

Investec

Interim results presentation 2002



 **Investec**

Summary of Results

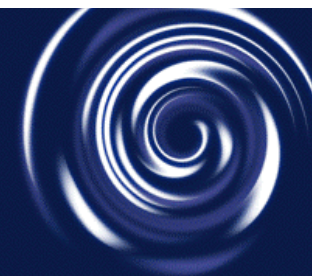


Snapshot of results – UK GAAP



	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Headline attributable earnings (£'000)	43 867	2.3	42 898	115 777
Headline EPS (pence)	47.6	1.5	46.9	126.8
DPS (pence)	26.0	0.4	25.9	53.8
Headline return on average shareholders' funds (%)	11.9		12.0	17.6
Cost to income ratio (%)	78.1		71.5	72.0
Assets under administration (£'mn)	41 463	(5.2)	43 746	45 184

Snapshot of results – SA GAAP



	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Headline earnings (R'mn)	968	27.5	760	1 684
Headline EPS (cents)	1 004.0	21.3	827.9	1 840.4
Cost to income (%)	70.3	-	66.5	68.0
Headline return on average tangible shareholders' funds (%)	24.0	-	22.9	24.2
Total capital resources (R'mn)	17 264	6.8	16 158	17 485
Total assets under administration (R'mn)	738 157	24.2	594 443	758 858

Global positioning and review



Operating environment



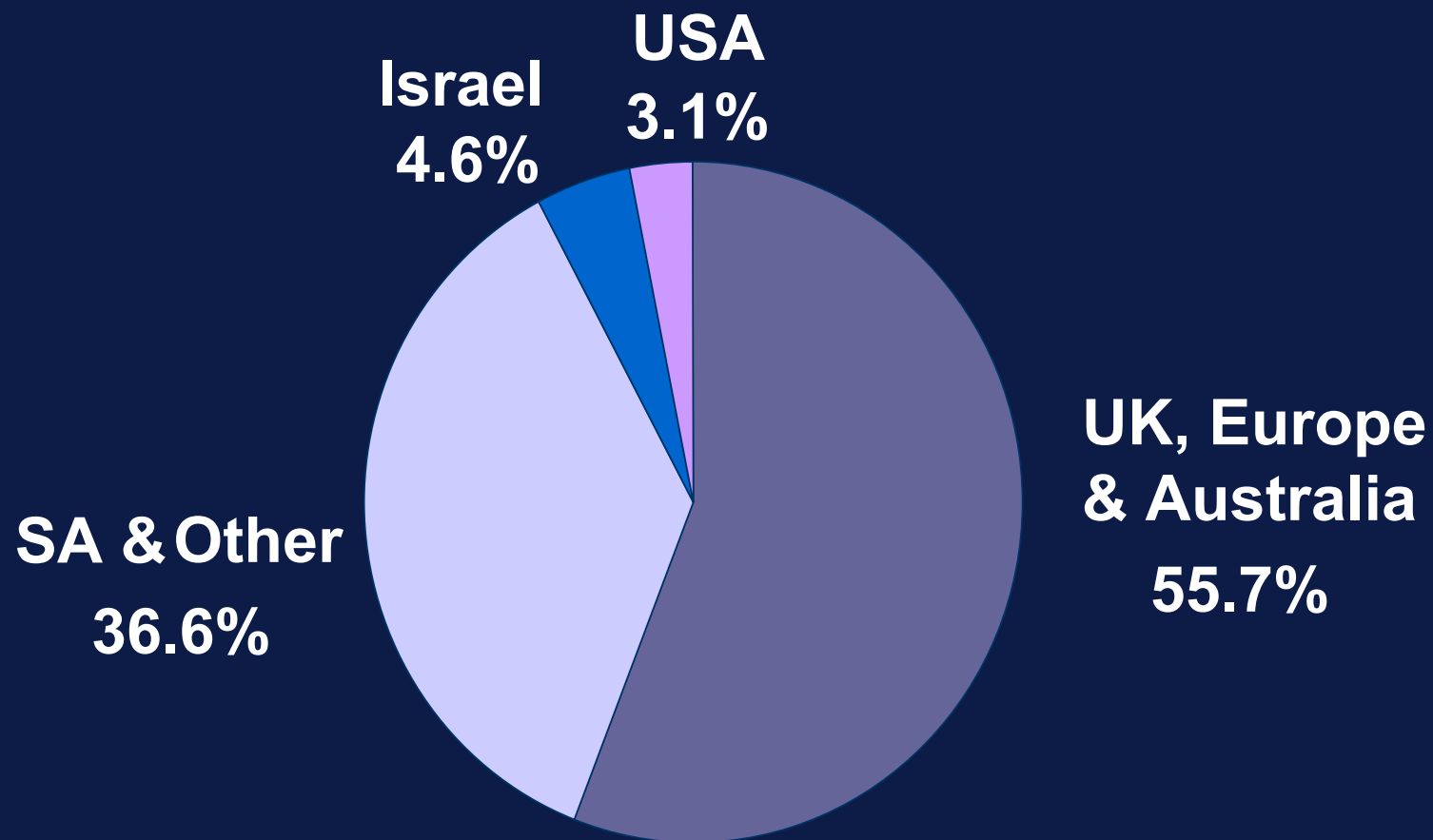
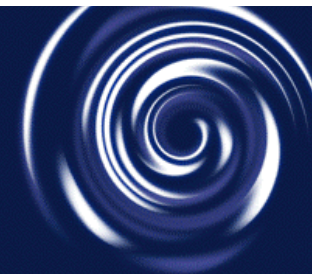
- Difficult operating environment characterised by:
 - Weak equity markets and economic slow down
 - Continued political uncertainty in Southern Africa
 - Increasing corporate governance concerns
 - Average R/£ exchange rate declined by 36% compared to the same period last year

Investec operating environment



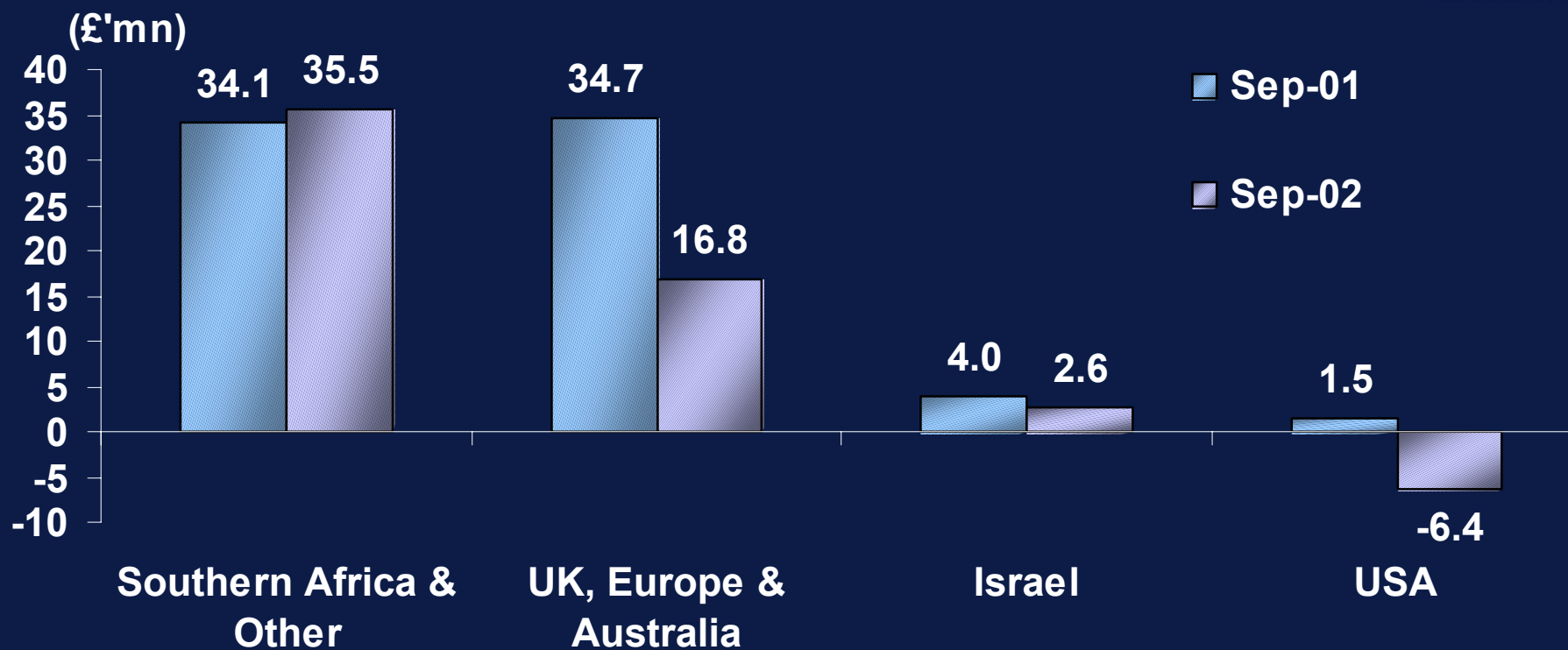
- The weakness in the group's equity related activities was partially offset by the strong performance from the group's global private banking operations, South African financial markets and assurance activities

Assets by geography



6mths ended 30 Sep 2002

Operating profit* by geography



**Before tax and goodwill amortisation*

UK & Europe



- Weak performance from UK operations:
 - Equity related activities severely impacted by volatile markets
 - Lack of corporate and capital market activity affected advisory activities
 - Strong performance from private banking
 - Weak performance from financial market activities
 - Developing Treasury and Specialised Finance activities
 - Significant progress made in Asset Management

Australia



- Solid performance overall
 - Received full banking licence in August
 - Private Client division benefited from refocus and rationalisation
 - Investment Banking, while susceptible to weak equity markets, continued to see good deal flow
 - Continue to build on reputation, quality client list and corporate network

Southern Africa & Other



- Strong performance from all SA activities except Private Equity and Direct Investments which were negatively impacted by the weak market conditions
- Strong growth in Rand terms dampened by the depreciation of the Rand relative to sterling for the equivalent period last year

USA



- During the period Investec has undertaken a strategic review of the US business:
 - Sold the private client stockbroking business to management
 - Sold the Clearing Division of Investec Ernst to Fiserv Securities in August for US\$44 million
 - Support services and infrastructure was streamlined
- The remaining businesses will be combined into one broker-dealer and operated under the Investment Banking pillar
- Enables Investec to align its US operations with its other global businesses

Israel

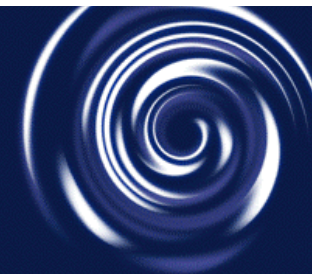


- Posted satisfactory results in a fragile political and economic environment
- Sterling results negatively impacted by the weakness of the shekel against the pound
- Average £:NIS exchange rate for the period was 7.23 compared to 6.02 in the previous year
- Notwithstanding this, the following was achieved:
 - Significant increase in mutual funds under administration
 - Headcount declined by 10%
 - Cross-border flows between Israeli institutional clients and New York continue to grow

Divisional review



Operating profit* by division



**Before tax and goodwill amortisation*

Investment Banking



- Prolonged weakness in financial markets resulting in poor performances across all markets
- Subdued trading volumes severely impacting the Securities businesses
- Lack of corporate advisory and capital market activity impacting corporate finance activities, particularly in the UK and US
- Private Equity and Direct Investments – lack of viable exit opportunities and mark down of portfolios

Investment Banking



- *Includes: Corporate Finance, Institutional Research, Sales and Trading, Private Equity, Direct Investments*

Salient financial features

UK GAAP	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Operating income (£'000)	30 668	(49.8)	61 155	114 550
Operating expenses (£'000)	(32 215)	4.7	(30 779)	(70 522)
Operating profit* (£'000)	(2 626)	-	29 612	42 544
Cost to income ratio (%)	106.6		51.1	62.5

**Before tax and goodwill amortisation*

Treasury and Specialised Finance



- Poor performance from UK activities which are still in developing stage
- Good growth from SA division in Rand terms, up 19%
- Overall performance affected by depreciation of the Rand and poor performance of the UK trading activities and increasing cost base due to new developments

Treasury and Specialised Finance



- *Includes: non-private client deposit-taking, corporate and public sector lending, structuring and proprietary trading activities*

Salient financial features

UK GAAP	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Operating income (£'000)	49 243	(3.8)	51 184	107 820
Operating expenses (£'000)	(27 801)	4.7	(23 238)	(52 292)
Operating profit* (£'000)	18 599	-	26 717	51 784
Cost to income ratio (%)	57.4		46.4	50.0

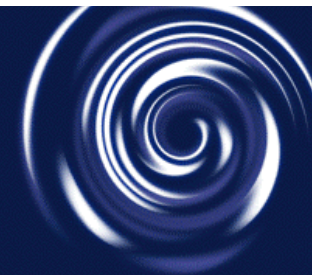
**Before tax and goodwill amortisation*

Private Client Activities



- Solid results particularly from Private Banking in SA and UK
 - SA lending book: up 10.1% to R15.2bn
 - UK lending book: up 6.2% to £846mn
- Private Client Portfolio Management and Stockbroking suffered from declining market volumes
 - SA FUM: up 3.7% to R28.3bn
 - UK FUM: down 20% to £4.8bn

Private Client Activities



- *Includes: Private Banking, Private Client Portfolio Management and Stockbroking*

Salient financial features

UK GAAP	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Operating income (£'000)	81 362	0.8	80 713	191 154
Operating expenses (£'000)	(55 804)	(2.0)	(56 913)	(133 166)
Operating profit* (£'000)	19 894	11.7	17 811	41 140
Cost to income ratio (%)	70.8		72.7	72.1

**Before tax and goodwill amortisation*

Asset Management & Assurance



- Stable contribution in sterling terms, stronger in Rand terms
- Assets under management of £15.8bn (R260.8bn) declined 2.9% in sterling terms and 0.9% in Rand terms
- Total net new business flows of £545mn

Asset Management & Assurance



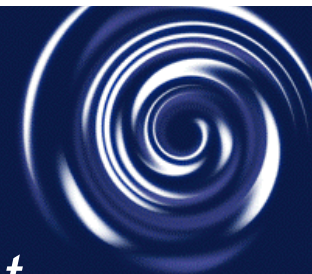
- **UK:**
 - Commendable performance from London investment team
 - UK retail business grew assets under management by 19%
 - Continue to win fixed income mandates in the UK local authority market
 - UK expansion prospects are growing and developing as expected
- **SA:**
 - SA businesses continue to show resilience
 - Strong retail funds and specialist performance of investment team
 - SA Personal Investments net new inflows of R2.3bn

Asset Management & Assurance



- Increased Assurance contribution from £13mn to £18mn as a consequence of further restructuring of liabilities and improvement in the quality of the asset allocation and administration

Asset Management & Assurance



- *Includes: Institutional, Retail and Investment Trust Asset Management and Linked Product Provider Business*

Salient financial features

UK GAAP	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Operating income (£'000)	61 836	0.4	61 606	131 623
Operating expenses (£'000)	(32 447)	(7.4)	(35 062)	(75 027)
Operating profit* (£'000)	29 117	12.5	25 875	55 195
Cost to income ratio (%) – excl. Assurance	75.8		74.4	79.3

**Before tax and goodwill amortisation*

Other Activities



UK GAAP, £'000	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
International Trade Finance	694	41.9	489	2 424
Property Worldwide	2 952	35.9	2 172	5 781
US Clearing and Execution	(772)	-	564	3 855
UK Traded Endowments	(2 344)	-	2 188	2 531
Other activities	530	(90.2)	5 419	14 591
Centralised Funding	(176)	98.6	(12 552)	(10 556)
Central Costs	(16 795)	(9.4)	(18 539)	(39 131)
Net operating income	(16 441)	(66.7)	(25 672)	(35 096)

Group performance

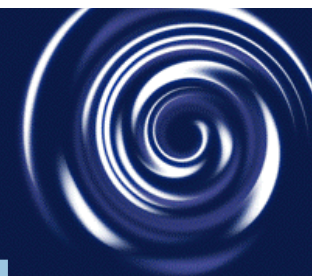


Balance Sheet



UK GAAP, £'000	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Assets	16 125	(8.6)	17 646	16 957
Core loans and advances	3 229	2.6	3 148	3 314
Liabilities	15 200	(8.2)	16 553	15 998
Total capital resources	924	(15.4)	1 093	958
Shareholders' funds	738	(12.9)	847	734

Income Statement



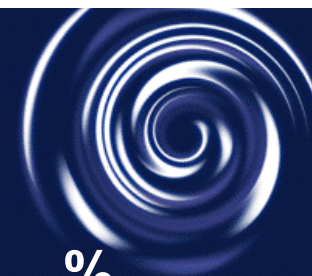
UK GAAP, £'000	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Net interest income	75 347	(0.8)	75 978	159 117
Net non interest income	181 083	(16.2)	216 136	459 554
Operating income	256 430	(12.2)	292 114	618 671
Administrative expenses	193 726	(3.9)	201 669	428 510
Depreciation on fixed assets & bad debt provision	14 161	(12.0)	16 102	31 594
Operating profit before goodwill amortisation	48 543	(34.7)	74 343	158 567

Headline earnings – UK GAAP



£'000	30 Sep 2002	30 Sep 2001	% Change
Operating profit before goodwill amortisation	48 543	74 343	(34.7)
Associated income pre goodwill amortisation	4 451	132	-
Tax on operating activities	(8 204)	(17 651)	-
Reorganisation and restructuring costs	-	(11 836)	-
Minority interest and pref dividend	(923)	(2 090)	-
Headline earnings	43 867	42 898	2.3

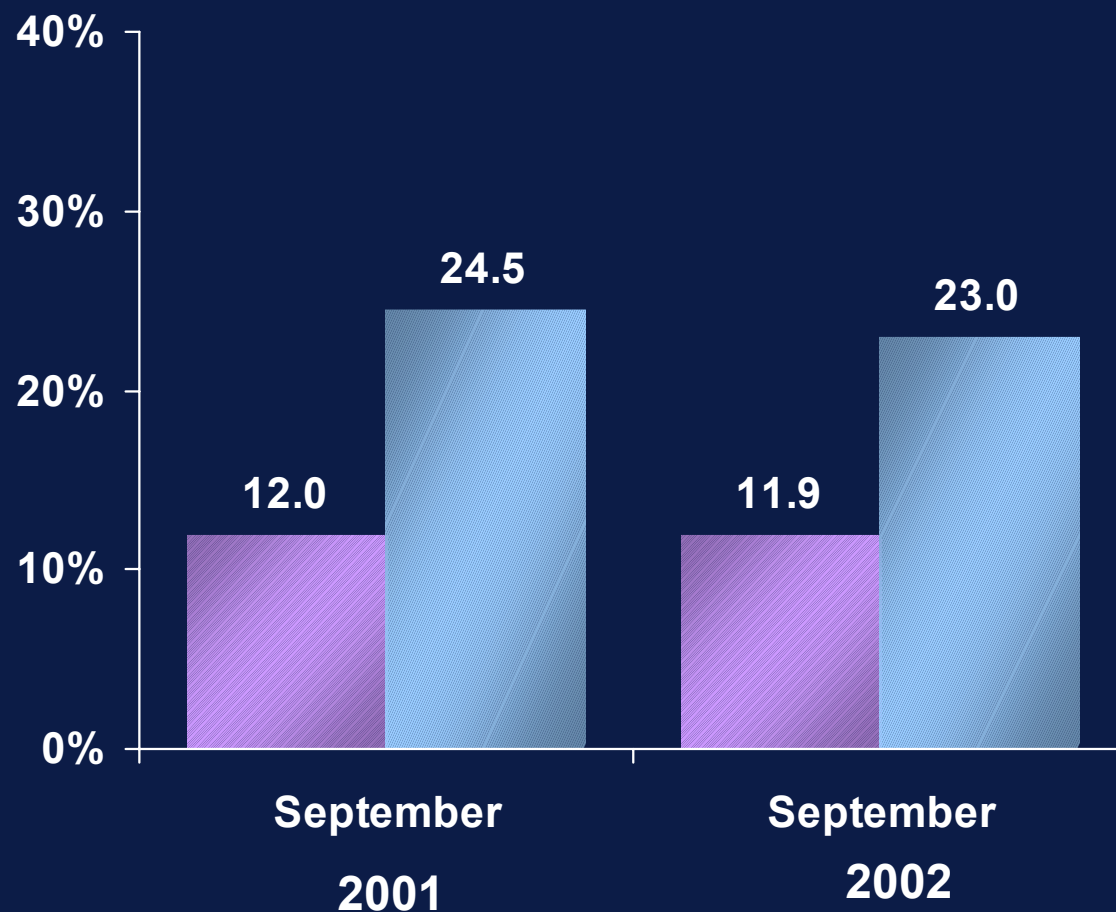
Headline earnings – SA GAAP



R'mn	30 Sep 2002	30 Sep 2001	% Change
Net interest income	1 309	1 054	24.2
Provision for bad debts	(120)	(110)	9.1
Other income	3 093	2 656	16.4
Operating expenses	(3 093)	(2 466)	25.4
Associates	73	13	461
Taxation	(135)	(223)	(39.5)
Minority	(8)	(10)	(20.0)
Compulsory convertible debenture	(151)	(154)	(1.9)
Headline earnings	968	760	27.4

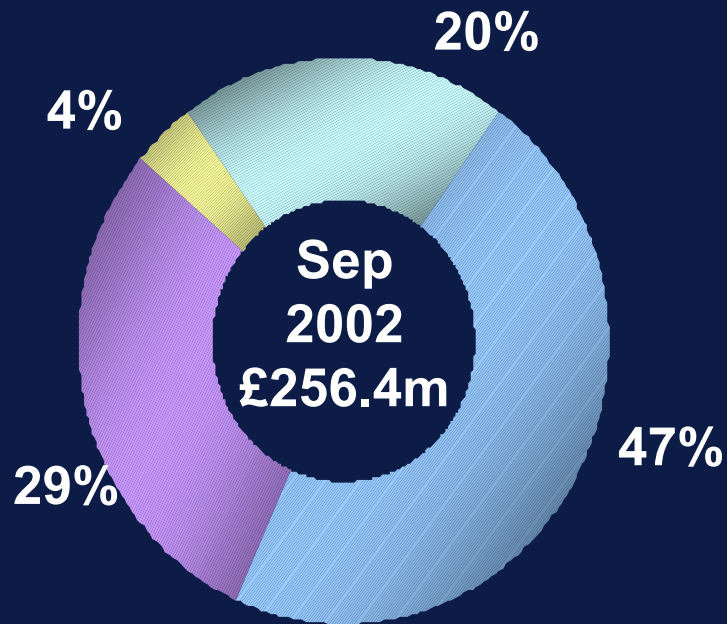
Return

(UK GAAP)



■ ROE ■ Return on tangible NAV

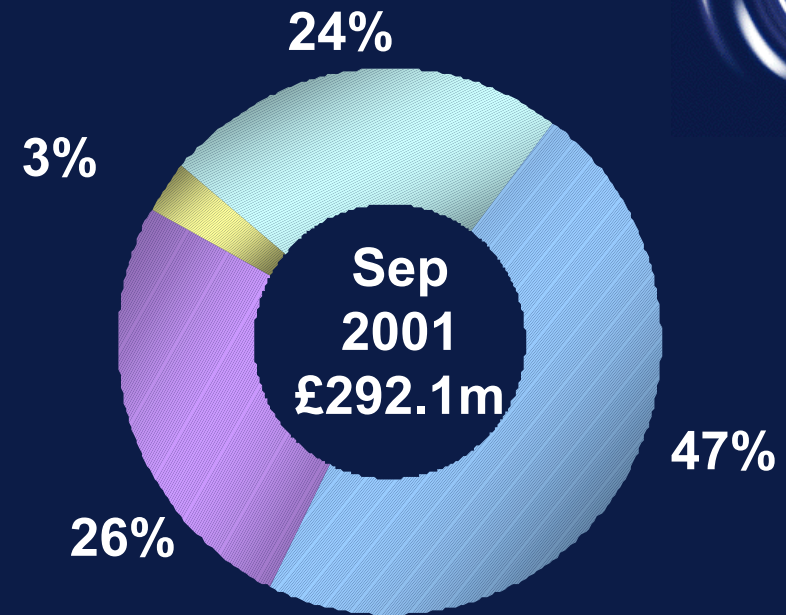
Quality of earnings



**Annuity Income /
Total Income: 76.0%**

Annuity Income

- Net annuity fees and commissions
- Net interest income

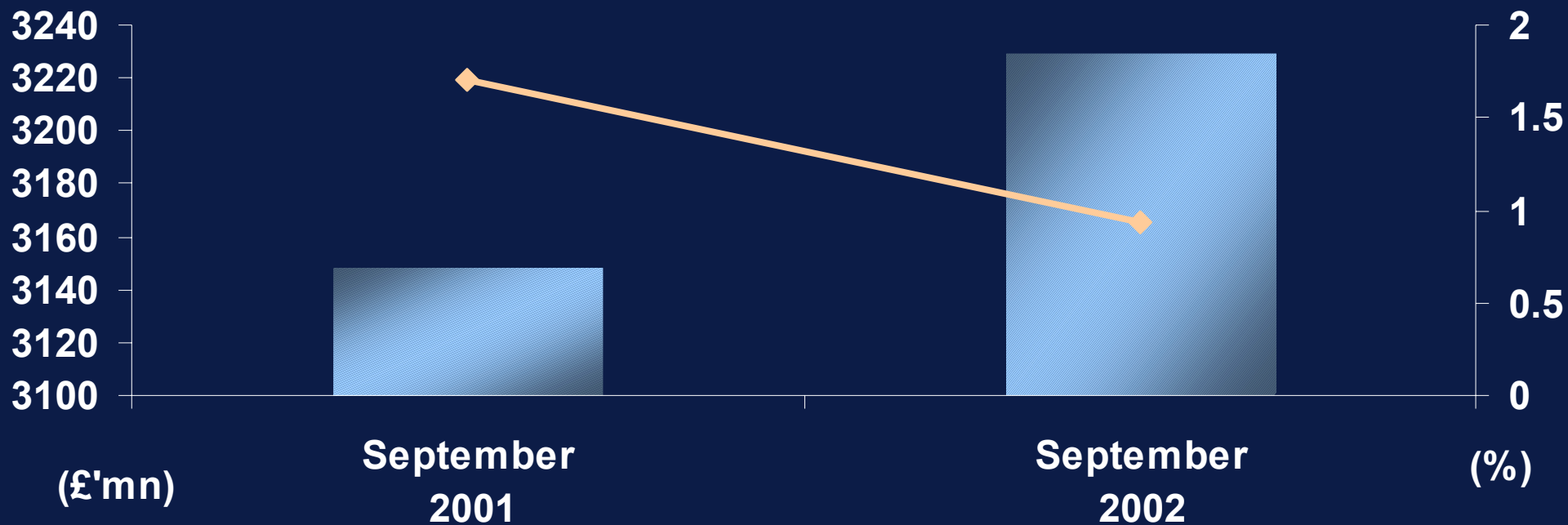


**Annuity Income /
Total Income: 72.7%**

Other Income

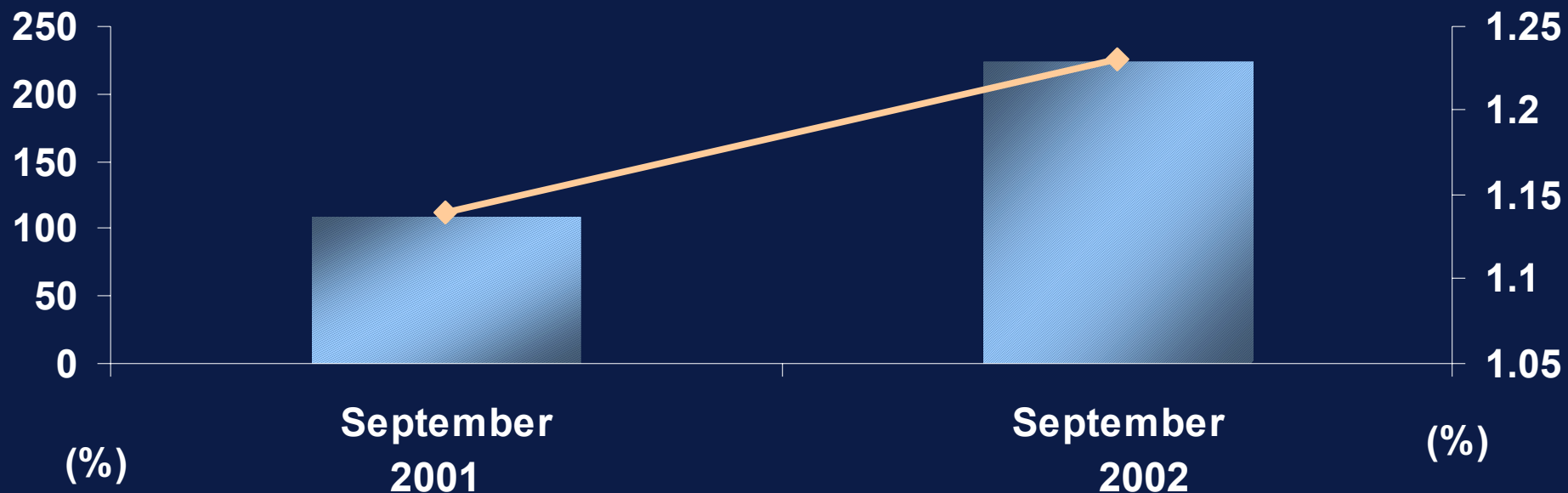
- Dealing profits, deal income and other income
- Income from long term assurance business

Asset quality



- Total core loans and advances to customers (lhs)
- ◆ Non-performing loans (rhs)

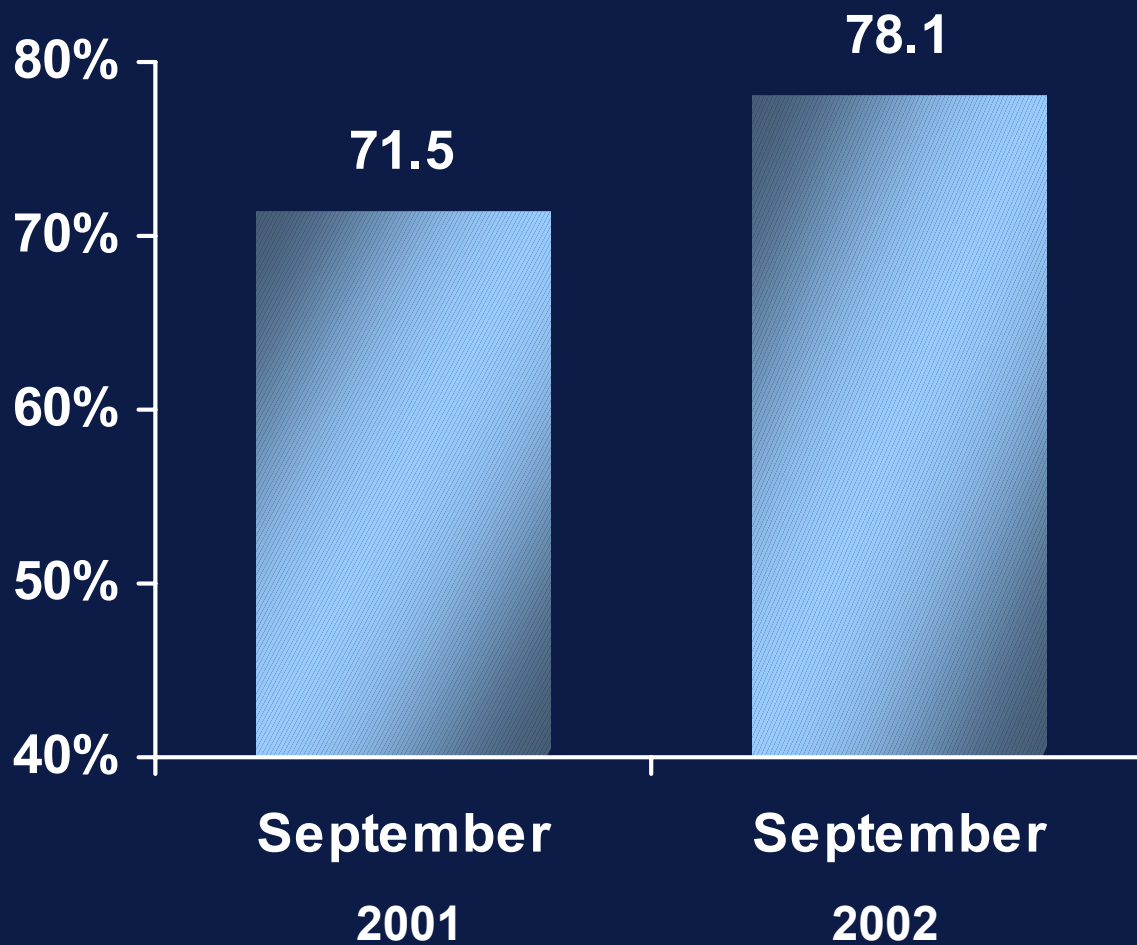
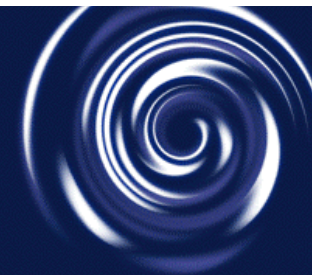
Asset quality



- Total provisions as a % of non-performing loans (lhs)
- ◆ General provisions as a % of net loans and advances (rhs)

Cost to income

(UK GAAP)

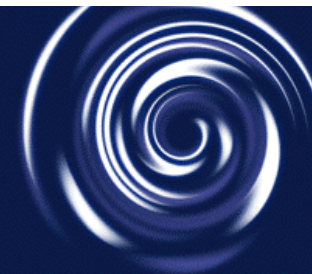


Administrative expenses



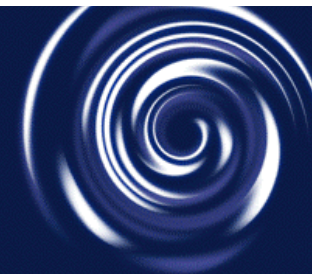
UK GAAP, £'000	30 Sep 2002	% Change	30 Sep 2001	31 Mar 2002
Staff costs	128 485	(3.6)	133 287	275 231
Premises (excl. depreciation)	10 889	(16.2)	11 002	25 855
Equipment (excl. depreciation)	12 334	(1.0)	11 920	31 980
Business expenses	35 367	(6.1)	37 669	79 717
Marketing expenses	6 651	(14.6)	7 791	15 727
Administrative expenses	193 726	(3.9)	201 669	428 510

Cost to income



- Increase in cost to income due to following:
 - Fall in Investment Banking income
 - US still includes costs for the full period and the up-skilling of the Investment Banking capability
 - Increasing costs related to development of operating units within Treasury and Specialised Finance in the UK
- Ratio should improve as overall headcount declines

Capital adequacy



- Consolidated under SARB rules
 - Investec Limited **16.0%**
 - Investec plc **14.3%**
 - Investec DLC **13.2%**
 - Investec Bank Limited – solo **21.7%**
- Consolidated under FSA rules
 - Investec plc **14.1%**
 - Investec Bank UK – solo **17.9%**

Looking forward



Looking forward



- Much progress was achieved in rationalising and refocusing some of the group's business activities to cope with difficult market conditions particularly in the US, Israel and the UK

Looking forward



- Focus in the short term will be on management of costs and risks but at the same time looking for opportunities that enhance critical mass

Investec

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