Speaker	Narrative

Stephan Koseff

Right, welcome everybody in both London and Johannesburg to Investec's half year results presentation. I think overall if we look at the type of environment that we've been operating in over the past six months and certainly the past few months, we've seen very volatile equity markets, a continuation of the rising interest rate environment and certainly in our key geography. Narrative Credit marketing stability, I mean, every single day there is a headline of massive write-offs by various types of banking groups around the world and this graph or slide demonstrates what has happened to the ADX index since mainly the end of July and then we traded in, although the rand was a little bit stronger at the end of the period, its average was quite a lot weaker than the average of last year. I think 12.88 was the average for September '06 and 14.22 or 14.21 was the average for September '07.

We think overall our strategy of maintaining a balanced business model and diversified portfolio businesses have held us in good stead, and as we've said at our interim announcement, we had one area in our group that was very much affected by credit market conditions, but the rest of the group wasn't. We saw very strong performance from South Africa and Australia. Last year the UK performed particularly strongly and I think it is earning double this year for splat for the first half, but it did have a very solid performance apart from our US principal finance division which is part of our capital market business where you will note, if you've read the results already, we had quite a substantial right down our investment assets.

We achieved all our spates of growth in the financial return objectives and we've continued to maintain disciplined risk management across all our organisations, all our businesses. Our operating profit before tax increased by 23.8% to £54 million. Attributable earnings up by 25% to £160 million. The adjusted DPS up 17.2% as a consequence of a greater number of shares in issue which was off the back of the Kensington acquisition. Dividend per share, up 15% to 11½p. Our core earnings, key earnings, drivers, average core loans and advances, we had average loans of 18% higher than the previous trading period and that would drive our net interest account and average third party funds under management of just under 10%, £57.8 million from £52 million.

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Looking at our financial objectives, our EPS growth target of retail price index plus 10 was exceeded quite comfortably, 17.2%. Of that our contribution from the UK and from Investec Plc was just under 39 and from Investec Ltd. 61. Return and equity up slightly, 23.9. The UK and Europe at 13.4 was really affected by the write-offs that we took in the capital markets business and South Africa up strongly at 38.4 and Australia also up strongly at 19.8. Cost to income ratio again, our target is below 65. We probably will have to adjust this target because we have been consistently below 60 for a number of years and at 58.9%. Again UK and Europe up a bit at 68.3, South Africa at 51.9 and Australia at 50.9 off the back of the very strong performance in that market.

We remain very well capitalised and if you look at Investec Ltd. at 13.7, that had the Growthpoint transaction been implemented at 30 September as opposed to 18 October, that number would have been up to about 14.7 and Investec Bank Ltd. would be up at about 14½% and both PO1 ratios would be above our target of 10. And PLC, 17.7 at Investec TLC level, with a PO1 ratio of 11.9 and Investec Bank UK at 18.3 with a PO1 ratio of 11½ and Australia still very, very well capitalised at 23.7 with a PO1 ratio of 19. So right across the spectrum we remain very, very well capitalised.

Looking at our divisional performance, all divisions grew except capital market and they were down 24%. Property was up 82%. Investec Asset Management up 14%, private clients up 20% and investment banking up 45%. Looking at the private bank, operating profit grew by 16.4%. Last year we had a very strong year in the UK. This year we were up marginally in the UK but strongly in other geographies. We have continued to see greater penetration across all areas of specialisation. Note the wealth management and growth and acquisition finance. We did see a very strong performance in South Africa and Australia, and as we said at the trading update, the UK is consolidating around previous levels reported after an exceptional year. The core loan book grew by 23.4% and the core deposit book continues to grow by 24.7%. Our funds and advice grew by 53% and our cost to income ratio improved to 52½. Our ROE was down slightly to 37.3 and profit per employee down slightly to £42.4000. Looking forward in the private bank, we do have a reasonably good economic outlook both in South Africa

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and Australia and that could sustain our pipelines in their levels of activity, notwithstanding the fact that interest rates have risen quite significantly in those particular markets.

We think that the short-term outlook in the UK should be tempered by the credit crisis. However, we have got strong platforms that should enable long-term growth, but certainly in the short term we think performance of this area will be affected by what is going on in global credit markets. Overall the private bank contributed 35% to boost profits. Our private client portfolio management business had very strong growth, 47½% and that was both in our associate Rensburg Sheppard and the South Africa business, had driven off the back of increasing funds under management of about 10% for March and in South Africa certainly the launch of a number of new products, increased volumes and higher effort levels and an increase in the proportion of discretionary funds under management. So overall the private client businesses did do particularly well this period and we expect them to continue to do reasonably well going forward as they benefit from a higher asset base, and although revenue from stockbroking and execution activities may increase at a slower rate. They contributed collectively 5.9% of group operating profit.

Our capital market business was down 24% and I will deal with that in a moment as to where the problem was. Overall the advisory structuring and asset creation activities continue to perform quite well, notably in South Africa and Australia, and the equity finance business in Ireland performed particularly well. So we have benefited from the Rothschild acquisition in Australia and I think it has given us a new platform and a whole new product set and we are starting to see the benefits of that. Results were adversely affected by the performance of our US principal finance division which we've had to make a write-off of about £36 million which is a lot higher than we anticipated at the time of the trading update and it is mainly as a consequence of rating downgrades that took place the month of October. And the acquisition of Kensington was included in these results during this period and it was effective on the 8th of August and an income generation of about £4.6 million.

So if we look at the current exposure to US structured rates at an [unclear] investment, it is £81 million. That was at the end of September. Of that £33 million was exposed to the sub-prime market. The rest is exposed to normal corporate type activities and we don't really see a problem with that part of the portfolio. So at 30 September our residual exposure to sub-prime was 33. We've since restructured and it is a bit lower at about £29 million and we have assets held for securitisation which are European assets of £207 million.

Looking at Kensington, the reshaping of the business continues. We've cut overheads or are in the process of cutting overheads and we've tightened the lending criteria quite significantly. We've increased pricing to recognise the greater cost of liabilities. The adverse new business volumes are down significantly post period end, but we've maintained volumes at a reasonable level in the prime space which is mainly subject to sales under forward flow agreement. The operating profit I mentioned was £4.6 million. All our forward flow agreements are still operative and they are contractual for two years. Well, probably 18 months to run. The majority of warehouse facilities have either been renewed or are in the process of being renewed. Clearly we have very challenging credit market conditions and those had to result in a significant restructuring to maintain the platform so that when credit market come back we will be in a position to take advantage of that. We are also trying to get further efficiencies to more automation across the operating body.

If you look at its mortgage assets under management, they have declined from £6.9 billion to £6.5 billion. Security house portfolio down from 6. It comes back at you very, very quickly. £6.1 billion to £4.9 billion and the warehouse book has increased from £833 million to £1.6 billion and that's because securitisation haven't happened since the end of July. Our weighted average loan to values have continued to improve at 68.3% and that includes house price inflation and the percentage of accounts in arrears also have improved from 9.4 to 9.1.
So Kensington right now operationally is quite a well-managed business but is faced clearly with a very challenging set of market conditions.

If you look at the outlook for our capital markets business, clearly UK and European securitisation markets are still more or less closed. There have been one or two securitisation over the last while, but it is still not an active market at this point in time, and global [unclear] levels will impact very much on levels of

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activity, in particular in the UK. South Africa remains fairly buoyant and that's really due to the fact that corporates and government, having embarked on massive infrastructure spending, which is taking over basically from the consumer, which is necessary for that economy to continue to grow. Overall capital markets contributed 17.8% of our operating profits.

Looking at investment banking, operating profit is up quite substantially, by 45% to £51.9 million. Agency and advisory profit was down by 8.7% to £15.4 million and that was really affected by two things: we had a poor performance in one of our trading activities in South Africa and the unbundling regulations have affected the business model and where you now may not get brokerage for providing research. You get paid separately for research. We continue to have a strong performance from our private equity and direct investment portfolios as underlying assets continue to perform particularly well, many of which are related to infrastructure pipe investment South Africa, and we expect them to continue to perform well over the next few years.

The outlook for investment banking, I think whilst market conditions are uncertain and fairly volatile, ideal pipeline is very good across the spectrum and that should enable us to sustain momentum. We continue to build value in our direct investment for private equity portfolios independently of realisations and market conditions and that's part of our strategy to build up those platforms and we continue to remain active in seeking of appropriate investment opportunities. Investment banking contributed 21.4% to overall group profits. Our asset management business increased by 13½%, very strong performance in the UK, a flat performance in South Africa. As we said before, the difference between the two businesses is our UK platform is a growth business, South Africa is a mature business and therefore its growth rate is expected to be lower going forward, but the UK, we believe, will continue to grow quite strongly.

We continue to have a solid investment for long-term investment performance and we have significantly widened our distribution roots. We also benefited from pretty good retail inflows. In the UK of £550 million in the period, in South Africa about R4 billion. Total assets under management increased by 5.9% to just under £31 million and our cost income ratio is 64% and ROE

Speaker	Narrative

49%. So business is in good shape and we believe that it will continue to grow and develop. The overall momentum across the businesses remain very positive. Our long-term track record and growing demand for specialist high performance product continue to support the fundamentals. We also decided to establish a presence in Australia and that office will open up in a not too distant future, leveraging off already the existing brand development that have taken place in Australia.

We also contributed as normal asset management always contributes about 14 to 15% of operating profits, this year, 14.9%. Our property activities have obviously been through some restructuring because of the sale of the administration business to Growthpoint, but during this period we still own Growthpoint, the administration activities, so we still have to report on them, and during the period clearly we benefited from higher funds under management, we benefited from realisation and a very strong contribution from our investment portfolio which is, in essence, a South African portfolio, and the property fundamentals in South Africa remains very solid.

Operating profit is up 81%. Our funds under management was up 27%, that was prior to the sale of Growthpoint, to £1.9 billion. Cost income ratio 50% and ROE 80%. We are intending and we have started establishing a fund in the UK for our private clients to invest in real estate opportunities around the world, and likewise we've launched a property fund in Australia for our private clients to invest in property assets in Australia. Post the Growthpoint transaction, we would have two businesses, the property investment banking business and a property fund management business including the management of listed property funds which we did not sell, and a private equity style property funds like we have launched in the UK and Australia. Overall it generated 4.7% operating profit.

We look at Groupsurf and other activities. Our trade finance business generated 42.7% growth to £3.1 million as they continue to add new clients off the back of a strong South African economy. Central funding was up significantly as a consequence of much higher cash and cash reserves, 131% to £37 million; a very strong increase in the interest income, as over the years we've sold assets out of our life fund and then central services increased marginally as a consequence of a headcount increase, being a ½%.

The effective tax rate came down quite significantly to 25%. That's mainly in the UK and Europe where we generate an income in some lower tax jurisdictions. The earnings attributable to minority interest arises from the consolidation of investments in our private equity division and we have to take out the minority share of those investments which is £5.7 million and then we have this hedge of our perpetual preference here which profit was in the operating line, and this year because of the Euro against the Sterling, the losses taken out of private, out of minority. Overall our asset quality continues to remain good in our core business. I've given you the details on Kensington. So we keep the line portfolio separately so we don't lose perspective. Our default lines came down slightly from 123 million to £119 million. Our net default lines was down to 35, was up slightly from 29 to £35 million and our gross default lines, a percentage of [unclear] came down from 1.23 to 1.01%. So we are not seeing any issues on the credit front at this point in time as our books continue to perform particularly well.

On the liquidity front, it is no point giving you what has happened at September. You continue to see strong cash positions across all our groups. South Africa has almost got R40 billion of liquidity. UK and Europe £2.4 billion and Australia £1.1 billion, all of cash and near cash as at the most recent – as at yesterday morning. I think the balance portfolio of our businesses in this graph from 2000 demonstrates sustainability of our business model and you can see that 55% of our revenue comes from our private client and asset management activities which are less volatile and the balance of revenue would come from clearly the more volatile part of our business which don't move in straight lines. But certainly our balance portfolio businesses held us in good stead for a number of years.

We look at the mix between risk taking and third party and advisory. 46% of our revenue came from third party assets under management and advisory, and the balance from 53½% from proprietary risk, lending money in principal positions. 37% is net interest and 17½% principal transactions. Sorry, 36% is interest. We look at our jaws[?] ratio. We still managed to grow income at a faster rate than expenses over March 2000 and still looking like the crocodile has got its mouth open. So we hopefully will continue to maintain the ratio of growing income faster than expenses.

	Getting back to how we see life going forward. I think the outlook clearly is very mixed. All the geographies that we operate in are behaving differently. Strong commodity prices have supported and continue to support growth in both South Africa and Australia and those economies, Australia's economy is expected to grow at about 4%, South Africa at roundabout 5% and South Africa is going to see a shift from consumer-led growth to infrastructure and corporate-led growth, and that's the transition that is taking place in that economy. Clearly in the UK and Europe we expect to see tougher times as the economy flows to credit market uncertainty. We do remain well-diversified, both geographically and operationally and we continue to be well-capitalised at strong risk management disciplines and good platforms for growth in place when the market actually returns. So overall we feel that we are in a reasonably comfortable space although we do expect market conditions to be fairly tough in certain parts of where we operate. That's the end of the formal presentation. We now can take questions. I start off in London. Any questions in London? Okay, no questions. Johannesburg? They are on.
Male speaker	Stephan, can you hear us?
Stephan Koseff	How are you? Gone again.
Male speaker	Okay, are there any questions from here?
Voigt	This is Voigt from Deutsche here. I've just got a question with regard to your private banking outlook comment. You said that the short-term outlook could be tempered by the current credit crisis. Can you just maybe expand on that? Just explain, is that funding-related issues or potential spillovers into property market or how exactly, what exactly do you mean by that statement?
Stephan Koseff	Well, it is very clear. This is the UK. This specifically relates to the UK and you clearly have very difficult credit market conditions in the UK and in the first world. You know, obviously South Africa and Australia at this point in time are quite different. So we think that levels of

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	activity will be lower and that you will have much less turnover. In other words, exits will take longer to be effected. So that's really the comment, that we expect to see lower levels of activity, whereas historically we've had quite a churning type book. We expect the book to churn at a slower rate. Okay, Voigt? Where has he gone? What's wrong with this kit? Why can't you put their picture up here?
Andy	Are there any more questions from Jo'burg? Stephan, the kit saved you.
Stephan Koseff	Sorry? No, we can't see you guys. It is quite disconcerting. We don't know if you're hearing us or what. Where is Ruby?
Andy	Stephan, there's a delay in the speech.
Stephan Koseff	Oh. No, because they're using this stupid radio instead of a kit.
Andy	I don't think there are any more questions from Johannesburg, Stephan.
Stephan Koseff	Is Ruby not there, Andy?
Andy	I can't see him here.
Stephan Koseff	Oh, okay. Because he doesn't, he's never not asked a question. Teleconference?
Operator	Our first question comes from Wilhelm Nauta of BJ's. Please go ahead.
Stephan Koseff	Is the traffic still bad?
Wilhelm Nauta	Hi Stephan.

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Stephan Koseff	Hello Wilhelm.
Operator	Stephan, you mentioned that the securitisation market is currently closed, so I'm just interested to know what is currently happening to the assets created by Kensington? Surely it is not all going onto your own balance sheet?
Stephan Koseff	No, they're going to the warehouse lines.
Wilhelm Nauta	Which means?
Stephan Koseff	That's where they're going.
Wilhelm Nauta	And what are the prospects of getting them out in the short term?
Stephan Koseff	Well, it depends when the markets come back. You know, we are expecting markets to start coming back some time next year and then they will move out of the warehouse lines.
Wilhelm Nauta	And until then the activity levels in Kensington is presumably going to be very depressed.
Stephan Koseff	The activity levels are mainly, most of the stuff at Kensington currently originates for its wholesale programme which is contractual.
Wilhelm Nauta	Okay.
Stephan Koseff	The amount of actual volume written in the phase that would stay in the warehouse line is very low.
Wilhelm Nauta	Thank you.
Operator	Our next question comes from David Reese of

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	Merrill Lynch. Please go ahead.
David Reese	Hi, yes. Just a similar question, I guess, from the warehouse line in Kensington. Just to be clear, at one point the [inaudible segment] billion Sterling that is now in the warehouse, I mean, what's your economic view of it [unclear]
Stephan Koseff	Well, those are actually consolidated onto the balance sheet but their lines are non-recourse and there are first-loss pieces in those lines.
David Reese	Okay. So even though that has risen materially from 800 at 31 March the figure that is still focused on is 170 million odd in the first-loss exposure.
Stephan Koseff	The 170 is then the securitisation. I think there was £30 something million of first-loss pieces bought in the warehouse line.
David Reese	Okay, okay. So the total first-loss is the sum of those, the 170 and the 30.
Stephan Koseff	Ja.
David Reese	Okay, thank you very much.
Stephan Koseff	Okay.
Operator	There are no further questions from the conference call.
Stephan Koseff	Okay, one more round. Any more questions anywhere? Ja, we've got a question here in London.
Orion Securities	Ja, thanks, this question is from Orion Securities. Just, sorry, to carry on with Kensington, the rationale of the day initially was that Investec could fund cheaper than Kensington itself. Has that rationale been erased by what's happened in the market, and secondly, can you

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	give us a bit more colour for next year on the figures from Kensington? I mean, do you think that there's a possibility of things deteriorating further in the PNL sense?
Stephan Koseff	Let me answer the first question first. Clearly their market conditions are totally different to what they were when we bought them and that no-one would be funding cheaper at this point in time because credit market conditions are totally different. So that was a rationale, but that rationale obviously is not working in this credit environment. Secondly, I think we made a statement at the trading update that we would expect Kensington profitability to be significantly less than what it was at the time, what we thought it would be at the time of the acquisition and you've seen the numbers come out for the first month. It is hard to call exactly whether that will be the sustainable number or not, because a lot depends on how credit market conditions are going to roll out. So one will have to see how market conditions roll out, whether securitisation comes back or not. Certainly there's a back book which is quite profitable and generates quite a lot of revenue, but that back book runs down over probably a few years. So a lot will depend on whether the business model comes back when securitisation comes back.
Orion Securities	Thank you so much. Just on a different subject, just on property, thanks very much for all the information there. What is your view – I know there are a lot of concerns both in terms of property investments and in property generally, notably obviously in the first world, how do you view O.A.T.e in terms of that potential redemptions and in the price in terms of Investec's own exposure?
Stephan Koseff	It depends on which geography we are in now. I mean, clearly you've got much tougher conditions in the UK to any other parts of the world we operate in. So at the moment we are not seeing any kind of dramatic lift in the commercial property. Listed stocks come down quite a lot, but in the physical economy it is more or less stable. We knew of [unclear] but no, a lot of our clients left the UK a few years ago in terms of the transactions that they looked at. So we tend to follow our clients. Any more questions? One more chance there, Andy.

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Operator	We have one more question from the conference call. This question comes from [unclear] of Lehman Principal. Please go ahead.
Lehman Principal	Hello? So last question on Kensington. You mentioned that due to the changes in the capital markets that the expected profitability of Kensington is probably not the same as when you first purchased the company back in April. I believe the amount of equity you invested in the company was about £300 million.
Stephan Koseff	320.
Lehman Principal	Oh, yes, yes. Are you going to be taking it right down on this equity amount investment in Kensington?
Stephan Koseff	We've done an impairment test and it has been audited and it was not necessary to mark down.
Lehman Principal	I see. That's great, thank you.
Stephan Koseff	Obviously we do that impairment test every time you announce results and we will continue to do the impairment test going forward. But right now we've done an impairment test and it was not necessary to mark down.
Lehman Principal	Oh, sorry, one more question on the portfolio. You mentioned that the portfolio of Kensington that has been securitised over the years and then also the £1.3 billion of warehouse. Are there any contingent obligations whereas the bank which you have warehouse with can put the portfolio back to you under certain circumstances?
Stephan Koseff	No.
Lehman Principal	No. Okay. That's great, thank you.
Stephan Koseff	If I ask any more questions I will ask more about

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	Kensington. All they’re worried about is Kensington. 5% of what we do. Any question other than a question on Kensington? Okay, thank you very much.

END OF TRANSCRIPT