

Private Client Activities

Partner of choice from wealth creation to wealth management

Scope of activities

Private Client Activities comprises two businesses: Private Banking and Private Client Portfolio Management and Stockbroking

Private Banking

Activities	<ul style="list-style-type: none">- Banking Activities- Growth and Acquisition Finance- Investment Management and Advisory Services- Specialised Lending- Structured Property Finance- Trust and Fiduciary Services
Target market	<ul style="list-style-type: none">- Ultra high net worth individuals- Active wealthy entrepreneurs- High income professionals including property developers and investors, self-employed entrepreneurs, management buyout and management buy-in candidates and sophisticated investors

Private Client Portfolio Management and Stockbroking

Activities	<ul style="list-style-type: none">- Investment portfolio management and stockbroking
Target market	Private Client Securities, South Africa: High net worth individuals Rensburg Sheppards plc, UK: Transaction concluded in May 2005, see page 43.

Strategic focus

Private Banking

Investec Private Bank positions itself as the “investment bank for private clients”, offering specialist financial services to our chosen target market. This strategy is underpinned by the fundamental and aspirational philosophy of “out thinking” as opposed to “out muscling” competitors.

Private Client Portfolio Management and Stockbroking

South Africa

Mission: To be the premier South African portfolio management and stockbroking house

We differentiate ourselves by:

- Continually demonstrating superior portfolio management returns to clients.
- Introducing new discretionary and non-discretionary products and services.
- Offering clients additional value through products developed within the broader Investec group.
- Enhancing client focus with teams offering specialist solutions to clients.
- Leveraging cross-sell opportunities within the Investec group.

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Management structure

Private Banking

Global Head of Private Banking

Steven Heilbron

UK and Europe

Regional Head

Steven Heilbron

Banking and Treasury

Linda McBain

Growth and Acquisition Finance

Avron Epstein

Investment Management

Robert Gottlieb

Private Client Lending

Wayne Preston

Specialised Lending

Nicky Walden

Structured Property Finance

David Drewienka

Trust and Fiduciary

Paul Stevens

Investec Bank Channel Islands

Robert Clifford

Investec Bank Ireland

Mort Mirghavameddin

Investec Bank Switzerland

Michael Cullen

Regional Head: Manchester

Peter Gyger

Finance and Operations

Richard Heggie

IT

Chris Forsyth

Marketing

Alan Bletcher

Antonia Kerr

South Africa

National Head

Paul Hanley

Regional Heads (Cape Town)

Rob Nicoletta

Michael Barr

Regional Head (Durban)

Colin Franks

Regional Head (Johannesburg)

Wessel Oosthuysen

Regional Head (Pretoria)

Wouter de Vos

Regional Head (Port Elizabeth)

Andy Vogel

Banking

Carol-Ann van der Merwe

Investment Management

Warren King

Treasury

Les Scott

Compliance

Geoff Cooke

Credit Risk

Michael Leisegang

Finance

Lianne D'Agnesse

Human Resources

Tracey Rowe

IT

Denton Muil

Marketing

Carol-Ann van der Merwe

Risk Management

Tim Till

Australia

Growth and Acquisition Finance

Mark Joffe

Michael Sack

Private Client Treasury and Investments

Ivan Katz

Specialised Lending

Ashley Krongold

Strategic Management

Colin Jensen

Structured Property Finance

Tim Johansen

Wealth Management

Robert Lipman

Business Systems

Angelica Stein

Finance

Kelley-Ann Axiom

Marketing

Ngairé Threlfall

Operations

Steven Munitz

Risk Management

Mike Sargeant

Private Client Portfolio Management and Stockbroking

Head of Private Client Securities

South Africa

Henry Blumenthal

Investment Process

Donald Glyn

Peter Armitage

Finance and Operations

Andrew Birrell

Cape Town region

Jonathan Bloch

Stephen Glanz

Angus Robertson

Durban region

Craig Hudson

Johannesburg region

Paul Deuchar

Raymond Goss

Pietermaritzburg region

Andrew Smythe

Port Elizabeth region

Andy Vogel

Pretoria region

Len Olivier

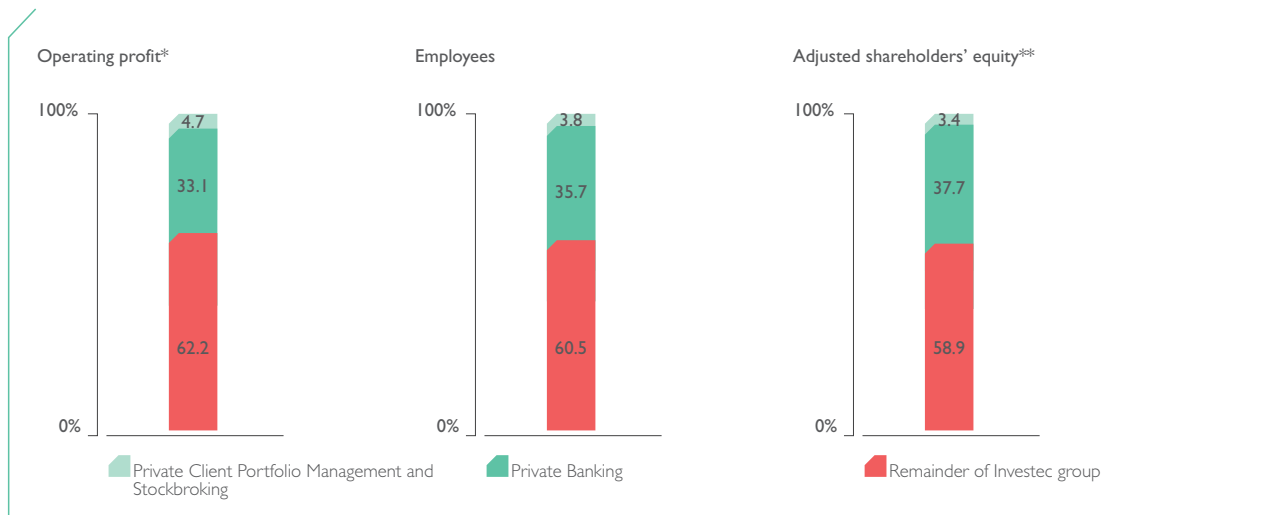
Online Services

Ockert Olivier

Risk Management

Alex Harding

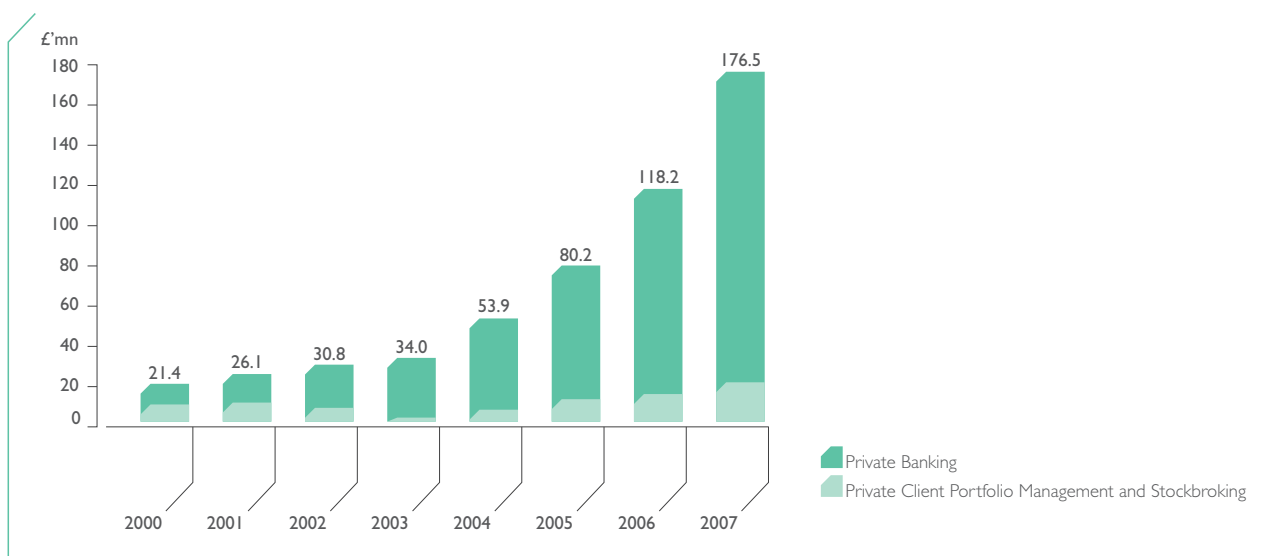
Contribution analysis



* Before goodwill, non-operating items and taxation and excluding Group Services and Other Activities.

** As calculated on page 27.

Operating profit[^] - track record



[^] Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts are shown before goodwill, non-operating items and taxation.

Private Banking

Partner of choice from wealth creation to wealth management

Overview and financial analysis

- Operating profit increased by 52.1% to £154.4 million, contributing 33.1% to group profit.
- Excellent growth was achieved in all key geographies.
- Key earnings drivers:
 - Loans and advances increased by 11.3% to £6.9 billion
 - The deposit book increased by 16.5% to £5.6 billion
 - Funds under advice increased by 34.1% to £2.5 billion

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	217 435	165 308	52 127	31.5%
Net fees and commissions receivable	109 596	70 675	38 921	55.1%
Principal transactions	16 381	11 657	4 724	40.5%
Other operating income and operating income from associates	288	(132)	420	>100.0%
Impairment losses on loans and advances	(6 932)	1 745	(8 677)	>100.0%
Admin expenses and depreciation	(182 377)	(147 730)	(34 647)	23.5%
Operating profit before goodwill, non-operating items and taxation	154 391	101 523	52 868	52.1%
UK and Europe	96 734	61 533	35 201	57.2%
Southern Africa	41 413	31 981	9 432	29.5%
Australia	16 244	8 009	8 235	>100.0%
Operating profit before goodwill, non-operating items and taxation	154 391	101 523	52 868	52.1%
Adjusted shareholders' equity*	478 947	372 651	106 296	28.5%
ROE (pre-tax)*	38.1%	29.3%		
Cost to income ratio	53.1%	59.7%		
Operating profit per employee (£'000)*	87.2	70.6		23.5%

* As calculated on pages 27 and 33.

The variance in operating profit over the year can be explained as follows:

- The solid increase in net interest income has been driven by:
 - Strong growth in loans and advances and deposits.
 - A strong increase in arrangement and exit fees associated with an 18% increase in lending turnover.
- The impact of IAS 18 resulted in a cumulative R506 million (2006: R345 million) of lending fees in the South African business being deferred for recognition as margin by 31 March 2010.
- Net fees and commissions receivable principally include fees in relation to trust and fiduciary services, investment management, banking and treasury activities, as well as profit shares arising out of lending transactions. The growth in net fees and commissions receivable has been driven by strong activity levels in the majority of these areas of specialisation.
- Principal transactions include the revaluations and realisations of equity and warrant positions held (these are associated with our lending activities and the manner in which certain of our deals are structured). The increase in principal transactions reflects the increasing contribution made by the Growth and Acquisition Finance business.
- Impairment losses on loans and advances, after adjusting for £5.6 million of recoveries in the prior year; increased from £3.8 million to £6.9 million. This increase is the result of impairments held against certain transactions in South Africa.
- The increase in expenses is mainly as a result of an increase in variable remuneration in line with growth in profitability, a 22% rise in average headcount, and investment in product development and infrastructure.

Loans, deposits and funds under advice

£'million As at	UK and Europe		Southern Africa		Australia		Total		% Change
	31 March 2007	31 March 2006	31 March 2007	31 March 2006	31 March 2007	31 March 2006	31 March 2007	31 March 2006	
Residential	1 084	818	868	908	10	11	1 962	1 737	13.0%
Commercial	787	721	1 609	1 559	417	319	2 813	2 599	8.2%
Cash-backed loans	119	117	-	-	-	-	119	117	1.7%
Other	412	325	862	925	102	51	1 376	1 301	5.8%
Securitised assets	-	-	605	424	-	-	605	424	43.0%
Total gross loans and advances	2 402	1 981	3 944	3 816	529	381	6 875	6 178	11.3%
Specific impairments	2	2	11	10	2	1	15	13	15.4%
Portfolio impairments	2	1	3	6	-	-	5	7	(28.6%)
Net loans and advances	2 398	1 978	3 930	3 800	527	380	6 855	6 158	11.3%
Asset quality									
Gross defaults	16	13	45	41	10	1	71	55	
Collateral value	15	11	34	29	9	-	58	40	
Specific impairments	2	2	11	10	2	1	15	13	
Net defaults (limited to zero)	-	-	-	2	-	-	-	2	100.0%
Gross defaults as a % of gross loans and advances	0.7%	0.7%	1.1%	1.1%	1.9%	0.3%	1.0%	0.9%	
Total deposits	3 439	2 921	1 851	1 650	270	202	5 560	4 773	16.5%

Net loans and advances as at	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
	£'million			Home currency ¹ million		
UK and Europe	2 398	1 978	21.2%	£2 398	£1 978	21.2%
Southern Africa	3 930	3 800	3.4%	R55 786	R40 749	36.9%
Australia	527	380	38.7%	A\$1 279*	A\$928	37.8%
Net loans and advances	6 855	6 158	11.3%			

* Includes A\$189 million acquired from Rothschild's.

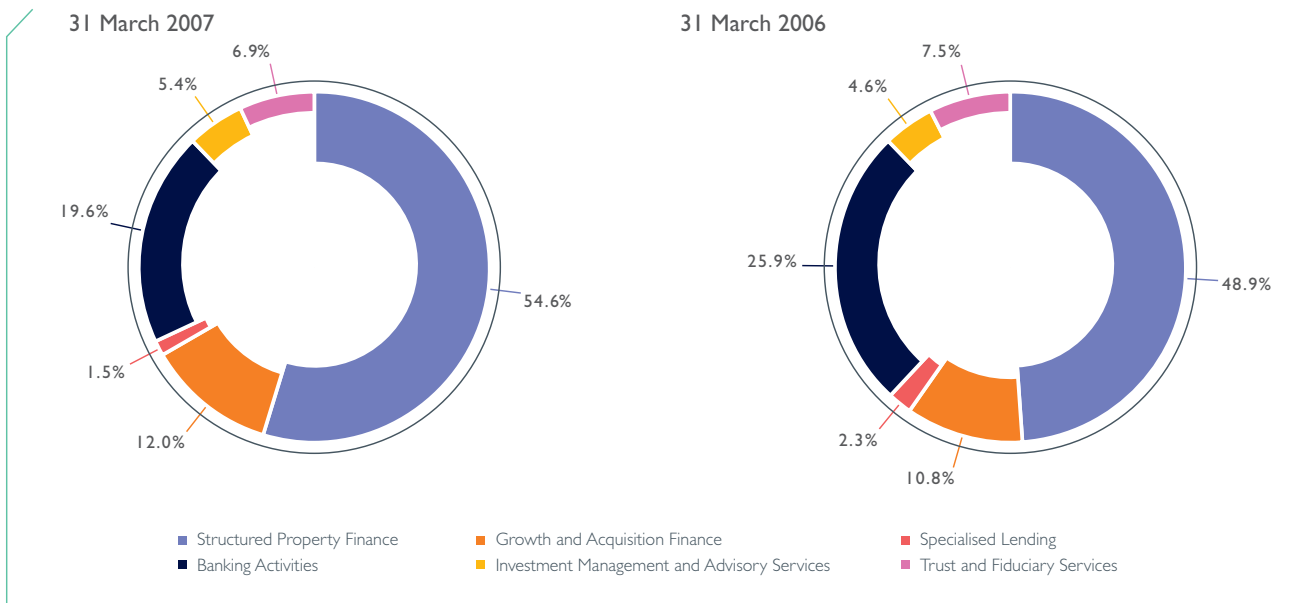
Deposits as at	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
	£'million			Home currency ¹ million		
UK and Europe	3 439	2 921	17.7%	£3 439	£2 921	17.7%
Southern Africa	1 851	1 650	12.2%	R26 277	R17 687	48.6%
Australia	270	202	33.7%	A\$655	A\$495	32.3%
Total deposits	5 560	4 773	16.5%			

Funds under advice as at	31 March 2007	31 March 2006	% Change	31 March 2007	31 March 2006	% Change
	£'million			Home currency ¹ million		
UK and Europe	951	642	48.1%	£951	£642	48.1%
Southern Africa	1 275	1 006	26.7%	R18 111	R10 784	67.9%
Australia	306	240	27.5%	A\$740	A\$586	26.3%
Total funds under advice	2 532	1 888	34.1%			

Private Banking

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Analysis of total income by area of specialisation



Developments

UK and Europe

- The Structured Property Finance team concluded a number of significant client led cross-border transactions in Europe and has continued expanding its distribution capacity in London, Manchester and Ireland.
- The Banking business has significantly expanded its distribution capacity and continues to innovate in the mortgage arena. Deposit raising and general banking activities have commenced in Switzerland and Jersey.
- The Growth and Acquisition Finance business has enhanced its portfolio of transactions with a good pipeline of exits. The product set has been expanded to include asset based lending, with an emphasis on receivables financing in addition to mezzanine and equity.
- The Investment Management business continues to win significant private client portfolio mandates. A material uplift in profitability and the talent pool has also been achieved. We continue to gain scale in our key focus areas, which include the provision of advisory services and specialised opportunities to our clients.
- The Guernsey based bank continues to successfully penetrate the Channel Islands market for deposit raising and is a key provider of liquidity for the Private Bank in Europe. In addition, good progress in both the Investment Management and Structured Property Finance activities has been achieved.
- The Trust and Fiduciary business has enhanced profitability through efficiencies together with the successful integration of the Quorum Management Limited business. The business is an integral part of the Private Bank offering and continues to meaningfully support the deposit raising and investment activities of the bank.
- We are on track to roll out an online banking functionality by the end of 2008 and a transactional banking product is under review. This is aimed at further bolstering client acquisition and retention in general banking activities.

South Africa

- The Structured Property Finance and Growth and Acquisition Finance teams completed 29 transactions, providing R2.7 billion in funding for black economic empowerment initiatives.
- The Wealth Management team's increased focus on the ultra-wealthy South African private client led to a significant increase in assets under advice.
- The pricing strategy for transactional banking was revised from being transaction based to a consolidated monthly fee. The change has had a materially favourable impact on client behaviour and client acquisition, with notable progress being made with clients engaging Investec as their primary banking partner.
- Significant investment in information technology relating to the Banking specialisation was undertaken as a result of the considerable increase in volumes of online banking transactions resulting from client acquisition and client usage.
- We securitised R1.4 billion of our commercial loans under the first multi-borrower commercial securitisation undertaken in South Africa.

Australia

- The private client activities resulting from the acquisition of NM Rothschild & Sons (Australia) Limited were successfully integrated into the business.
- Our regional expansion continued into Brisbane and more recently Perth with the introduction of a private client offering.
- Structured Property Finance expanded its distribution capability, enhanced its sectoral focus and increased its focus on equity participations.
- We increased our lending capability with the launch of a new business line, Specialised Lending, which focuses on providing sophisticated gearing solutions for high net worth clients.
- The money market offering was enhanced through product innovation and an improved service capability.
- We exited our first two significant Growth and Acquisition Finance transactions through an initial public offering (IPO) and trade sale respectively and continue to look for opportunities to build a portfolio of investments.
- We successfully distributed A\$200 million of specialist opportunities originated by the bank and increased high net worth funds under advice by 26.3%.
- We are developing a platform for third party co-investment opportunities to be offered to target clients.
- There is substantial investment under way to increase brand presence and distribution capability across all regions.

Outlook

- On the assumption that current market conditions prevail, the earnings outlook across all geographies is positive, with good deal pipelines in place.
- There are planned growth strategies in each jurisdiction, which include the expansion of distribution capability together with new strategic initiatives.

Private Client Portfolio Management and Stockbroking

Partner of choice from wealth creation to wealth management

Overview and financial analysis

- Operating profit increased by 32.7% to £22.1 million, contributing 4.7% to group profit.
- Private client funds under management in South Africa grew by 25.6% from R84.1 billion to R105.6 billion.

£'000	31 March 2007	31 March 2006	Variance	% Change
Net interest income	6	480	(474)	(98.8%)
Net fees and commissions receivable	28 053	30 264	(2 211)	(7.3%)
Principal transactions	3 137	631	2 506	>100.0%
Other operating income and operating income from associates	10 065	6 389	3 676	57.5%
Admin expenses and depreciation	(19 180)	(21 122)	1 942	(9.2%)
Operating profit before goodwill, non-operating items and taxation	22 081	16 642	5 439	32.7%
UK and Europe	10 065	7 399	2 666	36.0%
Southern Africa	12 016	9 243	2 773	30.0%
Operating profit before goodwill, non-operating items and taxation	22 081	16 642	5 439	32.7%
Adjusted shareholders' equity*	42 927	37 122	5 805	15.6%
ROE (pre-tax)*	44.2%	40.8%		
Cost to income ratio	46.5%	55.9%		
Operating profit per employee (£'000)*	64.6	65.3		(1.1%)

* As calculated on pages 27 and 33.

The variance in operating profit over the year can be explained as follows:

- The South African Private Client business benefited from higher asset levels and increased volumes over the year.
- Investec's UK Private Client Stockbroking business, Carr Sheppards Crosthwaite, was sold to Rensburg plc on 6 May 2005. We retain a 47.1% interest in the combined entity, Rensburg Sheppards plc. Prior to 6 May 2005, the results of Carr Sheppards Crosthwaite have been consolidated into the group's results. After 6 May 2005, the results of the combined entity Rensburg Sheppards plc have been equity accounted and the directors' estimate of these results are included in the line item "operating income from associates" (the £10.1 million income reflected above is post an estimate for tax of approximately £5 million).

Developments

UK and Europe

Rensburg Sheppards plc released its results for the year ended 31 March 2007 on 13 June 2007. Salient features of the results extracted directly from the announcement released by the company include:

"Key points:

- Profit before tax of £25.7 million (16 months ended 31 March 2006: £13.0 million).
- Adjusted* profit before tax of £35.9 million (16 months ended 31 March 2006: £29.1 million).
- Basic earnings per share of 37.5p (16 months ended 31 March 2006: 20.9p).
- Adjusted* basic earnings per share of 57.1p (16 months ended 31 March 2006: 55.1p).
- Proposed final dividend of 15p per ordinary share, giving a total dividend for the year of 22.5p.
- In respect of the acquisition of Carr Sheppards Crosthwaite, the achievement by 31 March 2007 of future annualised pre-tax cost synergies of approximately £5.5 million per annum.
- Group funds under management at 31 March 2007 of £14.40 billion (31 March 2006: £ 13.13 billion), an increase of 9.7%.

* Before amortisation of the client relationships intangible asset, share-based payments relating to the Employee Benefit Trust ('EBT'), reorganisation costs and profit on disposal of available-for-sale investments. These items amount to a net charge before tax of £10.2 million (16 months ended 31 March 2006: £16.1 million) and a net charge after tax of £8.6 million (16 months ended 31 March 2006: £12.5 million)."

South Africa

- Revenue increased substantially over the prior period, assisted by higher trading volumes.

Funds under management as at	31 March 2007	31 March 2006 R'million	% Change	31 March 2007	31 March 2006 £'million	% Change
Discretionary	18 419	14 343	28.4%	1 297	1 338	(3.1%)
Non-discretionary	87 177	69 744	25.0%	6 139	6 506	(5.6%)
Total	105 596	84 087	25.6%	7 436	7 844	(5.2%)

R'million	31 March 2007	31 March 2006
Net flows at cost over the period		
Discretionary	1 065	2 799
Non-discretionary	2 316	13 957
Total	3 381	*16 756

* Includes HSBC funds acquired of R13.4 billion (R2.1 billion discretionary and R11.3 billion non-discretionary).

Outlook

South Africa

- Market conditions were strong over the past year, encouraging many private clients to enter or remain in the stock market. This was partly driven by the flow of funds into emerging economies, given their favourable valuation fundamentals compared to developed economies. Although valuations can be supported by local underlying fundamentals, there are concerns that given the record price and index levels, driven by strong performances from resource counters, the South African market remains vulnerable to external shocks that will affect emerging economies.
- Revenue from stockbroking advisory and execution activities is expected to increase above that of the prior year, although at a modest rate. This is dependent on current market conditions remaining benign.
- Revenue from portfolio management activities is expected to increase, given the base effect of higher portfolio values.