INVESTEC
Analyst Presentation

21 May 2009

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Stephen Koseff	Good morning, everybody. Welcome to our analyst presentation. I know we have been talking to you a lot over the past year so nothing should be too much of a surprise. I think if we look at our business overall, I think this has been a very, very tough environment. I think we all know that the financial system was on the brink roundabout September/October and I think that we are quite pleased with the way we have come through with our business model intact and well-positioned for a turn in the markets when it comes. So for us we have continued a very disciplined approach by management across the business to build our capital base, maintain liquidity and maintain our operation efficiency. I think that enabled us to maintain profitability at a reasonable level throughout the period and emerge with our capacity to compete our brand and our entrepreneurial spirit unimpeded. So whilst we are quite proud with the way we have come through this which is probably the most difficult period for the financial sector in our lifetimes and hopefully we do not see it again. Hopefully my grandchild does not see it again. I think if we look at the operating environment we have seen a collapse in equity markets, we have seen interest rates fall quite dramatically and this chart does not really show it effectively, but they have come down dramatically. We have seen very volatile exchange rate, a substantial weakening of Sterling over the last while with a bit of recovering more recently, but the environment had been extreme and it has been very volatile and it has been very tough, but obviously out of that always comes a lot of opportunity. I think what we tried to do as an organisation is keep our heads down and continue to build our recurring revenue and to ensure that we have a sustainable earnings base. I think in this period our sustainable earnings improved from 65% or recurring income to 70% as other types of activities quieten down which is natural in a very tough economic environment, but certainly we are quite pleased with what has happened to our sustainable earnings. I think again our diversified business model has worked for us. I think some areas could have benefitted from the environment. Other areas suffered from the environment and overall you can see the mix of our revenue did change quite significantly in this particular period because of the type of environment we were dealing with. I think that overall it resulted in the operating profit across all three geographies. South Africa, as we said, the trading update would be down less than 10% in rand that translated it down 13% in pounds to £293 million. The UK was down 26% in pound which is exactly what we said. We said Australia was down a lot being a low scale business and suffering from the environment more than the others. But overall our operating profit is down about 22%. The contribution from South Africa in this particular period was 74% and you can see

that it is contributing consistently between 60 and the 74% in this particular year.

So we see these results as a resilient performance. I think you will know these numbers because you read the headlines and you read all the emails, etcetera, but operating profit before tax and impairment losses was up 5%. So we were able to maintain our revenue in a very tough period. Attributable earning was down 22% and our trusted EPS was down 26%, 25.5 actually, which we gave you a range of -22 to -30 and we were down in the middle by fluke. So I know that some of you take the average. Henry always gets it on the button. This time again on the button. It is in line with our dividend policy, down 48%, but our cover range was 3.3 which if we move it to the upper end of the cover range of 3.5 which tells you November and the main reason for that is we want to internally generate our capital, to build our capital base which I will talk about in a moment.

Then tangible NAV was up 24% which I think was quite a good achievement and that shows that there were not write-offs hidden on the balance sheet. So I think that Henry again would be proud off because he likes to watch that number. Our deposit base is up 20% and our loan portfolio is up 26%. The impact of currency has had some impact on those numbers which are highlighted in the report and then funds under management, third party funds under management down 5% as a consequence of the very weak markets that we operated within.

If we look at our financial targets, I think two of them are very tough to achieve and we will not probably achieve them for some time. That is the ROE targets of 20%. In fact, with the new types of capital requirements that are coming out for banks we will have to relook at that target whether a 20% target is a sustainable target with 14.8% for this particular period and our earnings obviously was down 25.5% where we were looking to grow by retail price index plus 10, but that through a cycle and that number would have been about perhaps 12% in this particular year.

We did make a lot of progress on capital adequacy. I think our total capital adequacy is within our target range of 14 to 17. You will remember we did up that in November when we gave you a trading update. I mean we gave you the results for November. Our cost income ratio is actually down to 55.9%. We built revenue strike in, we held cost flat. I think was quite a good achievement and obviously our dividend cover is within the target range of 1.7 to 3.5 at 3.3.

I think what has been important, and I think this is a season not to worry too much about earnings but worry about the balance sheet strengths. And I think that is what has been important and that is what we as an organisation have concentrated

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	excessively on over the last while. I think firstly our stringent management of liquidity and one thing we have always said as an organisation coming from being a very small bank, that we always held a lot of surplus cash so we could cope with a stressed environment. As we said to you at the trading update, post Lehman's, the environment was particularly stressed and our cash and near cash dropped to about £3.7 billion from over £5 billion. We are very happy that that has since retraced back to over £5 billion. As I said to you today there is about £5.2 billion and that is obviously from our very strong efforts in terms of diversifying our deposit base and being very proactive out there in terms of building that deposit base. So we also have a very well-established liquidity philosophy. I think guidelines came out from Vaal in September this year and most of our philosophies pitted exactly within those guidelines. So I think we have always had a strong liquidity philosophy and that has held us in pretty good stead right throughout this crisis. And then we talked about the increased deposits and access to longer term funding. I think clearly we have taken in about £1 billion of retail deposit since December and that is the momentum is still there and we are still seeing strong progress on that front and I think we think that momentum will continue and as you are aware the big launch really started in the UK roundabout January and we have seen very good inflows as a consequence of that. We have also seen good inflows in our structured retail desk in capital markets and sales structured products since the products were launched in roundabout January and then in South Africa we also had quite good inflows. In Australia we got a hell of a lot of cash so we are not driving. All we are trying to diversify, get rid of larger balances and diversify into smaller balances, and then South Africa we have launched a new retail campaign this week and we are seeing quite good progress on that front as well. As we said to you in November we are eligible to issue three year government guaranteed debt in the UK and we are also eligible in Australia and we have issued that debt in Australia. We have issued three and five year instruments in Australia in the last few months. I think on the capital targets I think we increased our PO1 capital target to 11% in November and we said we expect to get there by 2010. We did make good progress on all fronts. In South Africa our PO1 ratio of Investec Limited is up to 10.8% so I think we may get there probably by November, so we might get there in 2009 and Investec plc's Tier 1 target got up from 9.3 to 10.1. I think that is also pretty good progress. Total capital ratios also improved slightly over the past year. So we are quite pleased again that we have managed to move, make very good progress towards meeting our targets, both Tier 1 and total capital targets which we now meet.

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	I think the other think of importance and we emphasised this at the trading update is the fact that we are a low leverage bank. Our loans to capital ratio was 6.2 down from 6.6. I think some of the banks have got into difficulty in the crisis with geared 40, 50, 60 times and there is a big difference if you get six times and 40, 50, 60 times when you start having default lines and I think that is really what the import is. Our default, as you have seen, are well covered by our operating earnings. So our operating earnings have significant ability to absorb default and that is because we are a lowly geared organisation and that we have a diversified revenue stream. Call loans to customer deposits were one times covered and that is part of our philosophies to cover our loans by customer deposit and I think that we held from March 2008 to March 2009 and total balance sheet gearing 12.9 down from 13.8. We exclude the insurance assets in that number because they are not our assets. They are just notionally accounted for as our assets. We could also exclude gross-ups if we wanted to, but we did not, which would take the number even lower. So if you exclude securitised assets gearing it down to 11.7. I think obviously as expected and as we have warned you, we have impairments have been on the rise particularly since early October. I think the world did fall off a cliff. You are seeing most major economies around the world showing significant negative growth and I think South Africa likewise. It is negative growth for the quarter ended December, was 1.8%, and we were not expecting negative growth in South Africa. So you are seeing stress out there and I think this will be order of the day for a while and it takes time for economies to start turning around. Obviously we started seeing some form of people talk the word green shoots. Some people are saying the green shoots are becoming daffodils. Who knows? It looks better right now. I may look worse tomorrow. It is going to be very, very volatile but the reality is that banks are having higher impairments and higher defaults and we are no exception although ours are perhaps lower than peer groups. We are still no exception. We are well collateralised. Our lending is to private clients, high net worth individuals. Some of them also get into trouble because they over-trade or do something wrong and our lending also is to the corporate market, middle type and end of the corporate market, and as we know in life some of them get into trouble. So we will have defaults that we believe we are well-covered by collateral, our default ratio is up to 1.1% which is what we told you at the trading update. So this is part of life for the next while. As I said earlier, we have significant operating profits that enable one to absorb the defaults. I know your earnings are down at the end of the day but this is a very tough period. So this is part of the

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	reality of life right now. So that is giving you an overall picture of the balance sheet strength. I am now going to move on into the divisions and I will start off just giving you a brief overview of the divisional performance. You can see, as I said to you earlier, it was a tough space for some of our areas and not too bad a space for others, but overall you can see the divisional mix has changed quite significantly in this period of capital markets up quite well because they benefitted from the volatility of the environment. They traded very well but I am not going to take away Dave's story. He will give you an update and all the divisional guys will give you an update on how they have fared. So some of the divisions were obviously more effected by impairments. Like the Private Band was affected by impairments, but Steve Heilbron will give you a story on that. I will just kick off with a private type portfolio management business and it was down 12% which is not too bad a performance in context of the markets that we were in. I think it is down as a consequence of lower turnover and also lower valuations, lower level or market valuation and absence of any kinds of performance fees on the portfolios that they manage in this particular environment. The UK results are the estimate of Rensburg Sheppard's results but I do not think we will be too far out on that, but we are not allowed to talk about that because they announce it. So funds under management are down 11% in Sterling and down the Rand funds under management down 25% because it is by and large an equity portfolio and equities were down a lot more than that. Cost to income ratio up 64% which is still within our own target range and ROE very high because it is a low capital intensity business. So that is an overall position on the private client business. I think the outlook in the environment as we are aware is challenging and that you will get low levels of activity over the next while until people start coming back into the market but we believe that the business model is very resilient. We have a diverse mix and strong annuity incomes on the discretionary funds under management. So we believe we have very good positioning in this market and this business can weather storms quite well. So that is an update on the private client business. I am now going to call Steve Heilbron to talk about the Private Bank. Steve Heilbron will talk from London. Steve, you are up and I will just click the screen for you and then you can take over from there.
Steve Heilbron	Good morning. The Private Bank is pleased to report an operating profit of £80.5 million for the year ended March 2009. This is 52% of last year's peak profit level of 166.4 million. The last 18 months have been characterised by challenging and

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	severe market conditions. The impact of this on our business has been the result of specifically activity levels across all areas of specialisation have been dampened. Impairments on loans and advances are up and exit opportunities and profit shares have waned. The key impact of this on our earnings has been to list the impairment charge on loans and advances to £90 million for the year, being 56 million up on the prior year. This variance accounts for the main difference in operating profit for the Private Bank for the year ended 2008 over 2009. To balance this on the positive side, four points. Firstly, the business has benefited from a well-diversified set of revenues across all six areas of specialisation. This is in line with our portfolio strategy as previously presented. Secondly, travel operating income is down a modest 9%. Thirdly, our business has remained profitable in all three core geographies, and fourthly, a concerted effort to reign in costs has resulted in some meaningful savings. Moving away from earnings then, if I can draw your attention to the balance sheet, loans and advances, deposits and assets under management. Firstly, loans and advances. In our UK and European jurisdictions ignoring currency gains we have negligible growth in assets. This is reflective of market conditions in the UK where wholesale deleveraging has resulted in a significant reduction in credit extension. In South Africa our loan portfolio group are 14% in home currency. This is a substantial reduction or deceleration in relation to last year's 32% growth in assets. South Africa therefore experienced moderate worth with a tightening of convictions affecting the local economy. In Australia we grew our assets off a relatively small base by 14% of home currency. This growth was specific to Investec experience, the professional lending business that we acquired in October 2007. Difficult market conditions have impacted our credit portfolio in all jurisdictions. It should be remembered, though, that we have a relatively small portfolio and are therefore close to and engaged with all exposures. Impairments have been raised to cover our best estimate of expected offers in current conditions. The balance sheet provisionally is £90 million being 80 basis points across the portfolio. If I can now draw your attention to retail deposits. These were up 17% for the year and I think special mention should be made of our UK jurisdiction where customer deposits grew year on year despite unprecedented turmoil in the financial sector. In fact, if we were to annualise our current growth rate this would give us in excess of a 30% increase as we move into 2010. An example of this capitalising on this opportunity our UK business has delivered some circa 8,000 new clients just in the last quarter. All three jurisdictions therefore has performed well with notable increases in deposits. This in a year in which we have argued

	the one in a 100 year event could be seen as a testament to the Investec brand. Lastly, shifting your attention to assets under management, these are down between 15 and 28% in home currency, all three jurisdictions experienced declined move to cash as well as a reduction in market value. In closing then, the business will deliver on five key objectives in the year ahead. 1) Intensive focus will be placed on the effective management of underperforming loans. 2) The growth in our loan portfolios will be flat and we will persist in re-pricing our existing assets to reflect the increased cost of capital and credit risk. 3) In pursuing our retail deposits we will broaden our reach in target market channel and product. 4) The drive to accelerate the contribution of our private wealth management business will be supported by further investment, and lastly, we will be ruthless in our alignment of cost to future revenue. In summary then, we will continue to navigate our way through this difficult time. We will not and have not shied away from making tough, sober decisions that may be needed as we continually re-examine our business in the context of this turbulent environment. Finally, we believe that our business model is weathering the storm. It is robust and it is intact. We are poised to take advantage of opportunities that this dislocation in markets may present. I know hand over to Dave van der Walt.
Dave van der Walt	Thanks, Steve. Good morning, everybody. Last year we spoke of an operating environment where credits centred wide in favouring our lending businesses. Volatility had increased substantially favoured our trading businesses and the dislocated credit market presented opportunities. This was overlaid by economic conditions that presented risk to the downside for our business. These observations have to a large extent proved true for the year but we are very pleased to announce a 22.4% increase in operating profits from £115.6 million to £141.6 million. This in very difficult conditions. This performance was driven by four main factors. An increase in interest income by 26% after accounting for Kensington for the full year and an increase in average credit spreads across our books and the growth of our lending books in South Africa. Fees and permissions grew by 33% as a result of our structured lending activities and also due to very favourable conditions by equity finance business which performed very well. Profit convincible transactions improved by 43% during the year, primarily from lower right downs in our US structured credit portfolio which decreased from £49 million to £13 million this year. In addition to this we have excellent performances from our trading desk, particularly year-end fixed income, fx and interest rates. In addition in the UK we had our first full year of

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	operations of our equity derivatives platform and this traded profitably. This performance was to some extent offset by a large increase in impairments which increased by £76 million during the year. This increase was represented by extremely challenging conditions in our commodity and resource finance business and our acquisition finance business. In addition we accounted for the effect of Kensington for the full year. £17 million pounds of this impairment charge related to a change in the house price depreciation assumptions and Kensington has now provided for a 40% decline in house prices from peak to trough. The market has changed substantially. However, we remain committed to our core areas of activity and will reshape and adjust our business for changes in the market and lessons that we have learnt. Looking at the environment in our core geographies, South Africa remains the least effected although the impact of the global recession is starting to be felt. We are generally well-positioned in this market with a reasonably robust credit portfolio and trading conditions and volumes remain good. The effect of the recession may lead to reduced activity in our structured lending businesses and we will monitor markets to see how this develops. In the UK and Australia the environment remains weak and it is too early to say whether the green shoots represent any sustained change. We expect impairments to continue. However, trading conditions and dislocated markets continue to present opportunities for us. Overall we believe that we are well positioned to continue to weather the storm in conditions that may be similar to last year. Finally, we are a focused business targeting markets where we can be distinctive and competitive. The environment has changed but so, too, has the competitive landscape. A large amount of capacity has been withdrawn from the market and you see a large number of players withdraw from our core geographies. In the short term we expect conditions to remain challenging. However, in the medium term we believe that the change in the competitive landscape presents an excellent opportunity for us to grow our franchise and our market share in these markets. Thank you very much. I will hand over to Andy Leith from South Africa.
Andy Leith	Thanks, Dave, and good morning, everybody. Just to put the investment banking performance into context, I would just like to mention over the last two years we have implemented a number of strategic initiatives to improve the quality of our clients, our investment portfolios and our people. These earnings that you see this year are £46 million. They have been achieved as a result of a mixed performance across geographies and business activity. In reviewing the numbers it is important to recognise firstly the decline in equity markets which resulted in lower activity levels and downward fair value adjustments in certain

	principal investment portfolios, and secondly, the respective positioning and performance of the diversified portfolio of investment banking businesses across the geographies. I will be talking about the South African and Australian businesses and Brad will cover integrated securities business and the UK. If we turn to South Africa, investment banking in South Africa posted improved results over the last year of £66 million supported by a stable deal pipeline and an increase in the underlying value of the portfolio of investments held. If we turn to the specific areas, corporate finance had a lower performance than the prior year mainly as a result of the market volatility and fewer larger transactions. However, we maintained our market positioning in the year, have been ranked first in all the major surveys for transaction volume in M&A and sponsor activity. The changing competitive landscape is a theme you will hear throughout these presentations, has resulted in good new client gains which should generate a better spread of income going forth. If I turn to our principle investment activity, our strategy of quality versus quantity has continued to deliver good results. This year we generated a higher level of core sustainable earnings up 12% to £55 million from our balance portfolio which is consistent with the strategy previously communicated to you. This year more than 50% of the total income in this activity is represented by dividends received and realised gains. This performance has been achieved off the back of a very strong performance from the quality underlying investment portfolios that we hold and during the year we continue to make investments in the portfolio and build value in our portfolio independently of realisations and stock market conditions. I turn to Australia. Investment banking reported a loss of £7 million which was negatively impacted by a slow-down in activity levels and downward fair value adjustments as equity markets continue to decline. With growing brand awareness and a better pipeline going into 2010 the Australian platform continues to provide growth opportunities into the future. At this stage I hand over to Brad.
Brad Fried	Good morning, ladies and gentlemen. Firstly I would like to address our international securities business. In the UK our security related operating profit increased with disciplined performance across sales, market making and equity trading in the face of extremely volatile markets. The positive market share momentum that we observed some years ago continues. Our South African institutional securities business posted a decline in profit of a strong prior year as very tough market conditions impacted on revenues from equity broking. The decline in revenues was, however, somewhat offset by a strong financial performance and good market share gains in our prime broking

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	operation in South Africa which business we continue to invest in significantly. Taking advantage of these quite difficult market conditions, however, we did take the opportunity to selectively hire some good, experienced analysts filling gaps in our offering and ensuring that they consolidate our position as South Africa's specialist broker of choice. We also made progress in expanding the client base for the South African products and doing that in the UK, in Europe and in the United States and finally we recorded another record year of growth for client director trade into our electronic distribution platforms. The initiatives to diversify revenues in our securities business that began approximately four years ago have had an impact very positively in this year. In the UK during a very difficult year our securities, the business and our corporate advisory business enjoys a year of profit. The data suggest that Investec is increasingly becoming the destination of choice for 52/50 companies looking for consistency of approach, stability and service. Over the last 12 months we engaged 14 new 50/250 brokerships, a greater number than any other broker and in fact nearly three times the number of the second place cast. Recently we welcomed into our business the mid-cap team of Dresdner Kleinwort. Soon we believe we will accelerate our relationship to be the premier mid-cap corporate advisory and broking business in the UK. Our private equity result in the UK and Australia was disappointing and it requires explanation. Two investments, namely Global Ethanol and Idatech were the primary drivers of the results and we would like to comment on the accounting treatment of the portfolio as well as the market and carrying value of the investments. Firstly then the accounting treatment. Our investments are not held in off-balance sheet funds. Rather, they are majority owned on-balance sheet investments. They qualify therefore as subsidiaries of our group. As a result we consolidated performance and given the developmental nature of the Idatech business and for the case of Global Ethanol the market conditions in the ethanol industry led us to consolidating losses for the year under review. These losses account for the majority of the private equity results for the year. It is important, however, to realise that for these and for all other consolidated investments they are marked in our books at tangible net asset value, Idatech being the case in point. The market price of our stock in the London listed Idatech is approximately double our carrying value as at balance sheet dates. Andy and I have touched on the drivers that have impacted our business. Our team across the geographies remain stable and disciplined. Our offering has expanded and our clients have grown in size and quality. We have also explained the the

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	outlook is going to be predominantly driven by equity markets. Good equity markets are going to allow our clients to raise funds through IPOs, through secondary offering and to develop their corporation with much more confidence in the public market. They also provide increased certainty for our private equity portfolios in terms of exits and investments. We hand over now, in wrapping up, to Hendrik du Toit who will address the active management business.
Hendrik du Toit	Thank you, Brad. Good morning, ladies and gentlemen. Despite announcing a fall in earnings today, I would like to echo the words of J&B Diamond and JP Morgan that the last year was probably the finest year of the asset management business since inception. I would like to thank all the people who worked so hard on this result and who retained focus on their client's money during what was a year hopefully not to be repeated too quickly, in other words, a very tough year. I would like you to remember four key points this morning. Firstly, our net inflow performance has been the best in nine years at £750 million. Secondly, our risk management and our conservative business strategy served this business well during the past year and left us in a position to compete very effectively over the next few years while much of our industry is in turmoil. Thirdly, we have one of the most experienced and stable teams in the industry in place. We can focus on what is important, our clients' money and business acquisition rather than internal matters in the years to come. And fourthly, we are entering this year in good spirit and with a good pipeline of business. Over the past year our earnings declined by 13% but our compound growth rate over the last five years is still 22% and this year with lower assets will be challenging but looking ahead over a five year period we remain confident. Our pre-tax profit at £62 million was obviously down but our assets remain relatively stable and end of the year £28.8 billion and as you can work out it is high right now given the markets. These results, once again, confirm that we have a business model which is stable and sensible and which we will continue to work with in future. Cost control also remains a priority and during the past year we were very well served by our variable remuneration model and the cost disciplines we put in ahead of the fall in the markets. The longer term performance numbers of our business remain excellent. 90% of our institutional performances exceed their benchmark since inception or just inception and while I will not mention all the awards because there are many awards in this industry, I am very proud just to tell you that in South Africa Morning Star named us as the best large mutual fund group over five years for the ninth year running and that maybe tells the story of Investec Asset Management.

	Performance fees were important last year and our portfolio managers came through when they needed the performance. 12% of our revenues were represented by performance fees last year which is just again evidence of the fact that we have been beating our benchmarks consistently and solidly. In South Africa our business achieved a profit of £49 million. The retail business performed well under circumstances and delivered net inflows. Institutionally we are still on the net outflow side but we have added significant high quality business and in fact we continue to see positive momentum in that business. In the UK in international business our earnings declined by 31% to £17 million from 24.9 but our net flows were very strong. Over £1 billion or approximately £1 billion and our institutional flows were even higher because as you know the mutual fund markets internationally were in turmoil last year. As a business, ladies and gentlemen, we stood the test of time and we have shown resilience when it really matters. We run our business as a global unit which means we have the freedom to use our full force where the biggest opportunity exists at any point in time or where the biggest need may exist. That model works well and therefore we think we can capture the momentum or the green shoots wherever they are going to emerge. In conclusion, we are not reporting annual earnings or reporting on that, we are in the business of building and enduring investment management franchise. We have an environment at Investec Asset Management where the best investment managers in the industry feel at home and are given the freedom to deliver for their clients. We are totally focused on managing clients' money to the highest possible standards and whatever the environment is out there, that will not change or influence the way we focus on our clients' money and over the past 18 years we have built a business from scratch to be one of the top 100 in the world and in terms of size and these businesses do take time, but as they mature, and you will be seeing it over the next few years, they deliver very, very significant cash flows. We can go into the new year firmly on the front foot. We are going to be bold because this is a time to be bold. We have a model where our current distribution capability is aligned with opportunity and our current investment capability is aligned with client demands. So thank you very much for the opportunity to talk to you today. Our business is stronger and better than ever before. I think I must hand over to Stephen.
Stephen Koseff	Thanks, Hendrik. Switch over. I am going to talk briefly about the property group and I think you remember last year we sold our growth point business, the business that basically managed all growth point properties. So what we have left in property is a

trading business, a property fund management business of managers, portfolios for clients into listed property fund and a business that manages physical property funds on behalf of clients. I think the business did pretty well this year even though it was down 32% because you remember part of the business was sold and was down 32% generating £24.7 million and you can see it has cost to income ratio of 35% and an ROE of 47.5%. that is obviously a consequence of the sale of the business that the ROE has dropped. It was supported by fees earned on projects on behalf of clients, completed during the year and a decent performance from the investment portfolio which is primarily a South African portfolio that is still performing quite well. As you see South African property funds have not been hammered like property funds around the world because they are much less geared and therefore you have a much more stable outlook.

I think the outlook for this business is extremely positive. There is a lot of opportunity. I feel that although people think the asset class has a problem there is so much opportunity it is actually frightening and I think that we as an organisation have a lot of funds to invest for our clients because we have a €450 million fund and it has not been invested yet or hardly invested. That is available to invest and they can pick out the opportunities in that market. We have a similar sort of fund in Australia, a lot smaller, that is partially invested but still have some to go and then we have our own capability in this particular market where we think we can take advantage of some of the opportunities. So we would see the outlook for this business as actually quite positive because there has been so much turmoil around the business in this particular year and in this particular period. So we also looked to some reasonable performance going forward.

I think if we look at group services and other activities, our central funding performed well. That was again off the back of our entries in cash holdings and higher interest rates in South Africa obviously experienced lower interest rates than the rest of the world, but we did have higher interest rates in South Africa. We also, our central costs were down 10% and I think that again, as everyone has said, we have been managing our cost base quite effectively in the organisation and without doing too many dramatic things and that an ongoing theme for our organisation.

So overall contribution from our trade finance was earnings were flat. It was slightly up in Rand because it is mainly a Rand business but down slightly in Sterling and that would also have been because of impairments in that particular business, but they were not too dramatic. So overall groups and other activities contribute £31.8 million against £14 million last year. If we look at some of the other things, our effective tax rate was down to 21%. We did give you guidance of a higher number but

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	we had the pre-tax that was no longer required which would have affected that tax rate and I would say the sustainable tax rate is a bit higher than that, probably 23%, 24%, but that is the tax rate for this year. Weighted number of shares, we issued 634. That is exactly the number we gave you. We did say that there would be some goodwill impairment in some of the private equity assets that we consolidate and there was about £27 million that we will write off in that space of which approximately £9 million relate to minorities. So the rest of the goodwill write-off is really the running off of the old Fetcher portfolios. As they run off so you have a bit of an impairment of goodwill. Though overall the adjustment to minorities was £5.4 million and that was really taking out the losses attributable to minorities in the private equity business of £31 million of those consolidated assets that Brad spoke about and then we also have this translation of preferred securities which is the impact of the Euro and Sterling position that is really a hedge transaction, but we get income above the line. The Sterling falls against the Euro and then it gets taken out on the minority line. It is just an accounting phenomena. It does not affect the bottom line at all. I think if we move on to strategy and outlook, and I think what is important for us is we do not see that there is too much need for us to change what we are as an organisation. I think that our business model has held up pretty well in this environment and we see ourselves remaining and niched and focused in the specialist banking group and striving to be distinctive. I think what we are concentrating on is that you have seen we have moderated our loan growth and we have shifted emphasis to increasing the proportion of our non-lending revenue base. That will be seen for the next while. We have concentrated very specifically on maintaining credit quality. We saw the crisis coming at least two years ago and we tightened up quite substantially two years ago, but it is still an area that needs a lot of focus and a lot of attention. Our management on risk will continue to be something that is very vigilant as well as liquidity. I think we have done pretty well in this environment coming through the kind of storm that we have come through and maintained our liquidity intact and that we are creating additional operating efficiencies and containing costs. And then again the constant building of business debt as opposed to ... we get asked why are we not going into different geographies and our key reason for that is we want to focus where we are, there are lots of opportunity where we are. You do not have to create additional infrastructure that is expensive and it takes your eyes off the ball and we think we can do a lot by focusing where we are as an organisation. The other thing that we have consistently done and we have not

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	backed off on is positive building our brand and we have seen the positive impact of the building of our brand around the world on the feeling about Investec out in the marketplace and you have seen our ability to access that retail customer base because we have a brand that has developed and is still developing and known, and we have not stopped on this front and we will continue to push our brand wherever we can and I think that is something many organisations that get into tough times, they start cutting their marketing budgets and they start lowering their profile out in the marketplace, but we have seen this as an opportunity for us to push this strategy more and more so that we are visible, that we are in the face of our clients and that our clients know about us and this is something that we are not backing off on and we have seen a very positive response to the continuation of building this brand. I think we have maintained the efficiency. If you look at our jaws ratio you can see that the crocodile's mouth is still wide open because we have shown that compared to the last time we went into a difficult time which was 2002/2003, we went into that season with a 70% or 72% cost to income ratio. We went into this crisis with 56.9 or 56.2, I do not remember the exact number, and it is now 59.9, so we still improved our operating efficiency in this particular period. We have seen expense growth flat and we are targeting probably flat down expense growth and we have also taken a portion of our deferred compensation, variable remuneration. We have deferred a portion of it into a non-cash element in this particular period so that we comply with new FSA guidelines around the world and when they launched those guidelines we complied with 10 out of 12 by adding this deferred piece and the non-cash component into it. We comply with all 12 out of 12. I think we are also an organisation that has continually adapted its business model to suit the environment. If you look at this, I mean, clearly ... I have given this speech already. It is about moderating loan growth, it is about apprising risk appropriately and building customer deposits, building non-lending revenue and taking advantage of opportunities and right now our non-lending revenue is £550 million. Our lending revenue and revenue from principal transactions are at 940 if you net off impairments because that is the risk side of the business. It was 684. Now obviously we want to see that gap close over time and that is part of our strategy to try and close that gap between the two without reducing the top line. So coming to outlook, I think you have heard everybody around the world say the outlook remains uncertain. I think it does remain uncertain. I think markets are likely to remain very choppy and very volatile and there is good news and bad news, and at least we have got some good news and some bad news because if you went back three months all we had was bad

	news, the world falling off a cliff and no-one going to survive. Well, lots of people have survived and I think the financial system is now ... I would regard the financial system as now stable. I think there have been positive signals and I think that hopefully we will start seeing more positive signals as we move along, but the important thing is that the authorities, through all their measures, have managed to stabilise the financial systems and I think that was not the case if we sat here three months ago. I think for us, we will still continue to navigate a steady course. I think as many of my colleagues have said, the competitive landscape has changed and our brand does continue to gain recognition. We are independent and have a distinctive franchise. We have strengthened our capital position in this period and will continue to safeguard our liquidity as you have seen what we have done over the last while. We do believe very strongly that the market upheaval will present lots of opportunities, not that we will be able to take advantage of all of them, but they will enable us to improve our positioning in our core geographies and enable us to move onto the front foot, because I think that is what it is about now. I think one has navigated a hell of a storm, one is moving to the other side and it is now how you get your organisation back onto the front foot and that is what we are striving to achieve. So for us as an organisation, as I said to you earlier, we are quite proud of what we have achieved in this particular year. It has been a very tough year. Our people have held out exceptionally well and it is a credit to all of their resilience that we have come through with our brand intact, our business model intact and ready for an upturn as and when it comes. Thank you very much. Okay, we are now going to do questions. So I will start off in Johannesburg.
Willem	Stephen, two questions. The first one is, the rest of 2009, will that be a period of internal focus or are you looking to perhaps add teams or even businesses? And the second question is, on the UK private equity investments, the nature of the issues there or the problems, are they structural or are they more cyclical, i.e. those investments and their earnings will recover over time as cyclical conditions change or are there some more fundamental problems there?
Stephen Koseff	I will answer the second question first and then I will come to the first question. I think the one business is a developing business so it is still in a build-up phase and therefore it makes operating losses and that will be around for a while but will start moving into a profitable situation. As Brad says, the market price is double our carrying value. The other business is in a cyclical squeeze and it is a commodity business and therefore it is in a cyclical squeeze and given time we think that the margins will

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	open up and it will become profitable again, but it is in a cyclical squeeze. I think to come back to your first question, very clearly we are not only inward focused. I think that you saw we recently hired a team of mid-market specialists from Dresdner. In fact, we took their mid-cap team over and we will continue to do that as we see the opportunities arise. So we are not only internally focused. We are able to start moving on to the front but we are feeling more comfortable that the systems are now stable and that we can start moving onto the front foot but we will still remain very cautious. Thank you. Louis, you are next after Rueben.
Rueben	Thank you, Mr Koseff. I have two questions, please. The first one deals with a cost to income ratio in investment banking which has gone up by 18.5% from 53.9 to 63.9. there is a note to this which states that the number has been adjusted for consolidated investments. Why would that adjustment, if at all, affect the cost increase to that extent?
Stephen Koseff	No, the cost increase is from less revenue.
Rueben	Nothing to do with an adjustment?
Stephen Koseff	Nothing to do with an adjustment.
Rueben	Okay. The second question relates to capital adequacy. It states that the targets have been revised to 14/17%. However, if we go to the slide 9 there is a footnote to that which says the targets were disclosed in May 2004.
Stephen Koseff	Originally.
Rueben	Yes, in our medium to long term. Now those targets per the slide were then 14 to 17%.
Stephen Koseff	No, they were not. Read the footnote.
Rueben	Okay. However, you are virtually at the targets, whether they were set in 2004 or in 2008.
Stephen Koseff	We had varying targets. 13 to 16 were set in 2004. We adapted them when Batho came in to 12 to 15 and then when the crisis hit we moved into 14 to 17.
Rueben	Okay, I follow that. Now since you are virtually there, you have not got much further to go to get to the targets, are you going to achieve this next year as well, and I hope I am speaking for Louis now, by reducing next year's dividend as well?
Stephen Koseff	We told you that we are going to concentrate on achieving our targets and building our capital base and when we are happy that the world is stable, which we think it is moving towards

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	stability, we can get more aggressive on some things. But in the meantime we are not aggressive at all. We want to build that capital base and what you left out there, Ruby, is we moved that Tier 1 target to 11 and it is 10.1 in the UK and 10.8 in South Africa. So we have still got a bit of a way to go but not that far.
Rueben	The question, however, relates to the sentence "We aim to achieve them...", that is the targets, "...through varying market conditions." Could you explain that, please? Varying market conditions.
Stephen Koseff	Well, we are on varying, we are on very difficult market conditions. So we will sustain them. Once we get to our target we will make sure that our dividend policy enables us to stay within our targets through varying market conditions.
Rueben	Thank you.
Stephen Koseff	Okay. Can I bring you next time to actually proofread for us before we come here? [Laughter] Louis?
Louis	Mr Koseff, my grandchildren have made peace with the fact that they have got to wear their shoes much longer now, all of us. But we all know you generated the most of your operating profits on the capital markets. Now we all know that is one of the remaining bubbles that is going to burst, some time going forward. The capital market is much, much bigger than the equity market and so some time in the future we know that equity has outperformed all asset classes over the long term. People are going to start moving back. They are going to take on risk and we are going to have a huge explosion in this bubble. How is that going to affect Investec? Thank you.
Stephen Koseff	You are saying, Louis, that we did not see a bubble burst in credit markets in the last couple of years. When we talk capital markets we are not talking about government stock which is where you are thinking about the bubble n government stock. You already see government stock lost 22% in the last few months. We are talking about credit markets and everything aligned to credit markets, not government stock. So we already saw a hell of a lot of turmoil in that particular space in the last year with credit spreads blowing out and people cannot borrow money and all those kinds of things. So I think you are on the wrong bus, but when the equity markets do return we will do a lot better in our investment bank. So that is why we got this diversified portfolio and in asset management and in our securities businesses. So that is what we have always said. We have got a diversified model. If one thing goes down hopefully something else going up.
Louis	My mind is at ease now, thank you very much.

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Stephen Koseff	Can we buy you some shoes? [Laughter]
Unidentified	In general you are talking about moderate and long growth. Could you give us an indication how much of that is a result of expectation of higher future impairment and how much of it is not having enough equity to back higher levels of credit expansion?
Stephen Koseff	I think the answer is neither of them. I think it is just an environment where economies are tougher, credit criteria have tightened and we have got to moderate loan growth. I think you have been in a credit crunch. You know where the word comes from. Credit crunch. So that means credit conditions have tightened and we have to act accordingly. It has got nothing to do with future impairments. It has got nothing to do with capital. As you have seen we have built up capital exceptionally well. We have to be rational and behave appropriately in a tough environment and that means we cannot be stupid and just go and dish out cash to people who may not be able to pay you back. Next question?
Michael	Stephen, just a couple of things. The pre-close briefing, you felt that probably a flat bad debt charge that is coming here looked reasonable. I just wanted to know whether you have changed your thinking on that at all? And then I just wanted to ask you a couple of things on central funding. With interest rates coming off as much as they have, does that create quite a big headwind for you or should we be looking further out in the curve and it looked like there was quite a big movement to Australia out of the UK. I have not seen the latest numbers yet, but it certainly appeared that way at the interim stage. I just wanted to know what was behind that.
Stephen Koseff	Sorry, Michael, they disturbed me. It depends on the outlook.
Michael	How are you feeling now?
Stephen Koseff	One is feeling okay now because there are a few green shoots. When the green shoots become daffodils it will be lower. If they fall over and die it will become higher. But the ducks feel okay at the moment. I think life feels like it is sort of stabilising and you are moving on, but I think it will still be quite tough. We are not seeing anything new.
Michael	And then just the impact of declining interest rates on your return on central funding and then finally the apparent move of tangible [unclear] to Australia. It is more at the interim stage I picked that up. I do not know what it looks like now.
Stephen Koseff	I think it is currency. If there was any move that would be currency. But what was your middle question? I am being hell of a dof today.

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Michael	Interest rates declining.
Stephen Koseff	Ja, it will have some impact. You know banks well and what happens if you have lower interest rates you have lower endowment effects. So there will be some impact on all your free funding. It is just a question of where the average interest rate is. I mean obviously UK you are getting naught on your prefunding because rates are very low. Australia you are only getting 3% on your prefunding, you are getting 7.25, so there will be some impact on that next year. There is a question over there.
Unidentified	Hi, Stephen. Just a quick question here. The assets under management, the money received from the plc, is that included?
Stephen Koseff	No, it is not. That came in April, I think. More questions in South Africa? Ruby, you finished analysing the book? There were a couple of South Africans. So explain to their British colleagues, okay? [Laughter] Ronnie?
Ronnie	Stephen, could you give us your feeling going forward in terms of the UK property market? You are probably feeling you are approaching at 40% which make provision for Kensington first of all. Do you see some green shoots appearing there some time in the future? The other question I wanted to ask you in terms of your retail market products, could you give us, put a bit of colour on that as to where your target markets are, how your product is differentiated from the big commercial banks?
Stephen Koseff	In what country?
Ronnie	Ja, you are having this launch which you have successfully done in Australia and the UK, launching this new type of product here.
Stephen Koseff	Ja, the product here is like a link to ... it is called a top five link to the money fund. A link to the top five money fund rate, so it is a competitive product with a minimum of R100,000. In the UK I think it is a minimum of £25,000.
Ronnie	Is that principally Moneymarket type of thing?
Stephen Koseff	Yes. But it is term, it is not short. It is longer. But the rate is linked to the performance of money funds.
Ronnie	Is the property outlook...
Stephen Koseff	Ja, you are getting extra reports. You are getting one report that says you are starting to feel a shortage of supply and that sales have been quite buoyant of late and that people are starting to hold back and then you are getting other reports that say price are still declining. So you are moving towards the turn because price have come down a long way and interest rates are very

Speaker	Narrative
	low so property is much more affordable than it was if you have a job, and you know, I suppose still 92% or 93% of people still have jobs. So it is moving towards a bottoming-out process, but I do not know if it is there yet. I mean, that is too early to call. One more question then I am going to London. Hendrik, they want to know how much money you got from the plc. Are you allowed to disclose?
Hendrik du Toit	We do not disclose individual client's amount ceded, but I can tell you it is not going to make a difference in terms of the big budget numbers for the significant amounts, but we do not disclose those numbers. We must get permission from the client before we can disclose that.
Stephen Koseff	Are you allowed to disclose what mandates you have got, Hendrik? I do not think.
Hendrik du Toit	Yes, I do not know. John Green is in the room here who heads our distribution. John, has the client given us permission?
John Green	I am not sure, Hendrik. I do not think so.
Hendrik du Toit	One thing with the big institutional client guys, if you do not have your ducks in a row and you start talking about your relationship in public you are as good as fired. So I would rather this new client very happy because it is one of the world's 30 largest funds, but effectively it was an equity oriented mandate and it was a reasonable mandate, but it is not as if that is going to change the outlook for our business for the coming years.
Stephen Koseff	If you have any more questions? Then I am moving to the questions in London.
Unidentified	Good morning. Two, if I may. Firstly, could you tell us what, if any, impact fallen collateral values have had in the UK on your impairment experience there and what outlook you have for the impairment experience given if collateral values continue to remain weak? And secondly, I take the point about your free funds will obviously compress margins, but how much scope do you think there is within the rest of the portfolio to see expansion of the margins on the asset size of the balance sheet?
Stephen Koseff	Well, very clearly you have also got the impact of cost of funds that have gone up in some jurisdictions and there is a liability to expand margins on new originate loans as well as loans that come to a roll-over type date. So there is a lot of room to expand margins. I think firstly we lend to a person and it is backed by collateral, so the collateral is always secondary and it is only when the individual defaults that you have to actually start worrying about the impact of the value of the collateral. So in those circumstances we have factored in declining expectations on what we can sell. From that you saw what we said about ...

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	as Dave said about Kensington in terms of ... because there you have portfolio impairments, not line by line impairments. We project house price for peak to trough of 40% which I think is quite significant and it may or may not reach the 40% peak to trough. So we obviously take into consideration the value of collateral and what we think we can realise the collateral for and when we are going to realise the collateral and factor that into determining impairments. In fact, our impairment prices is quite extensive. So I think that is all taken very much into consideration. I think on the margin side I think I have answered you. More questions in London? Is that it? Okay, thank you. Then I have got to make a statement here on Summit. Unfortunately there was a problem with the audio which was only fixed in the last five minutes so that there will be an MP3 playback on our website later this morning for those people who are listening now who did not get the wording on the presentation but just saw the slides and saw the people watched on Summit. Okay, I think that is it. Thanks very much for attending and I think there will be some drinks and snacks in both London and South Africa. So for those who wish to stay and have a drink or snack, I do not think hard drinks, but something to drink. Thank you very much.

END OF TRANSCRIPT