

*Out of the Ordinary®*



Specialist Bank and  
Asset Manager



# Results presentation

For the six months ended 30 | 09 | 2012



## Proviso

- 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 15 November 2012

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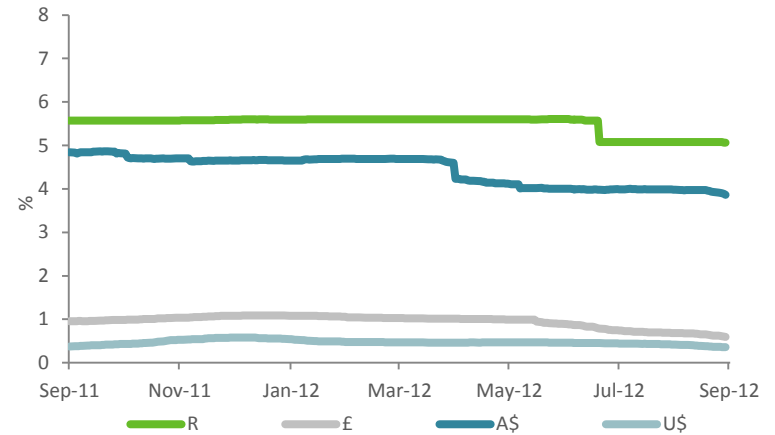
# The six months in review

# Difficult operating environment has continued

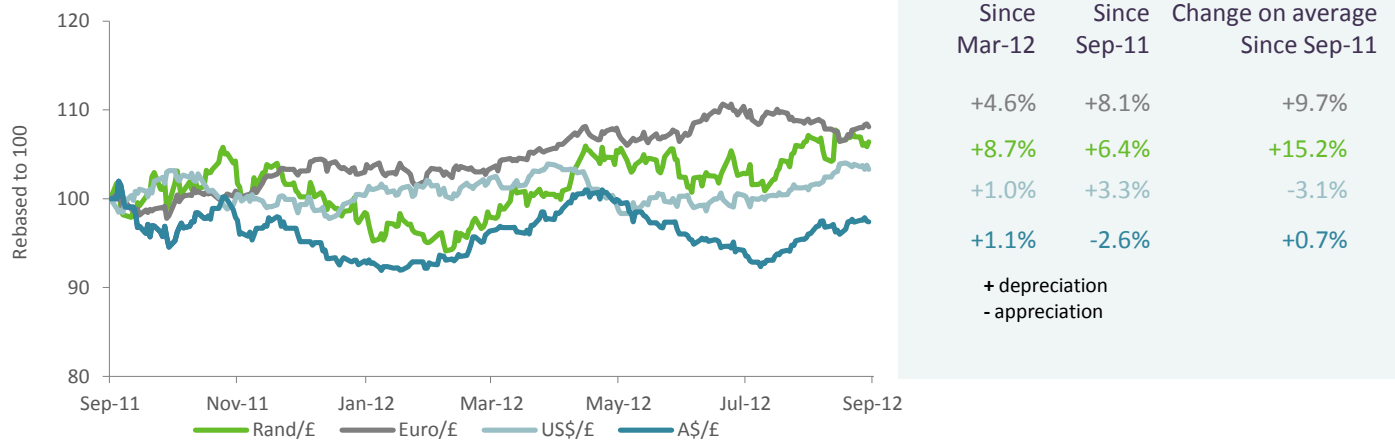
## Equity markets



## Interest rates



## Exchange rates



Source: Datastream



# Summary

## Results negatively impacted by:

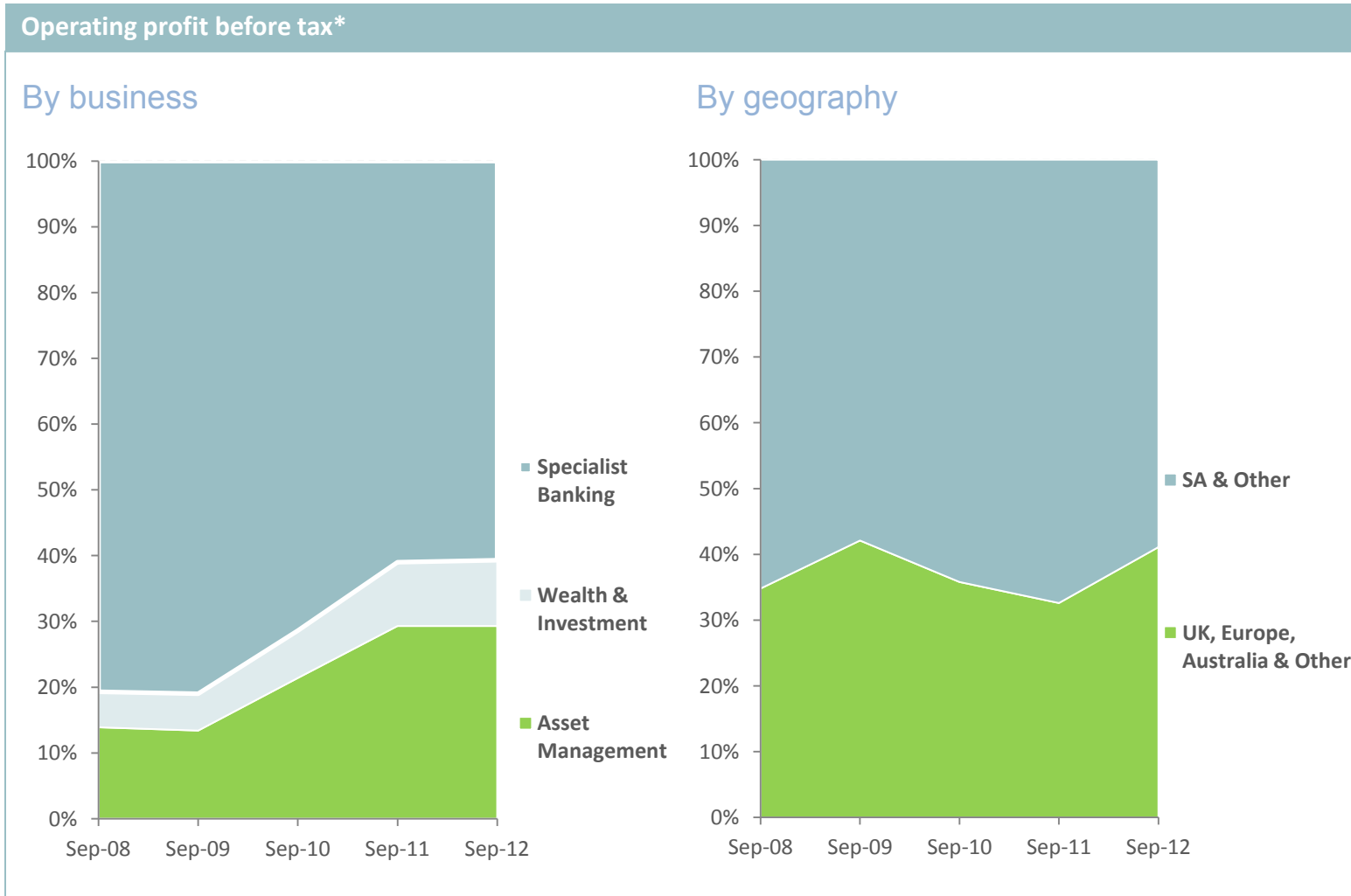
- Difficult operating environment
- Depreciation of the Rand
- Lower investment income earned in the UK business
- ... resulting in a decrease of 2.5% in revenues (increase in stable currency)

## Results highlights include:

- Solid net inflows and moderate loan growth
- Recurring income of 69.3%
- Improvement in SA business benefiting from growth in revenue and cost containment
- Strong improvement in Australia as impairments significantly down

# Operating profit impacted by the Rand

...with the asset and wealth management businesses accounting for 40%



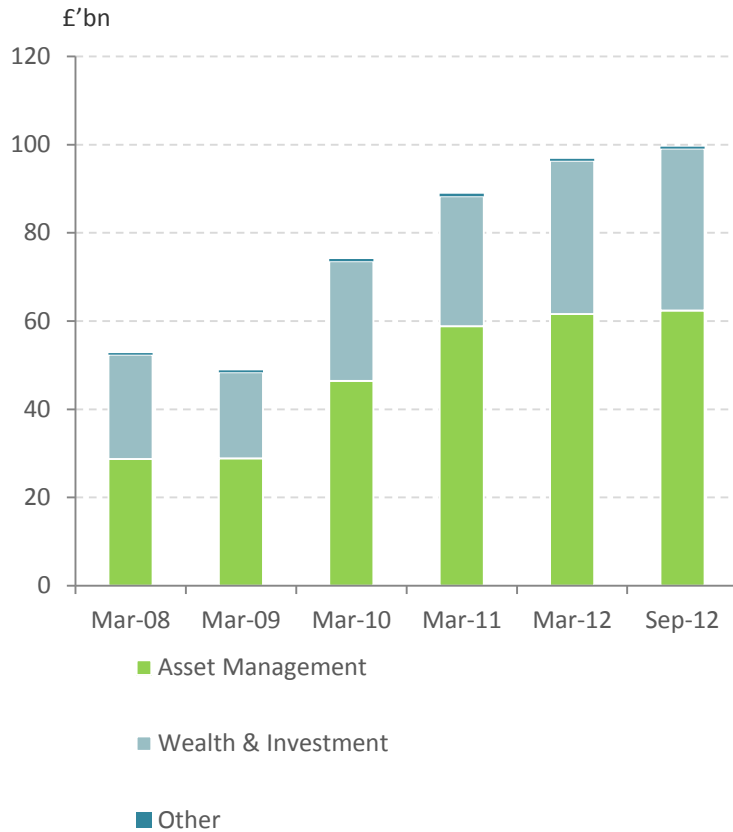
\*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests

# Continued growth in net inflows and loans

...up in stable currency

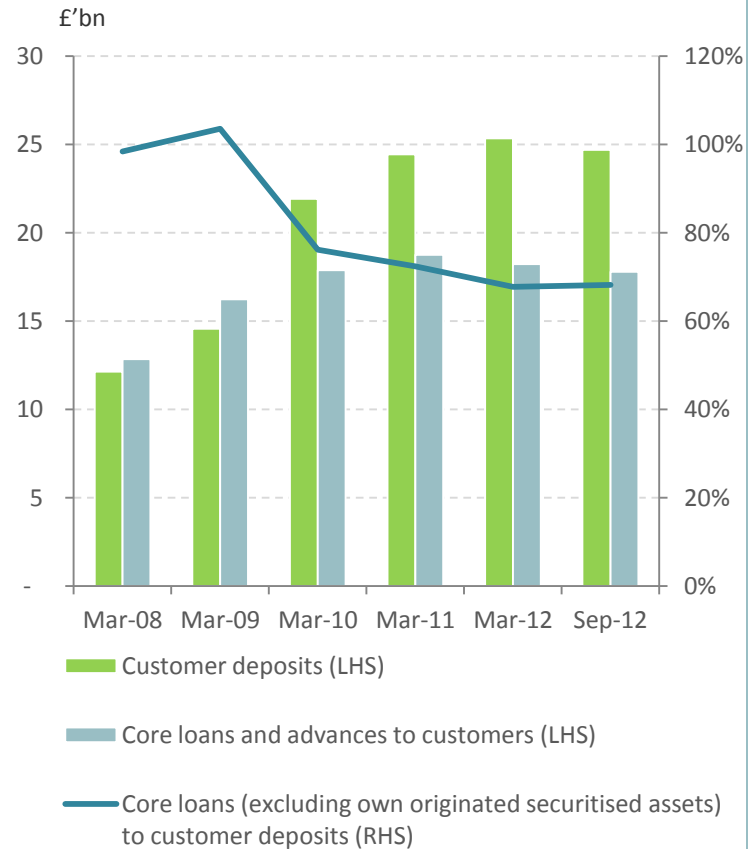
## Third party assets under management

FUM up **6.7%\***  
Net inflows of **£2bn**



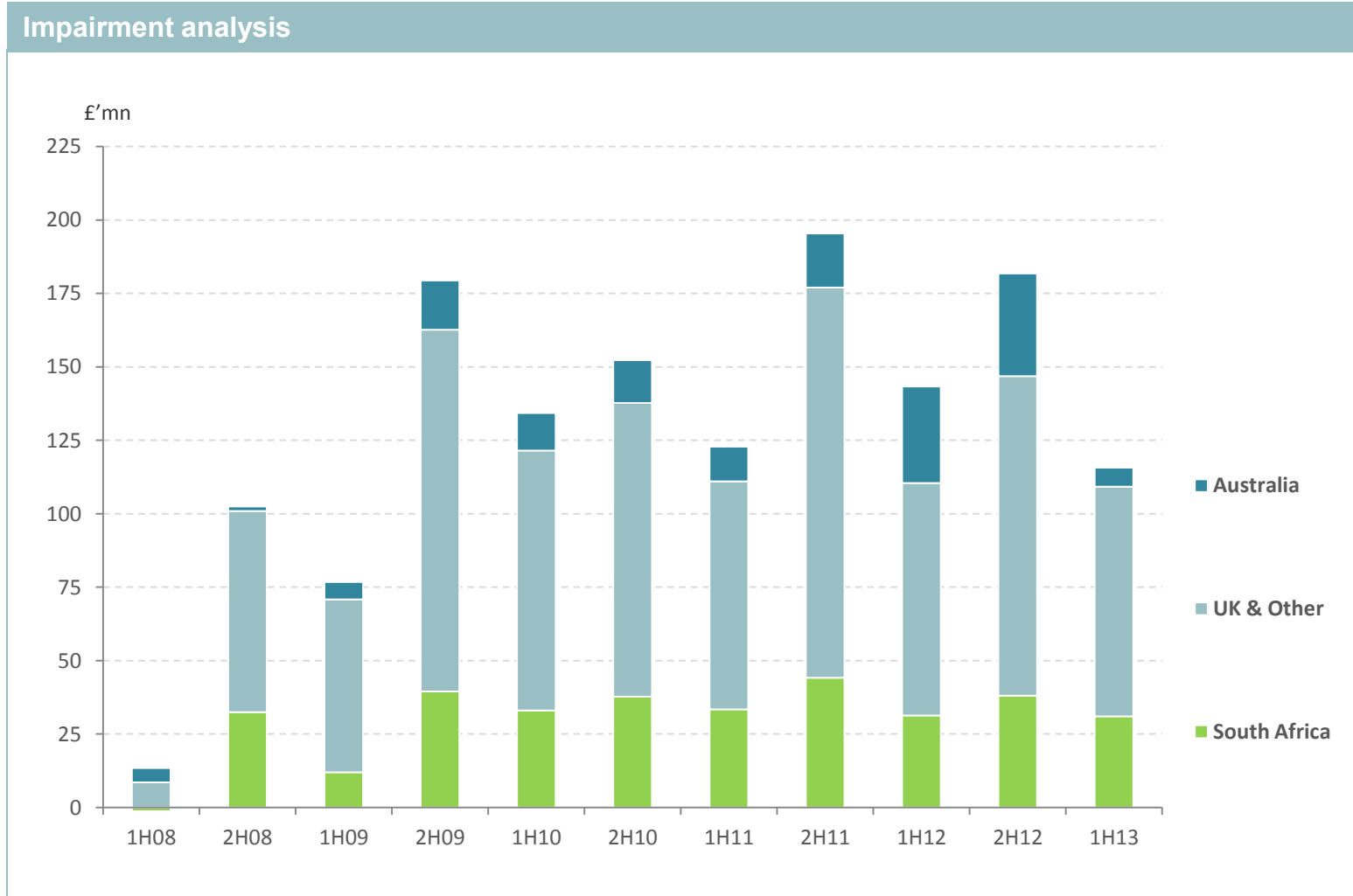
## Customer accounts (deposits) and loans

Customer accounts up **2.3%\***  
Core loans and advances up **2.5%\***



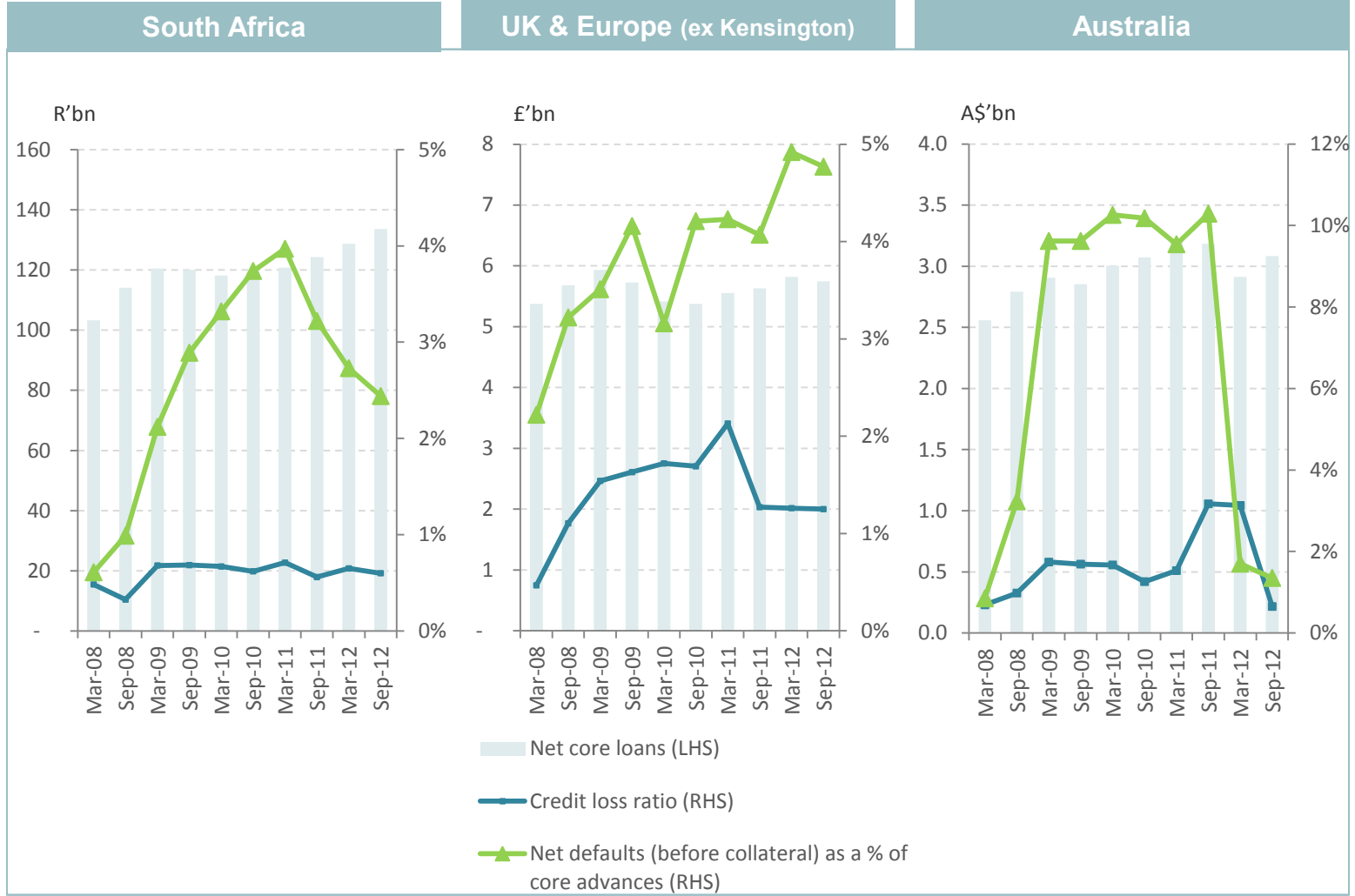
\*On a stable currency basis

# Significantly improved impairment position





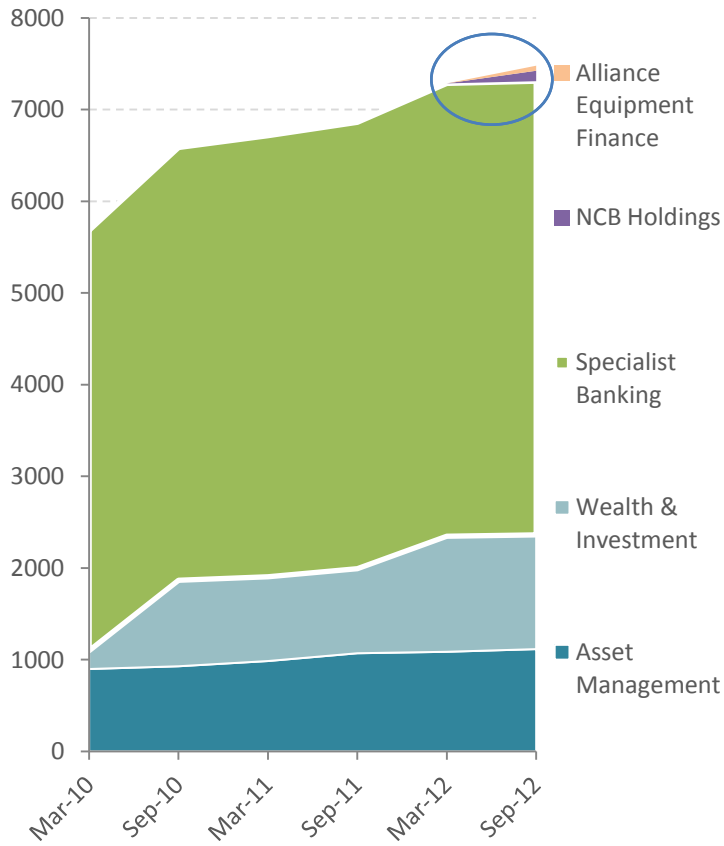
# ... particularly in Australia



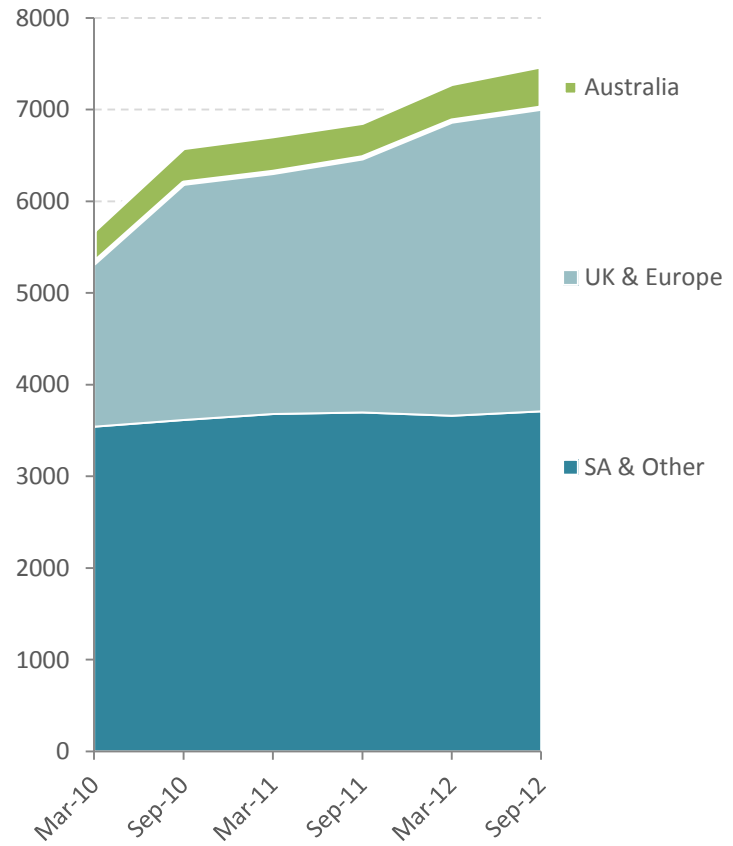
# Headcount stable (excluding acquisitions)

## Headcount analysis (permanent employees)

### By business



### By geography

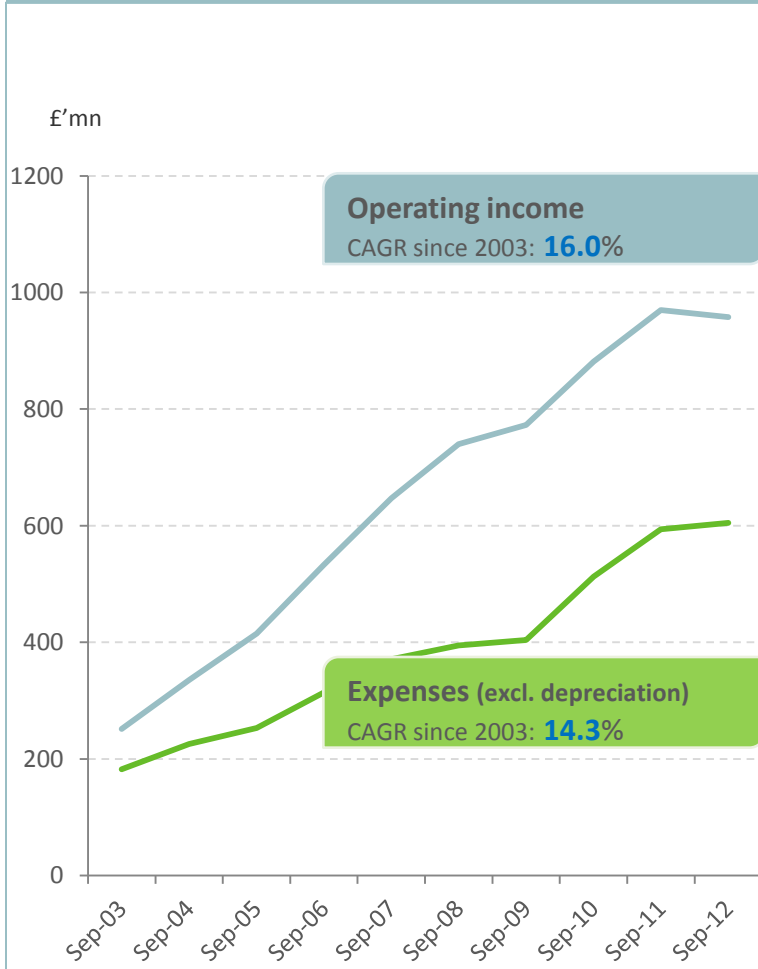


Note: Includes Rensburg Sheppards from June 2010

# Costs slightly up

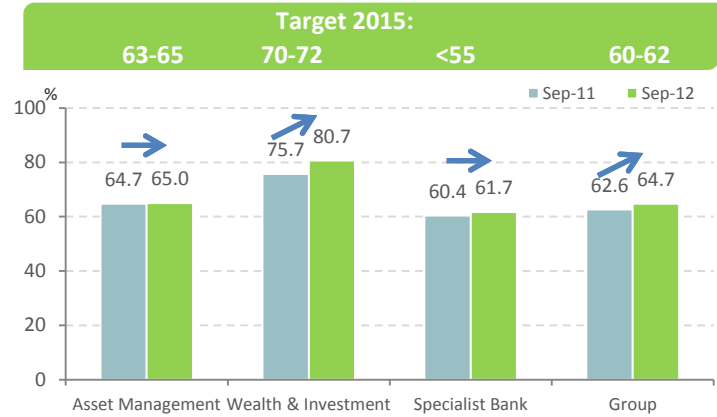
...largely due to acquisitions

## Jaws ratio

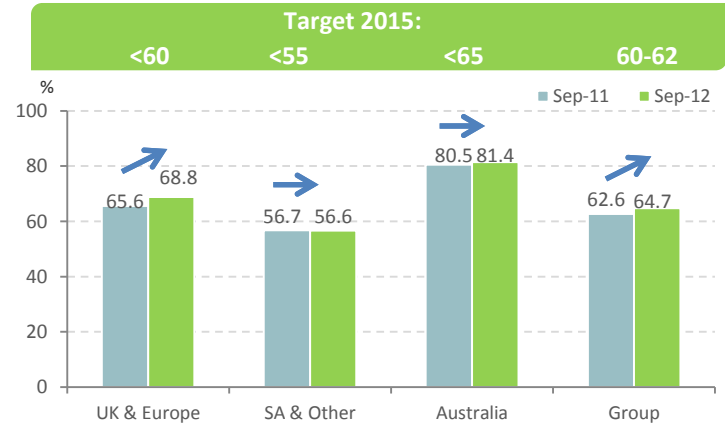


## Cost to income ratio

### By business



### By geography



# Resulting in a stable group performance

Pounds	Stable currency			% change
	Sep-12	Sep-12	Sep-11	
Operating profit* before tax (£'000)	259,080	229,419	223,629	2.6%
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	198,658	168,575	162,867	3.5%
Adjusted EPS* (pence)	21.6	19.7	20.6	(4.4%)
DPS (pence)	NA	8.0	8.0	0%
Net tangible asset value per share (pence)	326.3	311.6	321.0	(2.9%)

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



## ...and an improved Rand performance

Rands	Sep-12	Sep-11	% change
Operating profit* before tax (R'mn)	2,825	2,462	14.7%
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (R'mn)	2,185	1,832	19.2%
Adjusted EPS* (cents)	255.4	232.7	9.8%
DPS (cents)	112.0	103.0	8.7%
Net tangible asset value per share (cents)	4,172.2	4,051.6	3.0%

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

# Financial Targets

- Capital ratios remain stable

	Target		Sep-12	Mar-12	Sep-11
ROE	Actual ROE		10.1%	7.8%	10.1%
	12%-16% over a rolling 5-year period**		12.8%	14.2%	14.3%
Adjusted* EPS growth	10% > UKRPI		(4.4%)	(26.4%)	(6.8%)
Cost to income	< 65%		64.7%	64.7%	62.6%
Dividend cover (times)	1.7 - 3.5 times		2.5x	1.9x	2.6x
Capital adequacy	15-18% **	Limited	17.2%	16.1%	15.7%
		plc	17.2%	17.5%	17.1%
Tier 1 ratio	11%-12%	Limited	11.6%	11.6%	12.0%
		plc	11.3%	11.6%	11.6%

**Notes:**

\*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

\*\*As revised in Mar 2012

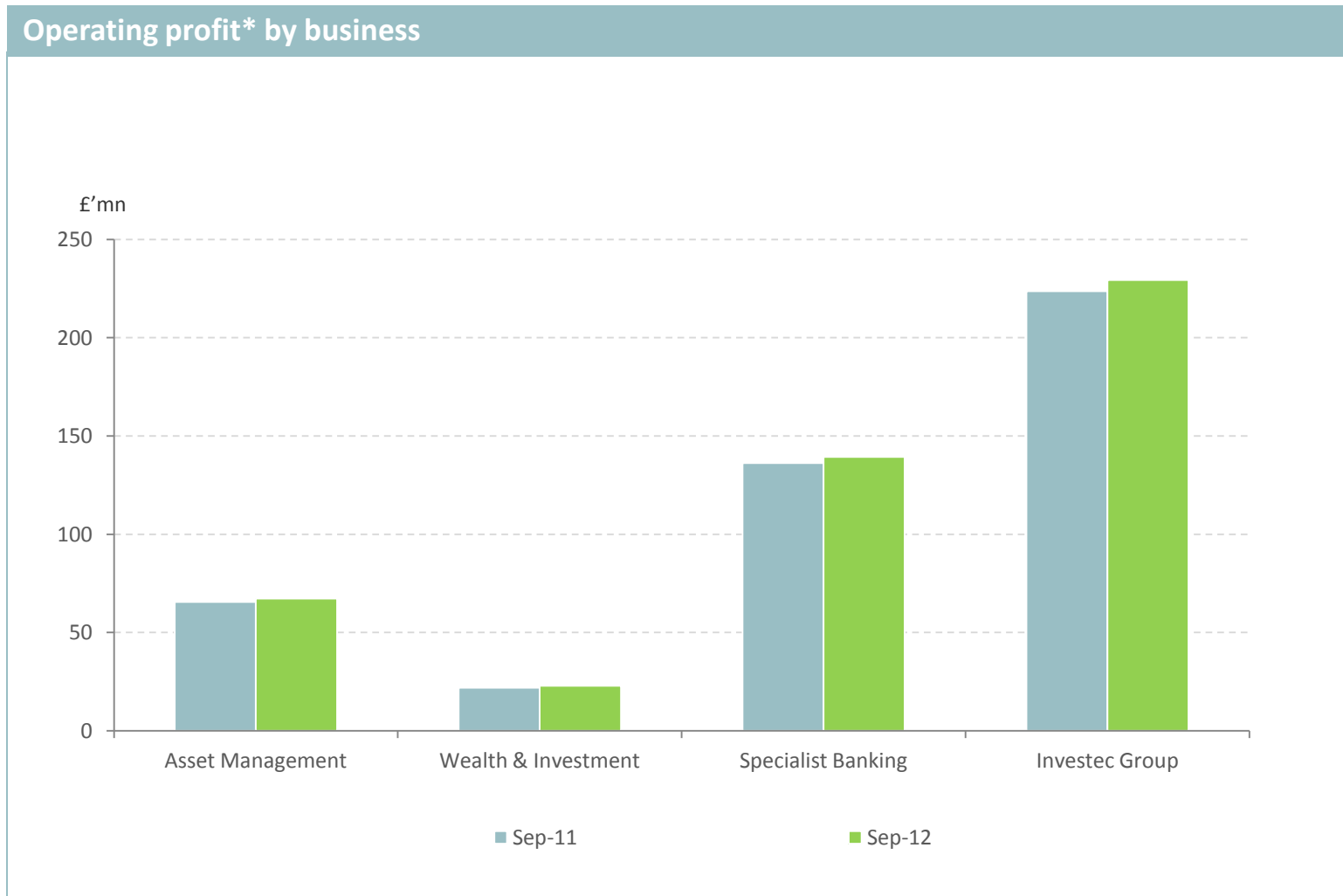
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## Divisional highlights

# Stable performance across the three key businesses



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



# Asset Management

## Overview of performance

- Higher average funds under management
- Positive net inflows of £1.5bn
- Competitive investment performance over all periods

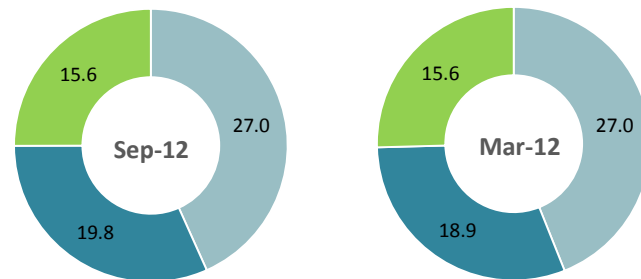
## Outlook

- Positive momentum but flat markets combined with uncertainty will put pressure on inflows
- Strategy remains unchanged

## Financial summary

(£)	Sep-12	Sep-11	% change
Operating profit* (mn)	67.2	65.6	2.5%
Cost to income	65.0%	64.7%	
	Sep-12	Mar-12	% change
Assets under management (£'bn)	62.4	61.5	1.3%
Net flows (£'mn)	1,520	5,170	

## Assets under management by asset group (£'bn)



■ Equities and commodities ■ Fixed income ■ Multi-asset

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

# Wealth & Investment

## Overview of performance

- Stable performance
  - Higher average funds under management
  - Net inflows of £0.6bn
  - Inclusion of Williams de Broë and NCB
- Integration of acquisitions progressing well
- Williams de Broë
  - Migrated onto Investec platform from end of August with the excess costs still reflecting in 2013 results
  - Rebranded Investec Wealth & Investment

## Outlook

- Short terms prospects supported by synergies from integration

## Financial summary

(£)	Sep-12	Sep-11	% change
Operating profit* (mn)	22.9	21.8	4.9%
Cost to income	80.7%	75.7%	-
ROE (pre-tax)**	13.6%	17.3%	-
ROE tangible (pre-tax)	46.9%	27.0%	-
	Sep-12	Mar-12	% change
Total FUM (£'bn)	36.7	34.8	5.6%
UK FUM (£'bn)	22.5	21.0	7.3%
SA Funds under management (R'bn)	190.5	169.4	12.5%

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

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

# Specialist Banking

## Overview of performance

- South Africa benefited from:
  - Improved net interest income in the lending and fixed income businesses
  - Solid performance from principal investment and investment properties portfolios.
- UK benefited from:
  - Slightly improved margins and an increase in net fees and commissions in the corporate advisory business
- Australia's impairments significantly down

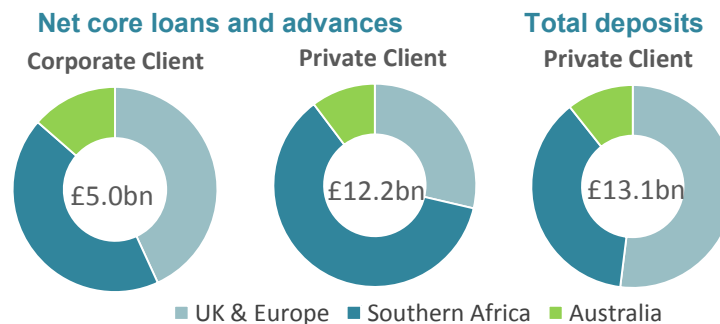
## Outlook

- Operating environment continues to be challenging
- Deal pipeline remains reasonable

## Financial summary

(£)	Sep-12	Sep-11	% change
Operating profit* (mn)	<b>139.4</b>	136.3	2.3%
Cost to income	<b>61.7%</b>	60.4%	-
ROE (pre-tax)**	<b>9.3%</b>	9.5%	-
ROE tangible (pre-tax)	<b>9.8%</b>	10.1%	-

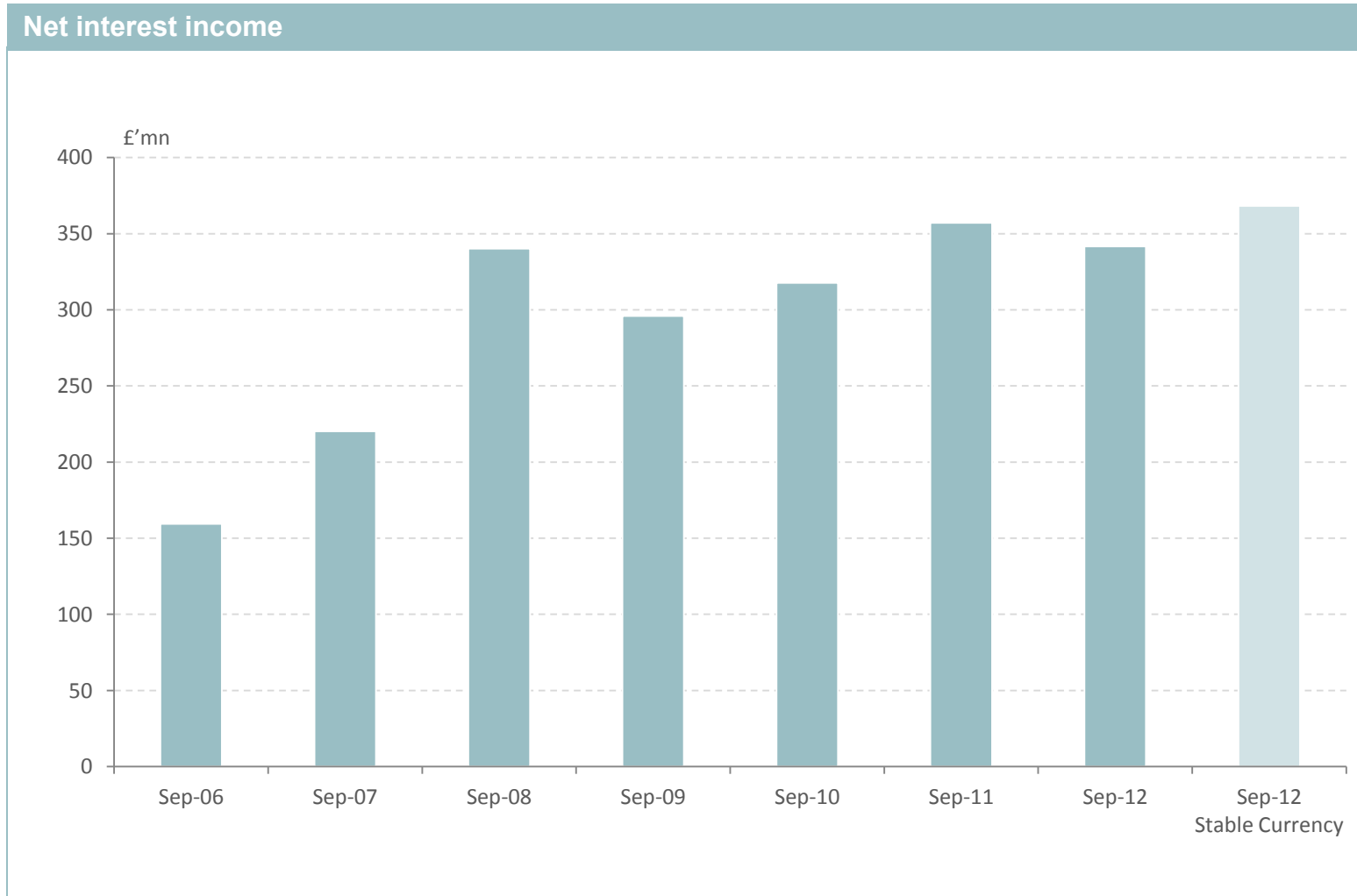
## Key earnings drivers (at Sep-12)



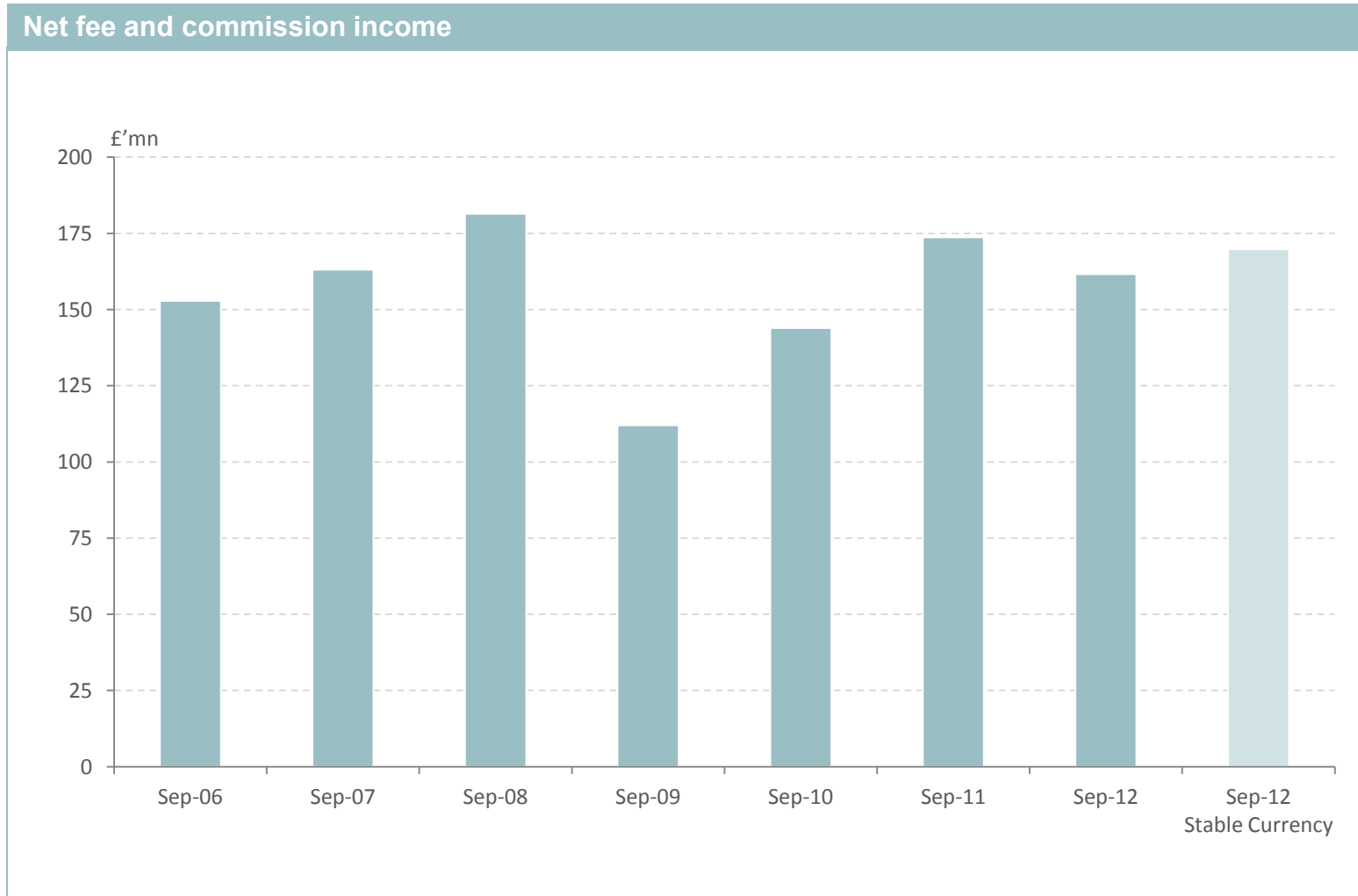
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\*\*Return on adjusted shareholders' equity (including goodwill)

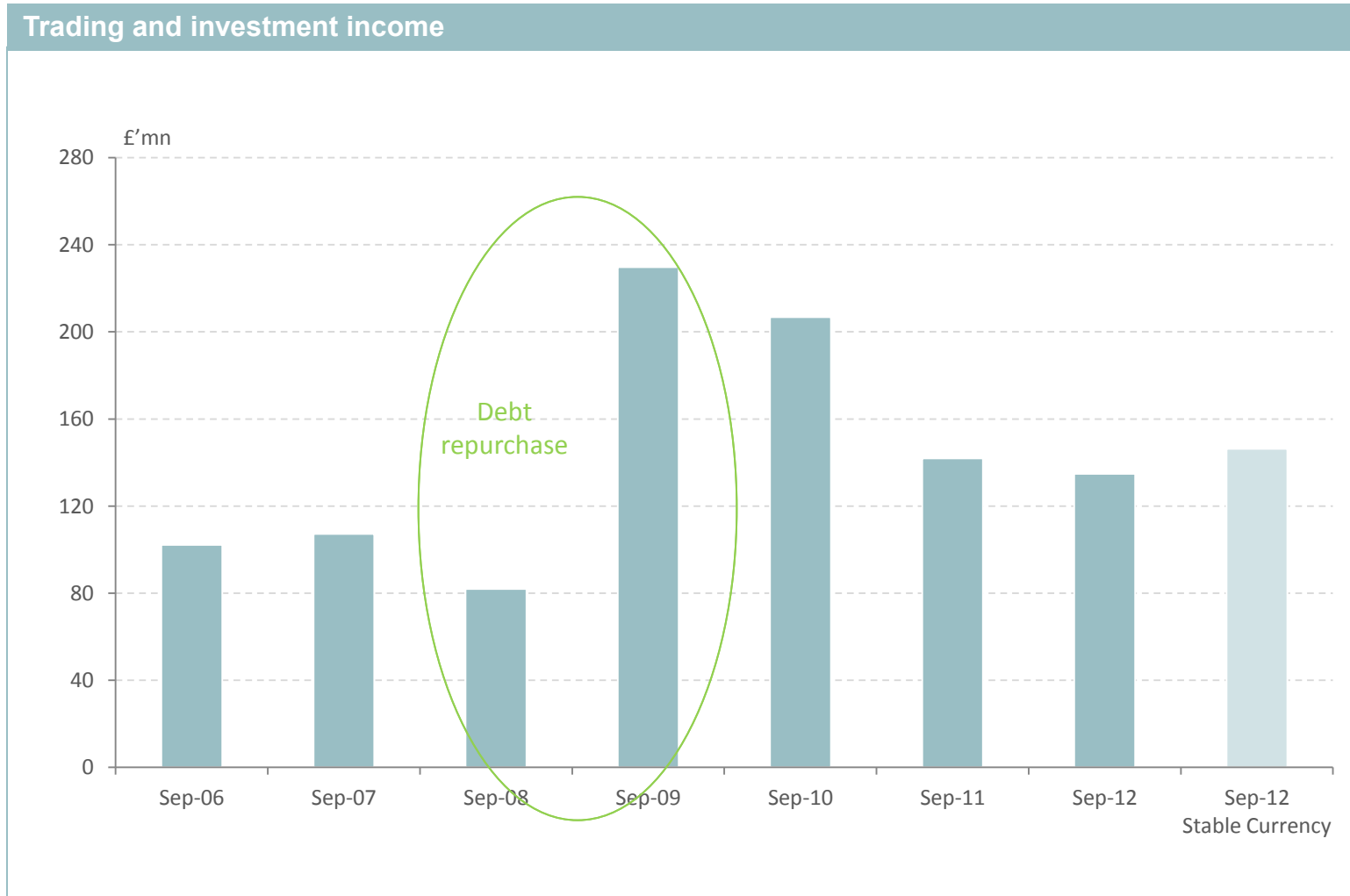
# Specialist Banking – Net interest income



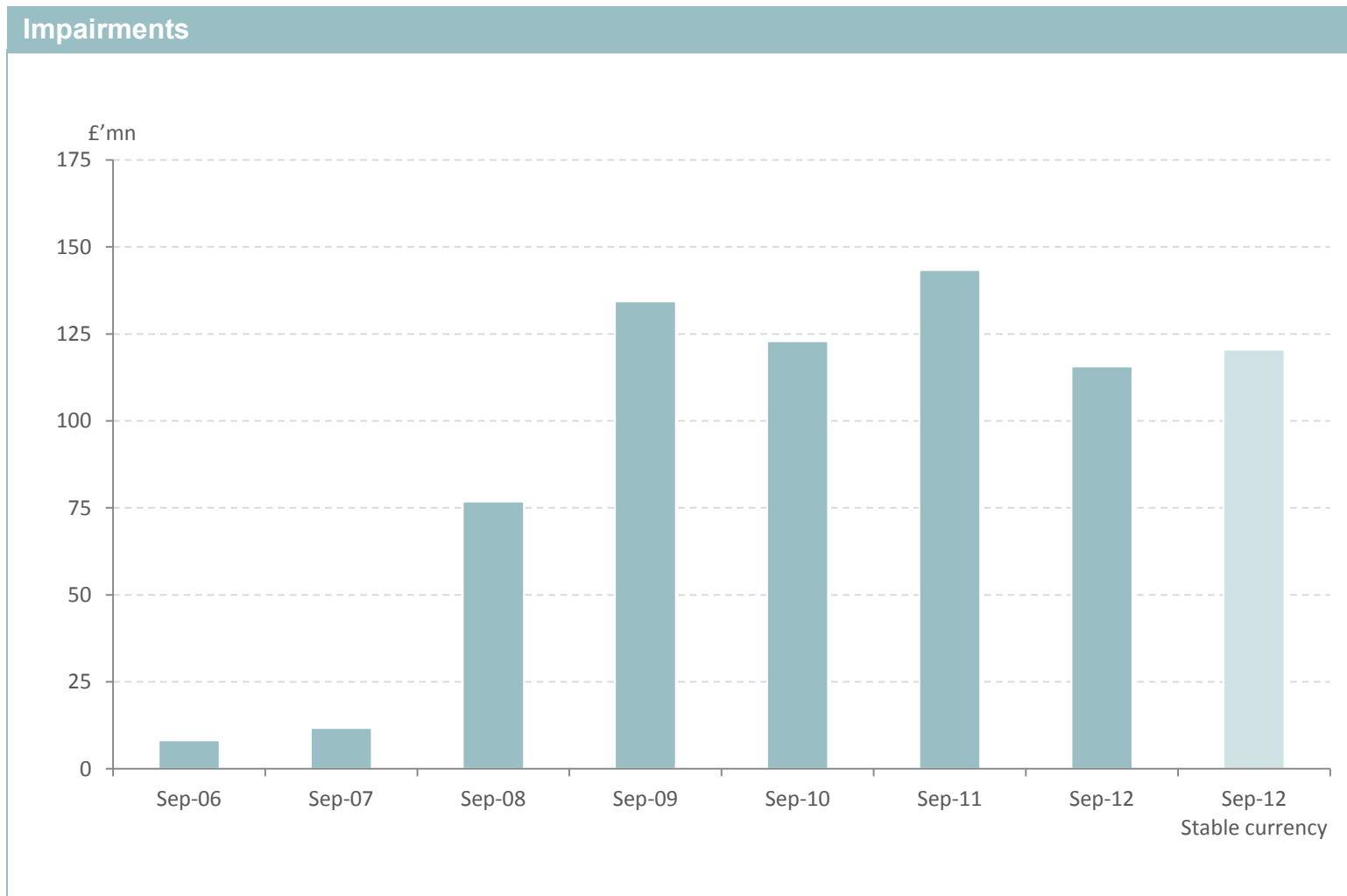
# Specialist Banking – Net fee and commission income



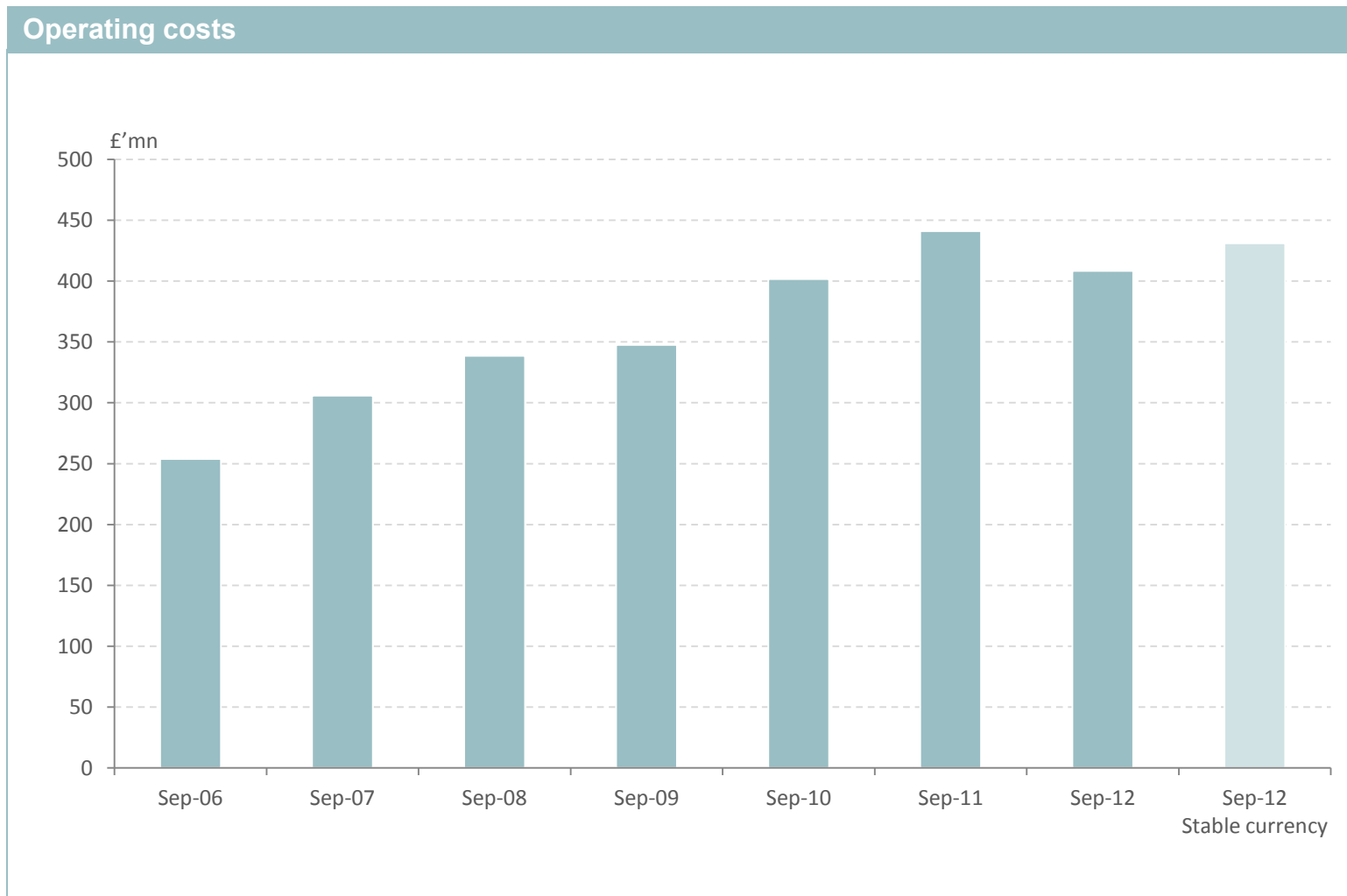
# Specialist Banking – Trading and investment income



# Specialist Banking – Impairments



# Specialist Banking – Operating costs







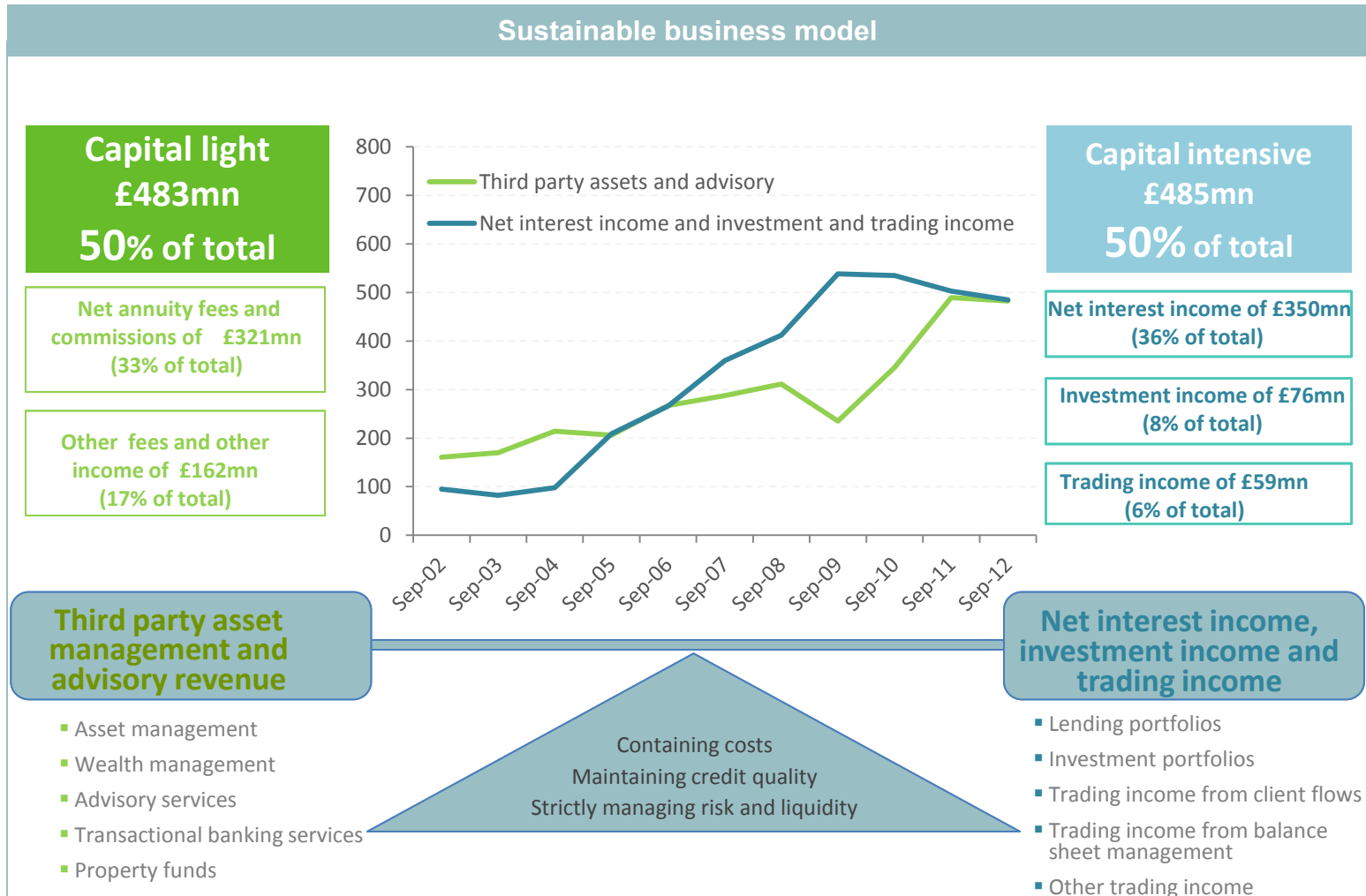
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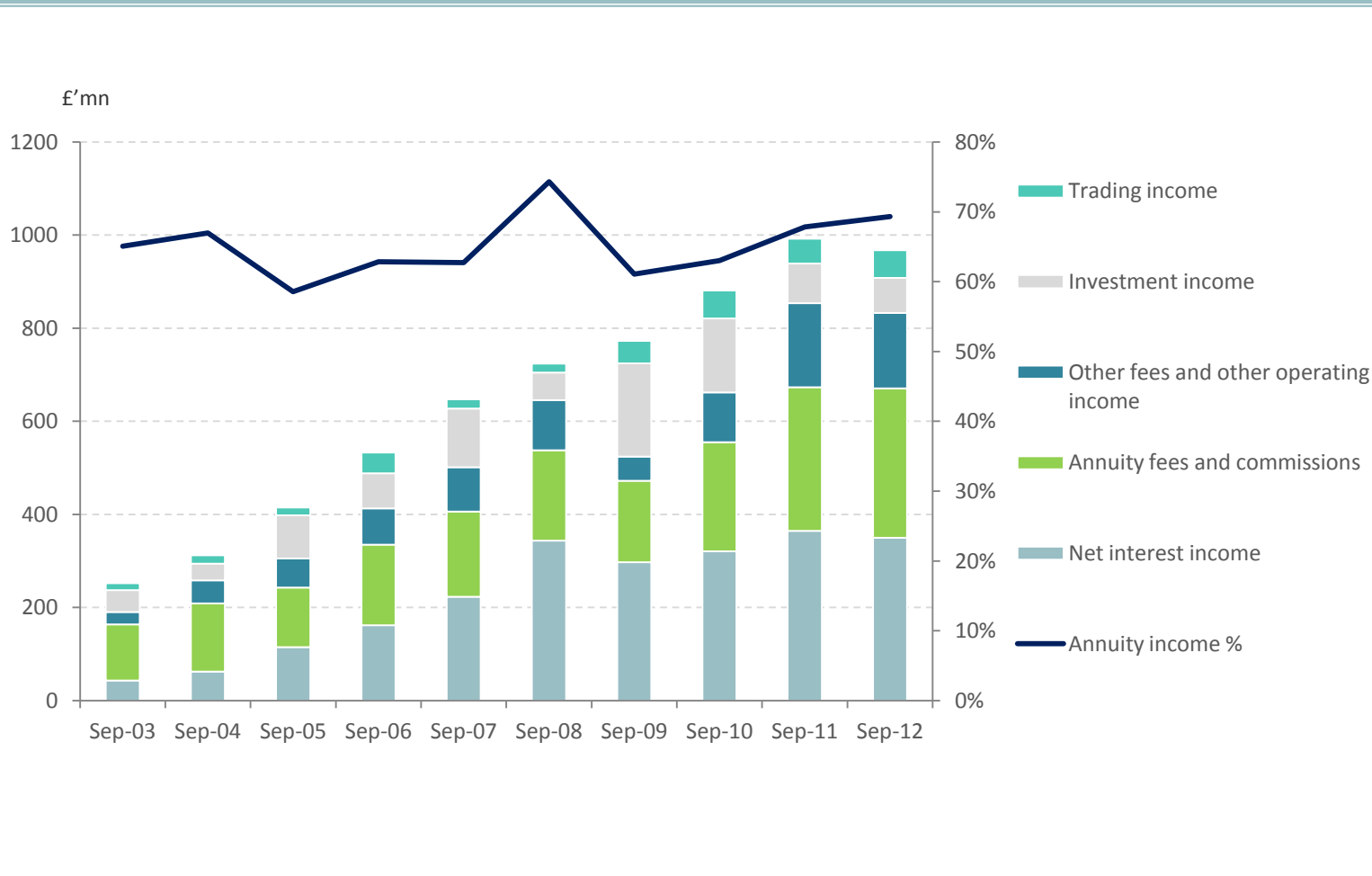
# Strategy

# We have built a balanced business model ...



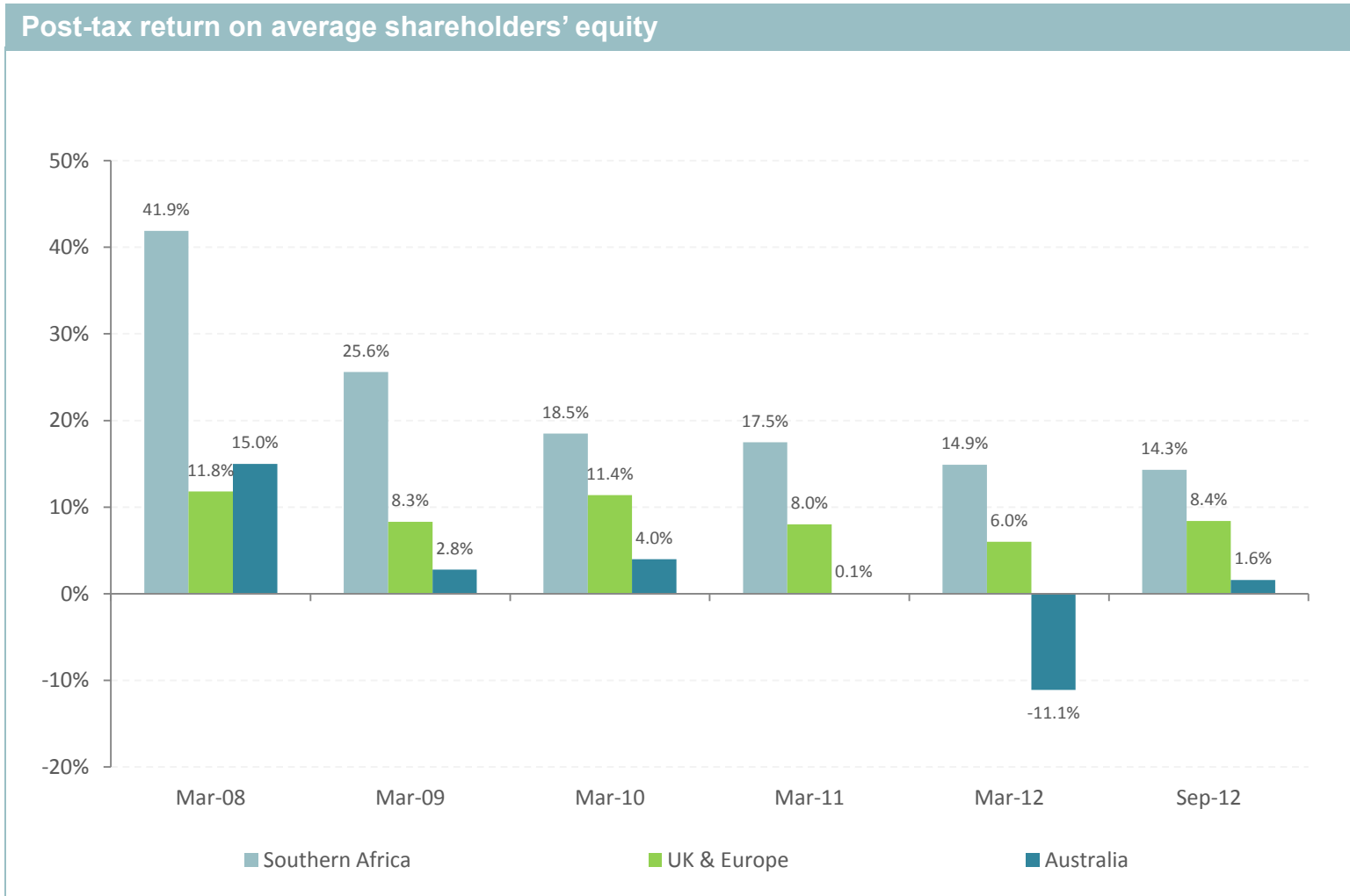
# ... with a recurring income base

Recurring income – average since 2003 of 66%

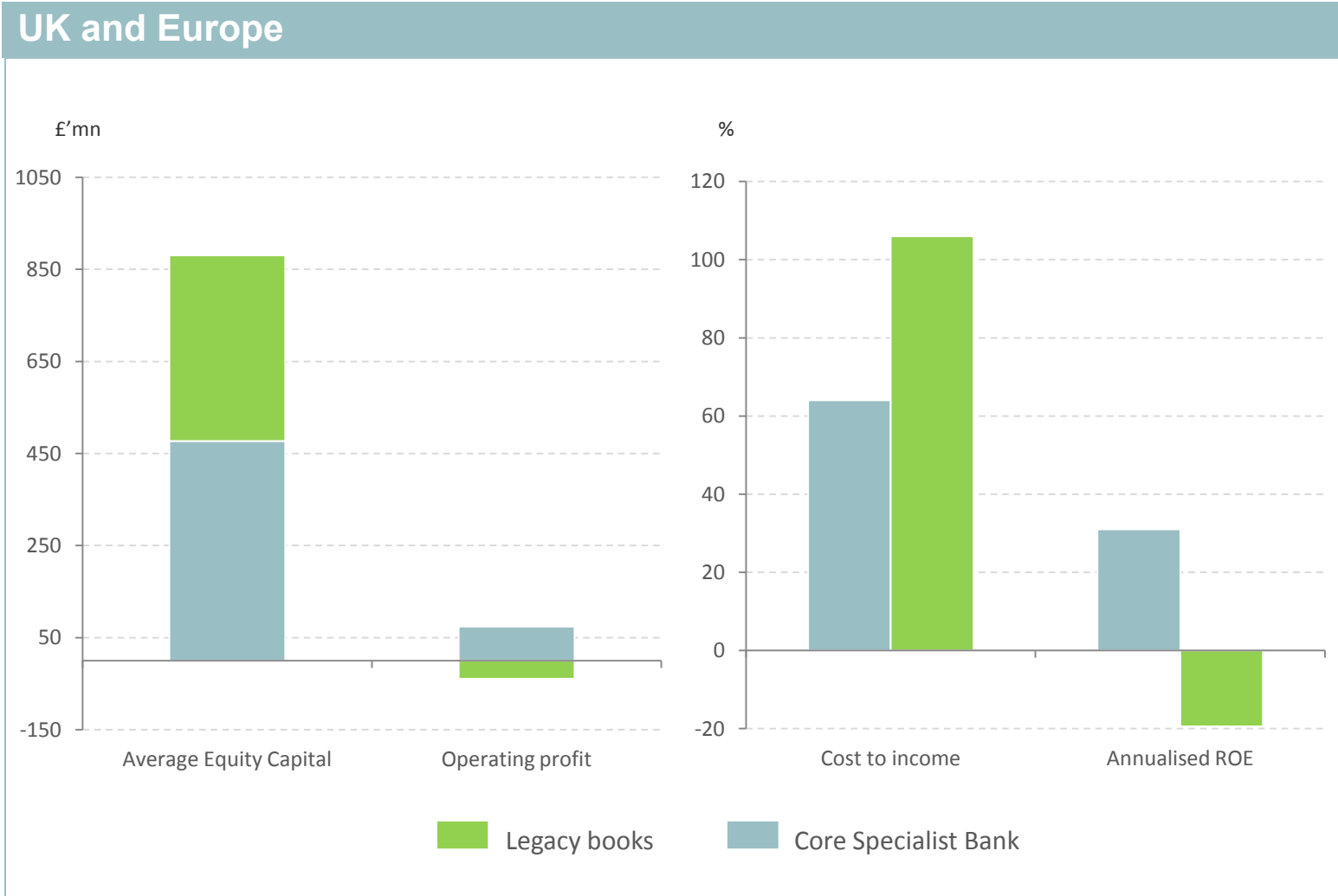


Note: annuity income is net interest income plus annuity fees

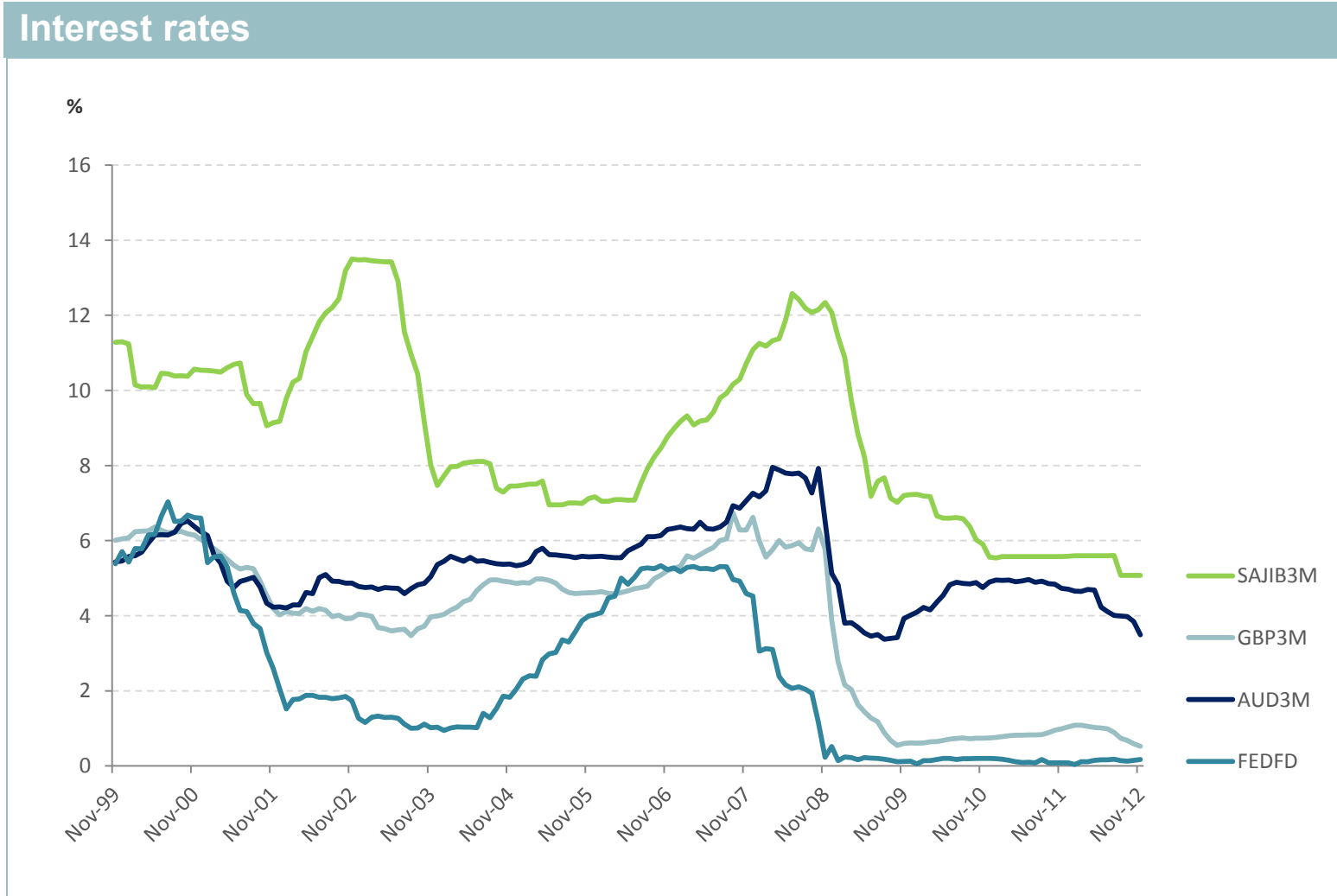
# But ROE is still a challenge



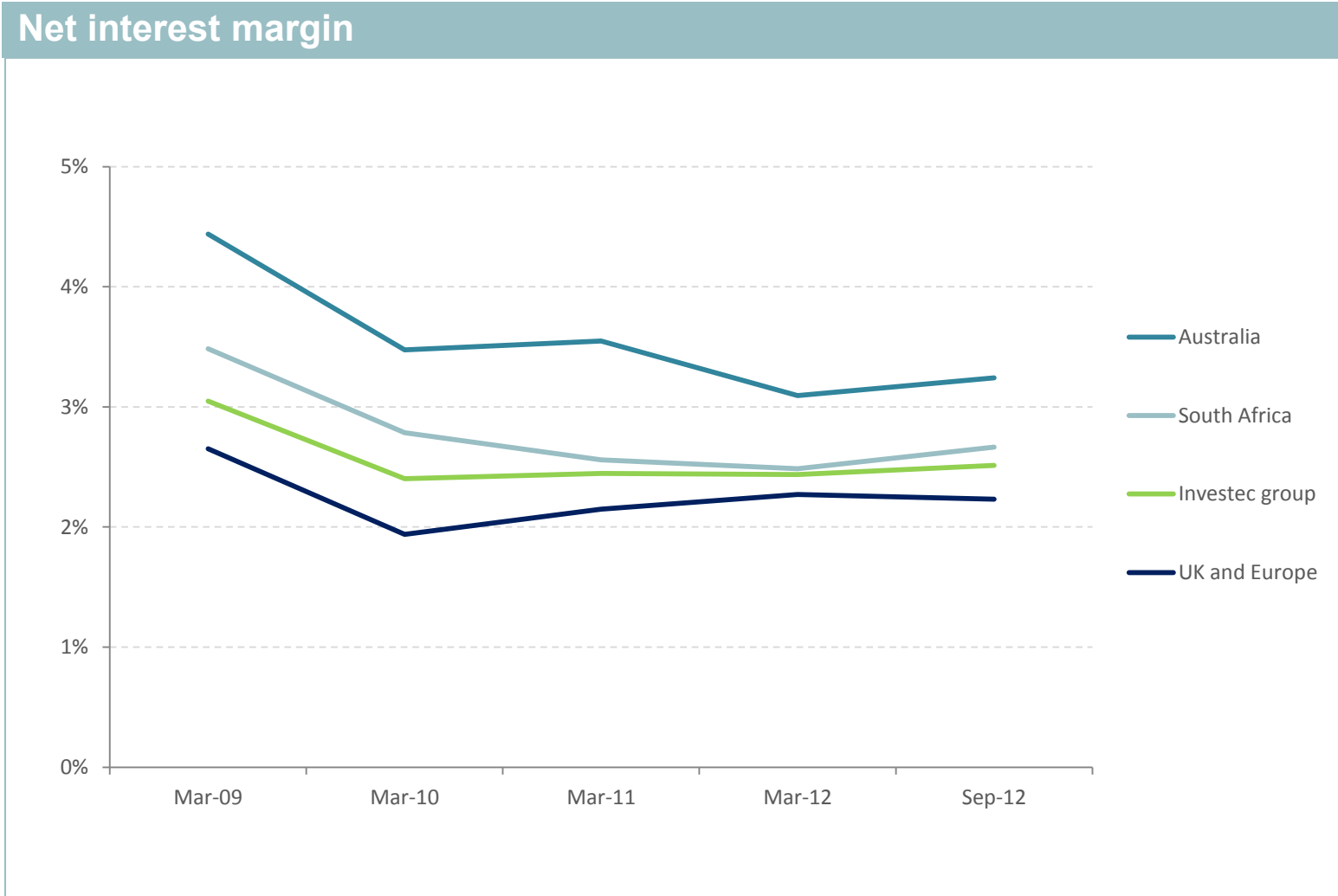
# Drag from the legacy books



# Low interest rates have had ...



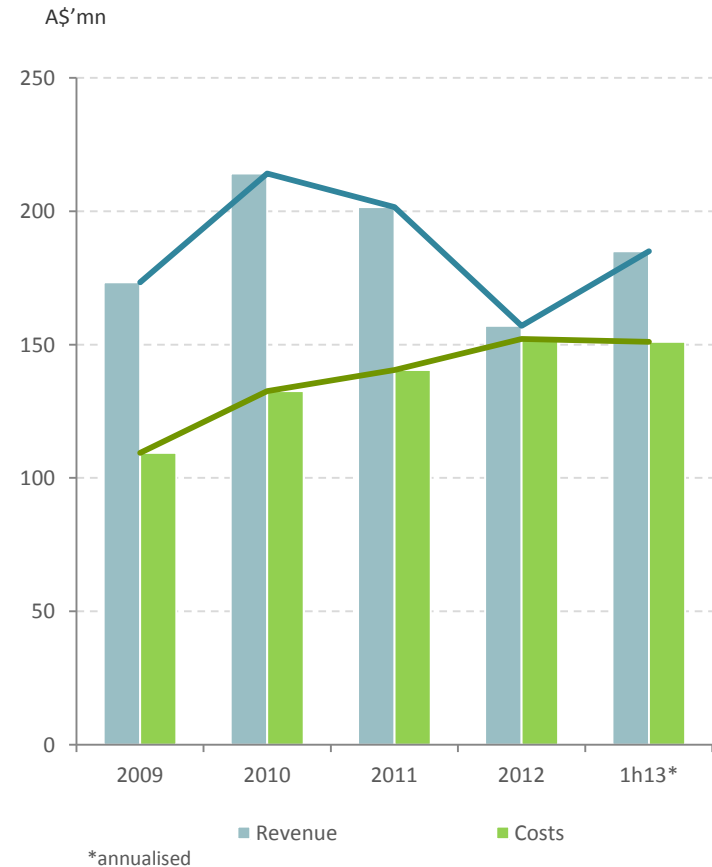
... negative endowment effect



# Scale in Australia

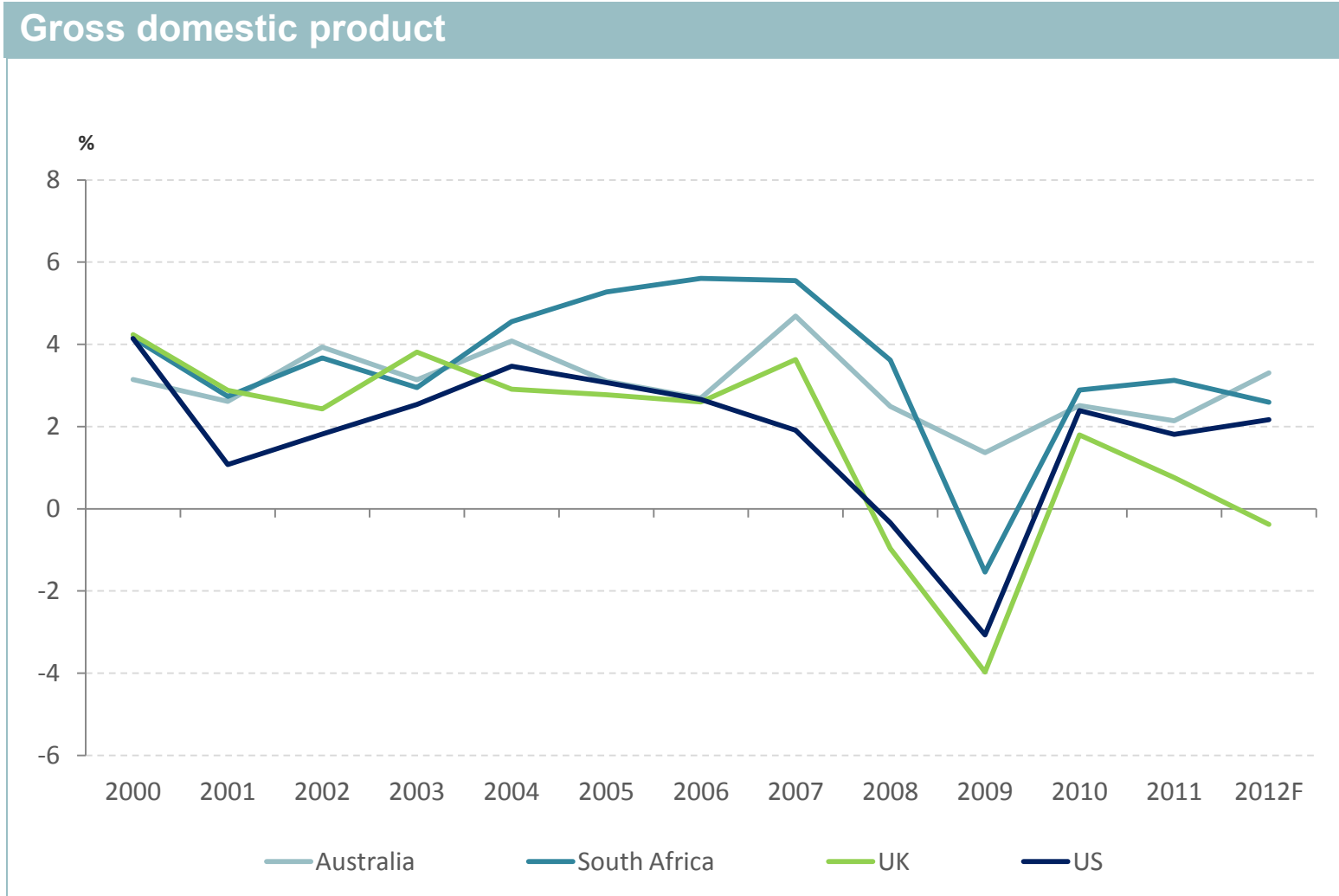
## Australia

- Restructure and clean-up of the business is now complete
- Core areas of activity have been defined
- Strong balance sheet has been built
- Well placed to grow core businesses
- Focused on smaller opportunistic acquisitions of people / teams to fill capability gaps





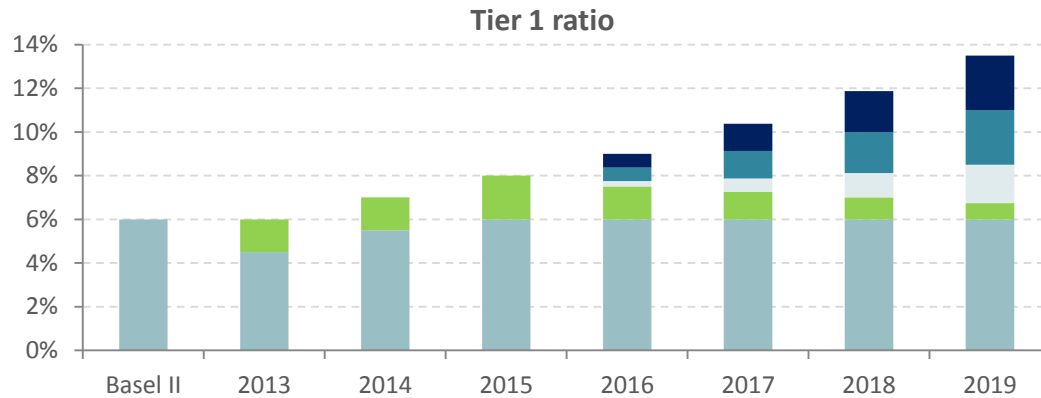
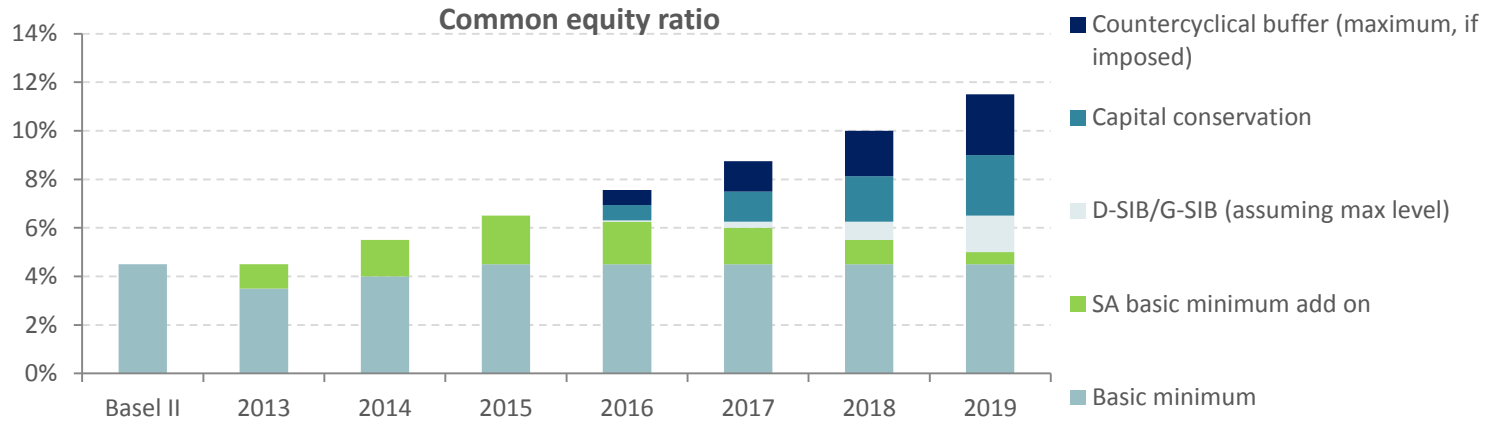
# Low activity levels



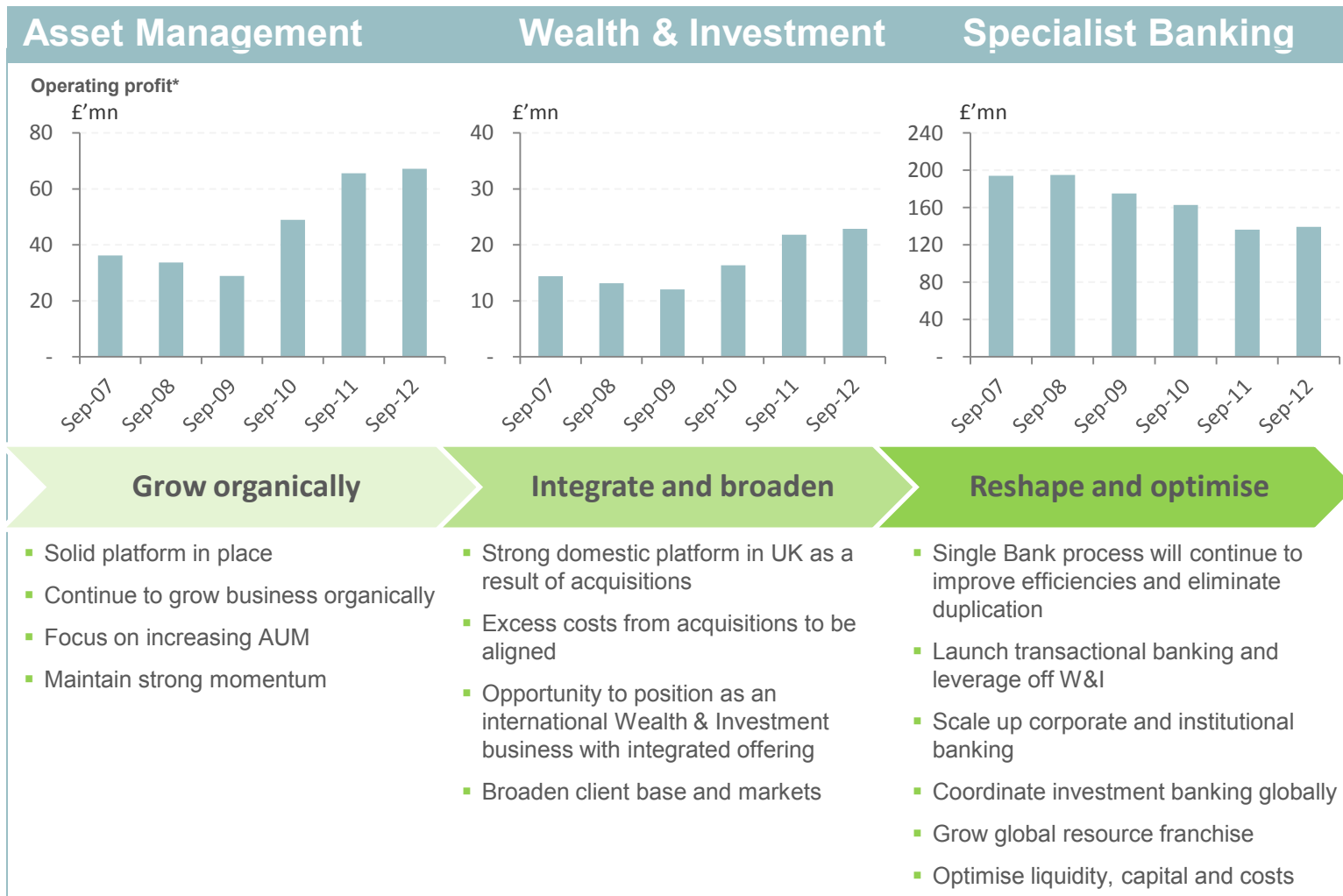
Source: IMF October 2012

# Higher capital requirements

## Basel III requirements



# Core strategic focus



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



## Building quality and depth of our franchise ...

### Some recognition received includes:

- Best Business Bank (Sunday Times Top Brands, 2012)
- Best Discretionary Service Wealth Management Award (City of London, 2012)
- Excellence in Institutional Asset Management CEO of the Year (Financial News Awards, Europe 2012)
- Emerging Markets Manager of the Year (aiCIO awards, 2012)
- Dealmaker of the Year, 9 out of the last 11 years (DealMakers, 2012)
- Highest Domestic Approval Rate (Visa Service Quality Performance awards, 2012)
- Middle East and Africa Financier for 2012 (Corporate Jet Investor awards)



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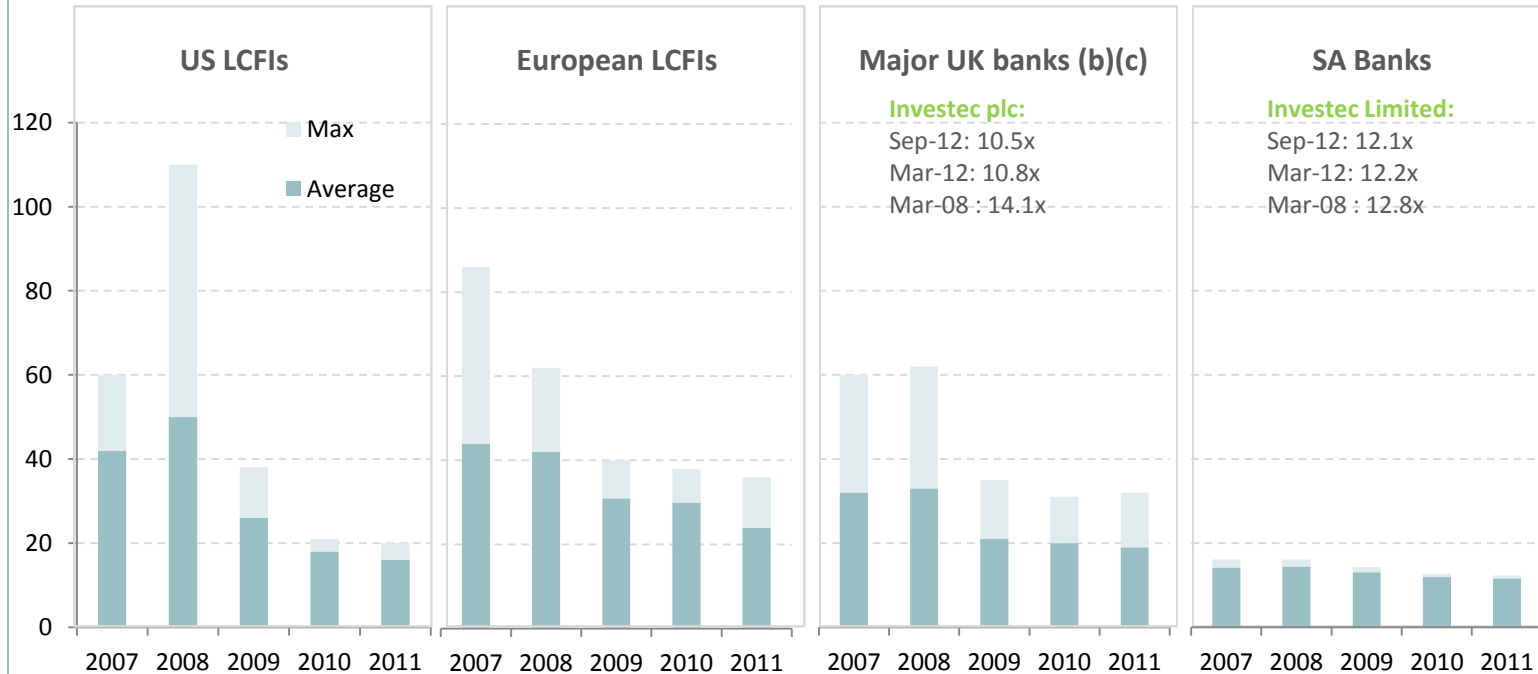
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## Outlook and closing

# The cliff risk hanging over the world appears to have subsided as the global banking systems stabilise

## Leverage ratios (times) (a)



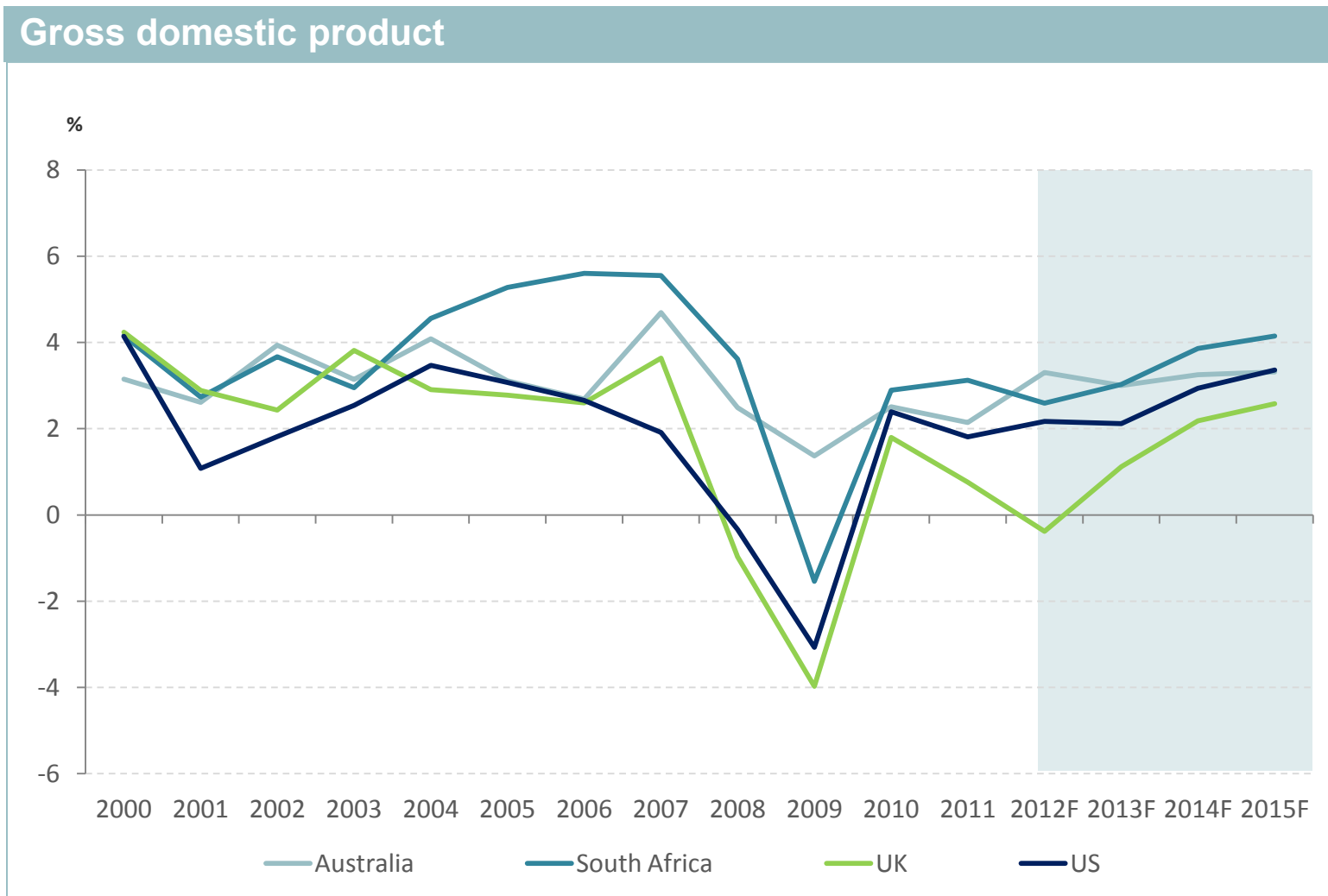
LCFIs (large complex financial institutions)

(a) Leverage ratio is defined as assets divided by capital. Assets are adjusted for cash items, tax assets, goodwill and intangibles. Capital includes total shareholders' equity adjusted for minority interests, preferred shares, goodwill and intangibles. Assets are also adjusted on a best-efforts basis to achieve comparability between US GAAP and IFRS with respect to derivatives and off balance sheet vehicles.

(b) Pro-forma data are used for RBS from 2007 to 2009.

(c) End-2011 for major UK banks except for National Australia Bank (31 March 2012) and Nationwide (4 April 2012).

# IMF expect growth to pick up over next few years



Source: IMF October 2012

But there are still significant macro risks

## Macro risks

Eurozone crisis

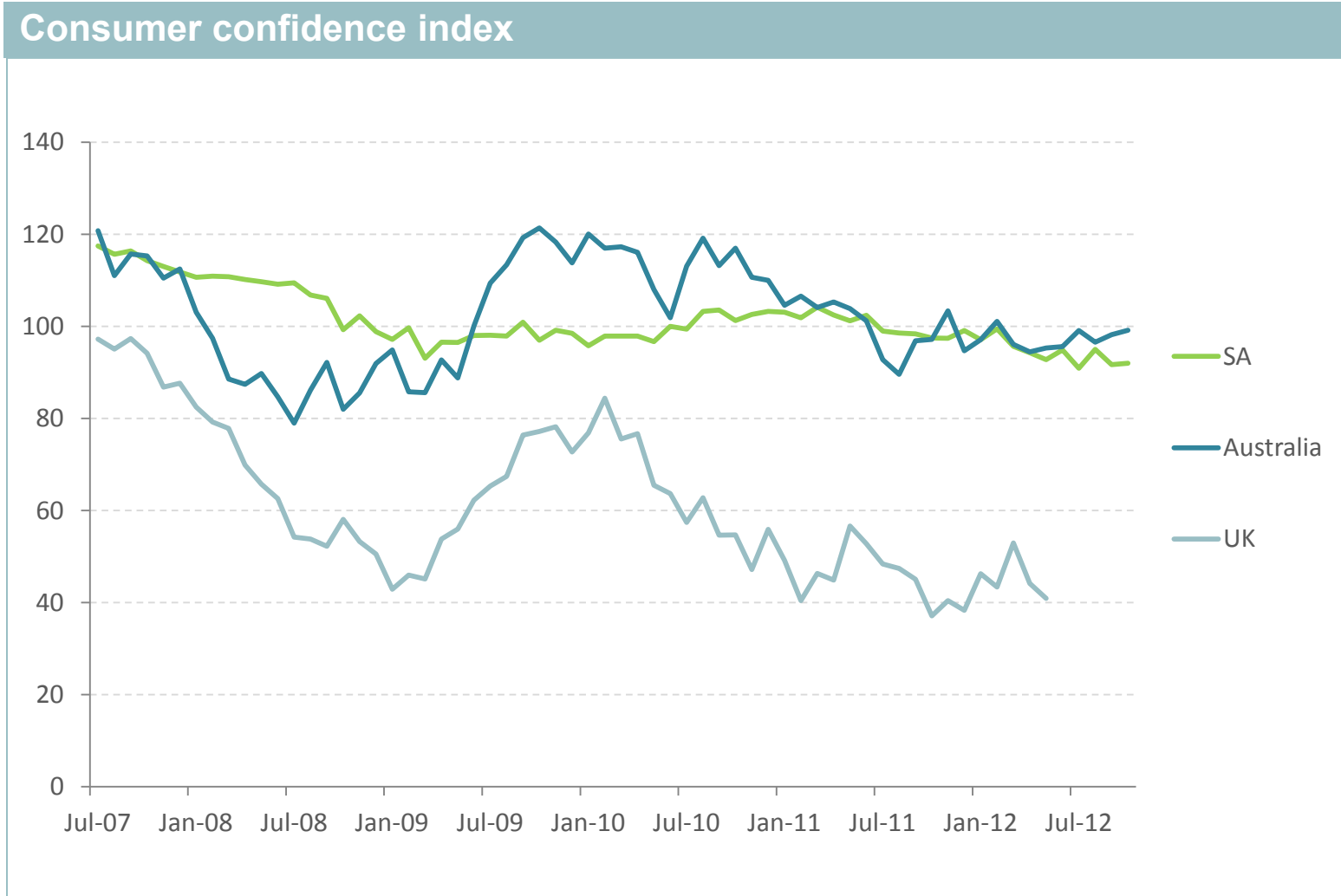
Growth in  
China

US Fiscal Cliff

Middle  
Eastern Unrest



... and confidence remains low



Source: Nationwide, The Westpac-Melbourne Institute, SACCI

## Well placed to benefit from an improvement in market conditions

- The global economic environment continues to be volatile with some significant macro risks unresolved
- The financial system has started to show signs of greater stability as the process of deleveraging slows down and the capital and liquidity structures of the major global banks continue to improve
- Investec's business model has been substantially realigned and the focus going forward is to consolidate the gains made in the asset management business and broaden the distribution of the wealth management offering
- The group will also continue the progress made in clearing legacy issues and improving returns in our specialist banking business
- Overall, Investec's balanced business model ensures the group has the necessary ability to adapt to the changing environment whilst being well placed to benefit from an improvement in market conditions

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# Results presentation

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