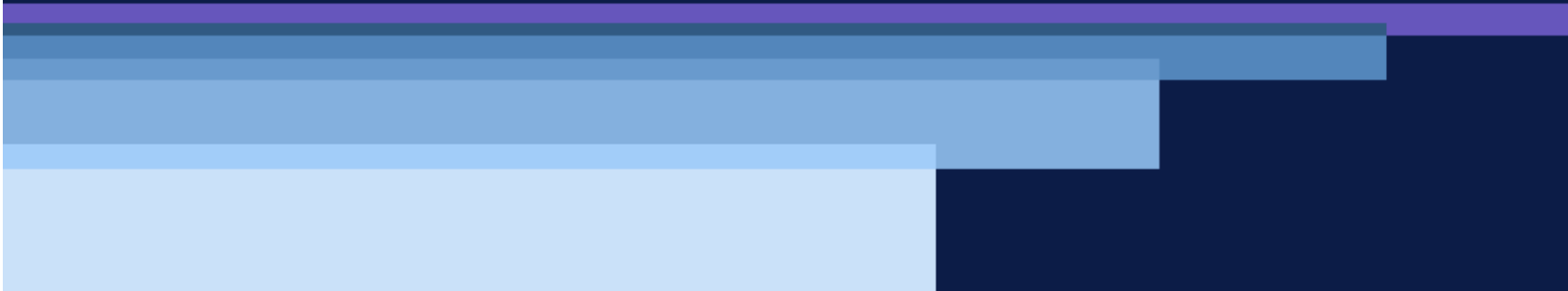


# Investec Year End Results Presentation – 2003



# Summary of Results

## Snapshot of results – UK GAAP

	31 Mar 2003	31 Mar 2002	% Change
Earnings before goodwill amortisation and exceptional items (£'000)	88 684	127 613	(30.5)
Headline earnings (£'000)	82 611	115 777	(28.6)
EPS before goodwill amortisation and exceptional items (pence)	97.6	139.8	(30.2)
Headline EPS (pence)	90.9	126.8	(28.3)
Proposed DPS (pence)	54.0	53.8	0.4
Dividend cover (times)	1.8	2.6	

## Snapshot of results – UK GAAP

	31 Mar 2003	31 Mar 2002	% Change
Return on average shareholders' funds (%)	12.4	19.4	
Return on average tangible net asset value (%)	23.8	37.3	
Cost to income ratio (%)	79.8	72.0	
Total assets under administration (£ mn)	40 604	44 219	(8.2)

## Snapshot of results – SA GAAP

	31 Mar 2003	31 Mar 2002	% Change
Headline earnings (R mn)	1 461	1 506*	(3.0)
Headline EPS (cents)	1 489.5	1 645.9*	(9.0)
Headline return on average tangible shareholders' funds (%)	24.2	24.7	-
Total capital resources (R mn)	13 468	17 498	(23.0)
Total assets under administration (R mn)	526 735	749 308	(29.7)

*\*Restated for changes in accounting policies and disclosures*

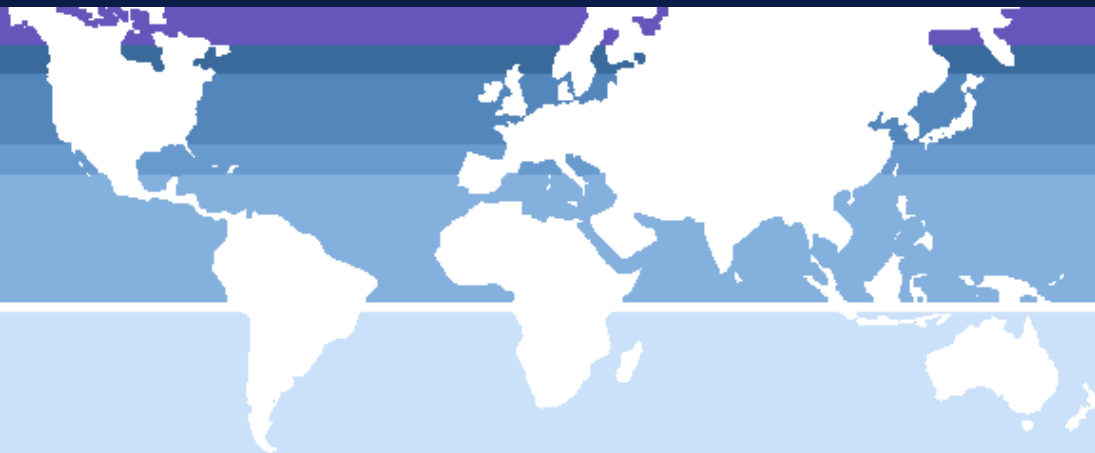
# Summary of the year

- It has been a particularly difficult and challenging year for Investec
- The depressed environment internationally was not very conducive for investment banks
- Significant steps were made from a strategic point of view

# Summary of the year

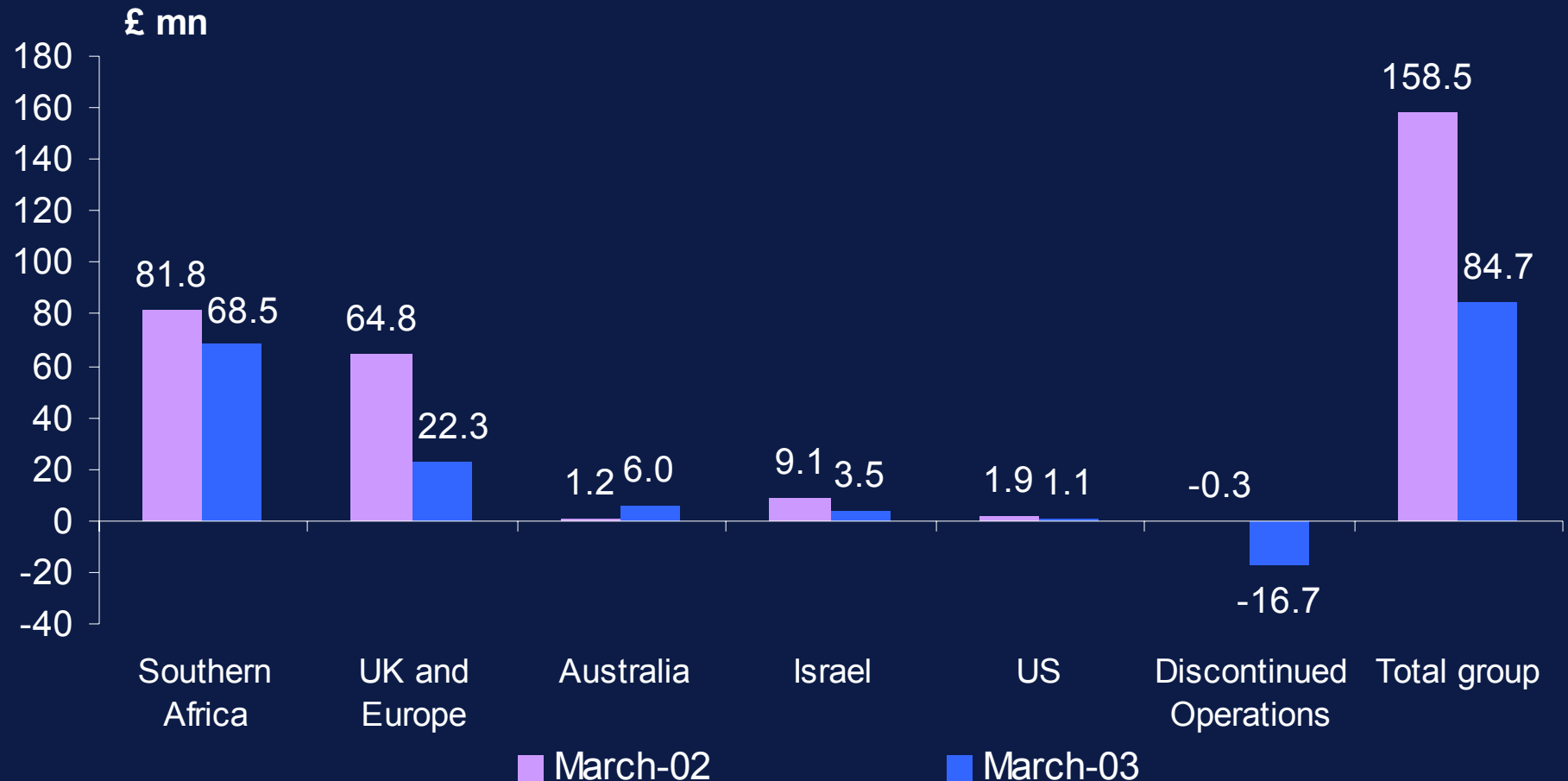
- In July 2002, Investec became the first South African group to list in both London and Johannesburg by means of the Dual Listed Companies Structure
- Substantial progress was made on the transformation front with a significant empowerment transaction recently announced
- The group's operations were streamlined and rationalised, particularly in the US and the UK
- Continued to restructure and rationalise the life assurance activities acquired from Fedsure Holdings

# Global Positioning and Review





# Operating profit\* by geography

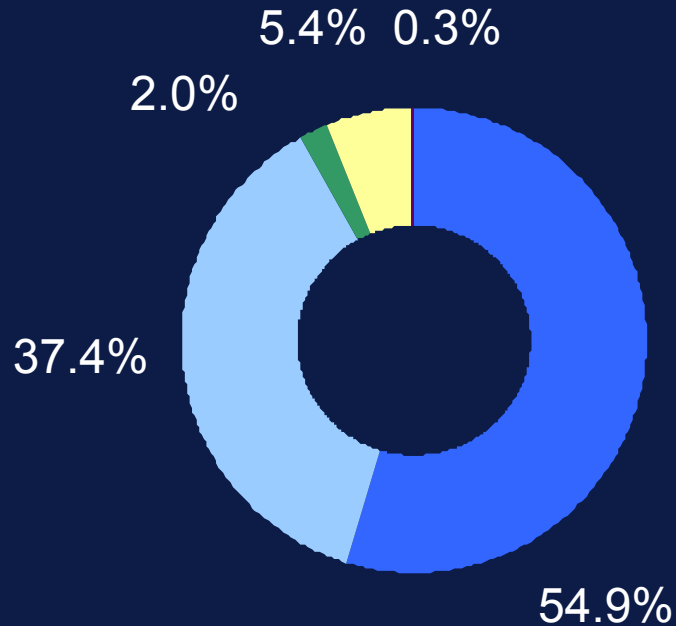


*\*Before taxation, exceptional items and amortisation of goodwill*

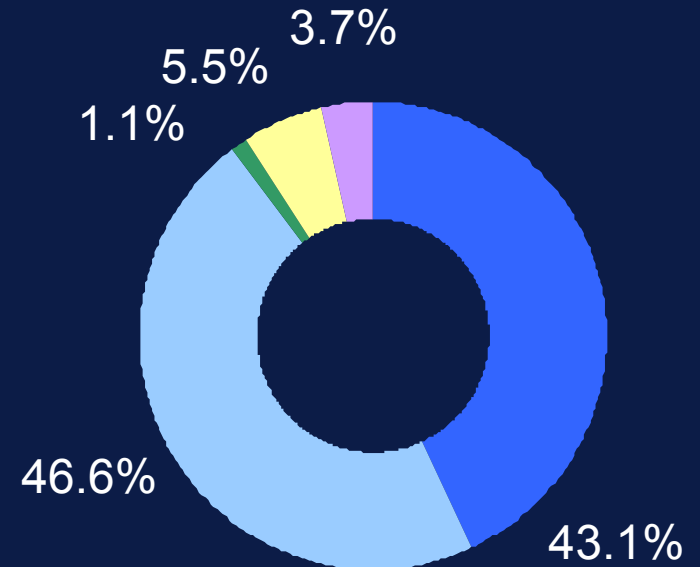


# Assets by geography

31 March 2003



31 March 2002



■ Southern Africa and Other   ■ UK and Europe   ■ Australia   ■ Israel   ■ USA



# Southern Africa

- Mixed performance from the Southern African businesses
- Solid performance from Private Bank, Assurance and Property divisions
- Negative contribution from the Traded Endowments business
- Weaker performance from Investment Banking and Treasury and Specialised Finance businesses



# UK and Europe

- Strong performance from the Private Banking business
- Equities related businesses were severely impacted by the adverse market conditions
- Significant rationalisation of certain businesses e.g. Investment Banking and Trading Activities



# Australia

- Overall performance from the Australian business improved substantially
- Significant steps were taken during the period under review to establish Investec's business in the Australian market:
  - Granted a banking licence in August 2002
  - Solid growth in loan portfolio and deposit base
  - Established a Project Finance business



# Israel

- Reasonable performance against the backdrop of a fragile geopolitical situation, a volatile shekel and poor domestic capital markets
- Overall results were negatively impacted by margin compression and a significant fall-off in capital market activity
- Mutual funds under custody substantially increased from NIS 5 billion to NIS 9.9 billion at year end making Investec one of the dominant players in this activity in the Israeli market



# US

- Business particularly vulnerable to weak equity markets
- The US business was dramatically restructured:
  - Sold the Private Client Stockbroking business and the Clearing Division
  - Closed the research, equity sales and trading businesses of PMG
- Losses on these discontinued operations of £16.7 million
- Exceptional loss on termination of these businesses of £9.4 million
- Goodwill impairment of £19.0 million
- Remaining operations include several fixed income trading operations and an Israeli Nasdaq equities trading desk

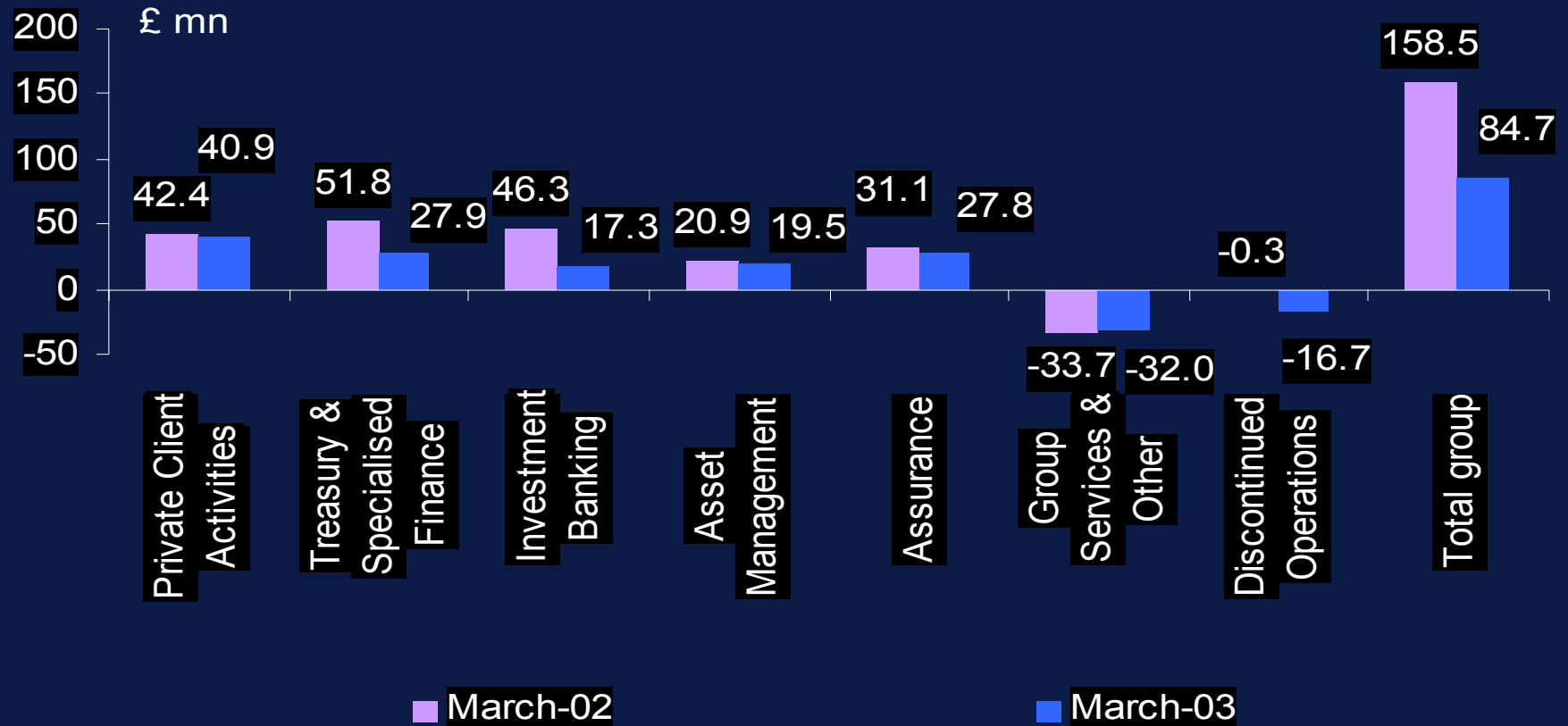


## Divisional Review





# Operating profit\* by business



\*Before taxation, exceptional items and amortisation of goodwill

# Private Client Activities

- Solid performance from the Private Banking operations
- Growth in profitability has been achieved through asset creation as well as increased non-interest income
- Loan portfolio details:
  - SA: R17.2 billion (Mar 02: R13.8 billion)
  - UK: £925 million (Mar 02: £790 million)
- The severe market conditions resulted in weaker contributions from Private Client Portfolio Management and Stockbroking
  - Carr Sheppards Crosthwaite: net inflows of £376 million

# Investment Banking

- In South Africa, results declined largely as a result of the lack of realisation opportunities in the direct investments portfolio
- The UK business was severely impacted by the decline in corporate advisory and capital market activity
- UK Private Equity benefited from a significant realisation in one of the underlying funds, amounting to £9 million
- Investec Wentworth performed well with weak equity markets providing attractive private equity opportunities
- A strategic decision was taken to wind down the Investment Banking operations in the US

# Treasury & Specialised Finance

- Banking Activities:
  - UK: Relatively new banking activities performed well
  - SA: Suffered as a result of the low appetite of corporates for structured deals and a provision required by the Project Finance division
- Trading Activities:
  - UK: Closing down the interest rate repo desk and restructured and reduced trading operations
  - SA: Strong contributions from Interest Rate, Currency Trading and the Equity Derivatives businesses

# Asset Management

- This was a year of consolidation in SA
  - Transition from balanced to specialist house achieved
  - Disappointing performance against peer group in SA balanced funds
  - Excellent South African specialist performance
  - Successful year for SA Personal Investments
- Significant progress was made in the UK
  - Acceptance from leading UK consultants and multi-managers well ahead of expectations
  - Strong brand in the UK IFA market in the making
  - Excellent investment performance in core propositions

# Financial Performance



# Balance Sheet

<b>UK GAAP, £'000</b>	<b>31 Mar 2003</b>	<b>31 Mar 2002</b>	<b>% Change</b>
Assets	14 959	16 957	(11.8)
Core loans and advances	4 006	3 314	20.9
Liabilities	13 946	15 998	(12.8)
Total capital resources	1 013	958	5.7
Shareholders' funds	696 968	734 302	(5.0)

# Income Statement

<b>UK GAAP, £'000</b>	<b>31 Mar 2003</b>	<b>31 Mar 2002</b>	<b>% Change</b>
Net interest income	131 466	163 830	(19.8)
Net non-interest income	378 483	454 841	(16.8)
Operating income	509 949	618 671	(17.6)
Administrative expenses	(392 466)	(428 510)	(8.4)
Depreciation and amortisation	(14 417)	(16 926)	(14.8)
Bad debt provision	(18 308)	(14 668)	(24.8)
Operating profit before goodwill amortisation	84 758	158 567	(46.6)

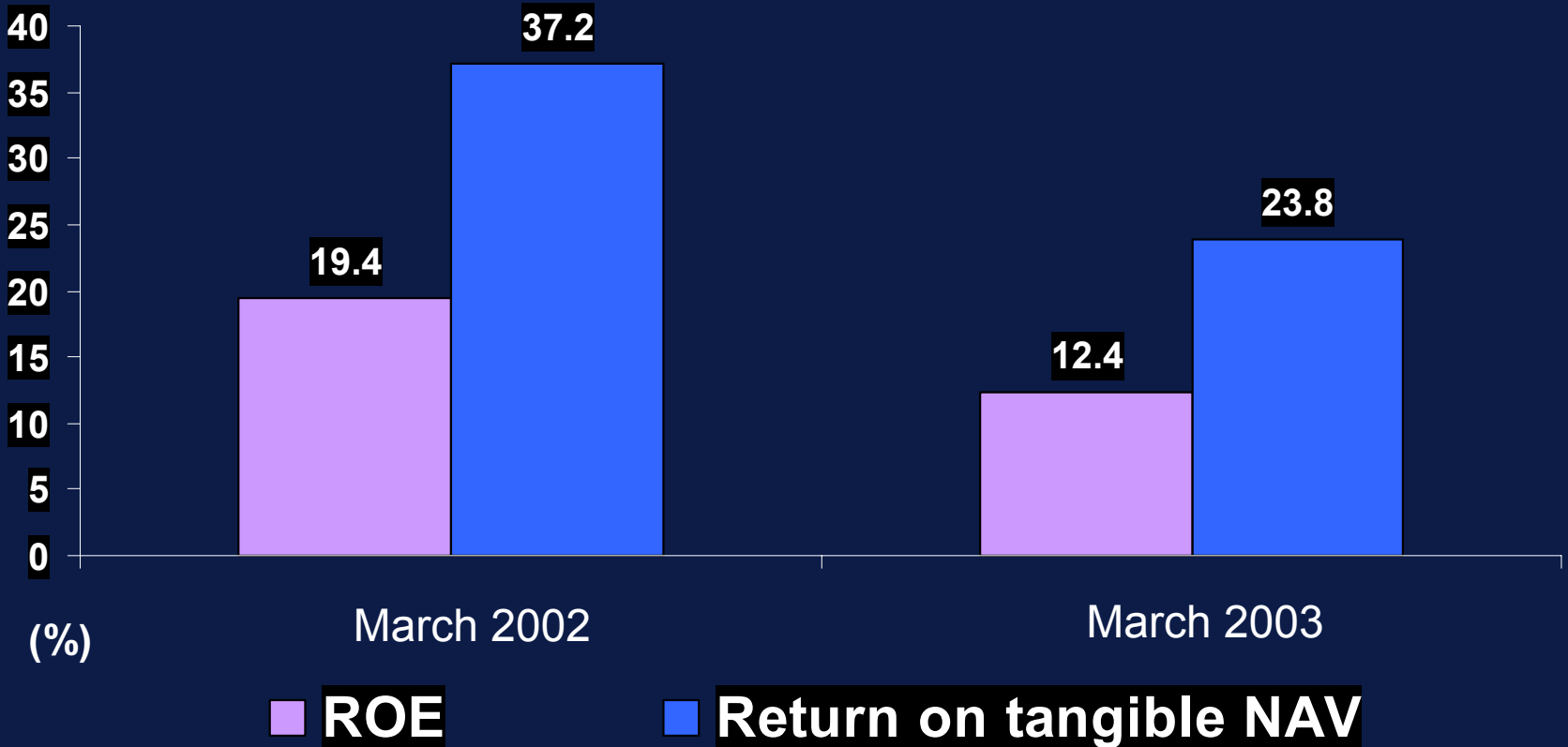


## Reconciliation of Earnings – UK GAAP

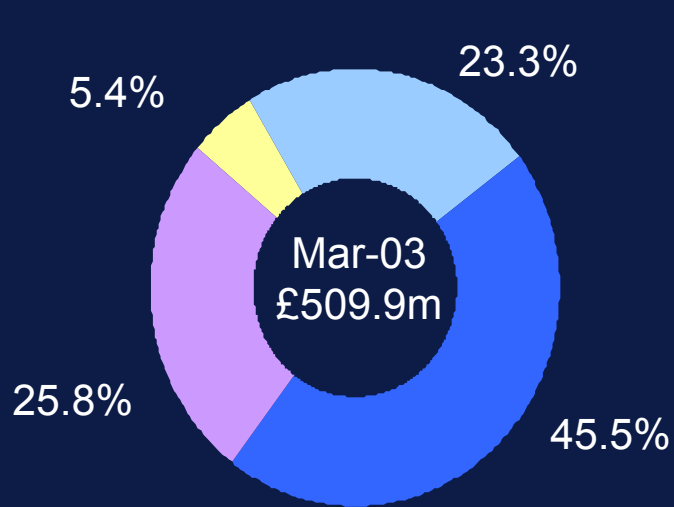
<b>UK GAAP, £'000</b>	<b>31 Mar 2003</b>	<b>31 Mar 2002</b>
Attributable earnings	(64 019)	13 545
Amortisation of goodwill	122 302	98 435
Profit on disposal of subsidiary undertakings	(5 800)	(1 363)
Discontinued operations	9 437	4 339
Impairment of goodwill on discontinued operations	19 047	-
Amortisation of goodwill of associates	1 644	821
Reorganisation & restructuring costs - continuing	6 073	11 836
<b>Earnings attributable to ordinary shareholders excluding goodwill and exceptional items</b>	<b>88 684</b>	<b>127 613</b>
<b>Earnings per share before exceptional items and amortisation of goodwill (pence)</b>	<b>97.6</b>	<b>139.8</b>

# Return

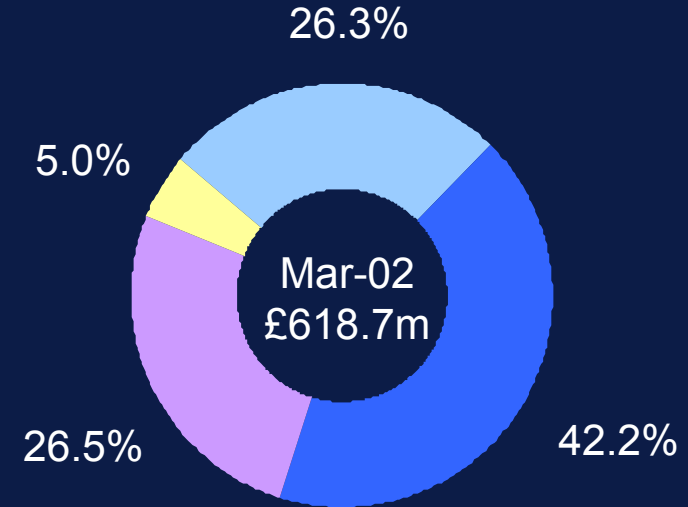
*(UK GAAP)*



# Quality of earnings



**Annuity Income /  
Total Income: 71.3%**



**Annuity Income /  
Total Income: 68.7%**

## Annuity Income

- Net annuity fees and commissions
- Net interest income

## Other Income

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

# Quality of earnings

<b>UK GAAP, £'000</b>	<b>31 Mar 2003</b>	<b>31 Mar 2002</b>	<b>% Change</b>
Net interest income	131 466	163 830	(19.8)
Dividend income	3 597	2 081	72.8
Fees and commissions receivable	276 607	341 247	(18.9)
Dealing profits	45 231	49 485	(8.6)
Income from long-term assurance business	27 779	31 079	(10.6)
Other operating income	25 269	30 949	(18.4)
<b>Operating income</b>	<b>509 949</b>	<b>618 671</b>	<b>(17.6)</b>

# Income from Assurance Activities

	31 Mar 2003	31 Mar 2002	% Change
Operational earnings	51 714	15 516	-
Value of in-force	(23 935)	15 563	-
Income from long-term assurance business	27 779	31 079	(10.62)

# Income from Assurance Activities

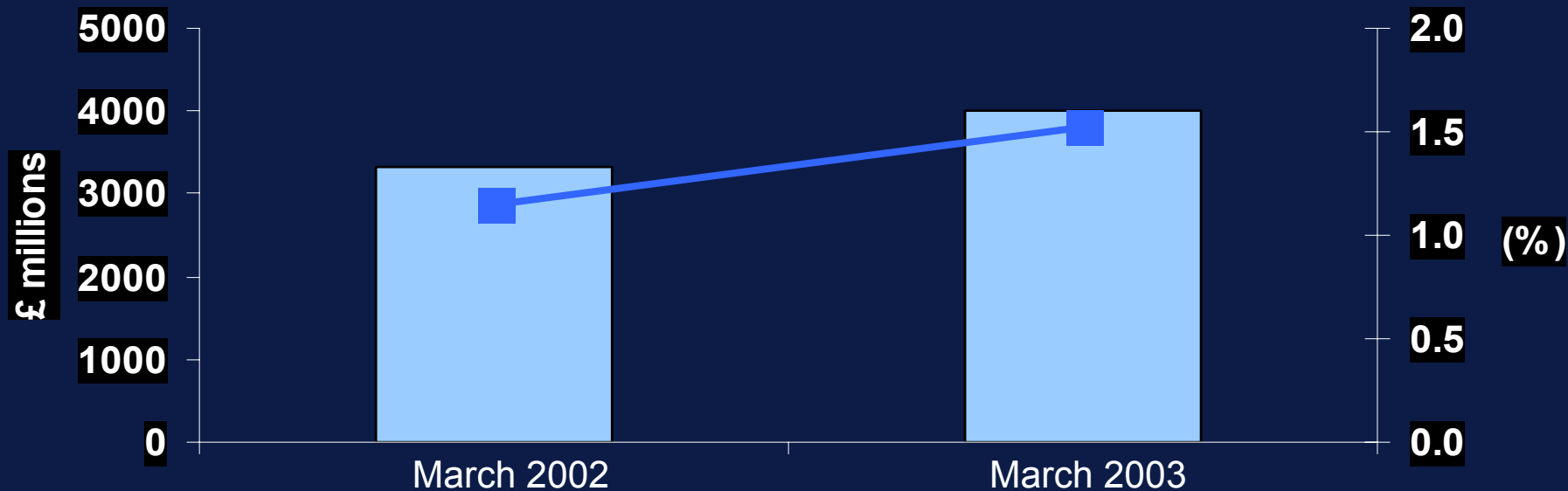
- Operational earnings positively influenced by further restructuring of the business and its investment portfolios particularly in the first half of the year
- However these results were offset by a negative adjustment in the value of in-force
- Post interims, a deal was concluded with Liberty Group – profit of approximately £11m has arisen (included in Operational Earnings but has been offset by a reduction in the value of in-force of around £7m)



# Amortisation of goodwill

- The charge for goodwill amortisation and impairment (excluding exceptional items) increased by 24.2% from £98.4 million to £122.3 million, of which £116.6 million relates to continuing operations
- Included in this amount is £49.6 million relating to additional impairments on the businesses acquired through the Fedsure acquisition, which was funded by the issue of shares at approximately £20 per share

# Asset Quality

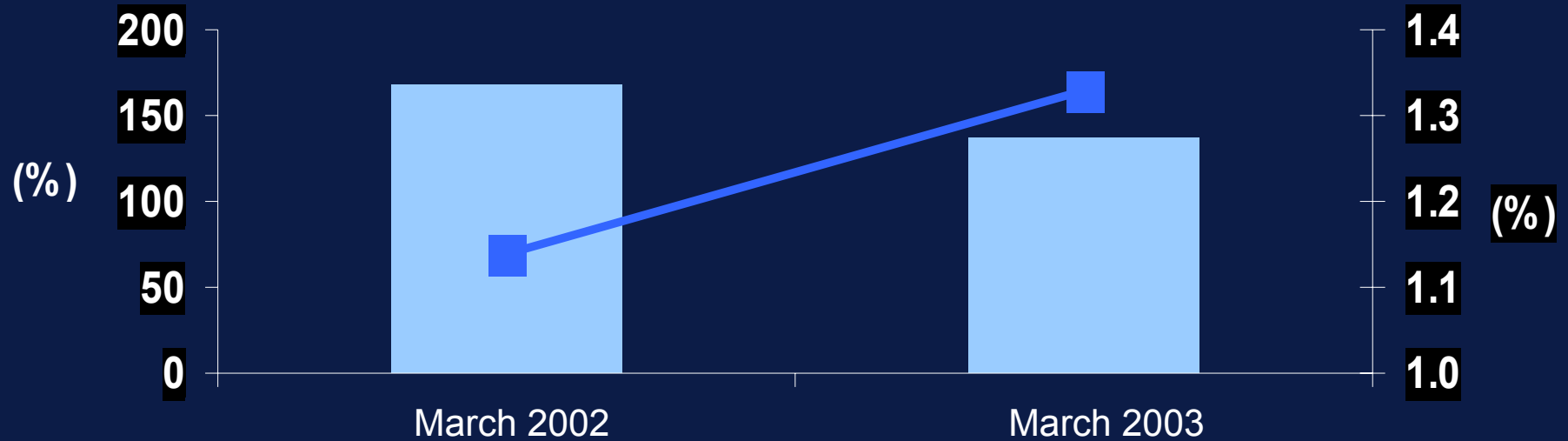


— Total core loans and advances to customers (lhs)

— Non-performing loans as % of core loans and advances to customers (rhs)



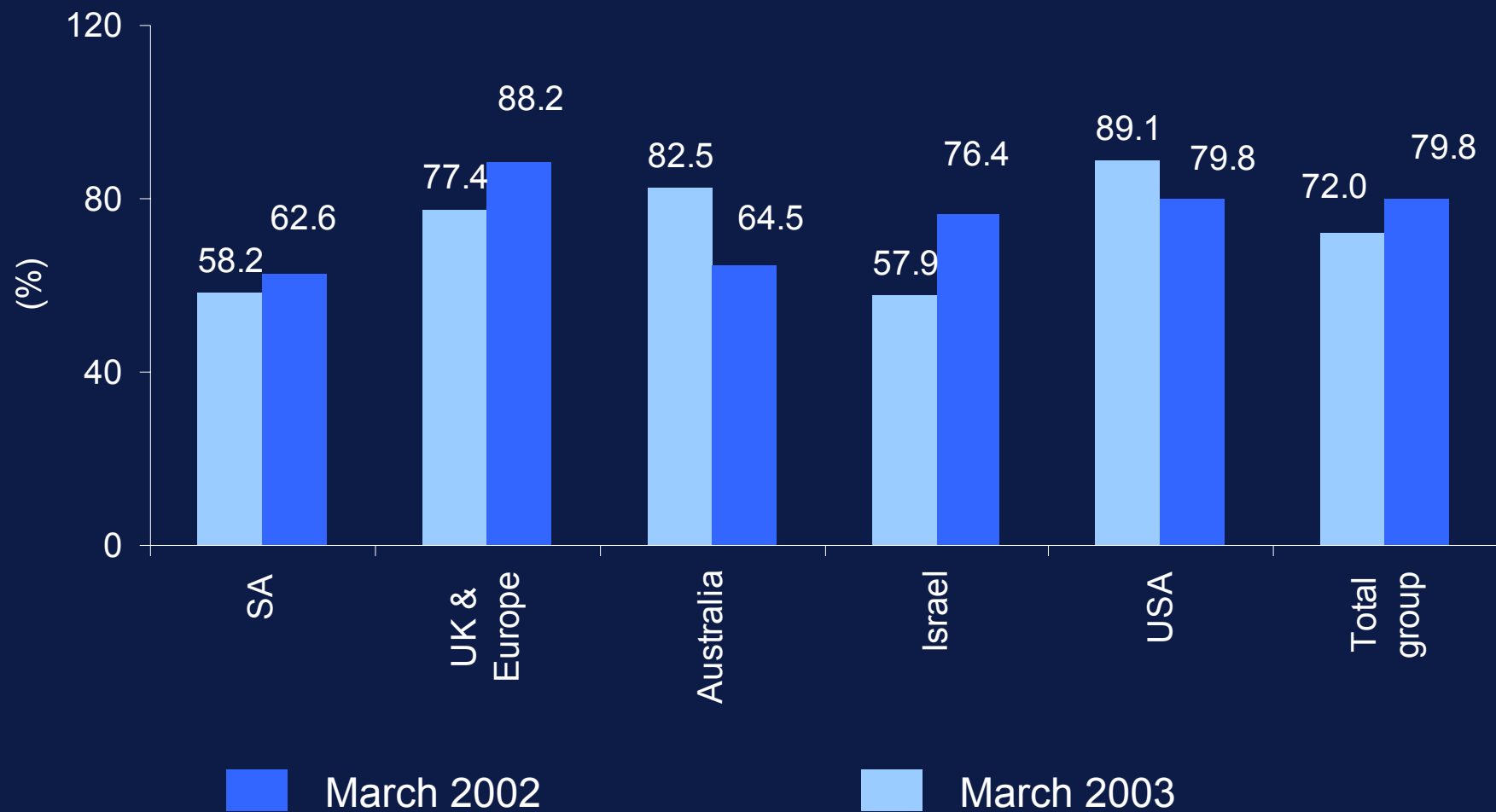
# Asset Quality



 Total provisions as a % of gross non-performing loans (lhs)

 General provisions as a % of net loans and advances to customers (rhs)

# Cost to income



# Administrative expenses

<b>UK GAAP, £'000</b>	<b>31 Mar 2003*</b>	<b>31 Mar 2002</b>
Staff costs	233 106	275 232
Premises (excl. depreciation)	19 296	25 855
Equipment (excl. depreciation)	19 877	31 980
Business expenses	63 214	79 717
Marketing expenses	12 661	15 726
<b>Administrative expenses</b>	<b>348 154</b>	<b>428 510</b>

\*Continuing operations

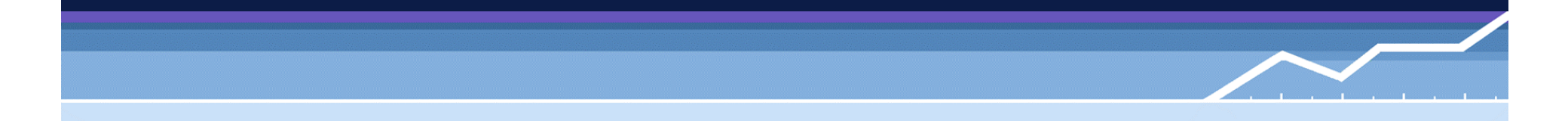


# Taxation

- The taxation charge has decreased significantly to £5.4 million largely as a result of recoverable tax charges and deferred tax assets raised in the UK operations
- Declined from 27.0% to 15.4% in South Africa, mainly because of the losses brought forward in the long-term assurance businesses
- Reversal of deferred taxation of £6.2 million in US



## Exceptional items

- **£9.4 million** - relating to the provision for losses on termination and disposal of discontinued operations
  - **£19.0 million** - goodwill written-off in respect of discontinued operations
  - **£5.8 million** - negative goodwill released in relation to the termination of SIB operations
  - **£6.1 million** - reorganisation and restructuring costs incurred in the group's continuing operations
- 

# Capital adequacy

	31 Mar 2003	31 Mar 2002
<b>Consolidated under SARB rules</b>		
Investec Limited	12.2%	-
Investec plc	14.7%	-
Investec DLC	12.6%	13.1%
Investec Bank Limited – solo	21.0%	20.1%
<b>Consolidated under FSA rules</b>		
Investec plc	14.6%*	-
Investec Bank UK – solo	22.2%	18.9%

*\*This calculation is under UK GAAP. The final dividend has therefore been taken into consideration. Without the final dividend, the capital adequacy would have been 15.31% .*

# Employees

	31 Mar 2003	31 Mar 2002	% Change
SA and Other	2 935	3 009	(2.5)
UK and Europe	1 471	1 510	(2.6)
Australia	103	84	22.6
USA	131	688	(81.0)
Israel	234	238	(1.7)
<b>Total number of employees</b>	<b>4 874</b>	<b>5 529</b>	<b>(11.9)</b>



# Looking Forward





# Continuing operations

<b>£ millions</b>	<b>31 Mar 2003</b>	<b>31 Mar 2002</b>
Administrative expenses	348.2	428.5

	<b>31 Mar 2003</b>	<b>Projected over 4-6 months</b>
Headcount	4 874	+/- 4 300



# Looking forward

- Lessons we have learnt:
  - Avoid niche revenues with bulge bracket costs
  - Can't be all things to all people
  - Need to get back to basics
  - Concentrate in areas of core competence



# Looking forward

- Investec will continue to build well-defined businesses focused on serving the needs of select market niches where the group can compete effectively



# Looking forward

- The business has been streamlined and rationalised recognising that weak market conditions could remain for some time
- Significant strategic impediments have been eliminated:
  - The London listing gives access to international capital markets
  - Recent empowerment deal ensures Investec remains competitive and relevant in the South African market



# Looking forward

- The group is still too exposed to equity markets in its UK activities and will concentrate on building critical mass in its banking activities to balance its UK business model
- Will continue to drive the business organically, both in South Africa and Australia recognising that not all products and services can be replicated in all markets



# Looking forward

- With the refocus of the group and significant restructuring that has taken place in the past financial year we believe that the group has created a solid platform to cope with weak conditions which may exist for some time to come





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