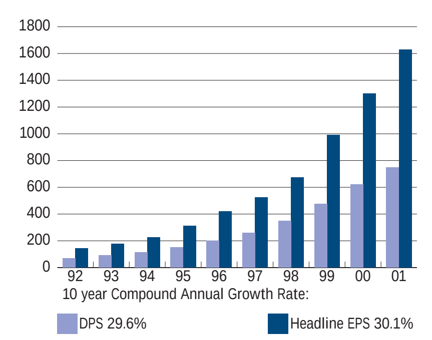
Investec Group Limited

Audited Group Results for the year ended 31 March 2001

- **22nd Year of Uninterrupted Growth**
- **Headline Earnings ⋏ 25.5%**
- **Headline Earnings Per Share ⋏ 25.2%**
- **10-Year Compound Growth in Headline EPS 30.1%**

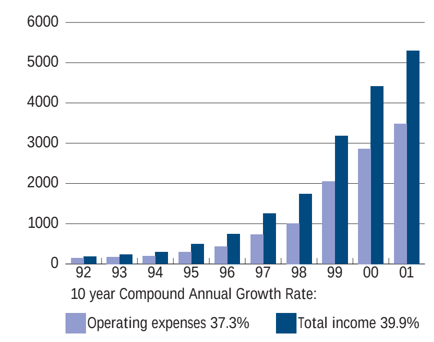
Dividends and headline earnings
(cents per share)



Salient Features

	31 March 2001	31 March 2000	% Increase/ (decrease)
Headline earnings attributable to ordinary shareholders (R' millions)	**1 314**	1 047	25.5
Headline earnings per share (cents)	**1 628.2**	1 300.9	25.2
Dividends per share (cents)	**750**	620	21.0
Net tangible asset value per share (R)	**60.9**	55.7	9.3
Capital adequacy ratio (%)	**14.6**	11.9	22.7
Return on average tangible net asset value (%)	**28.6**	24.3	17.7
Return on average risk weighted assets (%)	**3.0**	2.8	7.1
Total assets under management (R' billions)	**514**	486	5.8
Total number of ordinary shares in issue (millions)	**80.9**	80.6	

Total operating expenses and income
(Rand millions)



Commentary

Overall performance

Investec is pleased to announce that headline earnings for the year ended 31 March 2001 increased by 25.5% to R1 314 million, extending the company's 22 years of uninterrupted growth. Given the Group's positioning as a specialist banking group operating in environments which experienced extreme equity market volatility and uncertainty, Investec is highly satisfied with its achievements this year.

Highlights of the year's performance were:

- Headline earnings per share grew by 25.2% to 1 628.2c, representing a ten-year compound growth of 30.1% per annum
- Total income grew by 20% to R5 301 million, of which 96% was organic and the balance was attributable to the inclusion of acquisitions
- Annuity income as a percentage of total income increased from 70.7% last year to 76.1% this year, improving the stability of the earnings base
- Return on average tangible net asset value increased from 24.3% to 28.6%
- Total dividend per share of 750c is up 21.0% from 620c in the prior year. This represents a ten-year compound annual growth rate of 29.6% and equates to a dividend cover of 2.2.

Operating environment

The year under review was characterised by a slowdown in global growth in the last six months and extreme volatility throughout international markets, particularly in the United States (US). International uncertainty permeated the South Africa (SA) market. Equities performed poorly despite the favourable backdrop of declining interest rates. The strong dollar and regional influences contributed to a further devaluation in the Rand, notwithstanding a sound economy and prudent monetary and fiscal policies.

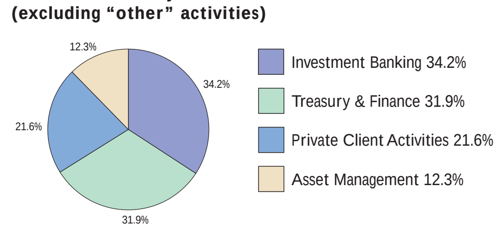
Increasing competition and consolidation in the local market also put pressure on margins, but Investec remains well placed because of its international earnings, local knowledge, product innovation and integrated operating divisions.

Business unit review

The Investec Group continues to focus on its four principal business areas, namely Investment Banking, Treasury and Finance, Private Client Activities and Asset Management, providing a multi country offering with specific local and global banking and asset management expertise.

Each business area achieved solid results in difficult global financial markets. The performance underscores the value of the Group's diverse portfolio of integrated international businesses and profit streams. Investec remains confident about its strategic model, backed up by the high level of margin and other annuity related income, which is sustainable notwithstanding market volatility.

Contribution analysis – % of headline net income before tax (excluding "other" activities)



• Investment Banking

The Investment Banking division posted credible results in a difficult environment, with Headline Net Income before Tax ("Headline NIBT") increasing by 9.7%. Its contribution dropped from 38.2% last year to 34.2% in the current year. Operating expenses were 15.8% higher and the cost-to-income ratio increased marginally to 37.4% (2000: 36.6%).

Although the weaker markets negatively impacted the division's principal trading and institutional broking activities, strong results were generated in the M&A advisory businesses. Specifically, Investec Henderson Crosthwaite in the United Kingdom (UK) increased net income before tax by more than 75%. It is also worth noting that notwithstanding adverse market conditions, the SA corporate finance division increased its level of activity, as evidenced by achieving first place in the Ernst & Young survey for number of deals and third place in DealMakers Magazine survey of value of deals undertaken during 2000 calendar year.

Worldwide great strides were made in integrating, expanding and enhancing capabilities. In addition to increasing the number of cross border transactions, it bolstered research capabilities and expanded its reach into the US. The acquisition of the PMG Group Inc., a boutique investment bank, also provides significant enhancement to the UK and Israeli product offerings.

The acquisition of Wentworth Associates, a high quality M&A boutique based in Sydney, Australia will enhance the Group's investment banking capability while at the same time raising the Group's profile, improving the quality of its client base and increasing its presence in the Australian market.

• Treasury and Finance

The Treasury and Finance division made another significant contribution of 31.9% to Investec's Group performance, and a growth in Headline NIBT of 26.8%.

A key development during the year was the consolidation of the Group's international treasury and finance related businesses with the result that the division is now divided into eight business units worldwide. These units are described as financial markets activities or banking related activities.

Already well-represented in SA, the division benefited from its first full year of integrated activities in Ireland. Particularly strong performances were experienced in the equities derivatives, emerging markets finance, mining finance and structured finance areas. Some of the other key developments included Investec's entry into the South African warrants market, achieving an average market share of 15%, and the establishment of a commodities trading business. The commodities business will enable Investec to increase its presence in and product offering to the mining and manufacturing sectors which use base metals, oil and certain soft commodities.

• Private Client Activities

Private Client Activities performed impressively on all fronts, with Headline NIBT growing by 37.9% and the cost to income ratio reducing to 70.3% from 71.1%. Accordingly, its contribution to Group earnings increased to 21.6% from 19.2%.

The Private Bank's strategic efforts to diversify its revenue streams bore fruit this year, leading to a 32% growth in its advances book and a 39.1% increase in assets under management. Innovative product development, incorporating international best practice, and client acquisition significantly increased its market share.

South African Private Client stockbroking grew strongly. Funds under management increased by 23.3% of which 12% is attributable to organic growth and the balance attributable to the acquisition of Quyn Martin Asset Management. The latter added a quality client base and brought with it a management team with substantial experience and expertise.

The launch of an online private banking product offering coupled with the continued penetration of the domestic market assisted the UK Private Client division in yielding earnings growth of 45% during 2001. Acquisitions in Switzerland and Jersey as well as an extension of activities in Ireland broadened the geographic scope of offshore trust, fiduciary and structuring services for Investec's private clients world-wide. Carr Sheppards continued to enjoy growth in earnings notwithstanding very difficult equity market conditions. They currently have assets under administration of R78 billion (£6.9 billion).

In the US, the acquisition of the retail correspondent clearing business of Herzog Heine Geduld Inc. bolstered retail brokerage activities which overall had a very difficult year.

Notwithstanding Israel's political uncertainty, the division continued to build its image and profile through the marketing of its E-Bank and other private client offerings in line with the rest of the Group.

• Asset Management

The Asset Management division delivered another year of strong profit growth, despite extremely tough conditions in the SA unit trust market, increasing Headline NIBT by 27.4% and reducing its cost to income ratio from 75.3% to 74.0%.

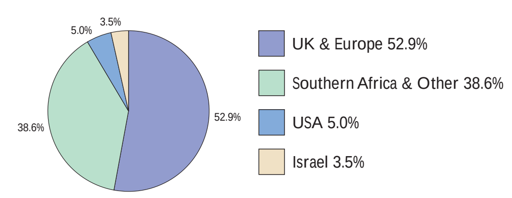
The resilience of the SA institutional business was severely tested under the strain of weak equity performance during the 2001 financial year. It is gratifying to report net inflows under these conditions as well as a decisive improvement in performance since January 2001. The robust platform in SA is well positioned to extract maximum synergy from the acquisition of the Fedsure asset management business.

In non SA retail markets our net inflows exceeded R2.7 billion. Two new Investment Trusts raised R2 billion. The excellent performance on the UK pension fund manager tables is cause for long term optimism. After a very successful recruitment drive, the right teams are in place to take this business into its next growth phase.

Internationalisation

The Group's internationalisation continues with a number of acquisitions and further replication of its South African business model. The international rebranding has successfully lifted Investec's profile. Investec's matrix business model makes all business divisions international, with global business heads facilitating inter-divisional and inter jurisdictional cooperation to provide comprehensive and efficient cross border services and products. Foreign currency accounts for 61% of the Group's income and 69% of its assets.

Headline net income before tax by geography



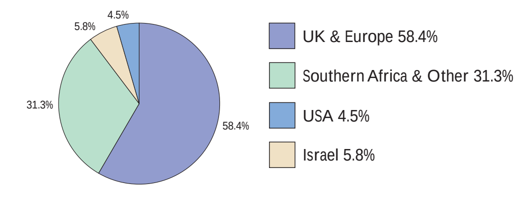
Acquisitions

Select acquisitions, as previously mentioned, were made during the year, capitalising on opportunities arising from the ongoing consolidation within the international financial services sector. Strategic motivation for acquisitions remains either to bolster critical mass within existing areas of operation or to allow the Group to enter appropriate markets. The acquisition of the financial services businesses of Fedsure represents a combination of both in that it enables the Group to derive significant economies of scale in select businesses (notably asset management, linked products and property asset management) and entry into the employee benefits and traded endowments businesses.

The acquisition announced on 22 November 2000 remains subject to regulatory approval which is expected shortly. As Investec does not yet have control over Fedsure's financial and operating decisions it continues to account for all of Fedsure's operations as an associate. As the transaction has not closed, the acquisition shares have not been issued. The vendors will be entitled to a dividend equivalent to the final dividend which will be accounted for as part of the acquisition cost. A significant amount of effort has been expended by the Group in preparing for the integration and implementation of the strategies outlined in the announcement dated 16 March 2001. Significant co-operation has been initiated between senior Fedsure and Investec management to facilitate a smooth transition pending regulatory approval.

Management of Investec are confident that the problems experienced by Fedsure have been addressed and expect the transaction to be earnings enhancing.

Assets by geography



Steady growth in income

Net interest income increased by 34.3%, driven by healthy growth in advances of 15.2%. The Group earned an annualised net interest margin of 2.6%, after excluding the effects of centralised funding and the reduced returns on the short dated wholesale banking business in the UK.

Due to the improved quality of loan portfolios, and a continuing commitment to balanced risk management the provision for bad and doubtful debts charged to the income statement reduced by 6.2%. The percentage of non performing loans to advances reduced from 2.1% to 1.65%.

Provision levels exceed the Registrar of Bank's requirements, in terms of international regulatory norms, with the adequacy of provisions supported by an increase in total provision coverage of gross non performing loans from 117.3% to 134.1%, while the ratio of total provisions to gross advances maintained a healthy level of 2.2%.

Other income rose 12.1% to R3 621 million. Although solid growth in commission and fees was achieved, principal transactions and trading income dropped, largely due to unfavourable market conditions and the absence of the significant realised gains earned in the previous year. This together with strong growth in net margin accounts for a decline in other income expressed as a precentage of total income from 69.8% to 65.8%.

Cost control

The overall ratio of operating expenses to total income increased from 61.9% to 63.3%. This mainly reflects the investments made in marketing and equipment. Specifically, a brand-building campaign was launched in the UK and Israel (contributing to an increase in marketing expenditure of 43.3 %) while operational capacity was enhanced with systems expenditure by Treasury and Finance and by Asset Management as well as by Investec Ernst in the US. This contributed towards an increase in equipment expenses of 44.6%.

Having regard to this, an overall increase of 16.9% in business, premises and personnel expenses demonstrates that cost management measures are still in place but that business development and profile enhancement takes priority at this stage.

Taxation

The effective tax rate for the Group has dropped from 26.9% to 20.3%. This is due to increased deferred tax assets raised in the UK, coupled with lower taxable earnings in the US and Israel, (which have higher corporate tax rates than SA) partially offset by higher tax charges in SA.

Income from associates

Income from associates largely represents the operational performance of Fedsure and is broken down into Investec's share of its operational earnings and exceptional items.

For the year ended 31 December 2000, Fedsure recognised an exceptional loss arising from an adverse movement in free assets. A further exceptional item was the write off of goodwill relating to its healthcare business. Investec has made an adjustment to its 2000 results, being a decrease in attributable earnings of R64 million, so as to align the treatment of this goodwill amortisation with Investec's policy for goodwill.

Exceptional items

Exceptional items comprise Investec's share of associates' exceptional items as detailed above, the discount arising on the fair value of acquisitions, and goodwill amortised over the period. The latter amount increased significantly primarily due to the full year impact of amortisation of goodwill relating to acquisitions made towards the end of last year and, to a lesser extent, the impact of new acquisitions made during the course of the current year.

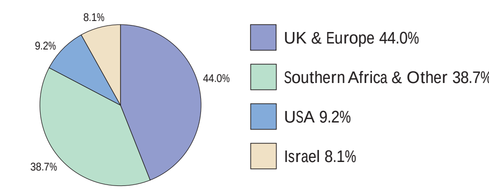
Capital resources

Total capital resources increased by R2 989 million to R10 884 million at 31 March 2001, equivalent to an increase of 37.9%. This was due mainly to the issue of compulsorily convertible debentures, to the value of R611 million, and an issue of R1 945 million unsecured subordinated bonds. As a consequence, the Group's net qualifying capital for banking activities increased by 45.4%. Against a slower growth in risk weighted assets of 18.2% over the period, the Group increased its capital adequacy ratio significantly from 11.9% to 14.6% which marginally exceeds the ratio determined in terms of the new regulations to the Banks Act governing consolidated capital adequacy.

The Group's increased attention to capital management saw the introduction of a capital committee to prepare for the new Basle Capital Accord in 2004. Other areas of focus include the refinement of the Group's capital allocation model with a view to measuring the return by product and geography, after full allocation of indirect costs, and the realignment of the Group's incentivisation basis to accord with the new allocation model.

Return on average tangible net asset value increased to 28.6% (2000 – 24.3%), largely as a result of increased headline earnings generated off a relatively stable equity base, equity raising initiatives being balanced by depressed revaluation reserves.

Tangible net asset value by geography



Changes to accounting policies and disclosure

Compliance with the new South African standard relating to the disclosure of taxation (AC 102) resulted in the reclassification of certain tax-related charges as expenses, with no resultant effect on after-tax income.

In line with a stepped approach to full compliance with the new South African standard on Financial Instruments (AC 133), all trading derivatives are carried at gross positive and negative fair values (after permissible netting) on the balance sheet. This has resulted in an increase in the investment and trading assets in the prior year of R1 096 million, with a corresponding increase in liabilities. There is no effect on the income statement.

Assets and liabilities of the assurance business which were previously treated as off balance sheet items are reflected on balance sheet. This has resulted in an increase in total assets in the prior year of R7 865 million. Again, there is no effect on the income statement.

Social impact initiatives

The Group's social impact initiatives reflect Investec's ongoing commitment to project-driven, entrepreneurial-focused, high-impact investments. Two key initiatives launched during the year were The Business Place and the CIDA City Campus. The former is a cluster of micro and small businesses providing advice and services to SMME's. The latter is an innovative tertiary institution offering a four year fully accredited, Bachelor of Business Administration, degree to talented, underprivileged students. Investec has donated the use of its former head office in the Johannesburg CBD to the CIDA City Campus.

Prospects for the year ahead

The directors and management are of the opinion that the Group will continue to achieve solid growth in earnings and dividends.

On behalf of the board

HS Herman *Chairman*
S Koseff *Chief Executive*
B Kantor *Managing Director*

A variety of factors, many of which are beyond Investec's control, could cause forward looking statements expressed here to differ materially from actual results. These factors include, but are not limited to, financial market volatility, actions and initiatives by current and potential competitors and the effect of future legislation or regulation.

Consolidated Income Statement

(R' Millions)	31 March 2001	*31 March 2000	% Increase/ (decrease)
Interest received	**12 114**	9 006	34.5
Interest paid	**10 236**	7 608	34.5
Net interest income	**1 878**	1 398	34.3
Provision for bad and doubtful debts	**198**	211	(6.2)
	1 680	1 187	41.5
Other income	**3 621**	3 230	12.1
Commission and fees – recurring	**2 339**	1 904	22.8
Principal transactions and trading income	**638**	767	(16.8)
Commission and fees – once off	**644**	559	15.2
Total income	**5 301**	4 417	20.0
Operating expenses	**3 476**	2 864	21.4
Income before exceptional items and taxation	**1 825**	1 553	17.5
Exceptional items	**312**	165	89.1
Income before taxation	**1 513**	1 388	9.0
Taxation	**321**	352	(8.8)
Income after taxation	**1 192**	1 036	15.1
Share of (loss)/income of associated companies	**(86)**	42	(304.8)
Operating income	**70**	106	(34.0)
Exceptional items	**(156)**	(64)	(143.8)
Net income	**1 106**	1 078	2.6
Earnings attributable to minority shareholders	**13**	15	(13.3)
	1 093	1 063	2.8
Compulsorily convertible debenture interest	**247**	245	0.8
Earnings attributable to ordinary shareholders	**846**	818	3.4
Headline earnings per share (cents)	**1 628.2**	1 300.9	25.2
Earnings per share (cents)	**1 048.4**	1 016.4	3.1
Diluted earnings per share (cents)	**1 039.7**	1 016.1	2.3

Calculation of Headline Earnings

(R' Millions)	31 March 2001	*31 March 2000
Headline earnings	**1 314**	1 047
Headline adjustments	**(468)**	(229)
Share of associates' exceptional items	**(156)**	(64)
Goodwill amortised	**(315)**	(195)
Discount on fair value of acquisitions	**3**	30
Attributable earnings	**846**	818

Consolidated Balance Sheet

(R' Millions)	31 March 2001	*31 March 2000
Assets		
Cash and short-term funds	**69 187**	73 118
Short-term negotiable securities	**53 874**	39 043
Investment and trading securities	**22 144**	17 765
Other assets	**6 552**	7 426
Advances and other accounts	**38 062**	33 034
Associated companies	**544**	349
Fixed assets	**1 320**	1 065
Intangible assets	**2 849**	2 443
	194 532	174 243
Equity and liabilities		
Capital and reserves		
Ordinary share capital	**49**	48
Compulsorily convertible debentures	**2 321**	1 710
Convertible preference shares	**385**	–
Reserves	**5 917**	5 846
	8 672	7 604
Subordinated bonds	**1 945**	–
Interest of minority shareholders in subsidiaries	**267**	291
Total shareholders' funds	**10 884**	7 895
Liabilities		
Deposits and other accounts	**182 994**	165 679
Taxation	**298**	361
Shareholders for ordinary dividends	**356**	308
	194 532	174 243
Acceptances, guarantees and letters of credit	**11 368**	9 057

Statement of Changes in Shareholders' Equity

(R' Millions)	31 March 2001	*31 March 2000
Balance at beginning of year	**7 604**	7 107
Issue of shares and debentures	**1 053**	12
Movement in other reserves	**(225)**	166
Transfer from income statement	**846**	818
As previously reported		882
Prior year adjustment		(64)
Dividends declared	**(606)**	(499)
	8 672	7 604

* Restated for changes to accounting policies and disclosures

Segmental Report

Headline NIBT by Geography (R'mn)

	31 March 2001	31 March 2000	% Increase/ (decrease)
Southern Africa & Other	**704**	459	53.4
UK & Europe	**965**	764	26.3
Israel	**65**	87	(25.3)
USA	**91**	243	(62.6)
Group	**1 825**	**1 553**	**17.5**

Headline NIBT by Business (R'mn)

	31 March 2001	31 March 2000	% Increase/ (decrease)
Investment Banking	**633**	577	9.7
Treasury & Finance Group	**591**	466	26.8
Private Client Activities	**400**	290	37.9
Asset Management	**228**	179	27.4
Other Activities	**(27)**	41	(165.9)
Group	**1 825**	**1 553**	**17.5**

Dividend announcement

A final dividend (No. 92) of 440 cents (2000: 382.5 cents) per share, making a total of 750 cents (2000: 620 cents) for the year ended 31 March 2001 has been declared payable to shareholders registered at the close of business on 15 June 2001. Dividend cheques will be posted on or about 27 June 2001.

The dividend is payable in the currency of the Republic of South Africa.

By order of the board

S Noik
Secretary 31 May 2001

Registered office:
100 Grayston Drive, Sandown, Sandton 2196.

Transfer secretaries:
Mercantile Registrars Limited, 8th Floor, 11 Diagonal Street, Johannesburg 2001.

Directors:
H S Herman *(Chairman)*, S Koseff† *(Chief Executive)*, B Kantor† *(Managing)*, S E Abrahams, A I Basserabie, Dr H K Davies, G H Davin, D E Jowell, I R Kantor, D M Lawrence†, D H Mitchell, D R Motsepe, Dr M Z Nkosi, B Tapnack†, P R S Thomas.
† *Executive*

Investec Group Limited
("Investec")
(Registration number 1925/002833/06)

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