

# Investec Bank Limited

## Unaudited summarised consolidated financial results for the year ended 31 March 2006

### Consolidated income statements

(R millions)	Year to 31 March 2006	Pro forma* IFRS restated year to 31 March 2005	IFRS restated year to 31 March 2005
Interest received	7,827	6,905	6,764
Interest paid	(5,827)	(5,050)	(5,050)
<b>Net interest income</b>	<b>2,000</b>	<b>1,855</b>	<b>1,714</b>
Fees and commissions receivable	647	392	605
Fees and commissions payable	(28)	(22)	(22)
Principal transactions	637	558	558
<b>Other income</b>	<b>1,256</b>	<b>928</b>	<b>1,141</b>
<b>Total operating income</b>	<b>3,256</b>	<b>2,783</b>	<b>2,855</b>
Impairment losses on loans and advances	17	(134)	(134)
<b>Net operating income</b>	<b>3,273</b>	<b>2,649</b>	<b>2,721</b>
Administrative expenses	(1,722)	(1,369)	(1,369)
Depreciation and impairment of property and equipment	(38)	(49)	(49)
<b>Operating profit</b>	<b>1,513</b>	<b>1,231</b>	<b>1,303</b>
Loss on disposal of subsidiaries	-	(2)	(2)
<b>Profit before taxation</b>	<b>1,513</b>	<b>1,229</b>	<b>1,301</b>
Taxation	(305)	(203)	(221)
<b>Profit after taxation</b>	<b>1,208</b>	<b>1,026</b>	<b>1,080</b>
Earnings attributable to minority interests	32	19	19
Earnings attributable to shareholders	1,176	1,007	1,061
<b>Earnings attributable to shareholders' equity</b>	<b>1,208</b>	<b>1,026</b>	<b>1,080</b>
<b>Calculation of headline earnings</b>			
Earnings attributable to shareholders	1,176	1,007	1,061
Headline adjustments	(1)	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
<b>Headline earnings attributable to shareholders</b>	<b>1,175</b>	<b>1,021</b>	<b>1,075</b>
Preference dividends paid	(121)	(131)	(131)
Compulsorily convertible debenture interest	-	(214)	(214)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>1,054</b>	<b>676</b>	<b>730</b>

### Consolidated balance sheets at

(R millions)	31 March 2006	1 April* 2005	31 March 2005
<b>Assets</b>			
Cash and balances at central banks	1,930	1,113	1,113
Loans and advances to banks	12,473	6,075	6,075
Cash equivalent advances to customers	5,217	3,960	3,960
Reverse repurchase agreements and cash collateral on securities borrowed	1,224	2,148	2,148
Trading securities	12,208	10,419	10,046
Derivative financial instruments	9,032	9,414	9,499
Loans and advances to customers	62,885	45,983	45,737
Investment securities	31	195	568
Deferred taxation assets	241	188	128
Other assets	682	634	636
Property and equipment	83	91	91
Investment property	7	7	13
Intangible assets	26	17	17
Loans to group companies	6,508	8,478	8,455
<b>Total Assets</b>	<b>112,547</b>	<b>88,728</b>	<b>88,486</b>
<b>Liabilities</b>			
Deposits by banks	7,776	4,008	4,011
Repurchase agreements and cash collateral on securities lent	919	2,005	2,005
Derivative financial instruments	7,138	8,725	8,725
Other trading liabilities	266	262	262
Customer accounts	56,201	44,661	44,322
Debt securities in issue	23,502	12,735	12,728
Current taxation liabilities	422	275	275
Deferred taxation liabilities	164	192	192
Other liabilities	4,207	4,202	4,199
Subordinated liabilities (including convertible debt)	100,595	77,065	76,719
	3,140	3,204	2,961
<b>Total Liabilities</b>	<b>103,735</b>	<b>80,269</b>	<b>79,680</b>
<b>Equity</b>			
Called up share capital	16	16	16
Share premium	4,731	4,731	4,731
Equity portion of convertible debentures	229	229	-
Compulsorily convertible debentures	-	-	681
Perpetual preference shares	1,491	1,491	1,491
Other reserves	513	284	412
Profit and loss account	1,824	1,628	1,395
Shareholders' equity excluding minority interests	8,804	8,379	8,726
Minority interests	8	80	80
<b>Total shareholders' equity</b>	<b>8,812</b>	<b>8,459</b>	<b>8,806</b>
<b>Total liabilities and shareholders' equity</b>	<b>112,547</b>	<b>88,728</b>	<b>88,486</b>

### Statements of changes in equity

(R millions)	Year to 31 March 2006	Year to 31 March 2005
<b>Balance at the beginning of the year</b>	<b>8,806</b>	<b>9,825</b>
As previously reported	8,796	9,671
- IAS 17 - Leases #	(73)	(6)
Changes in accounting policies arising from adoption of IFRS	5	29
- Minority interest included within reconciliation of reserves	78	131
- IAS 27/28/31 - consolidations, associates and joint ventures	-	-
IAS 32/39 - financial instruments (adopted from 1 April 2005)	(351)	-
Foreign currency adjustments	(2)	(6)
Earnings for the year attributable to ordinary shareholders	1,176	1,061
Earnings for the year attributable to minority interests	32	19
Compulsorily convertible debenture interest	-	(214)
Share based payments adjustments	-	29
Fair value movements on cash flow hedging reserve	-	(26)
Dividends paid to ordinary shareholders	(640)	(395)
Dividends paid to perpetual preference shareholders	(121)	(131)
Movement on minorities on disposals and acquisitions	(104)	(99)
Buyback of debentures	-	(1,257)
Release of cash flow hedging reserve to income statement	16	-
<b>Balance at the end of the year</b>	<b>8,812</b>	<b>8,806</b>

### Consolidated cash flow statements

(R millions)	Year to 31 March 2006	Year to 31 March 2005
Net cash inflow from operating activities	470	748
Net cash outflow from banking activities	(82)	(5,454)
Net cash (outflow)/inflow from investing activities	(33)	534
Net cash inflow from financing activities	1,966	2,873
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,321</b>	<b>(1,299)</b>
Cash and cash equivalents at the beginning of the year	5,358	6,657
<b>Cash and cash equivalents at the end of the year</b>	<b>7,679</b>	<b>5,358</b>

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 year to 31 March 2006

(R millions)	Private Client Activities	Treasury and Specialised Finance Activities	Investment Banking	Group Services and Other	Total
Net operating income after headline adjustments	1,110	909	643	610	3,272
Operating expenses	(730)	(468)	(159)	(403)	(1,760)
<b>Operating profits before taxation and after headline adjustments</b>	<b>380</b>	<b>441</b>	<b>484</b>	<b>207</b>	<b>1,512</b>
Headline adjustments	1	-	-	-	1
<b>Operating profit before taxation</b>	<b>381</b>	<b>441</b>	<b>484</b>	<b>207</b>	<b>1,513</b>
Cost to income ratio (%)	66.1	48.0	25.0	76.0	54.3

#### Pro forma IFRS restated for the year to 31 March 2005\*

(R millions)	Private Client Activities	Treasury and Specialised Finance Activities	Investment Banking	Group Services and Other	Total
Net operating income after headline adjustments	843	727	448	643	2,661
Operating expenses	(528)	(405)	(118)	(367)	(1,418)
<b>Operating profits before taxation and after headline adjustments</b>	<b>315</b>	<b>322</b>	<b>330</b>	<b>276</b>	<b>1,243</b>
Headline adjustments	-	-	-	(14)	(14)
<b>Operating profit before taxation</b>	<b>315</b>	<b>322</b>	<b>330</b>	<b>262</b>	<b>1,229</b>
Cost to income ratio (%)	57.0	56.1	25.9	54.1	51.0

### Commentary

#### Overview of results

We are pleased to announce that Investec Bank Limited, a subsidiary of Investec Limited, posted a solid increase in headline earnings attributable to ordinary shareholders of 55.9% from R676 million to R1 054 million. The bank has benefited from a strong performance from its businesses, supported by favourable economic conditions.

For full information on the Investec group results, refer to the combined results of Investec plc and Investec Limited.

#### Business unit review

Unless the context indicates otherwise, all comparatives referred to in the business unit review, relate to the pro forma results for the year ended 31 March 2005. Operating profit is before taxation and after headline adjustments.

Salient operational features of the year under review include:

- The Private Client Activities division posted an increase of 20.6% in operating profit from R315 million to R380 million. The Private Bank has benefited from strong growth in total advances and recorded sound performances across the division's areas of specialisation. The private client lending book has grown by 39.9% to R40.1 billion and the division increased its retail deposit book by 45.7% to R17.7 billion.
- The Treasury and Specialised Finance division posted operating profit of R441 million (2005: R322 million), an increase of 36.9%. Growth was underpinned by a strong performance from the division's advisory, structuring, trading, asset creation and distribution activities with advances increasing by 32.6% to R19.9 billion.
- Operating profit of the Investment Banking division increased by 46.7% to R484 million (2005: R330 million). The Corporate Finance division benefited from a high level of activity and the Direct Investments and Private Equity divisions continued to perform strongly reflecting the bank's increasing presence in this activity.
- Other Activities posted a 25.0% decrease in operating profit from R276 million to R207 million as a consequence of redemption of R1.3 billion of debentures in the latter part of the prior year.

#### Transition to International Financial Reporting Standards (IFRS)

From 1 April 2005 Investec Bank Limited has been 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).

Our transition to IFRS has been performed in accordance with IFRS 1 "First-Time Adoption of International Reporting Standards" and other relevant standards as 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.
- 31 March 2005 - twelve month comparative period to 31 March 2006.

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

R'millions	Earnings attributable to shareholders	Assets	Liabilities	Total equity, including minorities
As previously reported	1 154	88 376	79 575	8 801
IFRS 2 - share based payments	(29)	-	-	-
IAS 17 - leases	(67)	30	103	(73)
IAS 27/28/31 - consolidations	3	80	2	78
Restated to 31 March 2005	1 061	88 486	79 680	8 806
IAS 32/39 - financial instruments	-	242	589	(347)
Restated to 1 April 2005	88 728	80 269	8 459	

Note:

- 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 year. 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.

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

- IFRS 2 - share based payments

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, B Tapnack\*, P R S Thomas, F Tjii, Executive

On 30 September 2005, Ms DR Motsepe resigned as a director of Investec Bank Limited and on 4 April 2006 Dr NZ Nkosi and Mr RAP Upton retired from the board, having reached the mandatory retirement age. New appointments will be announced shortly.

Company secretary: S Noik

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.
- Designation of financial instruments at fair value through profit and loss was early adopted. Application of this amendment results in more stringent rules applied to the designation of financial instruments 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 interpretation 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.

On behalf of the board of Investec Bank Limited

**Hugh Herman**  
Chairman

**Stephen Koseff**  
Chief Executive Officer

**Bernard Kantor**  
Managing Director

Sandton  
18 May 2006

#### Non-redeemable non-cumulative non-participating preference shares

##### Declaration of dividend number 6

Notice is hereby given that preference dividend number 6 amounting to 392.67 cents per share has been declared for the period 1 October 2005 to 31 March 2006. 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 30 June 2006.

The relevant dates relating to the payment of dividend number 6 are as follows:

Last day to trade cum-dividend	Friday, 23 June 2006
Shares trade ex-dividend	Monday, 26 June 2006
Record date	Friday, 30 June 2006
Payment date	Monday, 3 July 2006

Share certificates may not be dematerialised or rematerialised between Monday, 26 June 2006 and Friday, 30 June 2006, both dates inclusive.

By order of the board

**S. Noik**  
Company Secretary

Sandton  
18 May 2006

**Registered office**  
100 Grayston Drive  
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