Year-end results
15 May 2008

Stephen Koseff	Good morning everybody in London, Johannesburg, Sydney, Dublin, I don't know how many other places we have. We're coming on now. In South Africa we have Summit TV. So everyone watching on Summit, welcome to Investec's annual results presentation. Andy, I hope Stovin-Bradford is there to see that I'm not looking too haggard. If I am, I'll try and sharpen up. I think we're all linked up, because in November we had a bit of admin here. Are we okay in South Africa? We started a bit late, I apologise, because we're doing a bit of a building re-work in South Africa so it's a hassle to get into the parking. In South Africa everyone goes where ever they go to by car. If we look at the overall results we believe it's a very good operational performance. I think it demonstrates the diversity of our income stream. I think we do have a culture of strong risk management, and we've had strong risk management right throughout this period. And we do have a very hands-on culture. We did meet four of our five financial objectives. We have a balanced portfolio of businesses showing the resilience of our organisation, and it has been a very tough trading environment. There's no doubt about it. The trading environment has impacted financial markets quite significantly. It started around about August and it has continued right to this very day. So we do recognise that we have come through a very tough period. I think equity markets have been exceptionally volatile. You can see you've had a strong slide in the FTSE, a slide in the Aussie index and a very volatile index in South Africa, which is a little bit masked by the strength of commodities. On the debt side we've had a financial tsunami. This is a graph showing you what has happened to certain classes of AAA paper. And AAA is supposed to be things that can't get into trouble. Not all of them default, but they do have significant markdowns. And I think that's really what affected the global financial world quite substantially. I think notwithstanding the fact that in the UK you've had base rate cuts, you still had a [unclear] at the end of March which was higher than it was at the end of March last year. We've had strong rise in interest rates in South Africa and strong rise in interest rates in Australia. We've also had to deal with a weak Rand. It depreciated 7% on average against Sterling. Sterling, on the other hand, weakened significantly against the Euro and a basket of

currencies. And the Aussie Dollar has been particularly strong against Sterling. So overall the currencies have been on the weaker side. I think we mustn't forget the nature of Investec and the breadth and diversity of our revenue streams. And if we look at business over the last eight years, the mix of our revenue and the fact that we do have significant amount of recurring revenue in our organisation, I think that is often forgotten about our organisation.

If we look at the results – and you would all have had the ability to look at the results – our operating profit before tax was up 15%. Our attributable earnings were up 14.6% and our adjusted earnings per share were up 6.8% because of the increase of number of shares in issue. Our dividend was up 8.7% in Sterling. I don't know what the Rand number is, but I think it's up quite a bit more than 8.7%. And our customer deposits are up 14%. Our core loans and advances are up 27%, so strong growth in loans and advances. I think that's something the world is seeing, that a lot of assets have stayed on banks' balance sheets, and hence you have had a strong pickup in that particular line item on the balance sheet. And then our third-party assets under management have been affected by weaker market conditions and the depreciation in the Rand. In Rand they're up, in Sterling they're down marginally. It's down by 3.4%.

About four years ago, I think 2004 for the year ended 2005, we set a host of financial targets. The first one was UK retail price index plus SENS. In this environment that would have meant we had to grow about 14% in Sterling because retail price index for the period we're trading under was about 4%. We did miss this target, which we told you that we would miss in January already. And our growth was 6.8%. However, you've got to put that into context. In the last ten years we've grown by 12.4% compound growth rate. And in the last four years since we've set the target we've grown by 28.6%. So this is not a target that you'll achieve every year. This is a target that one attempts to achieve through the cycle, and we're comfortably ahead of the game if you look from when we set the target, and on the game if you take us back the last ten years.

I think ROE is well above our target at 23.6%. We've met this target for the past four years. There was a time when we obviously failed to meet the target, but certainly we've got our business to a level where we are

meeting the ROE target. And hopefully we'll be able to stay meeting that target no matter what the cycle is.

I think our cost to income ratio has also improved quite significantly as we've built the scale of our organisation. And if you go back probably seven or eight years our cost to income ratio was in the high 60s. Now it's 56.1%. And that does give us a lot of cover. So notwithstanding the fact that we have been in tough market conditions we have seen an improvement in this cost to income ratio, mainly because of increased leverage on the balance sheet. Our operating income was up 26% to just under £1.5 billion, and our costs were up 20%, 29.9% to £831 million. And if you look at our cost to income ratio within geographies, all our geographies met their target cost to income ratios. UK and Europe 64.8%. And there were very tough trading conditions for those businesses. South Africa, 47%. That's below the 50% target that we strive to achieve. And Australia, 59%, which was also within its target rate.

Our capital adequacy. We have successfully implemented Basel II. I'll point out we implemented this on a standardised basis rather than the advanced basis. Therefore our capital that we have to told would be higher than banks that are on an advanced basis. We did adjust our targets from 12% to 15% to recognise the fact that Basel II brings in a whole lot of capital for risks that were not previously quantified or regarded as requiring capital under Basel I, mainly operational risks. And we've comfortably met those targets. We're above all the bottom end of our ranges. Our tier one ratio right throughout our group is above 9%, which is our target ratio. The key ratios I would look at here is Investec Ltd at 13.9% and Investec Plc at 15.3%. So we are reasonably comfortable on the capital front that we have enough capital for growth and enough capital to sustain ourselves.

If I move now on to our divisional performance, I think I'm not going to talk too much on this slide. Our private client activity made about 39% of our profit. Capital markets 23%, notwithstanding some of the large impairments that had to be made in our principle finance book. Investment bank 15.5%, probably bottom end of the range in our cycle for that business. Asset management 15.4% and our property activities we had a very strong year at 7%. They're normally around 3-4%.

We move on to some specific divisions. I will deal with

	two of them and senior management, the operating heads of the operating divisions, will deal with each to their own divisions. I think the private clients portfolio management stock broking business. This is two businesses. One is our stake in Rensburg Sheppard. We can't talk about Rensburg Sheppard's results. They will announce them in June. All we can do is have an estimate of the operating profit. And that is an after-tax number. And then the profits of the South African private client business, which did have a very strong year, boosted by higher average asset levels and increased volumes. They've launched a whole lot of new products which were taken up by their clients. And there has been a significant amount of asset swap activities in South Africa where people have been worried about the Rand and therefore swapped into other forms of instruments that are non-Rand denominated. So overall for the combined business operating profit was up 23.8% in Sterling. Funds under management were up 4.8% in Sterling. And South African funds under management were up 6.8%. The cost to income ratio of the South African business was 59% and the ROE of the South African business was 45%. So overall a very strong performance. You've seen a strong trend in increase of profitability of this business, and I think that if we look at the outlook it's a much more challenging environment. Certainly the last quarter has been a challenging environment as equity markets really started feeling the credit pinch. But the business is a resilient business and it does have a diverse business mix and does have a strong level of annuity income when it opens it doors, especially funds under management. So overall we're comfortable that this business as well as Rensburg Sheppard are in good shape and well-structured and nicely profitable. So I'm now going to ask Steve Heilbron to talk about the private bank and I'll see you in a few minutes. Thank you.
Steve Heilbron	Good morning. This time last year the private bank reported an operating profit of £154.4 million. That was 52% up on the prior year, and took our three year compound growth rate to an excess of 50%. Following on from that period of excessive growth we spoke then of consolidating our earnings at or around that level. With this in mind then, we are pleased to report that the private bank's operating profit is up 8% to £166.4 million in 2008.

What makes these results particularly encouraging was they were achieved against a backdrop of tightening conditions. Two, our key indicator of growth, being income from operations, is up 22% to £418 million. And three, these numbers are after an increase in the impairment charge from £7 million to £33 million. We also experienced good balance sheet growth. Loans and advances were up 30%. Our funds under management have increased by 45% and private client deposits are up 19%.

A few general comments that should be noted about this year's performance are we have experiences solid performances in South Africa, UK and Australia, with growth in operating income being in double digit territory in all geographies. Two thirds of our operating profits was generated in the United Kingdom and Australia. Net interest income represents 65% of out total operating income. This provides a very strong underpinning to our earnings. The increase in impairments is clearly indicative of a weakening credit cycle. The charge though is 0.37% of the closing book. And lastly, through a diversified set of specialisations we have reduced our historical reliance on property-related income from 55% in the prior year to 48% of total operating income.

Moving to our areas of specialisation then, I will now attempt to give you a little more colour as to where and how we have generated our income. In order of contribution then, firstly operating income from structured property finance has slowed its momentum with an increase of 6% year on year. As indicated this represents 48% of total operating income. Property activities in South Africa have been supported by favourable conditions, but more recently have been affected by a tightening market. The UK, European and Australian markets have suffered more directly as a result of the dislocation flowing from the sub-prime and subsequent credit crisis.

The current year earnings, however, are characterised by a good spread in profit shares and a substantial increase in loans and advances. Given current market conditions, however, it would be reasonable to expect activity levels in property finance to be damped and impairment to be impacted as we move into 2009. Having said this, the South African business is supported by healthy pipelines. In the UK European markets some interesting possibilities should arise, and these should be sourced by our [unclear]. We have

supported client-led cross-border transactions into selected parts of Europe and the Middle East. This, together with our regional expansion in the United Kingdom and Australia will provide some hedge as we grow our market share in [unclear] environment.

Moving to our general banking activities. These account for 22% of the total operating income, and they have performed well with a 36% increase year on year. This is supported by good growth in residential mortgages, foreign exchange, deposit taking and transactional banking facilities. This specialisation is important to us and provides us with very stable earnings growth. Healthy pipelines support all areas of activity this segment.

Our growth and acquisition finance business grew its operating income for 66% this year. This specialisation account for 16% of our total operating income. Our activities are event-driven, targeting management by-ins and by-outs in the owner-managed space. In South Africa we were again particularly active in the BEE arena, and in the UK and Australian markets credit conditions have reduced the level of competition and this had a favourable impact on pricing. Current year earnings were impacted by two meaningful exits in the UK and Australia. During the past year our profile and business pipeline have been enhanced in all geographies, and a number of new transactions were concluded.

The private wealth management division contributed 6% to our total operating income. This performed strongly with a 38% growth year on year. Now, an opportunity exists in this space with the dominance of some of the incumbent brands currently being questioned. We intend to bolster the level of our involvement in this activity. Our offering is differentiated through the quality of our advisory service and through the specialised delivery of opportunities to our wealthy clients. This business is now winning significant mandates and has a good pipeline going into 2009.

Lastly, 6% of our operating income was produced by our trust and fiduciary business. This was a year of consolidation. Operating income was up 7% with stable performances from our Swiss and Channel Islands based businesses. The focus was on quality client service and enhanced risk management. The trust group is an integral part of the private bank and plays a

	meaningful role in supporting our deposit ratings and wealth management activities. In closing then, over the last five years the private bank has compounded its earnings by 43% from £28 million to £166 million. We have entered a period of tougher market conditions. Countering this, however, the private bank today is benefiting from its growth strategies and diversification initiatives introduced in prior years. The business benefits today from an enhanced client base, a stronger talent pool and a fast-developing brand. The focus of the business in these times is to remain nimble and agile, capturing opportunities as they arise. We have momentum going into 2009 and we would look to consolidate our earnings at our around this level. Finally, we will continue to extract capacity from our existing specialisations. We will contain our costs, and we will push hard but very cleverly to grow our market share. Thank you. I will now hand over to Dave Van der Walt, head of our capital markets business. Thank you.
Dave van der Walt	Morning everybody. Capital markets has had as a core objective to develop a sustainable scale business with diversified revenue streams for the past number of years. The recent market events have put this to the test, and we are pleased to say that earnings have only been impacted modestly, and are down from £117.3 million to £115.8 million, a decrease of 1.3%. This result is achieved after writing down US sub-prime and related assets by £49 million, which reflects the strong underlying business performance. Core loans and advances has grown by 22.6% over the year to £3.8 million, and the losses and write-offs from the US sub-prime businesses has been offset by very strong performances in our structured and asset finance businesses, our resource finance businesses, our interest rate FX and equity derivates businesses and our equity finance business in Ireland. We remained committed through the cycle to our four core focus areas, being specialised lending, structured derivatives, principle finance and specialist funds, and we will continue to provide value-added services to our clients. Looking at the performance over the past year the Australian and UK businesses have been at the eye of the storm. The South African business has been relatively unaffected, with a modest tightening and a general increase in credit margins. The positioning of our Australian business has meant that we have felt little

direct impact, with the brunt of the impact being felt in our UK business.

The acquisition of Kensington has obviously been a major strategic initiative during the year, and while the timing was unfortunate we are pleased to say that the business is now fully integrated and we can look forward to focussing now on revenue-generating opportunities. Outside of the securitisation businesses the market conditions have generally been favourable. Our treasury, trading and derivatives businesses have even benefited from increased volatility in markets, and this has caused a large pickup in customer hedging transactions. The specialised lending businesses have benefited from wider margins and a more conservative approach to gearing. The market has moved away from pure pricing to specialist delivery and advisory services, and this phase is our business model. In Australia we launched our first specialist aircraft fund, and we're looking to build on this success.

Looking forward, we continue to remain a focussed specialist business, targeting markets where we can be distinctive and competitive. In South Africa we are well positioned. Credit spreads have widened and the long talked about infrastructural spend is starting to take place, which provides positive opportunities for corporate South Africa. In addition, the increased volatility favours our trading businesses. In the UK we are not out of the woods yet in terms of the credit crunch, although there is a sense that conditions are improving. The business catered credit markets present opportunities and we believe that we can take advantage of this.

Outside of the securitisation businesses the rest of the businesses are performing well. The performance of the UK market business will depend on when markets open fully, and in addition to this, the performance on house prices which relates to the Kensington business. In Australia we have consolidated our position and growth will depend on a normalisation market and our ability to increase our product capability and debts in that market. Overall while we believe that these conditions present downward risks to our business, we are well positioned to weather the storm. Thank you very much. I'll be handing over to Andy Leith in South Africa.

Thanks Dave and good morning everybody. I'll be

Andy Leith	covering the investment banking business together with Brad. I'd just like to start off by putting the performance of the investment banking business in context. Operating profit is down 15% to £77.3 million, reflecting mixed performance across the geographies. The contribution to earnings between agency and advisory business and the principle investments business is similar to that of the previous year. However, we generated a high level of core sustainable earnings from our balanced portfolios, which is integral to the strategy that we previously communicated with you. In achieving these results we must look at them against the backdrop of a number of strategic initiatives that we have put in place over the last couple of years. We've improved the quality of our people, clients and investment portfolios, developed the franchise across the core three geographies and key international markets and leveraged our core competence of committing capital to select opportunities. In reviewing the numbers it's important to recognise the respect positioning and performance of the diversified portfolio of investment banking businesses across the geographies. I'll be covering the South African and Australian businesses, and Brad will be covering the integrated securities business and the UK business. Investment banking in South Africa boasted good results, up 7% to £64.8 million, which reflected an increase of 12% in Rand, supported by a stable deal pipeline and increase in the value of the underlying investments. If we turn to the specific areas, corporate finance delivered a lower performance than the prior year, given equity market volatility and fewer large transactions. However, I'm pleased to say that we did maintain our market positioning. We're ranking number one in the dealmaker's survey for transaction volume in both M&A and sponsored activity, and raised 67% of the capital raised on the JSE during 2007. We achieved good new client gains, which should offer a better spread of income going forward. If we turn to principle investments, our strategy of quality versus quantity has continued to deliver results. Profits increased in South Africa by 17% in Rands over the previous year with strong performance from the quality underlying investment portfolios. We continued to make new investments and build value in our underlying portfolios independently of realisations and stock market conditions. If I turn to Australia, investment banking

	earned £4.9 million, a decrease of 7% over last year's performance. However, with growing brand awareness and a deepening of our platforms during the year we increased our presence in Melbourne and Brisbane. This should provide a solid base for growth opportunities in the future. At this stage I'd like to hand over to Brad.
Brad Fried	Good morning ladies and gentlemen. Firstly I'd like to address our integrated securities business. In South Africa, where the operating results increased by just over 10%, the primary growth drivers for the business were our prime broking operations and our international distribution platforms. Our securities operation in South Africa is now robust. The business has enjoyed a number of years of very solid investment, and that investment continues. The challenges for South Africa include deepening the diversification of the revenue streams and an ongoing drive to increase distribution of South African products to international investors. In the UK our market share progress within chosen sectors has been positive year on year across all sectors. As in South Africa we have continued to make targeted investments in quality staff. Whilst the latter half of the year under review certainly saw quite sustained pressure on volumes and on pricing, our business experienced net commission growth, solid traction in our hedge fund distribution capacity and the emergence of an ability to distribute UK products to international investors through our US platforms. Our trading and our market-making debts delivered disciplined results, even in the face of unprecedented market volatility. Volatility of a kind that none of us have seen. The challenge for the UK securities business is to maintain discipline around cost and capital while maintaining our positive market share momentum. Capturing opportunities across South Africa, the UK and US distribution platforms remains a priority for our business. The opportunities include deepening our trading platforms and increasing our produce range, including growing our market share in dual listed and facilitating new products such as ADR and contracts for different international clients. The year for our UK corporate advisory business was characterised by good levels of M&A activity, whilst difficult market conditions results in fewer IPOs and significantly less fundraising than the prior year. During

the period under review we raised in fact some 50% in the volume of funds that we raised for clients over the prior year. Now, we continue to build the size and quality of our client base. The momentum that started some three years ago is building significantly. As we review our pipelines they are in fact relatively strong across all sectors now, as is the case for the month of April, the first month of our new financial year. We raised slightly more funds for clients than we raised the entire 12 months for the last financial year.

Clearly I would urge analysts not to linearly extrapolate that number across the year that we're currently in. But it does speak to some momentum in the business. Last year we pointed out to all of you that our group MD, Bernard Kantor, and our Finance Director, Glynn Burger, remind us volubly and continuously that markets come and markets go. No truer than for the year we have come out of, and for the year that we find ourselves in just now. Certainly the outlook must be tempered by the current equity markets, which are challenging to say the least. In our direct investments business during the period under review, we reviewed several transactions but we invested modestly. Whilst we planned for several exits over the course of the year, the equity markets were not such that they allowed for those exits, and as a result we saw a significant decline in the results of our private equity business in Hong Kong and the UK.

Andy and I have touched on the seams [?] that have driven our business. But the predominant seams are stable and dedicated teams, and those are the predominant assets that will drive our business going forward. Increased size and quality of our client base, increased market penetration and our brand moving ahead significantly in the markets in which we do business. As per outlook, our focus continues to be on diversifying our earnings streams through our balanced portfolio of businesses across our three geographies and with the US as a distribution network for us. We now have a core level of sustainable earnings which allows us to perform across varying cycles. Our performance, however, will clearly be dependant on market conditions and our ability to compete in highly volatile environments. I hand over to Hendrik du Toit to address the asset management business.

Hendrik du Toit

Ladies and gentlemen, while sitting here one thing struck me. And that is that you're probably experiencing

something quite unique in the financial services world. You're talking to a stable management team. The same people that presented last year are presenting. We still have Bernard commanding us and Glynn keeping us honest, and that to me is a great source of strength. And if I look at the divisional level, again it's the same story. I'm privileged to work with a top management team on average ten years experience within our business and many more year experience in the industry. And the one strong point I would like to make is that this is a people business. If you can keep your people in place in tough times you can exploit opportunities and grow off the back of those opportunities.

So as far as last year is concerned, I think the past couple of months have been challenging but good. At the asset management division we have successfully widened our global sales reach on the back of growing confidence in the quality of our product range, which effectively is the same story that we've been telling you the last three years. So we're pleased to report earnings growth of 13%. I think it's 12.8% or something, rounded up, taking our earnings to 76.8%. Assets under management in neutral currency are up and in Sterling slightly down. But that is part of the vagaries of the market. Operating revenues grew by 16%. The 32% revenue growth in the UK and international business was particularly encouraging and largely driven by net inflows of over £1.2 billion. In Southern Africa the increase in funds under management in Rand supported an 11% revenue growth in local currency and 4% in Sterling.

This year cost control remains a priority. You will see that our costs have grown fairly fast, 17.8%. That is predicated on the basis that we are building a distribution network around the world to leverage our very high quality product range, and we thought it was the right time to invest while many other people might be cutting back and creating the space for us. So we're hoping that this will bear fruit in years to come.

The longer-term investment performance of all our products remains very, very strong. And in fact it gives us a platform to operate from. However, we're in very, very volatile markets at the moment and short-term results could impact near-term sales prospects. Who knows? Who knows where the market is going to be in six months' time? Who knows what's going to be the next issue? We are in that air pocket and we haven't

exited from that. Once we exit it I'm sure the market will announce it with a massive re-rating of financial services stock.

It's important to note that we have one particular award that we'd like to share with you. And we've won many awards over the last year. But for the eighth year running Morningstar has named us as the best large mutual funds group in South Africa, measured over five years. And that is just something if you extract or look at what your average provider and investor in that market it's something that we're very proud of. I think it will stand us in good stead in years to come. And interestingly, since inception 86% of our institutional products have beaten their benchmarks. And that is what we continue to produce and continue to sell to clients.

In South Africa our business achieved record results, £51.9 million profit. But we had a tough time in the institutional business. We lost R14 billion in terms of outflows in the institutional business, and that has to turn around. So if you want to focus on something where we have to do better in the coming year, SA institutional. And I'm telling you we will do better. I'm not allowed to say it, but we're going to try our damndest to do better. Our UK international business had a good year and has grown our earnings by 42% from £17.5 million to £24.9 million. Remember this business is in heavy investment mode. This takes us up to about 32% of total profits.

The one point I'd like to share with you is that over the past year our risk management grew robustly. We have no money market funds where we have to pay in or explain to clients why we broke the one buck rule. So no credit problems there and our fixed-income team has effectively avoided any of the toxic waste which was sold with so much commitment over the last three to four years in client portfolios. And that allows us to [unclear] over the coming years and not on the defensive. And I'm very proud of our risk management team for having achieved that.

Ladies and gentlemen, we run this business as a single portfolio, and we are able to marshal all our resources and point them towards the growth areas. We are seeing interesting growth areas and we are looking to exploit those over the next few years. So in conclusion I'm very proud to say that over the past 17 years we've built a business which has consistently grown and

	delivered and today is one of the top 50 third-party managers in the world. This business can and will deliver very significant cash flows to shareholders, and strategically we're exactly where we want to be in that build-up phase. Over the coming year our focus will be turning good track records into money, and of course always planting seeds, always creating new growth initiatives for the future. We remain focussed on three things: number one, investment performance. Number two, clients. And number three, innovation i.e. planting the seeds of future growth. We believe that despite the challenging economic conditions the outlook for 2009 financial year is good because today our business is stronger and better than ever before. Thank you very much.
Stephen Koseff	Thanks Hendrik and thanks everybody else. I'll now deal with the property group. Sam is playing golf in American somewhere, so he gives me this duty every year. And he did make a significant contribution this year. I think property had a phenomenal year. Clearly still a South African-led business, although we have planted seeds both in South Africa and Australia. As badly as we perhaps timed Kensington, so we timed our exit of Growthpoint as well. So overall I think this business had a great year and it's up in its operating areas by 156%. Funds under advice, excluding Growthpoint, increased by 43%. That number is Rand, not Sterling, because that is a South African business. And its cost to income ratio was only about 34% with a massive ROE. Clearly this is a number that one doesn't achieve every single year. We have had a very strong performance from our investment property portfolio, and that is taking advantage of opportunities where we see gaps that other people don't see. And this was a case of taking advantage of those kinds of opportunities. We did sell the fund management business, which we've repeated a number of time, and did make a £73 million exceptional gain on the sale of Growthpoint after cost. I think the property fundamentals have shifted. Clearly they weakened in South Africa with the rise in interest rates and the troubled consumers. The UK is a brand-new business and we're just setting it up. I think it's a pretty good time to set it up. We do have a fund that has money for investments, and I think we'll be able to pick up pretty good opportunities as other investors panic or

get into trouble. Then I think the Australian property business likewise has been set up in the last year. We have also launched a fund there which has a lot of cash to invest, and likewise I think in the Australian market there are a lot of opportunities as well as some property fund managers are unable to hold onto their assets or have to sell them because they were too leveraged. So overall a very strong performance from the whole property team, and it really was a very gratifying year in this space.

If we look at group service and other activities I think international trade finance had a very good year, up 33% in Sterling. A lot stronger in Rand. And again that's a business that had a long period now of good growth. Our insurance activity is the [unclear] that we still have. Some years we make a little bit more than others, and this year we did make a little bit more than last year, up 150%. And then the trade endowments business, which is also a [unclear] business, made a little bit of profit after many years of losses. So overall up 61% from £7 million to £12 million. Our central funding unit was up 47%. We do have significant amounts of increase in cash holdings. You do see interest rates up significantly in South Africa, and that would come through in this line. We clearly have to pay higher interest on our sub-debt because it's all bearable. And we've seen a lower return on some of our equity-type assets that we still hold in our shareholders portfolios in this period as the market for industrial-types shares actually declined quite significantly. But overall, a very good result, resulting in a profit as opposed to a break-even last year in group services and other activities.

If we look at other issues, operational tax was down from 26.3% to 22.6%. That is a number of things. A change in the tax rate in South Africa, a lower tax rate – in the UK the change will be next year –, the fact that we have some income in lower tax jurisdictions and some income that was subject to lower tax rates. Our weighted number of shares in issue is 606 million. That's a consequence of the new shares in issue from the Kensington transaction and some of the [unclear] shares coming to life. Goodwill impairments, we did give you a range in March about Kensington. We did an extensive job here. We worked out what kind of goodwill impairments we need to make. It is based on a run-down scenario, the present value of future activity net of cost, net of tax. And we put through £59.9 million. The other goodwill impairments relate to the old Fedsure

transaction, where as we generate the income so you have some goodwill impairment coming through because of the declining asset over time, being a residual life insurance book.

The number that might confuse people is the number attributable to minority shareholders. I think we've explained this before. £23 million is really an accounting phenomenon. That number should be in the operating line as a negative in the operating line. It's basically the Sterling against Euro exchange rate. If Sterling weakens you get a profit, if Sterling strengthens you get a loss in that line. But at the bottom line, net attributable earnings, there is no difference. And then we had certain private equity investors that we had to consolidate, and the operating profits of those private equity investments are eliminated as a minority. And that's where the bulk of the money comes from.

I think for this year we've put in a risk review, and I think it's important for us that we talk to some of the risk, because it is a year where people are conscious of risk. I think we did see reasonably strong growth in core loans and advances of about 28%. We did mention where that came from earlier. We did have a pick-up in impairments, recognising that we're in tougher credit market conditions and we had to have more write-offs in this period from very benign conditions from £17 million to £59 million. This excludes Kensington. I will deal with Kensington separately.

Our gross default loans are £222 million. That's any loan that we're worried about or any loan that's in arrears. Even if it's not in arrears and we're worried about it, we make a provision and it has to go into that line item. The net default loans are almost nothing. Basically we haven't written everything off because we have guarantees of some other form of support. So overall we think that we have been conservative in this number. But clearly as Steve Heilbron pointed out, market conditions are tougher and there are probably lurkers hanging around that you haven't seen yet. People that now don't look like they're in trouble but that end up in trouble some way or another. There's always something like that that results from tough conditions. But clearly we're starting to move to the higher end of the charge. Our defaults as a percentage of loans and advances over the last five reporting years, you can see in 2004 we were higher than we are now. But certainly we've seen a strong rise in the last year. And that is recognising that

life is a bit tougher.

If we look at our loan portfolio, it's private bank and capital markets. It's split between the two. It's £8.9 billion to private bank and £3.8 billion in the capital markets business. Capital markets is generally a corporate client loan portfolio and generally are high quality. In fact we don't have one loan in default in capital markets in South Africa at this point in time. We did have write-offs, but right now not one loan in default. The private bank, you have to bear in mind that these are to high net worth individuals. These people have made a lot of money over the last five years and very clearly they are backed by collateral. Quite a bit of the collateral is property, but that is normally one of the large pieces of collateral that a private client has. But these are loans to high net worth individuals in general. And so we are reasonably comfortable that that loan portfolio is solid. As I say, these people are wealthy people. Some may get into difficulty and we may have to have extra impairments and just repeated what Steve Heilbron said. But these are high net worth individuals that we've lent this money to.

If we look at liquidity I think we always tell you what our cash and near-cash is. I think if you look at it as a percentage of our loan portfolios it's more than 50% of our loan portfolios at its peak of £6.3 billion. It's currently around about the £5.5 billion mark, and sustained itself with a minimum of £4.8 billion and a maximum of £6.3 billion right throughout this whole credit crunch. And I think we have managed this well. It's a large customer deposit base. If you add our customer deposit base and our warehouse clients together they meet our loan portfolio. All our debt, all our equity and all our cash that we get from banks on a term basis represents the surplus cash position.

I think we have focussed very strongly on maintaining a high level of liquidity. It has historically been our culture to hold more cash. That is obviously a costly exercise because of the cost of margin, but we have ignored the fact because we have always known that that's something we need to live with. We do try and maintain an appropriate funding mix. We have very low reliance on inter-bank funding, and we're often a large provider of deposits into the inter-bank market. We try and get our private client deposits to cover our private bank lending growth. We still have a gap in South Africa, but we have a surplus in the UK. But that has been a

historic gap in South Africa which we will close over time as we build our private client deposit base in South Africa, which is growing very strongly. And we limit concentration on the liability side. We're not reliant on large single deposits.

Coming to Kensington, I think Kensington has mortgage assets under management of £6 billion. £4.12 billion is securitised and just under £2 billion is funded by warehouse lines. If we look at the product mix you can see I concentrate on the warehouse lines, because that's where we have a higher level of exposure. Our product mix, £769 million of prime assets, £600 million of what we would call adverse, which are any people who have had some adverse history, and £550 million based in our Irish business which we owe 65% of and is a subsidiary of Kensington. The loan to values on that warehouse book is 67.3%. On the overall book it's 69.9%. That's after you've had recognised house price deflation to the end of March. Our capital lent in arrears is £113 million in the warehouse book, which is just under 6%. And £551 million in the securitised portfolio.

What's important is our debt to income ratio, in other words our debt service ratio of our individual clients. They have jobs, they have income and they have quite a decent cover. 23% of their monthly obligations is supported by income in the case of our warehouse book, and 26% in the case of our securitised portfolio. Looking at our current exposure at the end of March to the warehouse structures and the securitised portfolio, the warehouse £162 million, the on-balance sheet provisions are £105 million, of which £34 million relates to the warehouse book and £171 million to the securitised portfolio, leaving a net exposure of £229 million.

That exposure generates growth income, net of net interest, of about £120 million a year. I think that's what people really miss, the high generation of excess spread that gives you a lot of room to meet your overhead and a lot of room to take bad debt. We did take over one of the warehouse lines, one of the investment banks that provided a warehouse line, which we took over in the last trading period of £238 million. That had a first [unclear] of 5% and the loan to value of the underlying portfolio was 70%. It's very highly unlikely that we could get hit there.

We have stretched Kensington. These provisions that

we've got, the £105 million, are based on house price deflations of 12.5% for this calendar year. So you already had 7.5% and we expect another 5%. So 12.5% from the 1st January 2008. That's what this provision is based on that we have in the book. If you stretch it further by a further 5% on top of the existing 12% and another 5% next year – so it's 12.5% and 10% - you need a further provision of about £25 million. So we're not seeing this business in the same light as some people in the market are seeing it, because we think it's very well managed, the arrears are well managed and we're on top of our game. As Dave said we're fully integrated, we know what's going on. We've struggled with data; we've done everything we needed to do to get on top of this business. And we are on top of it right now.

If we look at US structured credit we have a residual exposure to sub-prime of £16 million. We've written off £49 million, which Dave mentioned, and the US credit exposures are really to CLOs, of which £19 million is bank-protected. So we have credit default swaps from highly rated banks. And £36 million is against individual exposure. And each exposure has [unclear] subordinations. So we don't think that we can take another hit. The sub-prime is about 12% of the original [unclear]. So we have written the stuff down. You may have a bit of up kick, you may have a bit of down kick going forward, but the back of this [unclear] is broken from our point of view. So that's on risk.

If we move to looking forwards, I think what you have to recognise is we have a strong base of recurring income. If you look at our income from fees and commissions and net interest income, that is about £1.2 billion almost. Fiscal transaction is £200 million. So you can see we have built a strong base of recurring income over the last five years trading. We've been building it over many years. I think what's important, if you look in 2002 before we went into the last downturn we had a very tight cost to income ratio. You can see we're in the late 60s early 70s. Today we go into what may be a downturn, so obviously we've been trading eight or nine months in it, and a cost to income ratio of 56.1%. We've grown our income by 50% compound over the last period. We've grown our expenses by 12.5%. So we've managed to improve our operating leverage quite significantly throughout. So that gives us a lot of comfort that we have scale to deal with difficult situations if they may arise.

If we look at how we're going to grow, and I guess it's not a season to talk about growth, it's a season to talk about consolidation, but we still always have growth objectives. I think in the UK we're still trying to drive the business organically. I think there was underlying organic growth, apart from the fact that we had a £49 million smack. We manage our liquidity very carefully and we try and build our non-lending revenue. And that's the theme that you'll see in the organisation over the next while, building non-lending revenue. That's our funds under management, our advisroy7 businesses and our low capital intensive businesses. Australia, same principle. Driving organic growth. There're lots of opportunities floating around. We'll always be looking for opportunities and building lending leverage. And in South Africa there is no clear cut strategic alternative but to grow organically, and that's what we're concentrating on. Again, looking to build that non-lending revenue.

I think if we look at this it's about a small realignment. I think it's managed loan growth that we still expect to grow. It's pricing risk appropriately, and I think that's what the work forgot about, pricing risk appropriately. Giving money away because there was a wall of liquidity. Well that's all a load of nonsense. So pricing risk appropriately and building our customer base, our deposit base. At the same time building our non-lending revenue and taking advantage of opportunities. You can see that 40% of our income now is net interest income, £583 million. £276 million is from principle activities, which in these types of environments with volatility you should make money there. And £550 million from fees and commissions. 40% of the income. So 80% of our revenue streams comes from fees and commissions and net interest, and 20% from principle activities. So we think that the business model is quite balanced but its time for us to build that non-lending side to balance the scale of it.

We move on to outlook. I think Hendrik mentioned a very experienced management team. We have seen these cycles before. Now, maybe the UK hasn't seen them for a good while, but certainly some of us have been through other markets where we've had identical cycles and meltdowns and we think we know how to navigate through this. We have a sound balance sheet. We have very strict management of risk and liquidity, and it's very hands on. We know what's going on in our books and we have disciplined expense control while we

	still invest for growth. So we still see ourselves as a growth organisation and are prepared to invest for growth. I think the environment will remain challenging. But we believe the scale and diversity of our business should enable us to navigate through what will be quite a tough period. I think we do expect to benefit from re-pricing of risk and the opportunities that come from the fact that markets are [unclear]. So in summary we believe we have had a good year. We have taken some hits but we've managed that quite well, and life has been tough but we are a resilient bunch. So I thank you all. I think just before we go into questions, two things. I think we have to thank our investor relations people led by Ursula, our finance people. Glynn, our Financial Director, has played a very strong role in helping us get out all these numbers and making sure that we give you accurate information. I think our marketing people have done a great job in setting things out. In South Africa we could hear quite well, not like November. And I hope everyone else enjoyed some of the experience. I think we also have to thank some of our divisions and geographies that we do not specifically mention in detail. I know Ireland had a very good year, very strong performance from our Irish team. And I would like to thank Michael Cullen and his team for that very strong performance. I think we did mention Australia quite a lot, but our people in Australia have held up in quite tough conditions in that market and did achieve quite good growth of about 9.7%. Everywhere around the world, our South African people had a great year. We didn't have one division that underperformed in South Africa. And in the UK we were in the eye of the storm with big write-offs but the guys still kept their heads up through a very tough period and delivered what is a very satisfactory result. So again thank you to everybody, and we now hit the questions. So we're starting with London. [Background chat]. Who has got questions in London? No one. Okay. Andy, have you got Rubi in the audience? I saw him and he said he couldn't get to our last analyst presentation. Rubi are you there? Rubi's not around.
Speaker	Morning Stephen. I have a question on your Kensington impairment. What discount rates fid you use to calculate your PV of 59.9?

Stephen Koseff	About 11 in Sterling after tax. If we made it 12 it would be an extra £1 million. If we made it 10 it would be an extra £1 million the other way. £1.5 million each way. Remember we had a lot of costs also estimated.
Speaker	You've got an item there, collateral. Can you just explain what collateral is please?
Stephen Koseff	Collateral can be property, it can be shares, it can be cash, it can be a whole… anything. A commercial property, a residential property, book debt, shares, anything you think of that is realisable at a value and that you can trade. We also have additional collateral like personal guarantees, which are not recognised as collateral for that purpose. More questions?
Speaker	When you entered into the sub-prime exposure in America did you know what you were buying or was it like a lucky packet?
Stephen Koseff	We thought we knew what we were buying but clearly we were a bit wrong. That's life sometimes. As I said to you last time, if you're trying to make a ROE of 24% you can't just buy government deposits or government bonds. So we thought we knew. It was a structured business. We were building up a warehouse of assets and we got caught in the downturn. We would not ordinarily have held the amount that we had to write off. So we just got caught, which sometimes you do as a trading bank.
Speaker	What is the difference between adjusted earnings per share and just earnings per share or headline earnings per share?
Stephen Koseff	Adjusted earnings per share is earnings before write-offs and exceptional gains. Earnings per share includes write-offs and exceptional gains.
Speaker	Thank you. We heard about challenging times often this morning. [Overtalking] trading environment, is it still deteriorating?

Stephen Koseff	It depends where you are. And I think that there are elements of the UK that are improving because I think policy makers are now reacting appropriately to the liquidity crunch. But I think the real economies are going to struggle. And the real economies right around the world have declining growth. So where one is in that cycle, I would say you're still in the cycle. South Africa certainly, you will know the consumers have got a headache. But the corporate has got a lot of infrastructure and all sorts of activities flying around. So in South Africa it's mixed and in the UK I think the economy is declining. In America they're probably some way through it. You know you are in a tough season and who knows how long it will go on for. But you got your dividend.
Speaker	Hi Stephen, it's Allan [unclear]. Are you ready for a slide in translating the EPS into Rand growth in the future?
Stephen Koseff	Somewhere in the South African press release. The Rand EPS is up 14%. The DPS, I'm not sure what it's up. Maybe slightly more. In Rand the numbers get big hey. [Background chat]. More questions?
Ronnie	Hi Stephen.
Stephen Koseff	Hi. It's Ronnie. How are you?
Ronnie	Stephen can I ask you a couple of questions. First of all in terms of your growth in your assurance income. I thought that book had been run down. [Inaudible segment]. Have you a view in terms of private equity going ahead and in terms of your funding in terms of what percentage from private and what percentage from corporates? And then maybe just comment in terms of looking at markets. How do you see liquidity and spread over the next year. Do you see that problem taking longer rather than shorter?
Stephen Koseff	I may not answer all your questions because I'm getting old and I'm not like a computer. But I'll start off by… I can't remember even the first one. Assurance. Ronnie,

	these books take a long time to wind out and there's always a bit of profit left in the book. It comes in some years and doesn't come in other years. And you will see that number prancing around over the next probably ten years. You'll always see a number floating around there. So that's what I can answer you on assurance. I remember your question about spreads. I think you have seen a rise in cost of money and you are seeing a rise in spreads. And I think that's coming. As people re-price risk you will see a rise in spreads. And we hear stories all the time about how a bank pulled the loans from this one and that one. You're not going to give them the money without asking for a wider spread because you know it's costing you more and you require higher returns because your cost of capital has gone up. So that's going to be life for a while. The wall of liquidity has gone. Back to the told days, banking on balance sheets, that's where life is. I can't remember the three questions in the middle.
Ronnie	Just on private equity, Stephen, in terms of funding of your book.
Stephen Koseff	Prices have come down. We didn't buy much. We didn't buy anything at the top of the cycle so we didn't get into those high multiples. We used to lose all the bids. So I think it's quite a good season for it. Companies will need expansion money or people still want to take over other companies. And I think it's quite a good season for that, for acquiring assets. What were your other questions?
Ronnie	Just the ratio in terms of your funding, private versus corporate.
Stephen Koseff	I would guess the private clients are 70% of that book. No, 65% of that book. And the balance would be corporate and institutional clients. Anything that we issue in the debt markets is not reflected in that deposit number. It's only where we have a relationship.
Louis	Stephen, thank you very much for the great dividend. Now I can buy my grandchildren some shoes.
	Ja. Remember you've got the benefit of the Sterling

Stephen Koseff	dividend, Louis. You can buy more than shoes this week. More questions from South Africa?
Wilhelm Nauta	This is Wilhelm Nauta from BGS. Stephen, linking up with the previous question, I notice that you had very large impairments in your UK private clients – or UK and Europe I should say – business. That's probably respective of a changing economic environment there. But what's also being concerning of late are some press reports, a recent court case – not that the numbers are particularly important, I think £7 million or so – that points to some issues regarding improper credit control etc. So I've got two questions really. Your impairments that you've just reported for the 31 March period, does that include these court cases that have been reported in the press or the bad debt that has been reported on? And secondly, are your credit controls appropriate in the UK and European business for the current economic environment?
Stephen Koseff	What court case are you talking about? We're not on the same page. Okay, let's put that aside. Let's answer the question. Okay, I think clearly the credit impairments reflect the fact that we may have felt it appropriate to impair some of our loans even though they were not in default. And there are some loans in default. And you will get that number ticking up in this kind of environment. We've come from very benign conditions to tougher conditions, so you will get that. So we're expecting a pick up in impairment, just like every other bank in this world is expecting a pick up in impairments. I think our credit management is very strong. We know exactly what's going on in our books. We're on the back of our clients if they don't pay, and we have been managing that quite specifically. In fact, if you look at our short arrears – not what we classify as defaults – in certain of our markets they have come down because of vociferous management of the client. So I don't know what you're talking about, court cases and things like that. You always have documentation issues and you always have people that take you on. And that's an occupational hazard unfortunately. But we are very on top of what's going on in our books. Wilhelm, are you there physically or on the radio? Ah, he's there. Welcome. Okay, fine.
	It's Maren [unclear].

Maren

Stephen Koseff Maren. How's it?

Maren How's it, Stephen? In relation to the South African business could you comment please on exposure to BEE loans?

Stephen Koseff I don't know the exact exposure. I mean we beat our targets. I don't know what you're getting at. Certainly we have targets that we meet. But I think our loans are all well-covered.

Maren In terms of the stock exchange, of the pricing on the Johannesburg stock exchange and…

Stephen Koseff We've got four or five times cover or even higher on those less liquid shares.

Maren Thank you.

Stephen Koseff More questions?

Speaker Hello, just on Kensington, can you just give us a sense of what it actually made this year?

Stephen Koseff £24 million.

Speaker There has been a fair amount of concern about the ability to roll funding when those warehousing lines come to an end. Is you sense it's getting easier or more difficult?

Stephen Koseff Well we rolled them in November/December/January. So I think they've still got like 21 months to run, and some have got longer than that to run. So there's a long time before one has to roll them, and by then the book would have run off even further unless life returns to normal. So it's hard to [unclear] but they've got a long time to run.

Speaker	And can you just… [Overtalking].
Stephen Koseff	Our sense is that as we move through the crunch that life will ease up and people will get back to normal. But not the normality that one saw pre the crunch. But you'll have a level of normality that will be a lower level than pre the crunch, but certainly not the type of [unclear] that you had over the last while.
Speaker	Can you tell us how much you made on Kensington this year?
Stephen Koseff	£24 million for the nine month period, and that's after additional impairments of £55 million and overheads of £39 million. And the overheads will come down because obviously the head count as been reduced. The impairments will depend on the season. House price deflation of 7.5% this calendar year and 5% next year. More questions?
Speaker	That's it, Stephen.
Stephen Koseff	Are you going to Australia? Shall we go to Australia first? I don't want to mess with your sequence. None? Okay. And none from Australia or Ireland or anywhere else? Okay. Okay, well that's it. And again thank you all for attending.

END OF TRANSCRIPT