Speaker	Narrative
Stephan Koseff	We think so. As Ross said it will cover how we expect the period from the end of March to the end of September to pan out. I think if we start off, if you look at the stats to the end of August – and markets are volatile so they've probably changed quite a lot since then – you will notice that the operating environment didn't look as difficult as in reality it was. Markets actually moved marginally. Some indices moved marginally up. Interest rates were rising. Currencies were almost where they were. The Rand was a little bit weak, but it has since recovered to where it was at the end of March. Likewise the Aussie dollar. And so when you look at these stats they look quite easy. Obviously we're all aware that it was quite a difficult trading period with very tough credit market conditions. However when you look at Investec, and I think quite a lot of people miss this, we have quite a diversified portfolio of businesses, both geographically and operationally. And the fact that we have quite a diversified portfolio of business should enable us for the end of September to continue to show growth. So we will expect to see a very strong performance from both South Africa and Australia, and a reasonable performance from the UK which was marginally impacted by the turmoil in global credit markets. If we look at our various divisions, starting off with the private bank, we have continued to see quite strong lending turnover and transactional activity across all geographies. You should expect to see a very strong performance from South Africa. The UK had a very strong performance for the previous six months ended September and should consolidate around its previous reporting levels. If you remember it almost doubled in the previous year. And we expect a very solid performance from Australia. Our live portfolios up to the end of August will have risen by 11.8%, average 20%. So the average really drives revenue stream. Deposits up 13%, average 21%. And third-party funds under advice up 18.6% with an average of 45%. So overall we expect a good turnout, a good performance, from the private bank. If we look at our private client portfolio management and broking business – and I don't comment on Rensburg Sheppard because we own 47% of them, but they are consolidated into these numbers. They make their own statements to the market. We will see a very strong performance from the South African [unclear] pf that

Speaker | Narrative

business as a consequence of higher asset levels and volumes over the period. The business has also diversified and launched a whole range of new, different products which do provide us with additional revenue streams. So again we're expecting a very good performance from this business.

I think when we come to capital markets; clearly this is the business which would have been affected by the credit crunch around the world. This is where I will go into a little bit of detail just to give you a little perspective. If we look at the South African side of that business, pipelines and levels of activity have been good across both the advisory and lending areas, and we expect a solid performance from the South African business. A very good performance from the Australian business, which benefited from the Rothschild transaction. Clearly we only closed the Rothschild transaction in July last year, and so this is the first full six months period that trade…we did trade for six months to March but this is clearly six months against three months previously. We will see quite a strong benefit from that integration of that business. We expect the results of the UK operations to be down against the previous six month period as the recent turmoil in credit markets will have an impact on the principle finance business in this particular area.

If we look specifically at the principle finance business in the capital markets area, we've had low exposure to US sub-prime. It represents 4% of our total loan portfolio. £29 million of triple B and the low rated [unclear] net of fair value adjustments, so we have already marked these assets. And then £24 million of A to AAA, the bulk being AA and AAA. We have made additional provisions against this portfolio because they're quite hard to value. And so we've got an additional provision of £7 million, which may or may not crystallise, and this will happen over probably a three year period as you'll only know in three years time whether you needed that provision or not. All instruments are performing and no [unclear] that we hold have been downgraded. We did hold at the end of August £470 million of assets for securitisation, of which £350 million has been sold for settlement at the end of the September, basically underwritten. And we have no fair value losses that we expect from that transaction.

I think to put Kensington – which is an acquisition which

Speaker	Narrative

was concluded on the 8th August – into perspective; it represents 4% to 5% of what we do. And as a consequence of the conditions in global credit markets we have concentrated on reshaping the business, altering the mix of the product offering, tightening lending criteria and increasing pricing. Kensington was not a business that really chased volumes, and did [unclear] credit criteria prior to us acquiring it. And the consequence of this strategy will be lower volumes and alignment of the infrastructure and improvement in the operating margin. They had already implemented prior to acquisition head-count cuts and realignment of their business. We would however as a consequence of market conditions expect lower profitability from our initial projections until market conditions normalise. We do have facilities in place to support this strategy which includes non-recourse warehousing lines from third-party banks and permitted forward flow agreements from other financial institutions.

Mortgages under management are down from £7 billion to £6.6 billion, and the actually loan to value ratio has improved from 71% down to 69% since March 2007. We have also seen an improvement in asset quality with 90 days in arrears decreasing to 8.96% from 9.4%. So we don't' believe that there is a credit problem in this business. You have low loads to value, you have decent income coverage and we have had an improving assets quality portfolio.

If we move on to investment banking, I think again in the UK and Australia we have seen a stable corporate finance pipeline, and we have seen a very strong performance from the South African corporate finance and agency business with quite a good deal pipeline in place. The direct investments and private equity portfolios, in South Africa the private equity portfolios performed very well underpinned by a strong performance from our underlying investments. Direct investments has seen good performance from our empowerment platforms, marginally offset by a weaker performance from some of our listed an unlisted investments. In the UK we will show an improvement over the prior year's performance, and that is what we expect to see in that particular business.

Asset management, earnings growth continues to be enhanced by the momentum of the UK and international business. As we've said before, South Africa is a mature

Speaker	Narrative
	business, and you have seen historically restructuring on the institutional side. We are seeing good growth on the retail side, both in the UK and in South Africa. We've got a very good long-term investment performance and we have significantly widened our distribution reach. Assets under management were marginally up by 1.5% during this particular period.
	Property. We expect strong performance from the property business. I think the sale of the Growthpoint business announced on 30th May still requires approval from the Competition Tribunal. It has been approved by the Competition Board and by Growthpoint shareholders. That may take place before the end of this month, it may not. So we have accounted for it as if we still own it. We have launched a number of funds in this last while. An African property fund jointly with Investec Asset Management, following on its African initiative. A European fund alongside our private clients and Australia have also created a property private equity business and is in the process of raising a property fund from its private clients. So while Growthpoint is still owned by us, you've seen a strong growth in assets under management. 47% on average, 9.3% up from March.
	With regard to other activities we would expect an improved performance from our central funding because we have much higher cash balances across all geographies and we would expect central costs to be in line with the previous year. Our effective tax rate is expected to be between 26% and 27% and there will be an increase in earnings attributable to minorities as a consequence of improved performance of partially owned consolidated private equity investments. Our weighted number of shares in issue will be 582.5 million shares. That number used to confuse people. If we look at capital and liquidity, we remain very well capitalised. Investec plc was at 18.3% in August. Investec Bank UK at 19.2%. Investec Ltd excluding the Growthpoint transaction at 14%, it will go up to just over 15% once the Growthpoint transaction is concluded. And Investec Bank Ltd at 13.5% at the end of August. At the 14th September we held substantial cash and near-cash around the world. I think one thing that is not well-understood about Investec is the fact that we always hold a lot of surplus cash. R34 billion, £2.2 billion in the UK and Europe and A$1.1 billion. So that is almost £6 billion if you divide it by the relevant exchange rate,

Speaker	Narrative
	which is 25% of our asset base and almost 50% of our loan portfolios. Our asset quality remains sound. We have not seen any change since March and there is obviously no change with regard to our targeting of who we deal with and our target client base. So if we look at our top-down income statement you will see good growth in net interest income, good growth in net fees and commission. We expect revenue from principle transactions to be flat. We also have to absorb some mark-downs as a consequence of our principle finance activity, and we expect about £12 million during this period to have gone through out income statement as approximate mark-downs in that particular space. So overall our portfolio still remains nicely balanced, both geographically and operationally. And we believe that we'll be able to deliver on our financial targets and objectives during this trading period. So in summary we believe we have a good balance of revenue streams. We have continued diversity of earnings both geographically and operationally. That has stood us in good stead against people we are sometimes compared with in this particular period. We have no big LBO underwritings of any magnitude that we've had to mark down. I've discussed the mark-downs in the principle finance business. Our asset quality has not changed over this particular period. We have not chased volumes. We have retained our disciplined risk management approach and we believe that therefore we withstood some tough times pretty well. So that is a summary of where we are. You've got documents and there is something that has also been sent saying some identical things. We're now in question time. I'm told we've got to start off in Johannesburg. Ruby said he's got a sore throat so he can't ask too many questions, but Ruby we'll give you a shot first.
Ruby	Thanks Mr Koseff. Mr Koseff one or two of the [inaudible segment]
Stephan Koseff	Ja.
Ruby	At first glance I obtained the impression that over the last six months Australia has just [unclear]. There hasn't

Speaker	Narrative
	been much progress. For instance loans and advanced have gone up 2.3%. Compared to the UK and Europe and South Africa it seems very pedestrian. Likewise if we have a look at funds under advice it's the same kind of conclusion I come to.
Stephan Koseff	Australia?
Ruby	What did I say?
Stephan Koseff	Ja, Australia.
Ruby	Australia, beg pardon. Sore throat you see. So is it right to conclude that things are standing still in Australia over the last six months or is it wrong to conclude that?
Stephan Koseff	I think it's wrong to conclude that because I just gave you a statement right at the beginning that Australia has done particularly well this last six months. It's not only an asset-drive business. It is an advisory business. Sometimes assets churn, which is not a bad thing, it's quite a good thing. So I don't think you can take anything from the fact that the books haven't grown, or that particular book. You're looking at the private client book. Australia has done and will do very well for the six months.
Ruby	Thank you Mr Koseff.
Stephan Koseff	Louis.
Louis	Mr Koseff have you been buying your own shares like we have over the last few weeks?
Stephan Koseff	I've been in a closed period. I know too much, I can't buy.
Louis	That's sad hey?

Speaker	Narrative
Stephan Koseff	Ja. And unfortunately our closed period started prior to this trading update.
Louis	Can you give us an idea in terms of your funding model on Kensington when you bought it, in other words percentage in wholesale retail, and was this model changed subsequent to your acquisition?
Stephan Koseff	No, Kensington has £6.6 billion of loans, of which £5.2 billion have already been securitised, and the balance sits in warehouse lines from third-party banks. So it doesn’t rely on any funding from Investec.
Louis	And in terms of funding from wholesale market?
Stephan Koseff	Nothing, nothing, nothing.
Louis	Ok. Thank you very much.
Stephan Koseff	Any more questions? I see Wilhelm. You’ve got petrol today! You managed to drive here. Were the roads ok?
Wilhelm Nauta	Ja thanks. I thought I’d look you in the eye today. Stephan what I’d like to know is has what has happened due to US sub-prime and all of those problems changed any business models of Investec or investment banks in general in the UK market in particular?
Stephan Koseff	I think what you can expect in certain spaces is a much lower level of activity. I think there were certain things that banks were doing which they will not do in this market and will not do for some time. So certainly you saw that some of the German banks have built up massive conduits funded by commercial paper. I think that will be a thing of the past. And what you will see is lower levels of activity in certain spaces, and that is what we have remodelled ourselves to anticipate. In that one business.

Speaker	Narrative
Wilhelm Nauta	But how is life going to be different in Investec itself in that business going forward?
Stephan Koseff	Well you know it represents, as I've said to you probably if you took the whole principle finance business, probably about 6-7% of our operating profits. I think we would expect less activity, but it was a relatively new business. And as we said earlier we expect less activity in Kensington and therefore less profitability than what we anticipated. That is the key difference, that there will be a reduction in activity as a consequence of what has transpired.
Wilhelm Nauta	Thank you.
Stephan Koseff	Michael?
Michael	Stephan can you just clarify the £12 million write-down.
Stephan Koseff	Through the income statement?
Michael	Ja. Is that in your debt business or is it in your investments?
Stephan Koseff	Ja.
Michael	Ok.
Stephan Koseff	Some of that will be realised and some of that will be fair value adjustments. We will make provisions at the end of March as well. More questions? Ok then we must go to London. Any questions from London?
Male speaker	There are no questions in London.
Stephan Koseff	Ok. Teleconference?
Operator	There are no questions from the conference call at this

Speaker	Narrative
	time.
Stephan Koseff	Ok I’m back in Johannesburg.
Male speaker	Hi Steve.
Stephan Koseff	Hi, how’re you?
Male speaker	Well thanks. I wondered if you could just provide some colour maybe on your funding structures and the impact on your funding costs going forward in the proportion of new business funded in wholesale markets. And what the current conditions present for your business going forward.
Stephan Koseff	In which geography?
Male speaker	Across the board.
Stephan Koseff	As I’ve said to you, we are pretty over-funded. And we hold about £6 billion of cash and near-cash. So historically what we have done is over-funded and placed money in the inter-bank market. Any bank here will tell you that Investec is a big supplier of liquidity into the market. And that has always been our philosophy. So if you look in the UK business most of our old portfolio is funded by our private clients. Our whole private bank portfolio is funded by our private clients. And that is how we have always operated. More questions? Any more questions in Jo’burg? Ronnie.
Ronnie	[Inaudible segment] in terms of what you’re looking at perhaps in realisations over the next year or two there? Everybody seems to have a difference of time profile in terms of realisation. If one looks at the FirstRand results and sees what has been brought into the income statement from private equity. Obviously everybody has a different strategy and time horizons. Could you give us a view of the next 12 to 24 months so we can better understand the strategy in terms of realisation policy?

Speaker	Narrative
Stephan Koseff	No, we are opportunistic and if we see a deal we make it. So I can’t lay out an exact strategy. I mean some of our private equity positions have to be consolidated; some of them are fair value. What we know is that our private equity pooler assets are trading exceptionally well, and as a consequence we expect to do well with them over the next while. But on realisation strategy, that depends on whether we see value or not. No questions? No one wants to ask questions. No more questions? Ok, well we thank you all for attending and hope you have a good day.

END OF TRANSCRIPT