities	Shareholder funds-equity	Total shareholder equity, including minorities
At 31 March 2005					
As previously reported	1,154	88,376	79,575	8,796	8,801
IFRS 2 - share based payments	(29)	-	-	-	-
IAS 17 - leases	(67)	30	103	(73)	(73)
IAS 27/28/31 - special purpose vehicles	3	80	2	3	78
Restated to 31 March 2005	1,061	88,486	79,680	8,726	8,806
IAS 32/39 - financial instruments	-	279	584	(305)	(305)
Restated to 1 April 2005		88,765	80,264	8,421	8,501
At 30 September 2004					
As previously reported	630	86,556	76,448	10,089	10,108
IFRS 2 - share based payments	(15)	-	-	-	-
IAS 17 - leases	(33)	17	56	(39)	(39)
IAS 27/28/31 - special purpose vehicles	-	573	506	2	67
Restated to 30 September 2004	582	87,146	77,010	10,052	10,136

The most significant adjustments arising from the transition from SA GAAP to IFRS are:

- IFRS 2 - share based payments
- The inclusion of a fair value charge, for equity and cash settled options granted to employees, recognised over the vesting period.
- IAS 27 - consolidations (including special purpose vehicles)
 - Refinement to principles applied under SIC 12 which results in the consolidation of certain special purpose vehicles and a gross up of assets and liabilities on the group balance sheet
- IAS 32/39 - financial instruments (applied from 1 April 2005)
 - Refinements to the provisions under AC 133 which include:
 - Revised interpretation relating to the recognition of certain fees as part of the effective yield of a financial instrument
 - Application of proposed amendments with respect to more stringent rules applied to designation of financial instruments as held at fair value through profit and loss

Further restatement to prior year disclosures

In the South African economy it is common practice for operating lease agreements to incorporate fixed rental escalation clauses. Under the provisions of IAS 17 (consistent with the equivalent SA GAAP standard) lease payments under operating leases are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefits. The group has previously recognised fixed rental escalations in the period in which they contractually applied. In terms of the revised application of IAS 17 in the South African market place these increments have been taken into consideration in determining a straight line cost over the term of the lease. This adjustment represents a correction to prior year disclosures in accordance with IAS 8 - Accounting policies, changes in accounting estimates and errors.

Future developments under IFRS

The financial information contained in this announcement has been prepared on the group's expectation of standards that will be applicable at 31 March 2006 (being the first time that the group will prepare annual financial statements under IFRS). Changes to information presented in this report may be required due to one or more of the following reasons:

- Further standards and interpretations may be issued that could be applicable to the financial year ending 31 March 2006.
- Interpretations may differ as practice develops.
- Tax legislation and tax related interpretations may develop further.

On behalf of the Board of Investec Bank Limited

Hugh Herman
Chairman

Stephen Koseff
Chief Executive Officer

Bernard Kantor
Managing Director

S Noik
Company Secretary

17 November 2005



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

JSE Code: INLP ISIN: ZAE000048393

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 Jowell, M P Malungani, Dr M Z Nkosi, B Tapack*, P R S Thomas, F Titi, R A P Upton.

*Executive
Company secretary: S Noik