

# Interim results presentation

For the six months ended 30 | 09 | 2011

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 **Investec**

Specialist Bank and  
Asset Manager



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- Please note that matters discussed in today's presentation may contain forward looking statements which are subject to various risks and uncertainties and other factors including, but not limited to:
    - the further development of standards and interpretations under IFRS applicable to past, current and future periods
    - evolving practices with regard to the interpretation and application of standards under IFRS
    - domestic and global economic and business conditions
    - market related trends
  - A number of these factors are beyond the group's control
  - These factors may cause the group's actual future results, performance or achievements in markets in which it operates to differ from those expressed or implied
  - Any forward looking statements made are based on knowledge of the group at 17 November 2011
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# Review of the interim period

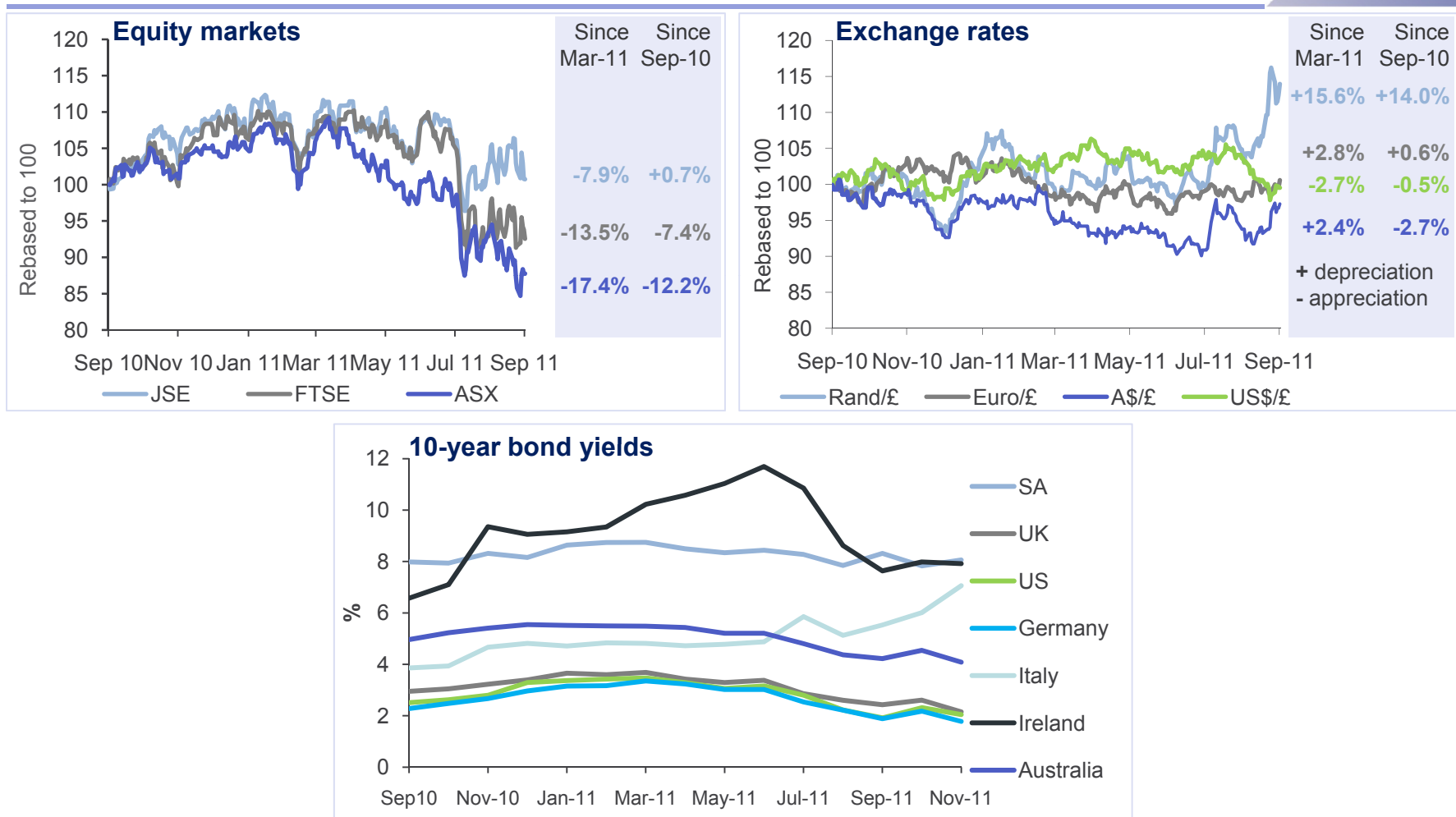
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# Very difficult operating environment



Source: Datastream

# Continued to steer a steady course



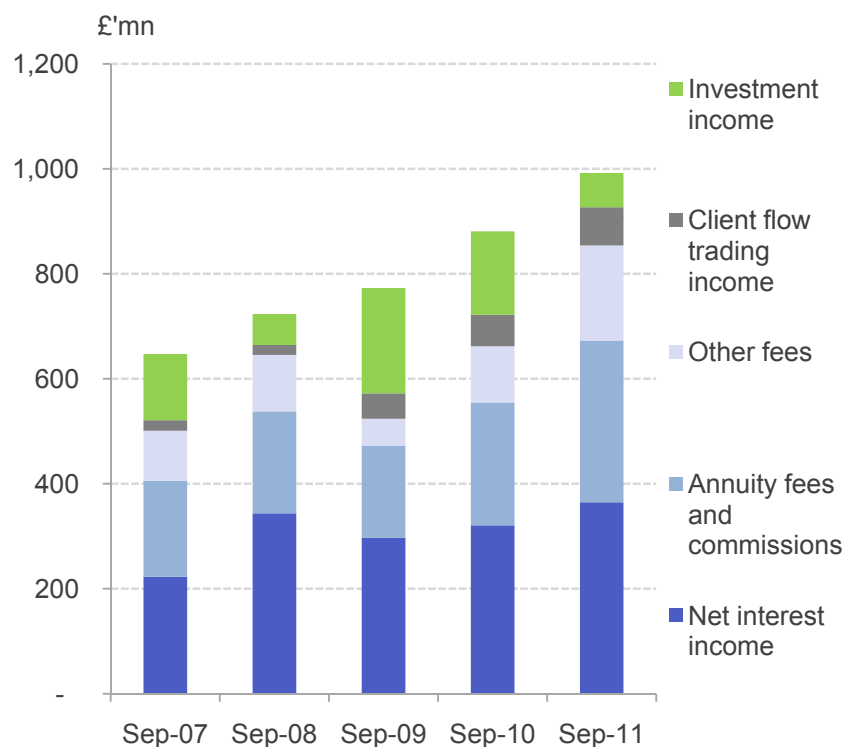
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- Continued to invest in key growth areas which had an impact on costs
- Continued to benefit from a diversified business model with solid recurring income:
  - Net interest income increased **13.6%** to £364.7mn
  - Net fee and commission income increased **30.7%** to £445.2mn
  - Principal transactions decreased **33.8%** to £138.3mn
- Impairments remained elevated but lower than previous six months

# Building a diversified revenue stream

## ... with a solid base of recurring income

### Recurring income – avg since 2002 of 65%



63%

74%

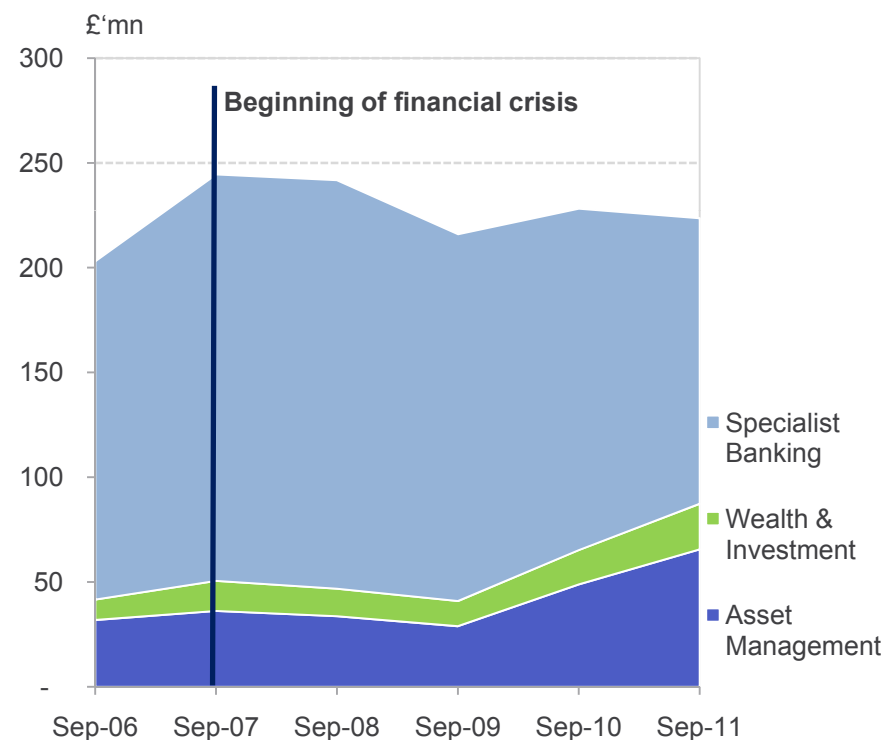
61%

63%

68%

Recurring income<sup>^</sup>

### Operating profit before tax\*



Overall contribution from Asset Management and W&I  
2011: **39.1%**  
2010: **28.6%**

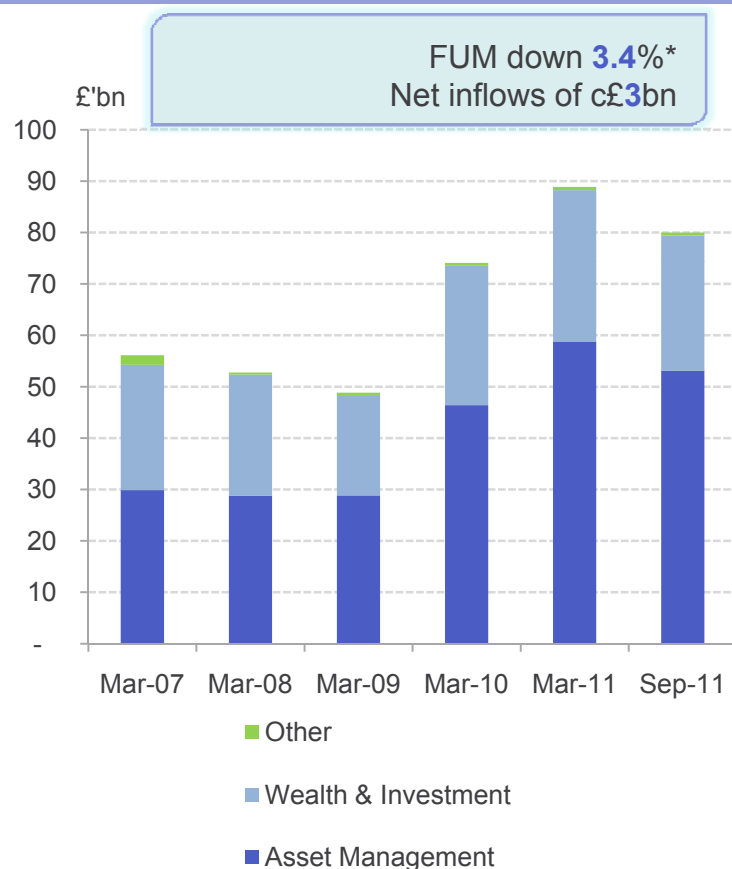
\*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests

<sup>^</sup>Where recurring income represents net interest income and annuity fees and commissions

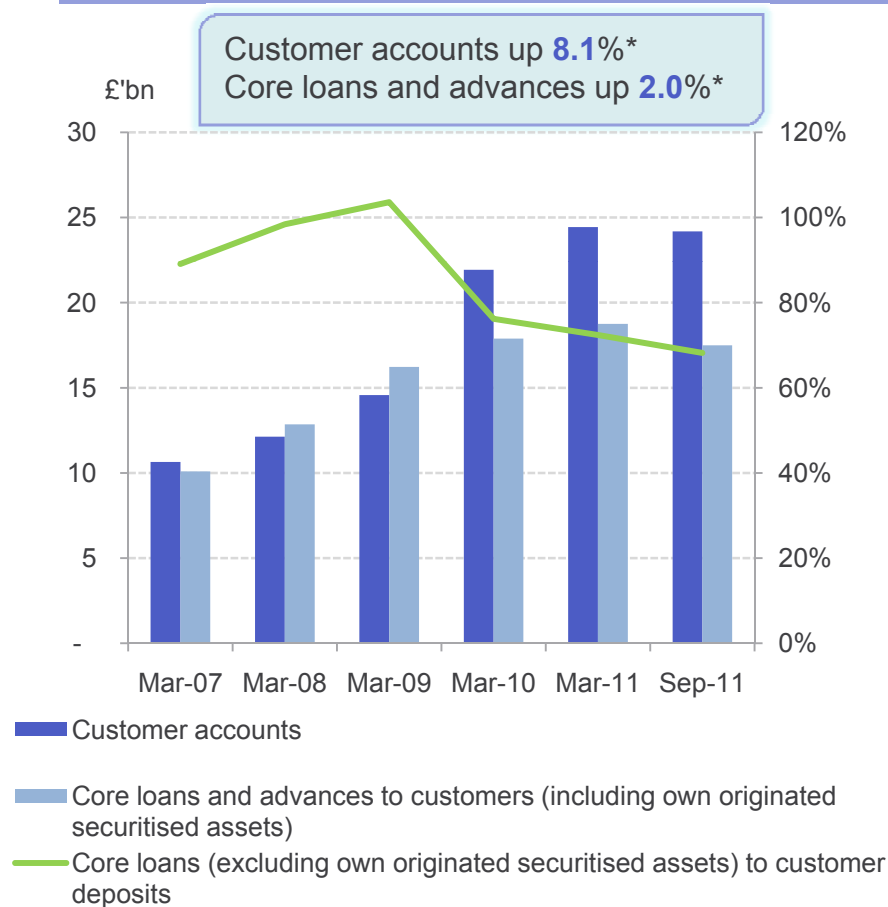
# Driven by core earnings drivers

- Impacted by sharp depreciation of the Rand towards the end of the trading period

## Third party assets under management



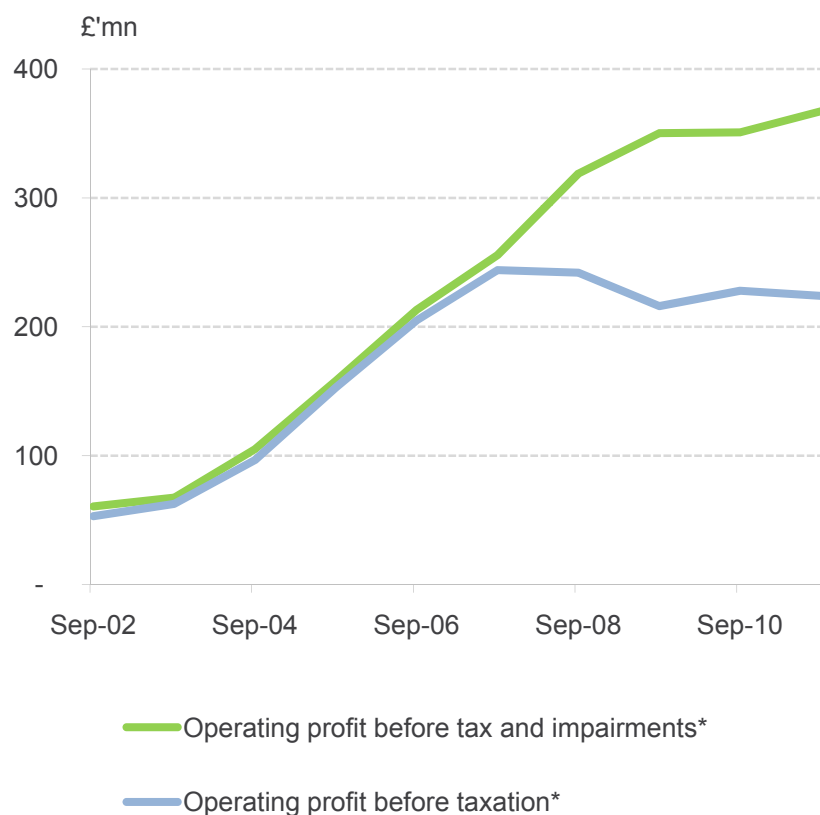
## Customer accounts (deposits) and loans



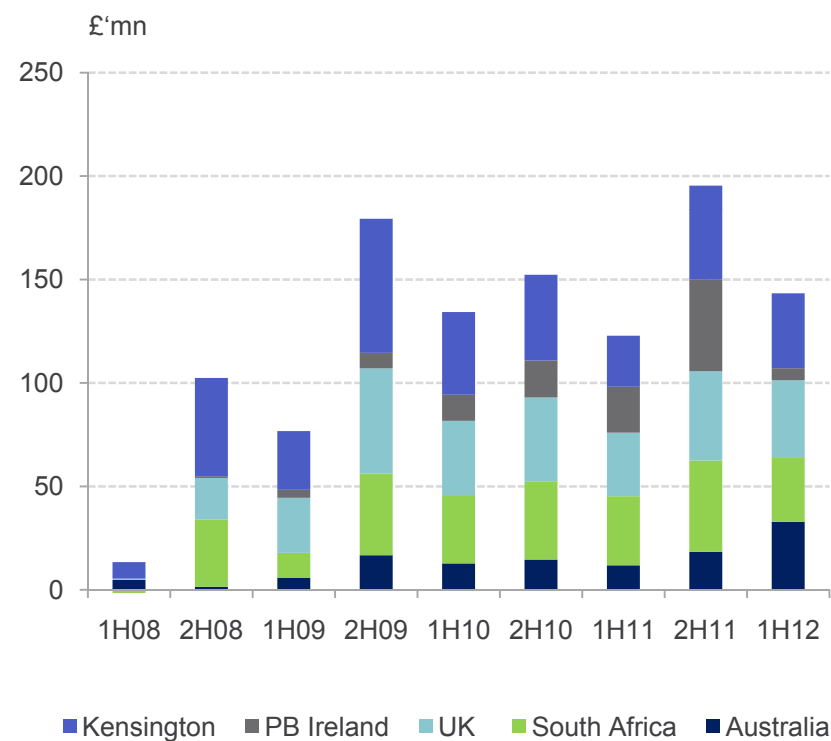
\*On a currency neutral basis

# Good growth in operating profit before tax\* and impairments

## Operating profit before tax\*



## Impairments analysis



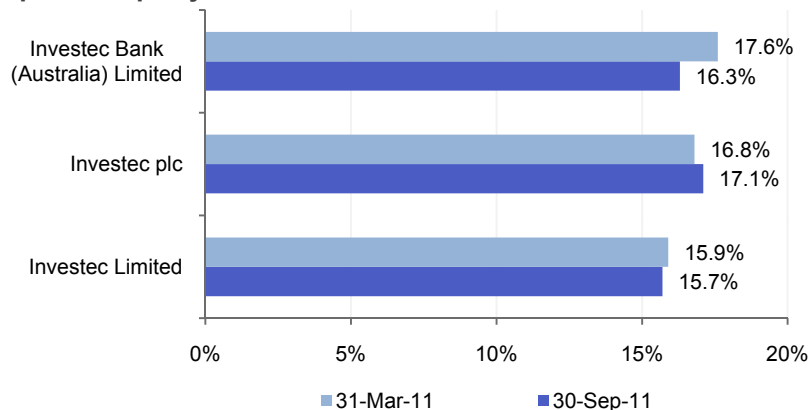
\*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests



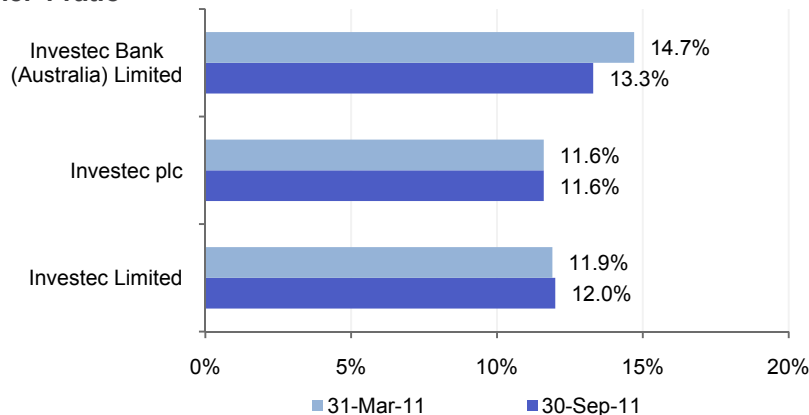
# Supported by strong capital and liquidity

## Capital adequacy

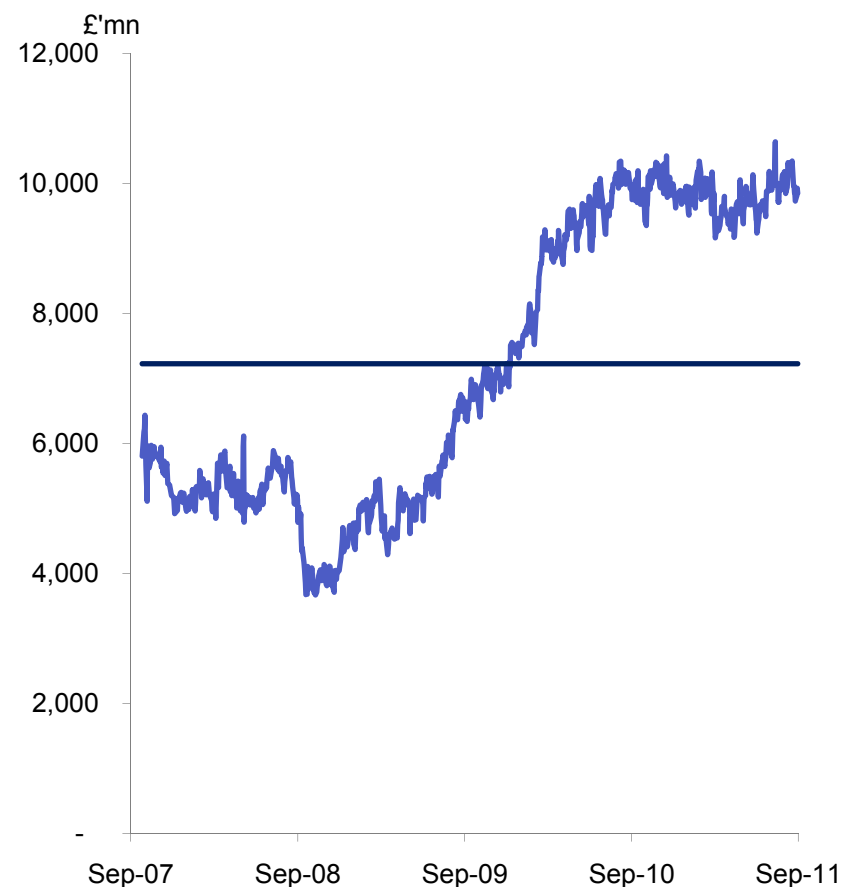
### Capital adequacy ratio



### Tier 1 ratio



## Cash and near cash reserves

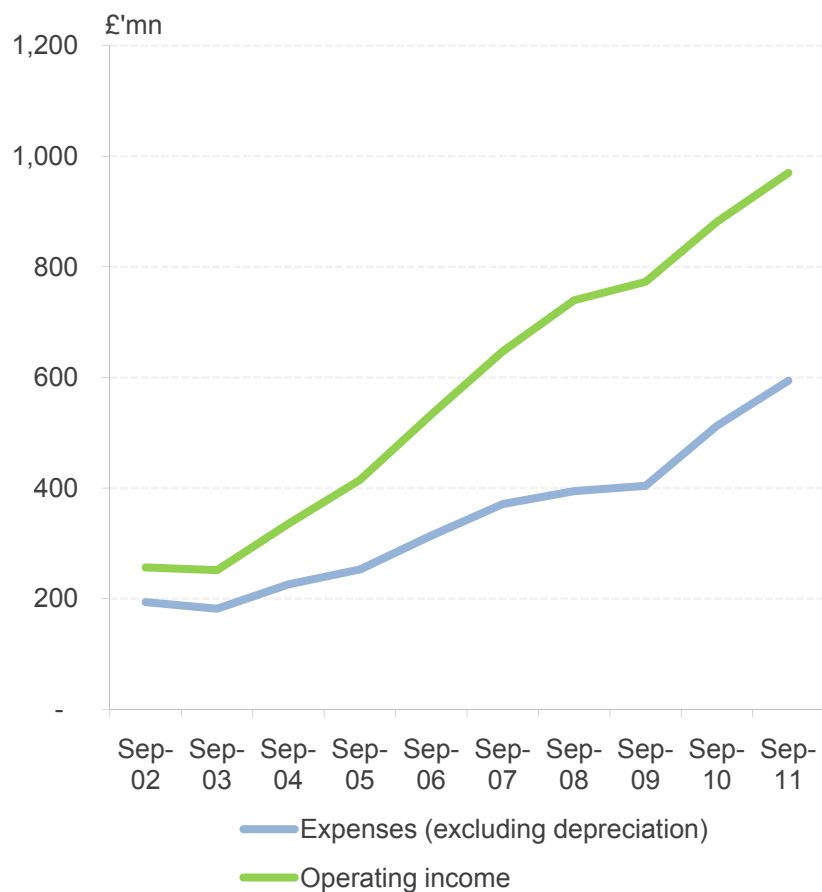


*Note: The group is on the standardised approach in terms of Basel II and as a result has higher RWA than banks applying the advanced approach to similar portfolios, thus understating capital ratios*

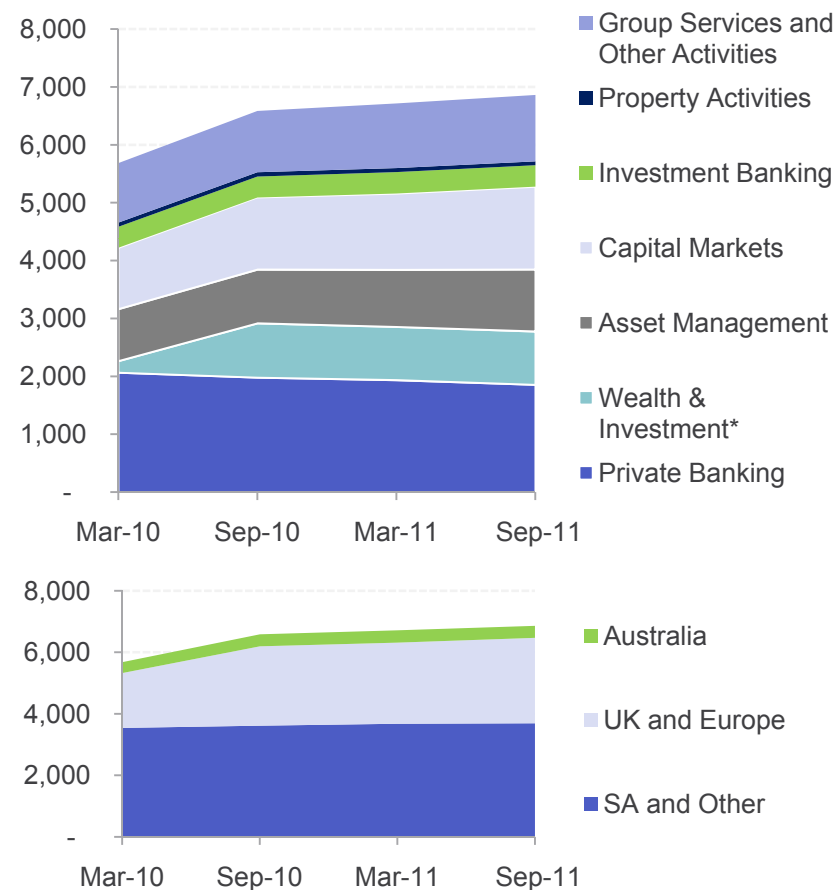
# Costs grew slightly faster than revenue

... as we continued to invest in growth areas

## Jaws ratio



## Headcount analysis



\*Includes Rensburg Sheppards from June 2010

# Resulting in a stable performance

	Sep-11	Sep-10	% change	Mar-11
Operating profit* before tax (£'000)	223,629	228,157	(2.0%)	434,406
Attributable earnings* (£'000)	162,867	163,202	(0.2%)	327,897
Adjusted EPS* (pence)	20.6	22.1	(6.8%)	43.2
DPS (pence)	8.0	8.0	0%	17.0
Net tangible asset value per share (pence)	321.0	317.8	1.0%	343.8

*\*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests*

# Financial Targets

- ROE and EPS targets difficult to achieve in this environment
- ROE target needs to be adjusted to align with revised regulatory expectations

			Sep-11	Mar-11	Sep-10
ROE	Target: under revision		10.1%	11.2%	11.5%
Tangible ROE			12.3%	13.2%	13.7%
Adjusted* EPS growth	Target: 10% > UKRPI		(6.8%)	(4.2%)	(7.9%)
Cost to income	Target: < 65%		62.6%	61.7%	61.4%
Dividend cover (times)	Target: 1.7 - 3.5 times		2.6x	2.5x	2.8x
Capital adequacy	Target: 14-17%	Limited	15.7%	15.9%	16.2%
		plc	17.1%	16.8%	16.7%
Tier 1 ratio	Target:>11%	Limited	12.0%	11.9%	12.1%
		plc	11.6%	11.6%	12.1%

*\*As determined in accordance with IFRS. Adjusted EPS is before goodwill, non-operating items and after the accrual of dividends attributable to perpetual preference shareholders  
 Note: The original targets were disclosed in May 2004 and are medium to long-term targets. We aim to achieve them through varying market conditions. The capital adequacy and dividend cover targets were revised in November 2008.*

# Operational review

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# Mixed divisional performances



Operating profit\* by business for 30 Sep-11

Asset Management



34.1%

Wealth & Investment



33.3%

Specialist Banking: Capital Markets



16.6%

Property Activities



(28.8%)

Private Banking



(26.4%)

Investment Banking



(91.4%)

\*Before goodwill, non-operating items, taxation and after non-controlling interests

# Asset Management



## Overview of performance

- Solid investment performance
- Broadened geographic spread
- Benefiting from focus on institutional accounts
- Assets under management of £53.1bn
- Net inflows of £2.2bn

(£)	Sep-11	Sep-10	% change
Operating profit* (mn)	65.6	48.9	34.1%
Cost to income	64.7%	65.9%	-
ROE (pre-tax)**	81.7%	59.7%	-
ROE tangible (pre-tax)	285.9%	278.2%	-

## Outlook

- Momentum is positive
- Our strategy remains unchanged and our investment capabilities are well positioned to serve current and future investor demand

(£)	Sep-11	Mar-11	% change
Assets under management (bn)	53.1	58.8	(9.7%)

Currency neutral down **3.2%**

\*Before goodwill, non-operating items, taxation and after non-controlling interests

\*\*Return on adjusted shareholders' equity (including goodwill and CCD's)

# Wealth & Investment



## Overview of performance

- SA business benefited from higher average funds under management
- UK positively impacted by integration of Rensburg Sheppards plc into the business
- Net inflows of £0.8bn

(£)	Sep-11	Sep-10	% change
Operating profit* (mn)	21.8	16.3	33.3%
Cost to income	75.7%	73.1%	-
ROE (pre-tax)**	9.9%	14.0%	-
ROE tangible (pre-tax)	56.4%	85.4%	-

## Outlook

- Acquisition of Evolution gives further geographic spread in the UK and enhances the distribution and services of the group

	Sep-11	Mar-11	% change
Total FUM (£'bn)	26.3	29.4	(10.5%)
UK FUM (£'bn)	14.1	14.9	(5.3%)
SA Funds under management (R'bn)	154.9	158.8	(2.4%)

Currency neutral down 3.9%

\*Before goodwill, non-operating items, taxation and after non-controlling interests

\*\*Return on adjusted shareholders' equity (including goodwill and CCD's)



# Specialist Banking – Property Activities

## Overview of performance

- Performance down largely as a result of the sale of R1.7bn of its property portfolio at the end of FY11
- Investec Property fund of R1.7bn successfully listed on Johannesburg Stock Exchange in April 2011

(£)	Sep-11	Sep-10	% change
Operating profit* (mn)	11.7	16.4	(28.8%)
Cost to income	43.5%	36.1%	-
ROE (pre-tax)**	13.5%	25.5%	-

## Outlook

- Sound investment property portfolio in South Africa
- We continue to seek opportunities to build our property asset management business globally

\*Before goodwill, non-operating items, taxation and after non-controlling interests

\*\*Return on adjusted shareholders' equity (including goodwill and CCD's)

# Specialist Banking - Private Banking



## Overview of performance

- SA benefited from growth in its loan portfolio and improved margins
- UK performance significantly improved as a result of lower impairments
- Australian professional banking performed well but impacted by large impairments on the property development book which is being run-off

## Outlook

- Activity levels, whilst improving, remain below historic norms across all three core geographies

(£)	Sep-11	Sep-10	% change
Operating income (mn)	205.2	194.4	5.6%
Operating profit* (mn)	(4.9)	(3.9)	(26.4%)
Core Private Bank (mn)	37.1	29.9	24.1%
Property development portfolio being run-off^ (mn)	(42.0)	(33.8)	(24.3%)
Cost to income	58.3%	64.8%	-
ROE (pre-tax)**	(1.7%)	(0.5%)	-
ROE (pre-tax)**: Core Pvt Bank	6.2%	6.2%	-

(£)	Sep-11	Mar-11	% change
Loan book (bn)	12.5	13.3	(6.0%)
Deposit book (bn)	12.0	12.5	(3.8%)

Loans: Currency neutral up **3.3%**  
 Deposits: Currency neutral up **2.7%**

\*Before goodwill, non-operating items, taxation and after non-controlling interests

\*\*Return on adjusted shareholders' equity (including goodwill and CCD's)

^Residual property development loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off

# Specialist Banking - Investment Banking



## Overview of performance

- The listed principal investment portfolio was adversely affected by a sharp fall in equity markets towards the end of the period
- Weaker economic and trading conditions impacted the timing of realisations and dividends received
- Agency divisions benefited from a good deal pipeline, notably in SA
- Operating conditions in Institutional Stockbroking remain difficult

## Outlook

- Combination with Evolution would position us as a leading mid-market investment bank in the UK and together with India and Hong Kong enhances our global resource and emerging market capabilities

(£)	Sep-11	Sep-10	% change
Operating profit* post consolidated investments (mn)	3.7	42.5	(91.4%)
Corporate Finance (mn)	8.7	4.6	89.0%
Institutional Research, Sales and Trading (mn)	(8.7)	(1.1)	(>100%)
Principal Investments (mn)	3.7	39.0	(90.6%)
Cost to income	97.1%	67.1%	-

\*Before goodwill, non-operating items and taxation and after non-controlling interests

# Specialist Banking - Capital Markets



## Overview of performance

- Strong deal pipeline and improved margins in South Africa
- Solid performance from the UK business
- Reasonable levels of activity in Australia

(£)	Sep-11	Sep-10	% change
Operating profit* (mn)	155.6	133.5	16.6%
Cost to income	45.6%	45.7%	-
ROE (pre-tax)**	27.5%	24.5%	-

## Outlook

- Pipelines remain good in all geographies however the operating environment makes execution uncertain

(£)	Sep-11	Mar-11	% change
Loan book (bn)	4.4	4.8	(8.1%)

Currency neutral down **0.8%**

\*Before goodwill, non-operating items, taxation and after non-controlling interests

\*\*Return on adjusted shareholders' equity (including goodwill and CCD's)

# Group Services and Other Activities

## Overview

- **Central Funding** was impacted by lower margins but benefited from a lower level of provisions held
- **Central Services** incurred an increase in personnel and system related costs

Operating profit* (£)	Sep-11	Sep-10	% change
International Trade Finance (mn)	4.9	3.7	32.8%
Central Funding (mn)	10.9	9.2	18.5%
Central Services (mn)	(45.6)	(38.5)	(18.3%)
Group Services and Other Activities	(29.8)	(25.6)	(16.2%)

\*Before goodwill, non-operating items, taxation and after non-controlling interests

# General



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- Operational effective tax rate\* down from 20.2% to **19.2%**
- Weighted shares from 739.7mn to **792.1**mn
- Losses attributable to non-controlling interests of £**4.6**mn relating to Euro denominated preferred securities issued by a subsidiary of Investec plc

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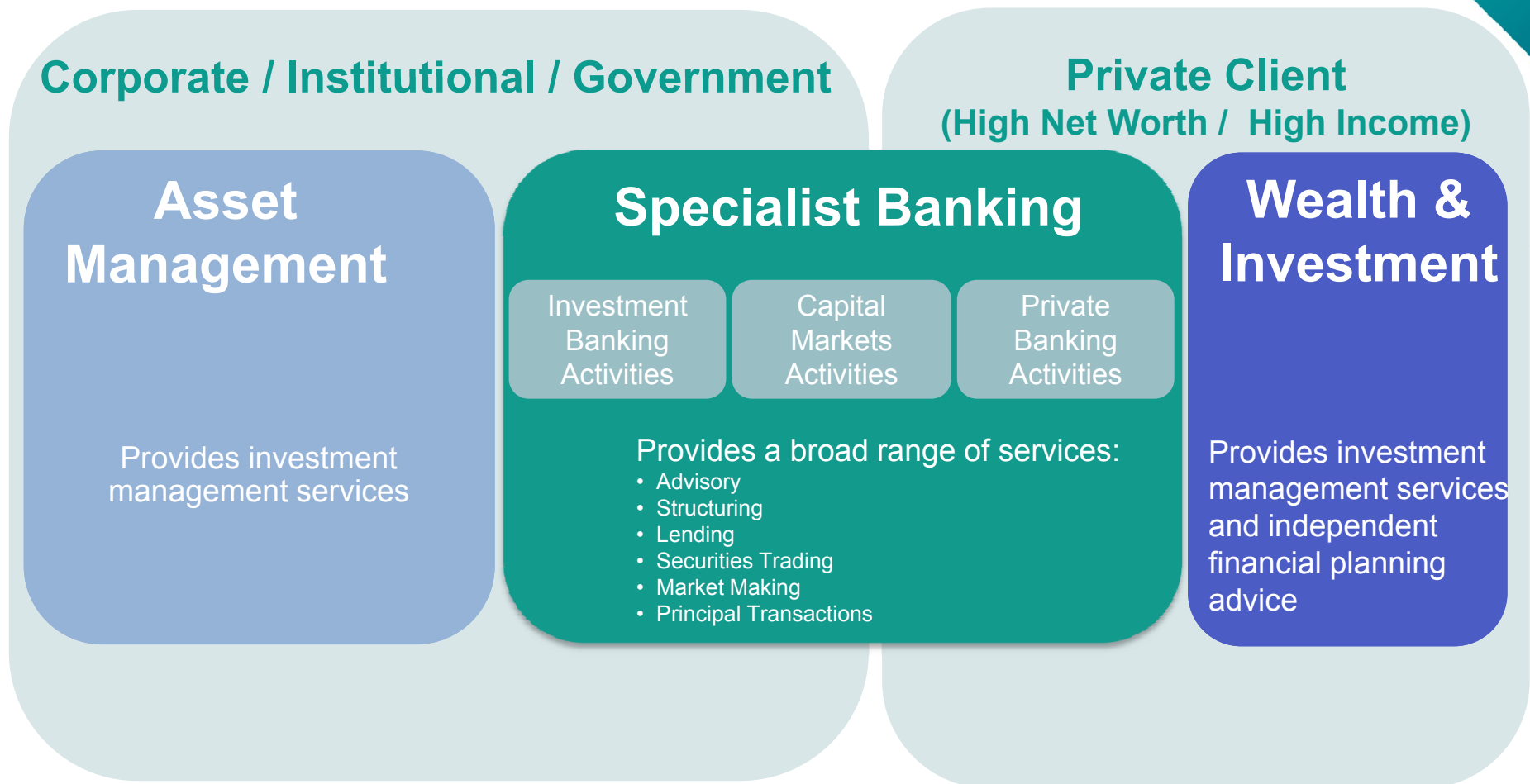
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# Strategy



# Distinctive specialist bank and asset manager

Focused on well defined target clients





# With a solid international platform



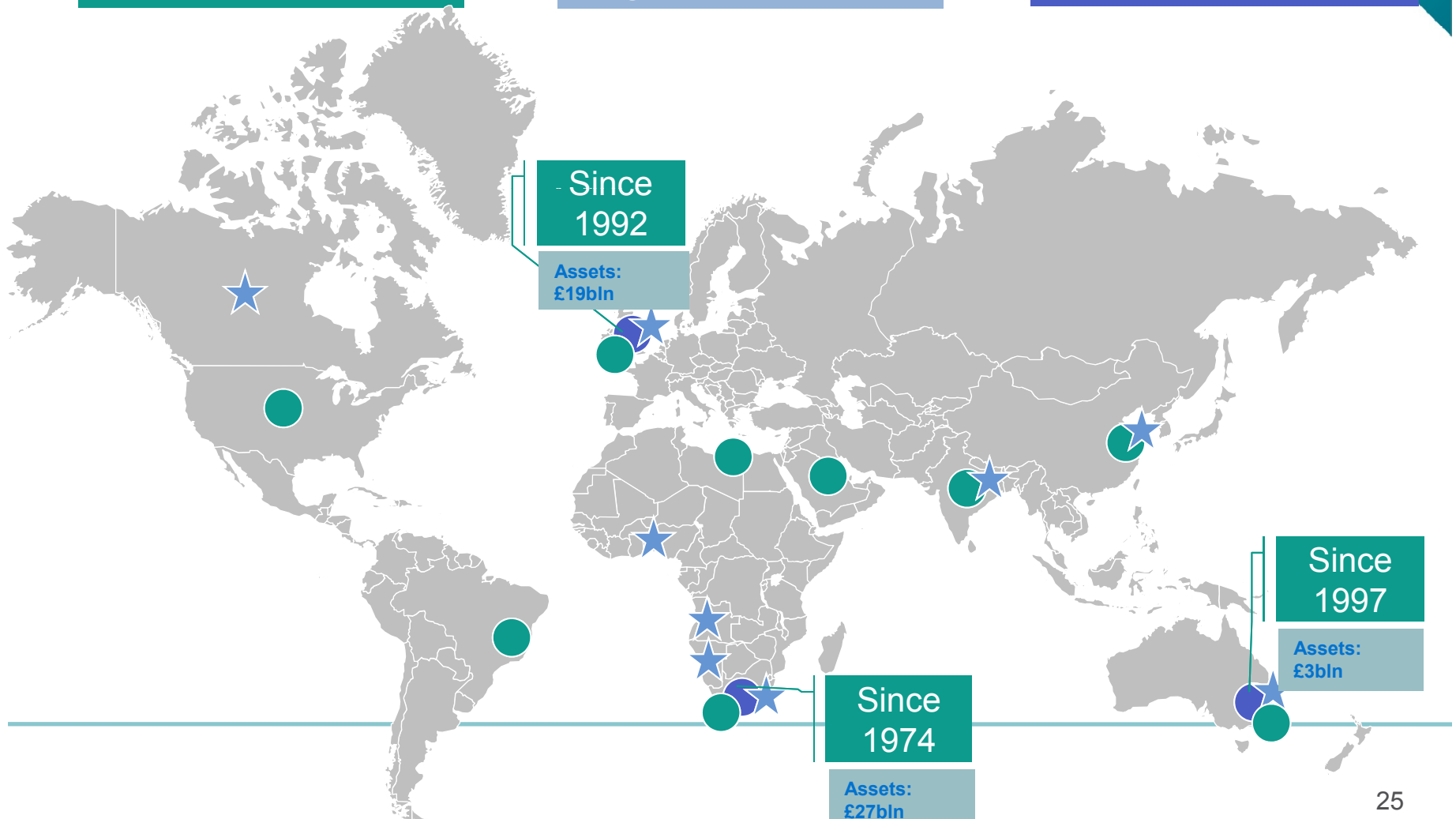
Distribution channels



Origination channels



Core infrastructure



# Asset Management

Global specialist investment manager

Performance

Clients

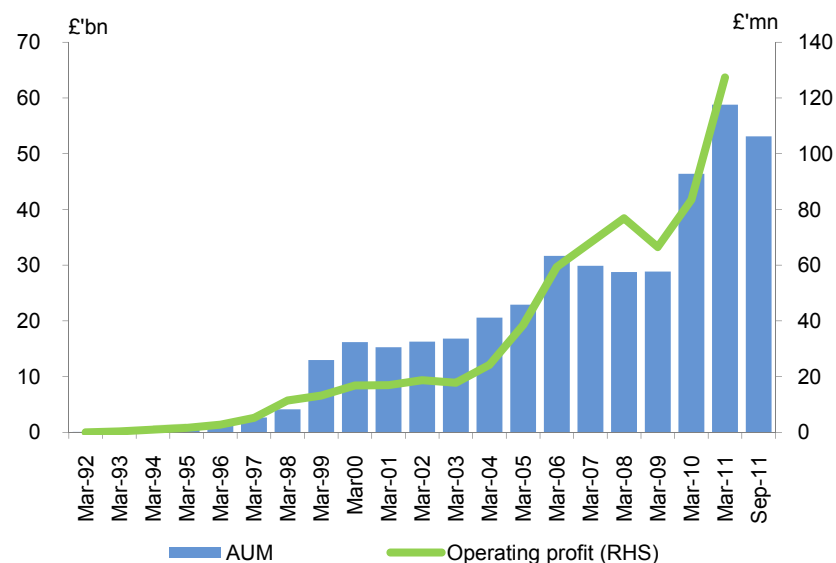
Innovation

Insight

- Investec Asset Management has organically built an independent global platform
- Created successful investment capabilities **organically**
- Competitive investment performance
- Truly global approach with broad distribution
- Institutional focus
- Unique and clearly understood **culture** with **stable and experienced** leadership

## 20-year growth story

Third party assets under management grown from £41.8mn in 1991 to **£53.1bn** in 20 years

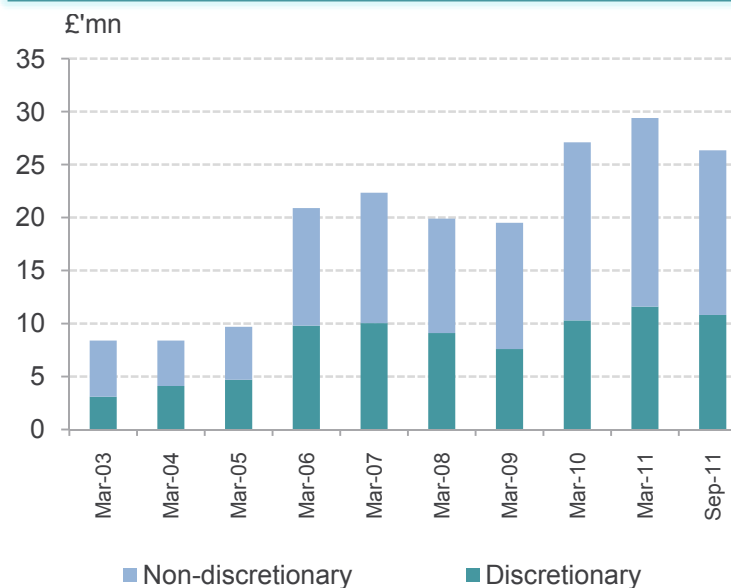


# Wealth & Investment

## Building an international platform

- **Well established** platforms in the UK and SA
- Largest private client wealth and investment manager in **SA**
- The acquisition of The **Evolution** Group will create a significant player in this industry within the **UK** resulting in total FUM for W&I group of about **£32bn**
- Focus is on **consolidating** and **internationalising** the business

Funds under management\*



\*Note: Total third party assets held under management excluding the Rensburg Fund Management business which was sold in January 2011

# Specialist Banking

Building a global platform with synergies across the group



- Focusing the mindset around client demand

## Investment Banking

- Integrated business, local client delivery and international access
- Leading position in UK mid market
- Strong position in SA
- Building platforms in Australia and Asia

## Capital Markets

- Strong international platform based on traditional bank customer flow
- Successfully built sustainable businesses on the back of client driven transactional flow
- Well positioned in primary and secondary markets

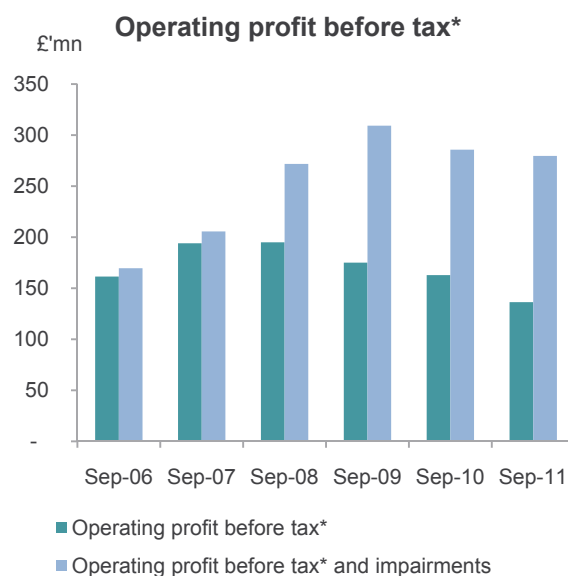
## Private Banking

- Significant client relationships with High Income and HNW's
- High touch transactional banking, credit, deposit and investment services
- Offering trust, fiduciary and other services

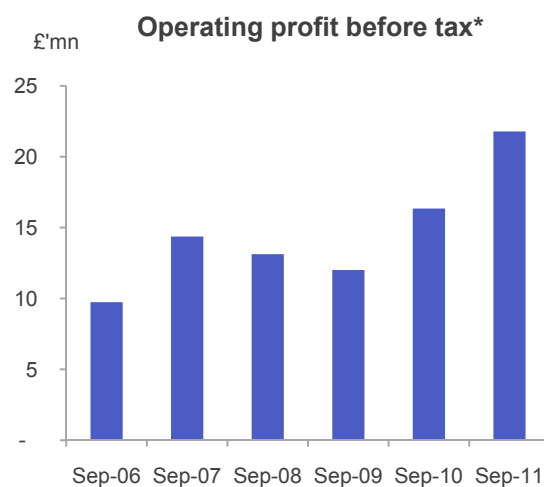
# Specialist Banking held back by elevated impairments



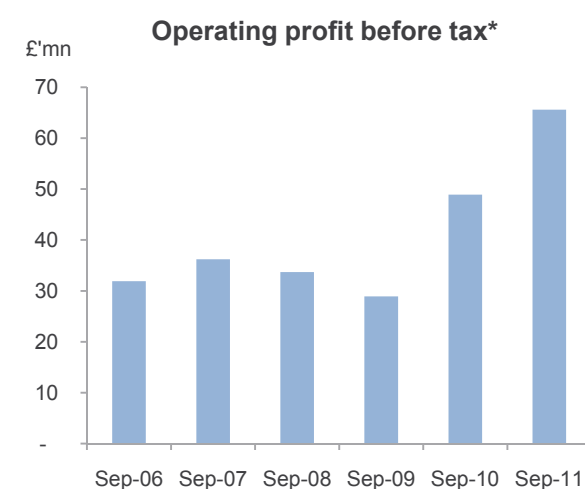
## Specialist Banking



## Wealth & Investment



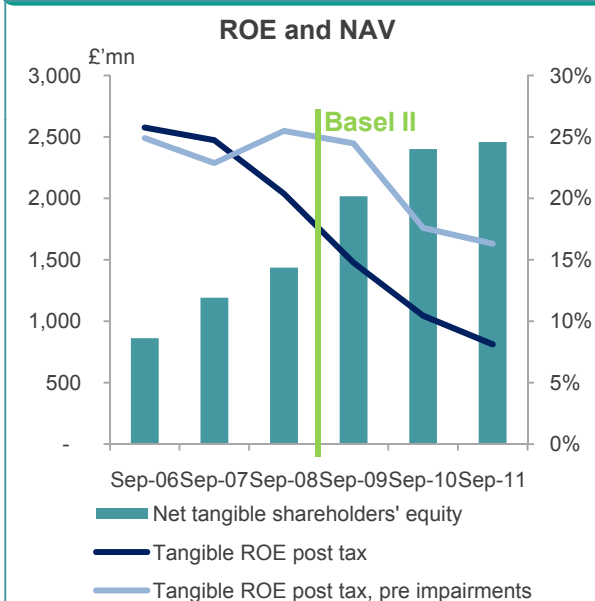
## Asset Management



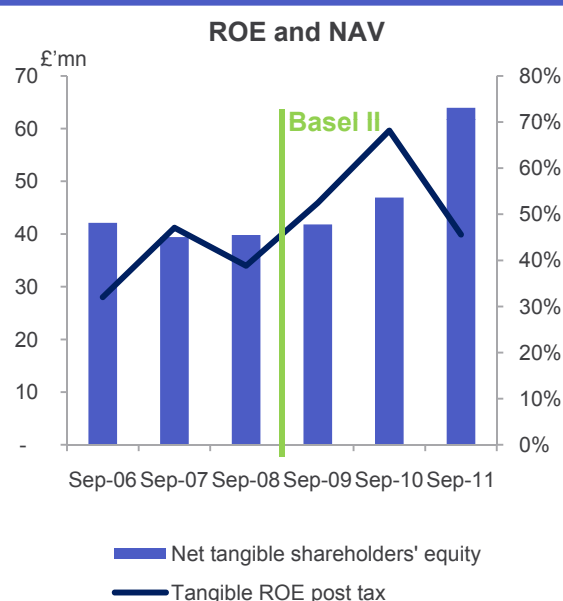
\*Before goodwill, acquired intangibles and non-operating items and after non-controlling interests

# Resulting in a decline in ROE in Specialist Banking

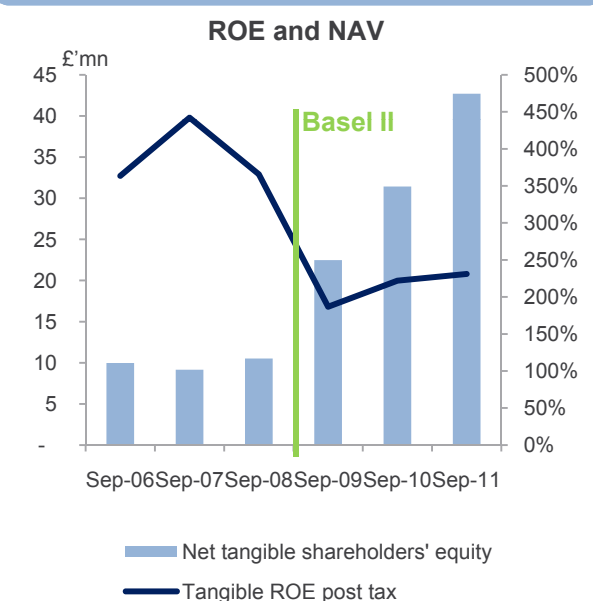
## Specialist Banking



## Wealth & Investment



## Asset Management



# The overall strategy is to focus on:



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- Building low capital revenue
- Tightly managing costs while still investing for the future
- Building a well established brand to support a sustainable long term strategy
- Leveraging off our platforms
- Remaining opportunistic to capture deal flow

**... resulting in a quality scalable global business**

# Outlook



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- The Eurozone crisis continues to affect **confidence** and **activity levels** around the world.
  - Markets remain **volatile** and the future regulatory landscape is still **uncertain**.
  - Progress has been made in **building further scale** in our wealth and asset management businesses, which together now account for 39% of group earnings.
  - A **reasonable level of profitability** was maintained throughout the financial crisis and our diversified business model continues to demonstrate **strong defensive qualities**.
  - We have **appropriate capital** and **liquidity** and will continue **navigate a steady course** through this renewed period of instability.
-