

*Out of the Ordinary*<sup>®</sup>

 **Investec**

Specialist Bank and  
Asset Manager

# Results presentation

For the year ended

**31 | 03 | 2011**



# The year in review



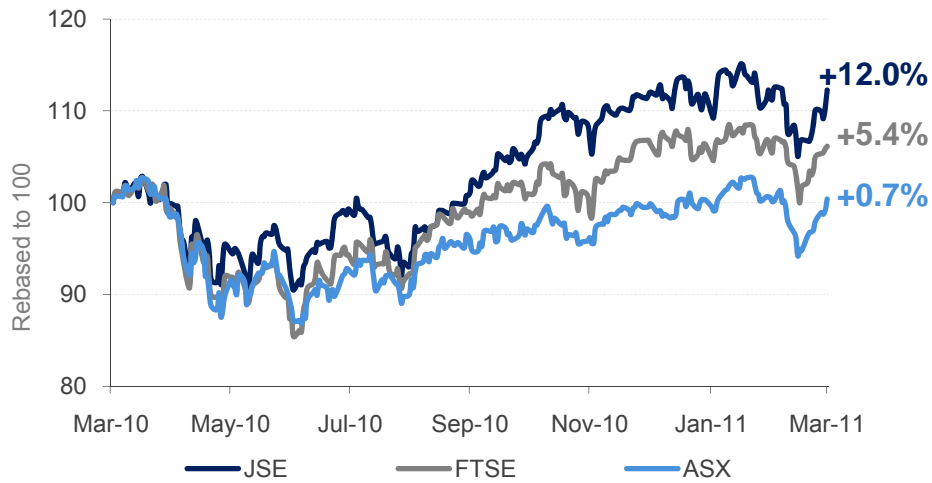
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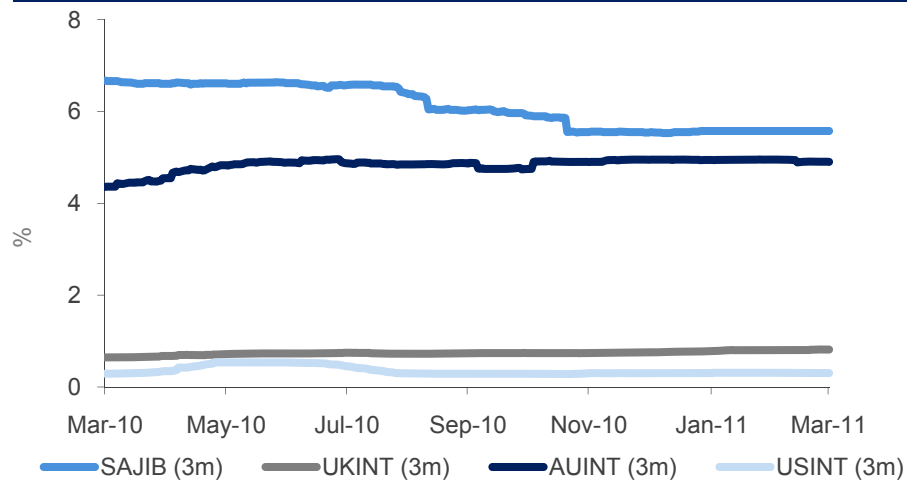
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# Mixed operating environment

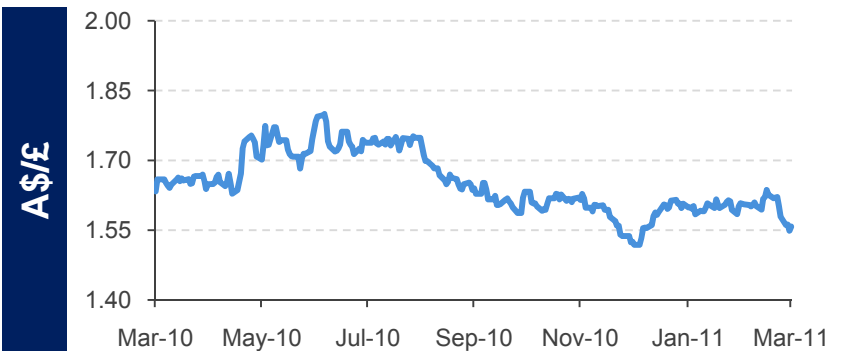
## Equity markets



## Interest rates



## Exchange rates



# Focused on reshaping the business

**2011**

**Strong operational performance from 5 of 6 core divisions with overall results constrained by the slow recovery of non-performing loans**

- ▶ Positioned the group as a specialist bank and asset manager
- ▶ Focused on realigning the business model by building our non-banking revenue streams
- ▶ Continued globalising our Asset Management business
- ▶ Globalising the Wealth and Investment business
  - ▶ Bought out the minorities of Rensburg Sheppards
  - ▶ Consolidated wealth management business from Private Bank
- ▶ Maintained high levels of liquidity and capital in response to the fluid banking environment and intensified regulatory requirements

**2012**

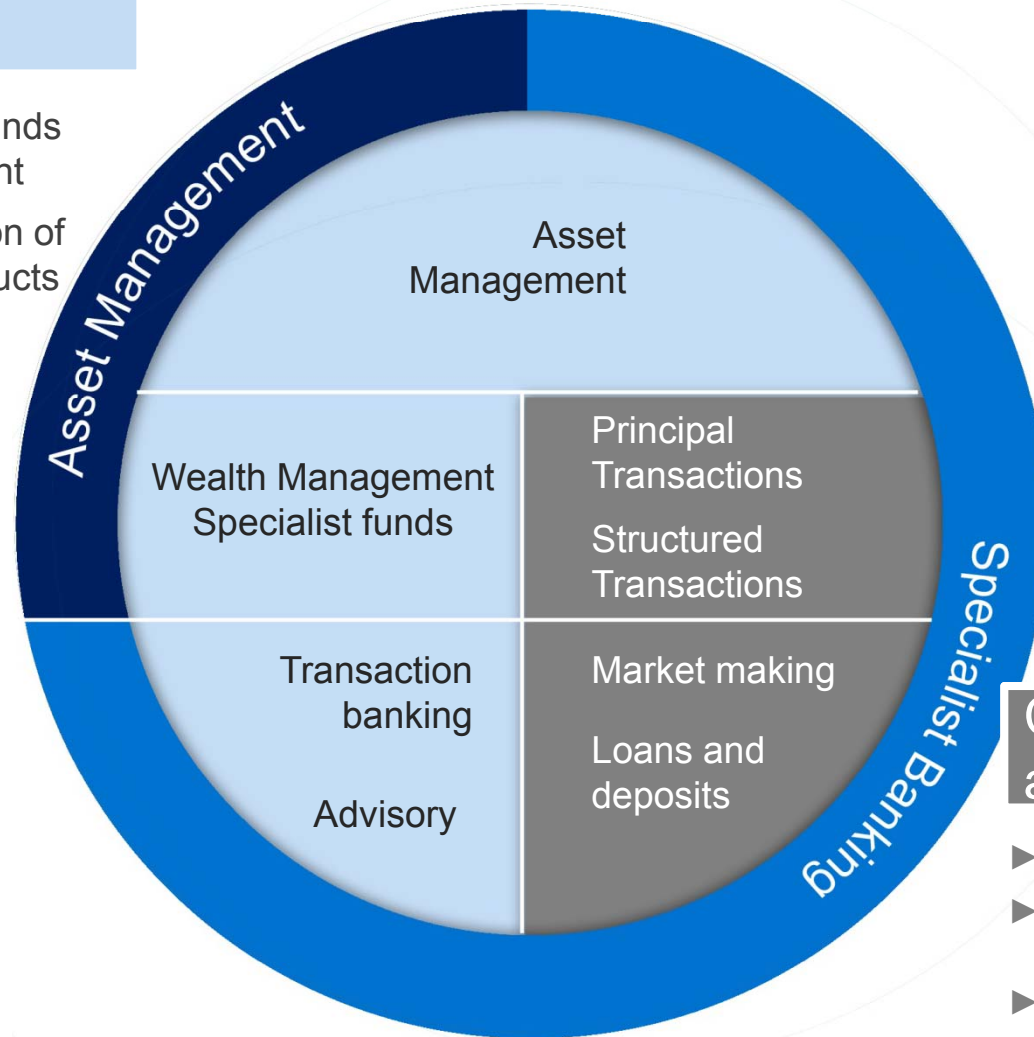
**Foundation for growth in place**

# Realigning the business model

Positioned the group as a specialist bank and asset manager

## Capital light and fiduciary

- ▶ Build third party funds under management
- ▶ Clear differentiation of markets and products



## Capital intensive and proprietary

- ▶ Grow loan portfolio
- ▶ Increase customer deposits
- ▶ Price risk appropriately

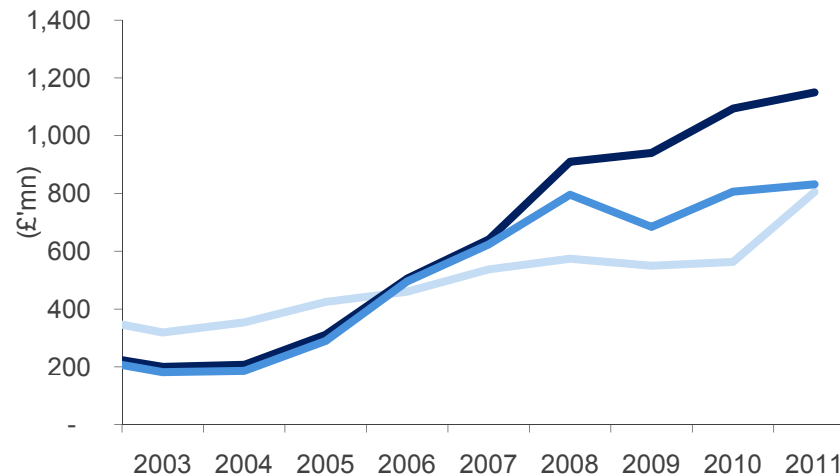
# Good progress in building capital light revenues

**Third party assets and advisory**  
£805 mn

**(41% of total)**

**Net fees and commissions of**  
£788 mn

**Other of**  
£17 mn



— Third party assets and advisory  
 — Net interest income and principal transactions  
 — Net interest income and principal transactions after impairments

**Proprietary risk capital**  
£1 150 mn

**Net interest income of**  
£681 mn

**(35% of total)**

**Principal transactions of**  
£469 mn

**(24% of total)**

Third party asset management and advisory revenue

- ▶ Asset management
- ▶ Wealth management
- ▶ Advisory services
- ▶ Transactional banking services
- ▶ Property funds

Net interest income and principal transactions

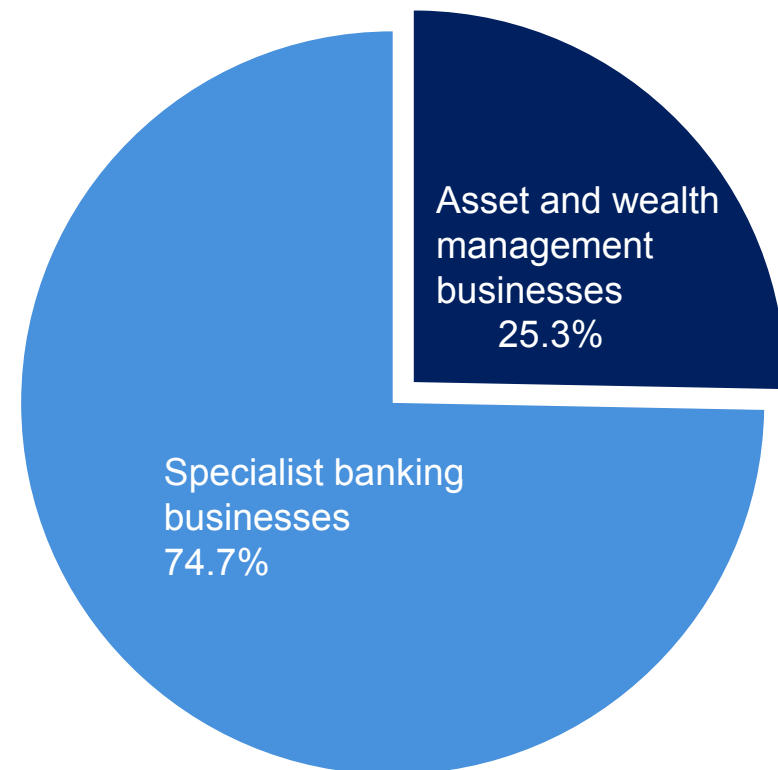
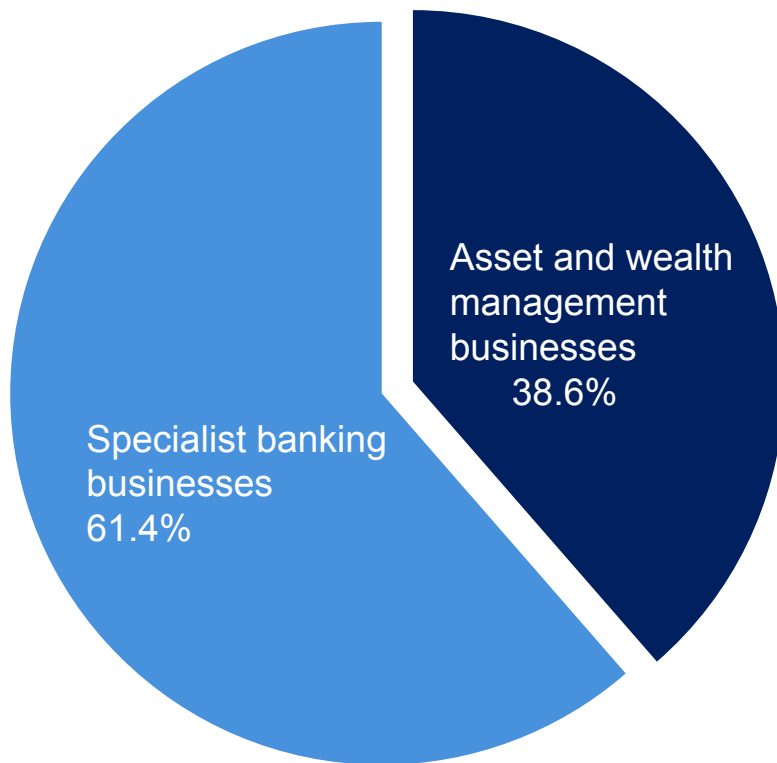
- ▶ Lending portfolios
- ▶ Principal transactions
- ▶ Structured transactions
- ▶ Market making

Containing costs  
 Maintaining credit quality  
 Strictly managing risk and liquidity

# Resulting in strong contribution from asset management and wealth management businesses

Contribution to group earnings 31 Mar-11

Contribution to group earnings 31 Mar-10



# Specialist banking impacted by increase in impairments and defaults

- ▶ The uncertain pace of economic recovery has slowed the improvement in the level of non-performing loans and defaults have continued to increase
- ▶ Credit loss charge increased from 1.16% to 1.27%

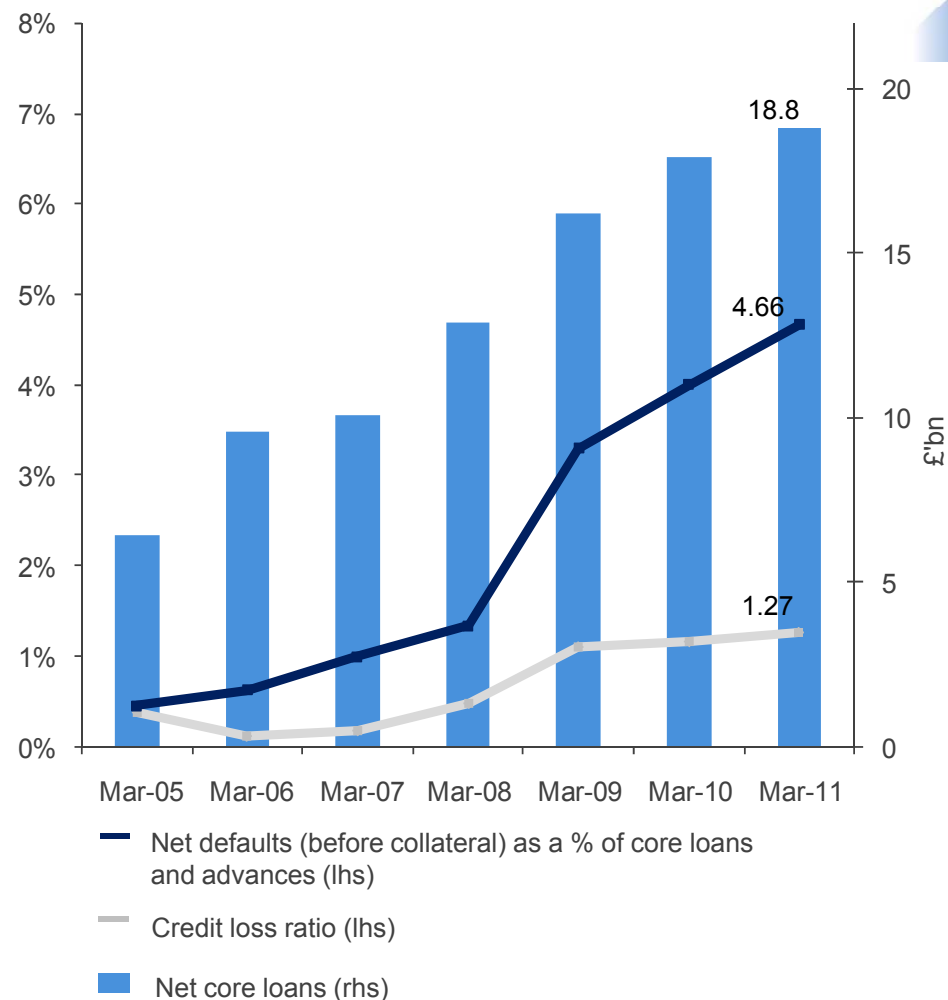
## Impairment analysis by geography

£'000	31 Mar-11	31 Mar-10	% change
UK	(112,567)	(138,732)	(18.9%)
Ireland	(97,918)	(49,598)	97.4%
Southern Africa	(77,538)	(70,841)	9.5%
Australia	(30,207)	(27,410)	10.2%
<b>Impairment losses on loans and advances</b>	<b>(318,230)</b>	<b>(286,581)</b>	<b>11.0%</b>

## Impairment losses on loans and advances in home currency

Southern Africa (R'mn)	(860)	(863)	(0.3%)
Australia (A\$m'n)	(49.5)	(51.3)	(3.5%)

## Defaults and core loans

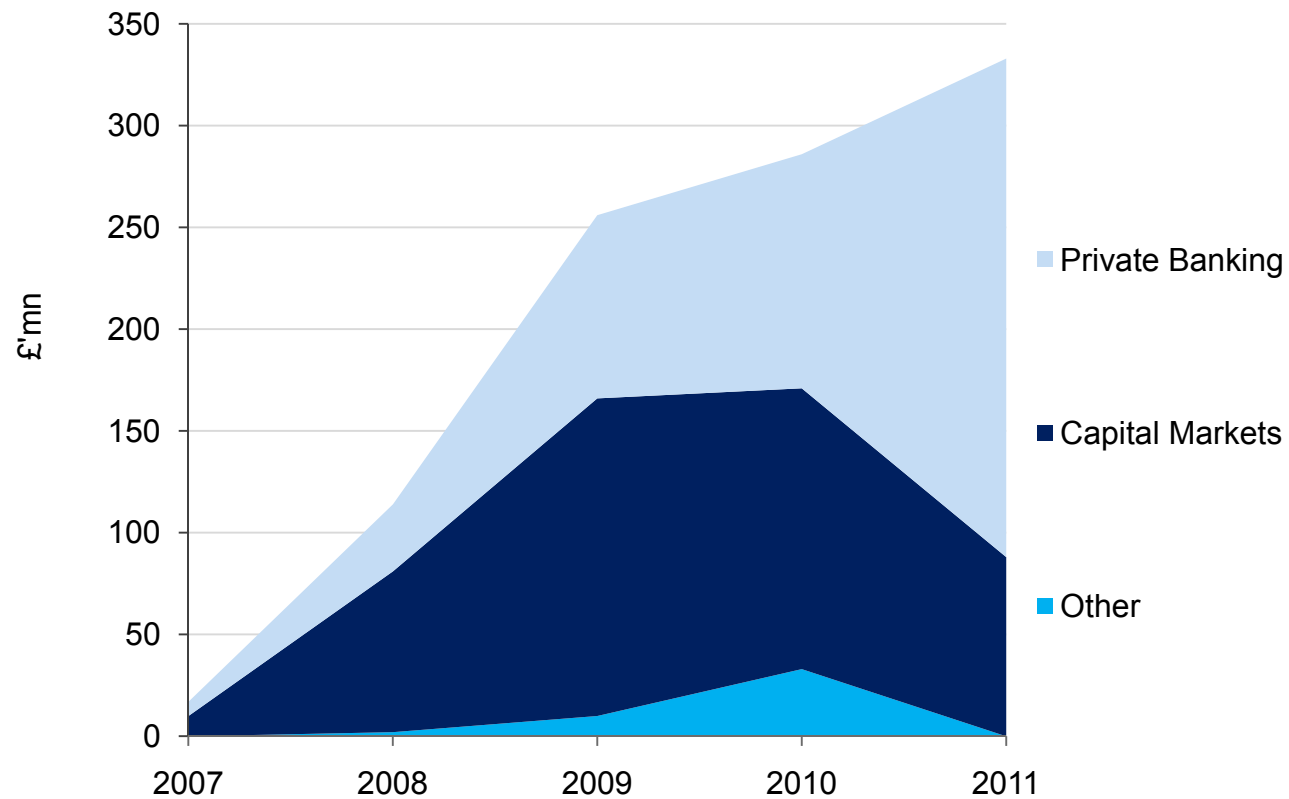




# Moving through the impairment cycle

- ▶ We believe we are moving through the cycle and expect to see a reduction in impairments during the 2012 financial year

## Impairments



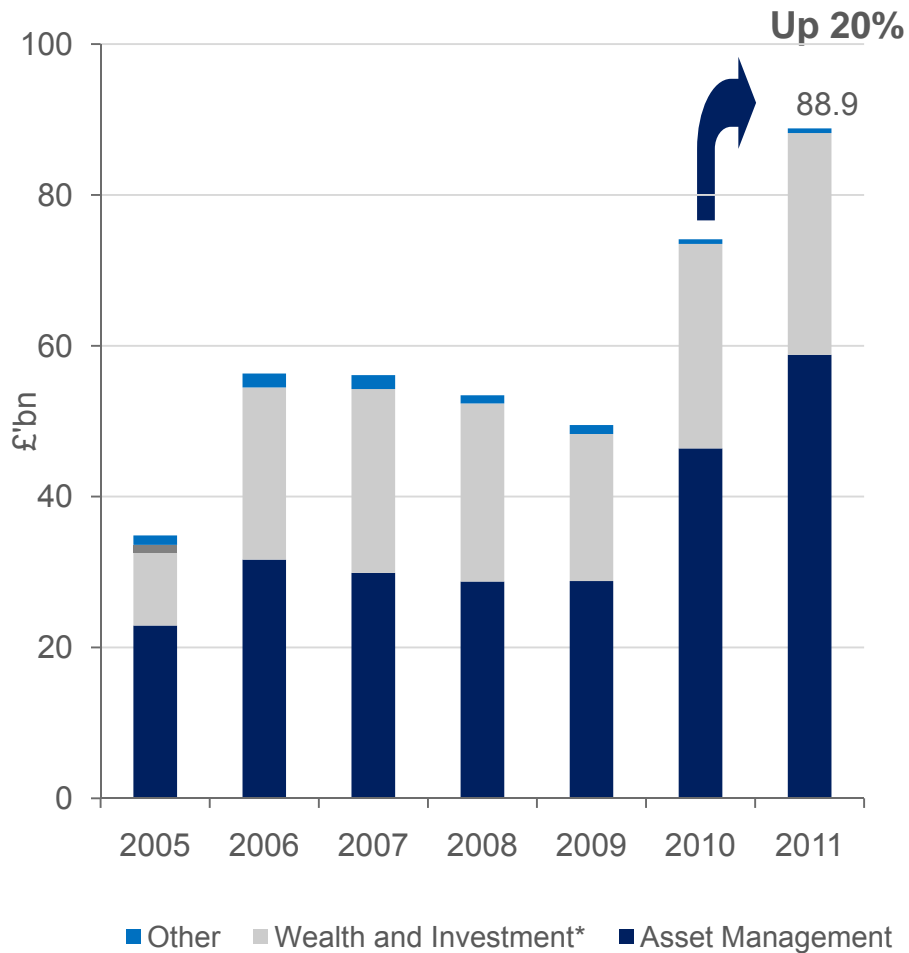
# Delivered a stable group performance

	Mar-11	Mar-10	% Change
Operating profit* before tax (£'000)	<b>434 406</b>	<b>432 258</b>	0.5%
Operating profit* before tax and impairment losses on loans and advances (£'000)	<b>752 636</b>	<b>718 839</b>	4.7%
Attributable earnings* (£'000)	<b>327 897</b>	<b>309 710</b>	5.9%
Adjusted EPS* (pence)	<b>43.2</b>	<b>45.1</b>	(4.2%)
DPS (pence)	<b>17.0</b>	<b>16.0</b>	6.3%
Net tangible asset value per share (pence)	<b>343.8</b>	<b>324.1</b>	6.1%
Total shareholders' equity (£'bn)	<b>4.0</b>	<b>3.3</b>	20.3%
Core loans and advances to customers (£'bn)	<b>18.8</b>	<b>17.9</b>	4.8%

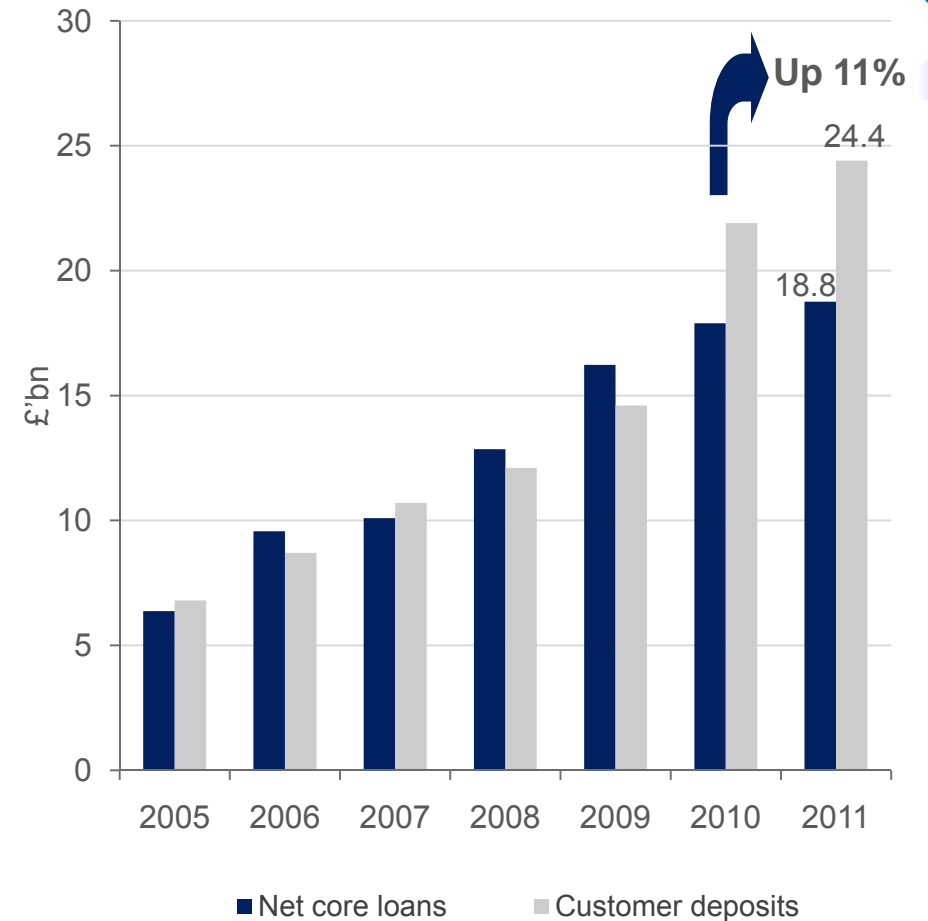
\*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests

# Supported by core earnings drivers

## Third party assets under management



## Customer accounts (deposits) and loans

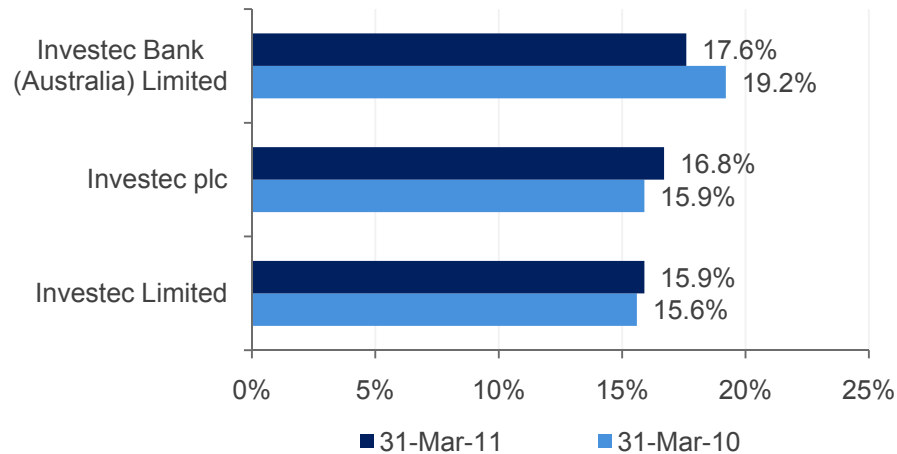


\*Incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.

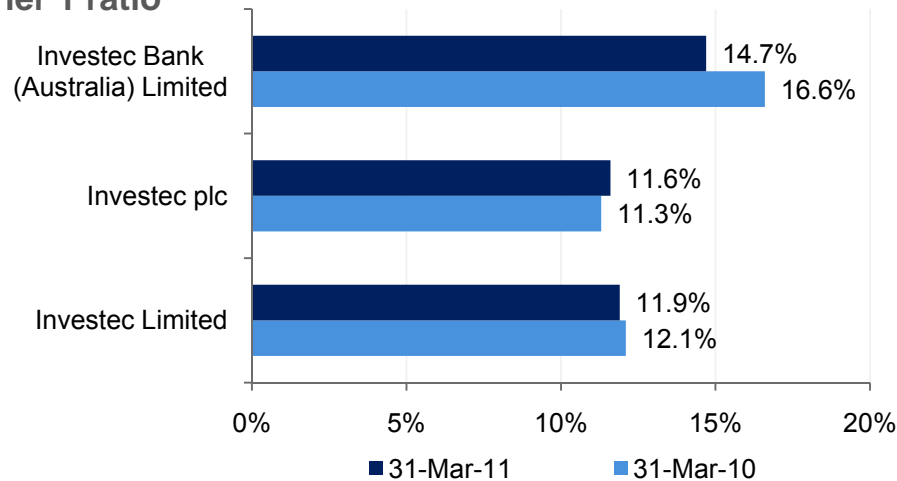
# And a sound capital and liquidity position

## Capital position

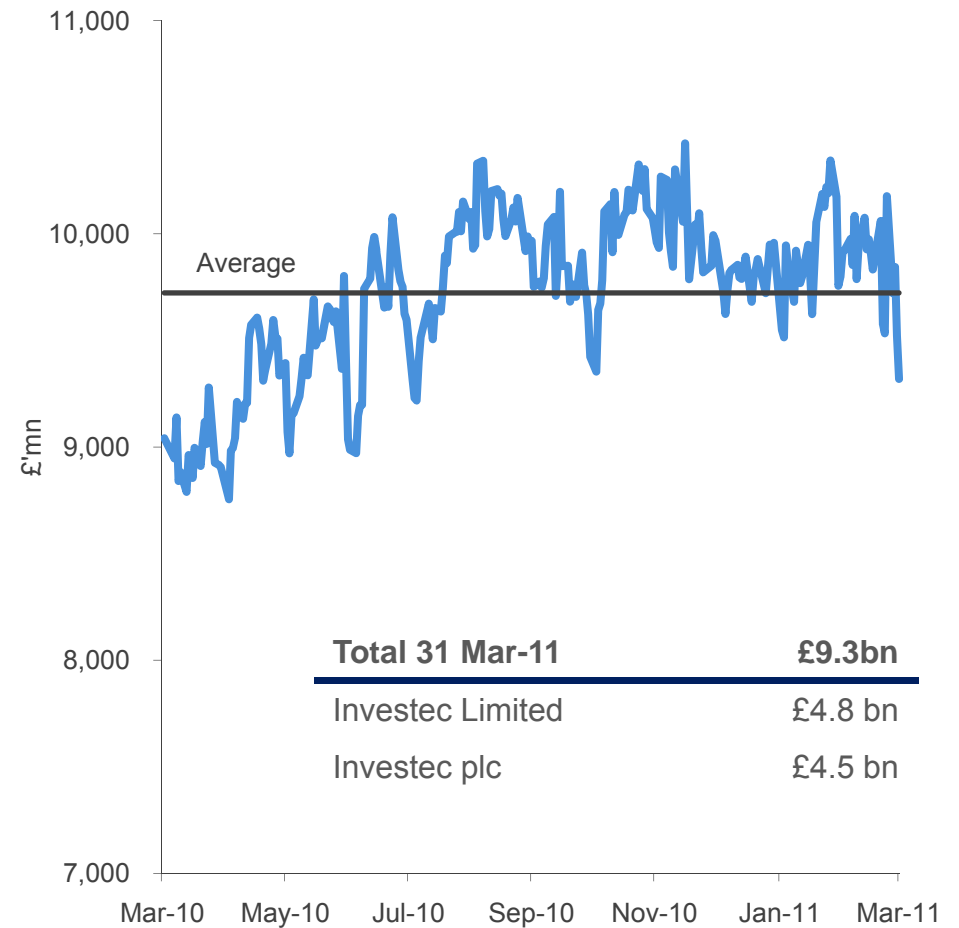
### Capital adequacy ratio



### Tier 1 ratio



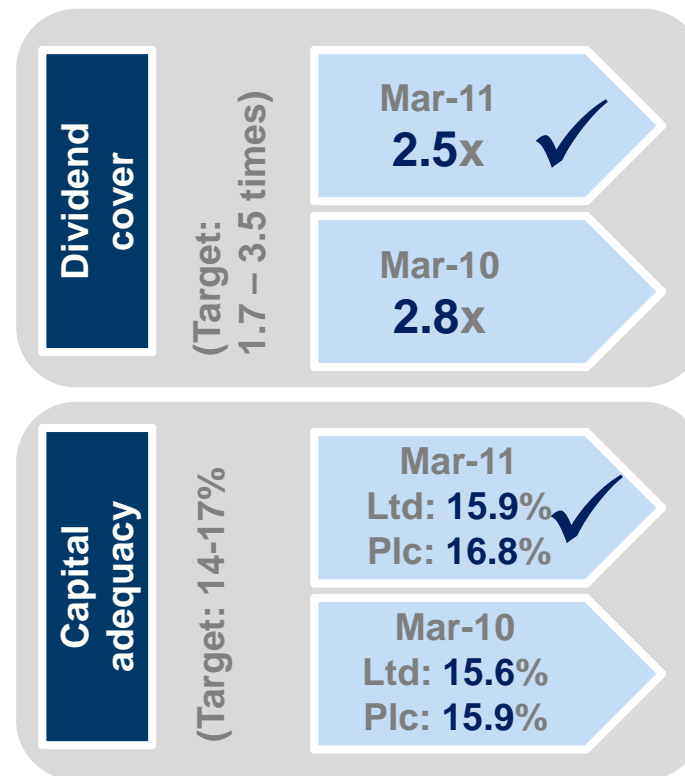
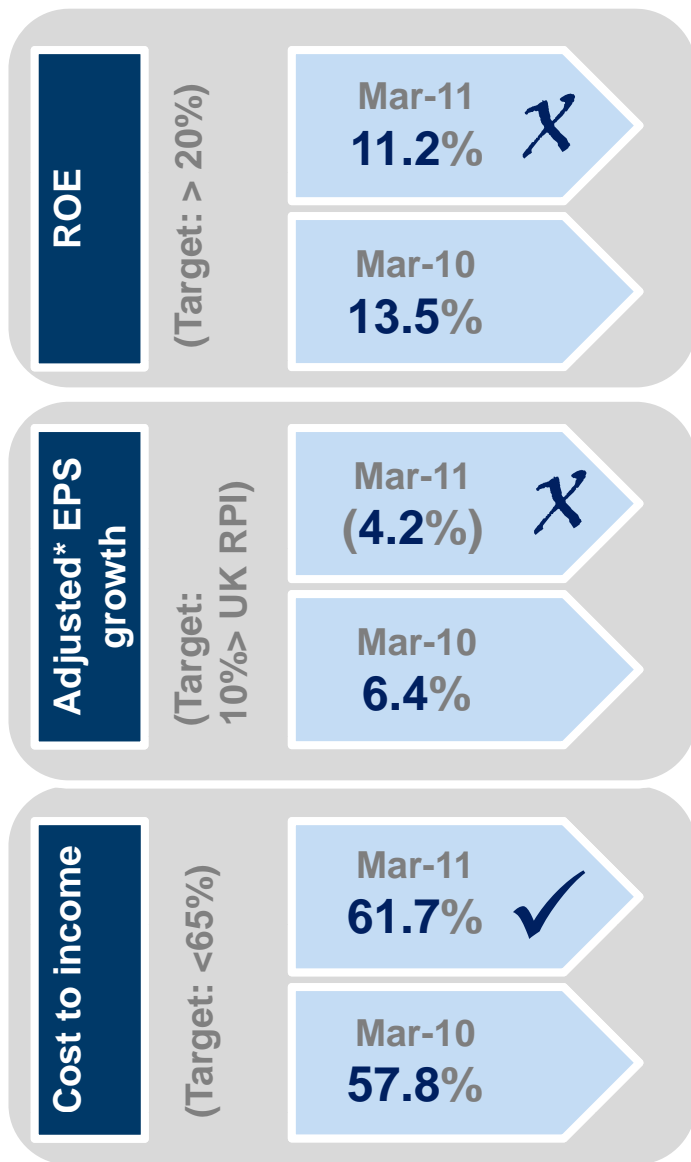
## Cash and near cash balances



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

# Financial Targets

ROE and EPS targets difficult to achieve in this environment



*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.*

\*As determined in accordance with IFRS. Adjusted EPS is before goodwill, non-operating items, acquired intangibles and after the accrual of dividends attributable to perpetual preference shareholders

# Operational review



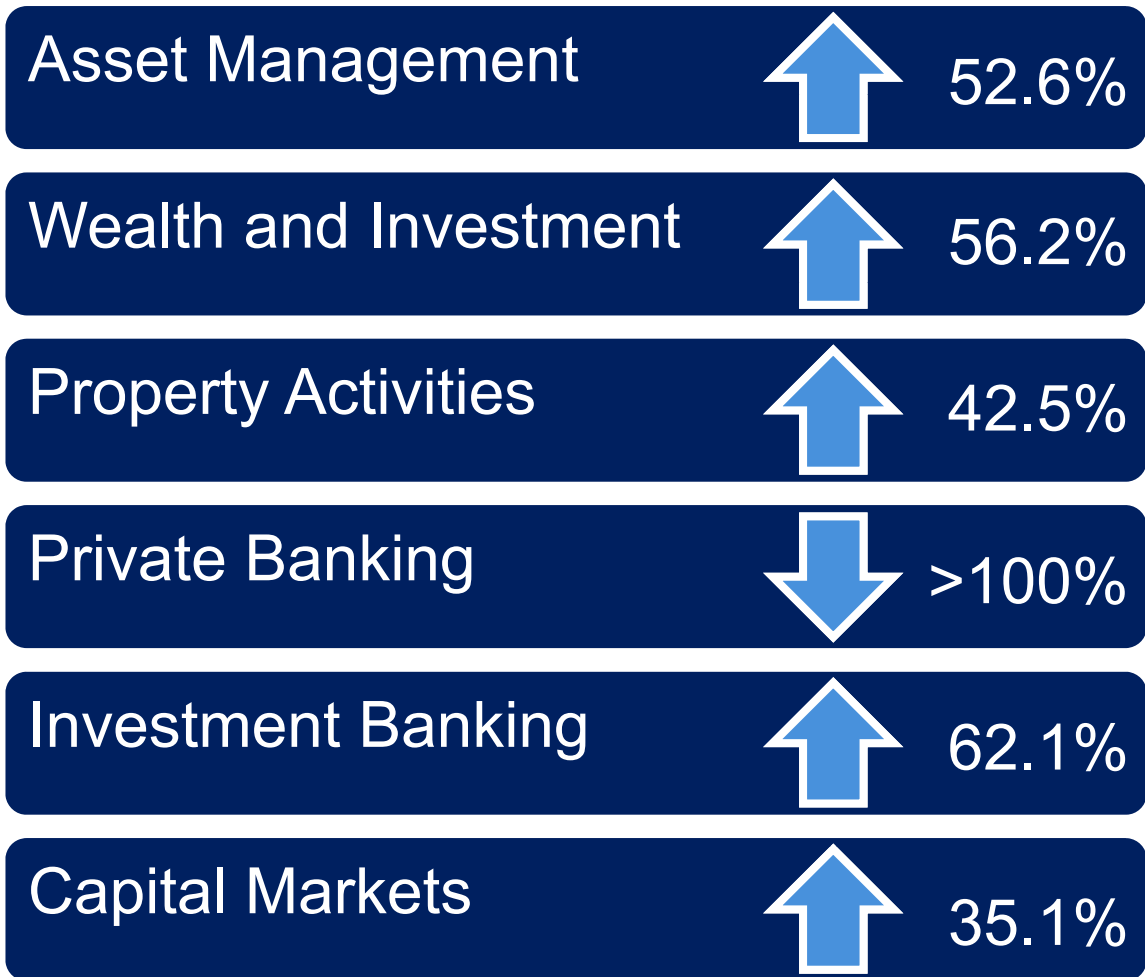
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# Divisional performance

Operating profit\* by business for 31 Mar-11



\*Before goodwill, acquired intangibles and before taxation but after non-controlling interests

# Asset Management

(29.3% of group)



## Overview of performance

- ▶ Good investment performance (always the priority)
- ▶ Assets under management increased 27% to £58.8bn with strong net inflows of £7.4bn
- ▶ Experienced and stable team continues to build successful capabilities

	Mar-11	Mar-10	% change
Operating profit* (£'mn)	<b>127.3</b>	83.4	52.6%
Assets under management (£'bn)	<b>58.8</b>	46.4	26.7%
Cost to income	<b>63.0%</b>	66.6%	
ROE (pre-tax)**	<b>78.5%</b>	53.0%	
Tangible ROE (pre-tax)^	<b>329.7%</b>	337.3%	

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

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

^ Return on adjusted tangible shareholders' equity (excluding goodwill)



# Asset Management



## Outlook

- ▶ Our long term strategy remains unchanged and we are committed to managing our clients' money to the highest standard possible
- ▶ We now have a globalised client footprint with seven distinct and scaleable investment capabilities
- ▶ Business and earnings momentum is positive
- ▶ Continue to add scale, reinforcing our position as an independent pure play asset manager

# Wealth and Investment

(9.3% of group)



## Overview of performance

### UK

- ▶ Benefited from higher funds under management and the acquisition of Rensburg Sheppards plc resulting in the consolidation of our private wealth management businesses

### South Africa

- ▶ Key focus was on integrating the Private Banking wealth management business
- ▶ The performance was negatively impacted by increased personnel costs resulting from the merger, higher IT costs and lower earnings on deal driven and asset swap activities

	Mar-11	Mar-10	% change
Operating profit* (£'mn)	40.4	25.9	56.2%
Funds under management^^ (£'bn)	29.4	25.8	14.0%
SA Funds under management (R'bn)	158.8	133.9	18.6%
Cost to income (excluding income from associates)	75.4%	64.6%	
ROE (pre-tax)**	16.5%	101.5%	
Tangible ROE (pre-tax)^	78.7%	120.4%	

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

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

^^Total third party assets held under management excluding the Rensburg Fund Management business which was sold in January 2011

# Wealth and Investment



## Outlook

### UK

- ▶ Performance dependent on level of equity markets
- ▶ To achieve net organic growth of funds under management of 5% per annum
- ▶ Rensburg Sheppard's to adopt Investec brand from June 2011

### South Africa

- ▶ While equity markets have improved, the economic outlook remains uncertain.
- ▶ Future performance will be influenced by the level of the equity markets and the direction of the Rand
- ▶ Cost growth will be lower than the year under review
- ▶ The newly merged business is well positioned to leverage off a more streamlined cost and operational base

# Property Activities

(11.0% of group)

## Overview of performance

- ▶ Performance supported by continued enhancement of the investment property portfolio in **South Africa**
- ▶ Post year end, listed the Investec Property Fund Limited on the JSE raising R807mn
- ▶ The **Australian** business benefited from the acquisition and sale of investments
- ▶ Raised a new opportunity fund

(£)	Mar-11	Mar-10	% change
Operating profit* (mn)	47.7	33.5	42.5%
Cost to income	35.2%	37.4%	
ROE (pre-tax)**	39.6%	41.0%	

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

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

# Property Activities



## Outlook

### South Africa

- ▶ The business has a substantial pipeline of development and re-development projects
- ▶ Good reception to the launch of the new property fund
- ▶ Building funds under management

### Australia

- ▶ With property fundamentals stabilising, we are well positioned in current market conditions to take advantage of opportunities for property and development acquisitions through principal investment and partnering with investors through joint ventures or syndicates
- ▶ Intend to fully invest IPOF2 during 2011

# Private Banking

(0% of group)

## Overview of performance

- ▶ Managed to maintain revenues during a very difficult period
- ▶ Profitability down as a result of
  - ▶ Low activity levels
  - ▶ Lack of exits
  - ▶ Sharp rise in impairments as a result of the prolonged weak economic environment

(£)	Mar-11	Mar-10	% change
Operating income (mn)	<b>399.6</b>	390.5	2.3%
Operating profit* (mn)	<b>(91.4)</b>	37.1	(>100%)
Loan book (bn)	<b>13.3</b>	12.9	3.0%
Deposit book (bn)	<b>12.5</b>	11.8	5.9%
Cost to income	<b>61.6%</b>	61.0%	
ROE (pre-tax)**	<b>(9.2%)</b>	5.3%	

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

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

# Private Banking



## Outlook

### UK

- ▶ We have taken a number of steps to strengthen the business
- ▶ Activity levels are slowly being restored and we are starting to gain momentum as private clients get back on their feet
- ▶ Significant initiatives to underpin growth, e.g. plans to launch transactional banking and current account

### SA

- ▶ Deal flow is starting to pick up but will take some time to translate to revenue
- ▶ Will benefit from action taken to separate the specialisations from the banking businesses

### Australia

- ▶ Experien's diversified book is starting to gain momentum
- ▶ Launching a card and transactional banking initiative

# Private Banking



## Strategy

- ▶ We recognise that we got caught in the final phases of the bull market and have had to rethink our strategy for this business
- ▶ The entrepreneurial and high net worth clients who took on too much leverage have been impacted by the financial crisis
- ▶ As a consequence we have reviewed all of our risk appetite philosophies and tightened up our focus on target clients to ensure a greater degree of resilience to cycles without inhibiting our entrepreneurial flair



# Investment Banking

(15.5% of group)

## Overview of performance

- ▶ Good result overall with mixed performance across geographies and business activity
- ▶ Strong result from **Principal Investments**
  - ▶ The South African and Hong Kong businesses are scalable and are benefiting from well diversified portfolios
- ▶ The **Agency and Advisory** business, across all three geographies benefited from a good deal pipeline but trading conditions in the Institutional Stockbroking business remain difficult

(£)	Mar-11	Mar-10	% change
Operating profit* pre consolidated investments (mn)	<b>86.7</b>	62.5	38.7%
Investments required to be consolidated (mn)	<b>(19.3)</b>	(20.9)	7.7%
Operating profit* post consolidated investments (mn)	<b>67.4</b>	41.6	62.1%
Cost to income <sup>^</sup>	<b>59.2%</b>	60.1%	
ROE (pre-tax)**	<b>18.7%</b>	17.1%	
ROE (pre-tax)** Excluding consolidated investments	<b>21.2%</b>	18.7%	

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

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

<sup>^</sup>Adjusted for consolidated investments

# Investment Banking



## Outlook

- ▶ Outlook predominantly driven by equity markets
- ▶ In **South Africa**, activity levels are rising and there is a fair amount of corporate activity
- ▶ The brand is now well established in the **UK** and we are ready to take advantage of opportunities from increased secondary fundraisings and capital raisings
- ▶ **Australia** is in a re-investment phase and we have rebuilt the team to focus on the top end of the mid-market
- ▶ Acquisition of a niche advisory firm, Access Capital in **Hong Kong** to help capture deal flow between developed and developing markets
- ▶ We have established a presence in **India** where we advise middle to large cap Indian companies on growth solutions

# Capital Markets

(55.7% of group)

## Overview of performance

- ▶ The division was able to produce a strong performance as a result of:
  - ▶ Good levels of activity across the advisory and structuring business
  - ▶ Notable performances from the Principal Finance, Structured Finance and Structured Equity Finance businesses
- ▶ Benefited from a decline in both impairments and defaults

(£)	Mar-11	Mar-10	% change
Operating profit* (mn)	<b>242.0</b>	179.1	35.1%
Loan book (bn)	<b>4.8</b>	4.5	7.2%
Cost to income	<b>49.5%</b>	47.2%	
ROE (pre-tax)**	<b>19.8%</b>	18.5%	

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

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

# Capital Markets



## Outlook

### ▶ SA

- ▶ Clean portfolio ready to benefit from a recovery in the SA economy

### ▶ UK

- ▶ Continue to build a balanced business model where we can benefit from both primary and secondary market activity
- ▶ Well positioned to grow significantly from current levels as market conditions improve

### ▶ Australia

- ▶ Continue to invest in the business for the long term
- ▶ Several new business initiatives should start gaining momentum this year

- ▶ Overall, we have invested heavily in building our capability and remain well positioned in all three geographies to grow market share and extend our franchise

# Group Services and Other Activities

## Overview

- ▶ **Central Funding** impacted by the following:
  - ▶ Lower levels of interest rates
  - ▶ Weaker performance from equity investments held within the South African portfolio
  
- ▶ **Central Services** experienced an increase in personnel and marketing costs

## Operating profit\*

(£)	Mar-11	Mar-10	% change
International Trade Finance (mn)	9.1	7.2	26.4%
Central Funding (mn)	91.0	97.7	(6.9%)
Central Services (mn)	(99.1)	(73.2)	(35.4%)
<b>Group Services and Other Activities</b>	<b>1.0</b>	<b>31.7</b>	<b>(96.9%)</b>

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

# General

- ▶ Operational effective tax rate\* down from 20.6% to **15.5%** due to the resolution of matters for which a provision was previously held
  
- ▶ Weighted shares from 686.3mn to **759.8mn**
  
- ▶ Goodwill impairments
  - ▶ Goodwill impairment of **£6.9mn**
  - ▶ Largely relates to Asset Management businesses acquired in prior years
  
- ▶ The net loss on sale of subsidiaries of **£17.3mn** arose from a loss on sale and deconsolidation of consolidated investments, partially offset by a gain on the sale of Rensburg Fund Management Limited
  
- ▶ Losses attributable to minority interests **£11.0mn**
  - ▶ Operating loss in relation to investments held in the Private Equity division (£9.2mn)
  - ▶ Translation of preferred securities issued by subsidiary of Investec plc – transaction is hedged (£1.4mn)
  - ▶ Other £0.4mn

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\*excluding taxation on intangibles and sale of subsidiaries

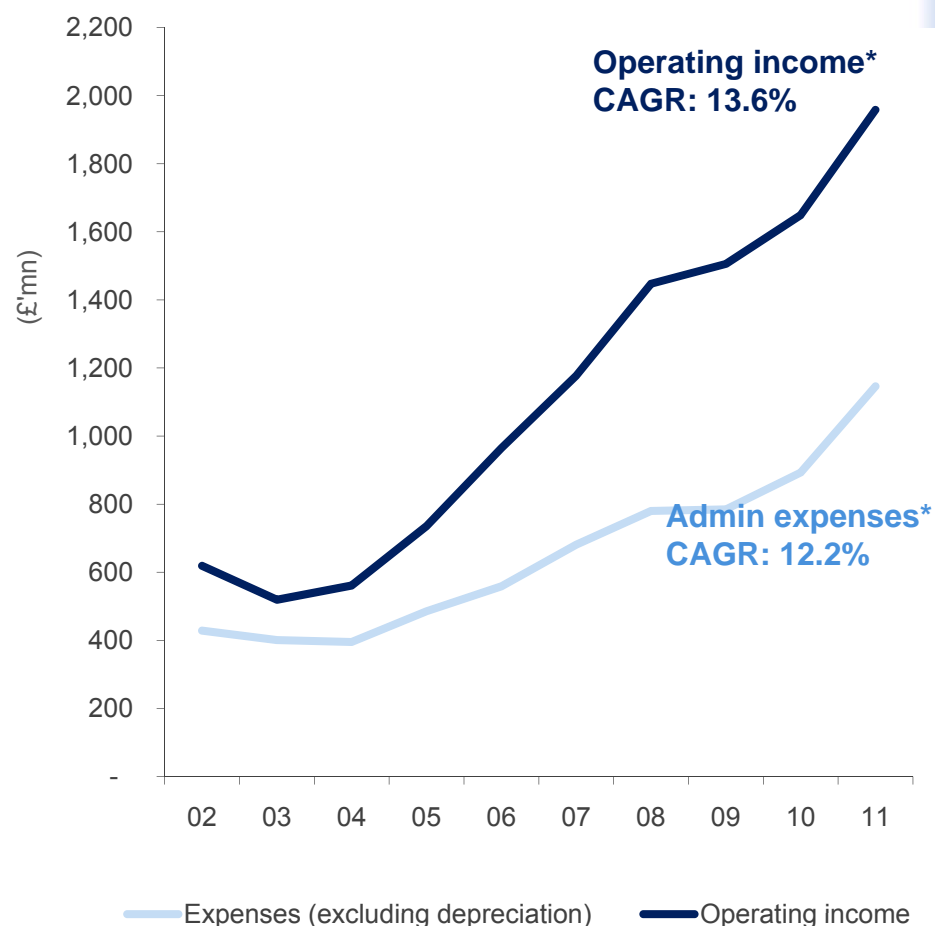
# Operational efficiency

- ▶ Cost to income ratio was 61.7% (below our internal target of <65%)

## Breakdown of costs

£'mn	Mar-11	Mar-10	Difference
Operating costs	1,213.3	957.2	256.1
Less depreciation on operating leased assets	(16.4)	-	(16.4)
<b>Net operating costs</b>	<b>1,196.9</b>	<b>957.2</b>	<b>239.7</b>
Currency adjustments	56.9		56.9
Acquisitions of Rensburg Sheppards plc, Masterlease UK and Lease Direct Finance Limited	77.0		77.0
Variable remuneration	53.6		53.6
Staff costs	-		52.6
Marketing expenses	5.8		5.8
Other costs	-		(6.2)
<b>Total increase in costs</b>			<b>239.7</b>
<b>Normalised increase in costs pre variable remuneration</b>	<b>1,003.6</b>	<b>957.2</b>	<b>4.8%</b>
<b>Normalised increase in costs post variable remuneration</b>	<b>1,057.2</b>	<b>957.2</b>	<b>10.4%</b>

## Efficiency ratio



\*excluding consolidated investments

# Realigning the specialist bank



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Asset Manager



## Strategic focus remains the same



To facilitate the  
**Creation of Wealth**  
and the **Management of**  
**Wealth**

# Positioned the group as a specialist bank and asset manager

Asset manager



Provides investment management services

To its predominantly global institutional client base



Provides investment management services and independent financial planning advice

To:  
Private clients  
Charities  
Trusts

Specialist bank



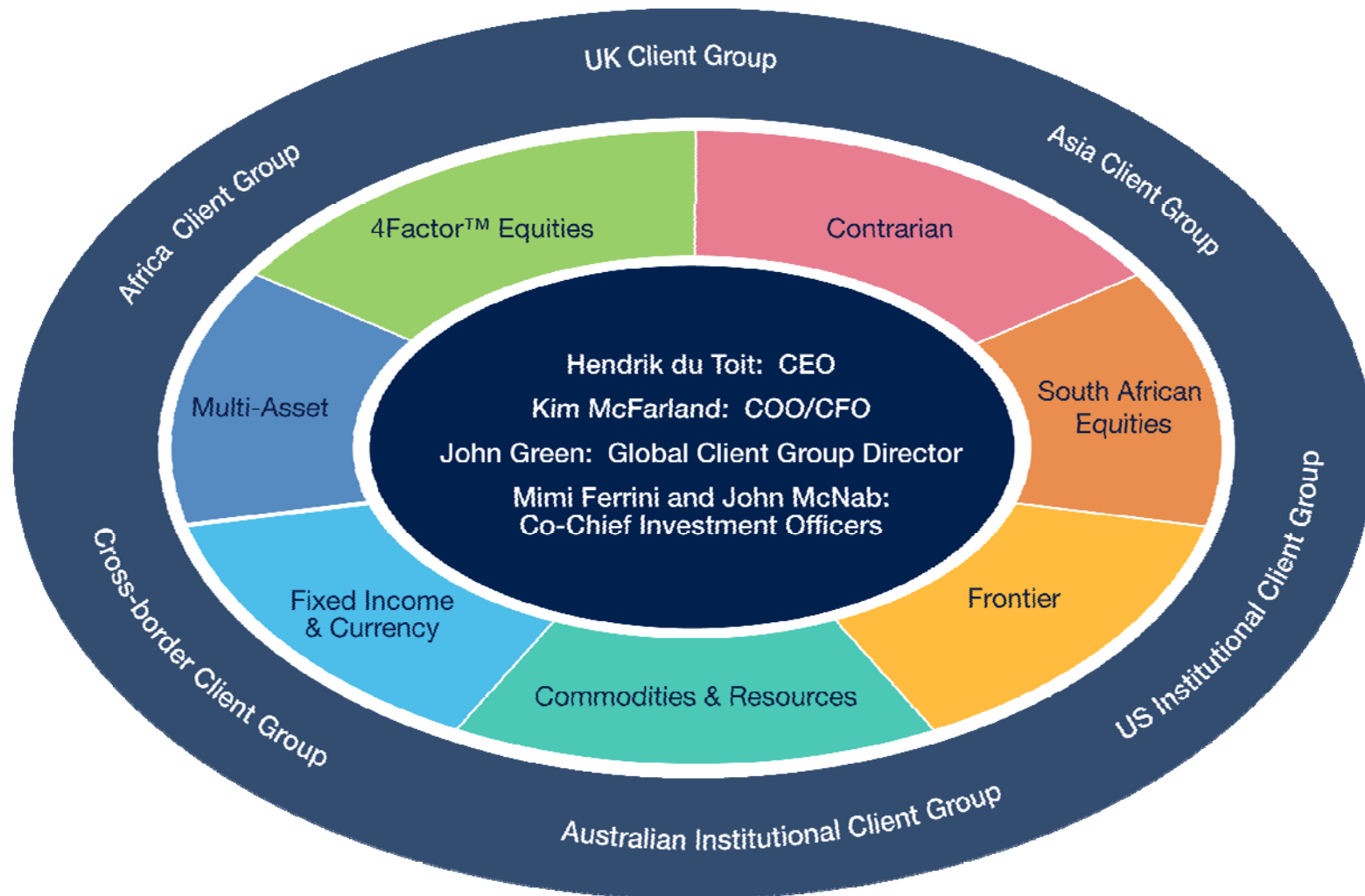
**Broad range of services including:**

- Advisory
- Structuring
- Lending
- Securities Trading
- Market Making
- Principal Transactions

To:  
Government  
Institutional  
Corporates  
High Net Worth  
Clients  
High Income Clients

# Globalised the asset management business

## Capabilities and organisational structure



# Globalising the wealth management businesses

## Wealth and Investment

### UK, Europe and Other

#### Rensburg Sheppards

- ▶ Acquisition effective from 25 June 2010

#### Private Bank Wealth Management

- ▶ The process of integrating the Private Bank wealth management business is ongoing

### South Africa

- ▶ During the year, we merged the Private Bank's wealth management business with Investec Private Client Securities

£'million	31 Mar-11	31 Mar-10	31 Mar-09	% Change Mar-11 vs Mar-10	% Change Mar-11 vs Mar-09
<b>UK, Europe and Other</b>	<b>14,852</b>	<b>13,786</b>	<b>10,579</b>	<b>7.7%</b>	<b>40.4%</b>
Discretionary	9,571	8,517	6,458	12.4%	48.2%
Non-discretionary and other	5,281	5,269	4,121	0.2%	28.2%
<b>South Africa</b>	<b>14,596</b>	<b>12,053</b>	<b>7,875</b>	<b>21.1%</b>	<b>85.4%</b>
Discretionary	2,076	1,776	1,149	16.9%	16.9%
Non-discretionary	12,520	10,277	6,726	21.8%	86.1%
<b>Total</b>	<b>29,448</b>	<b>25,839</b>	<b>18,454</b>	<b>14.0%</b>	<b>59.6%</b>

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

# The focus now is on ...

## ... Creating a single Specialist Bank

### Purpose

- ▶ To create a single bank mindset and structure with client need and demand at the core of our offering
- ▶ To be more effective for our clients

### How

- ▶ By creating a more appropriate business structure in order to maximise the product offering to the client
- ▶ By sharing the competencies of the organisation to achieve greater operational efficiency
- ▶ By looking for synergies and connectivity across the group
- ▶ By leveraging off our global capabilities

This is a process which will take time to implement and further detail will be given at the **Investor Briefing** in September 2011

# Outlook

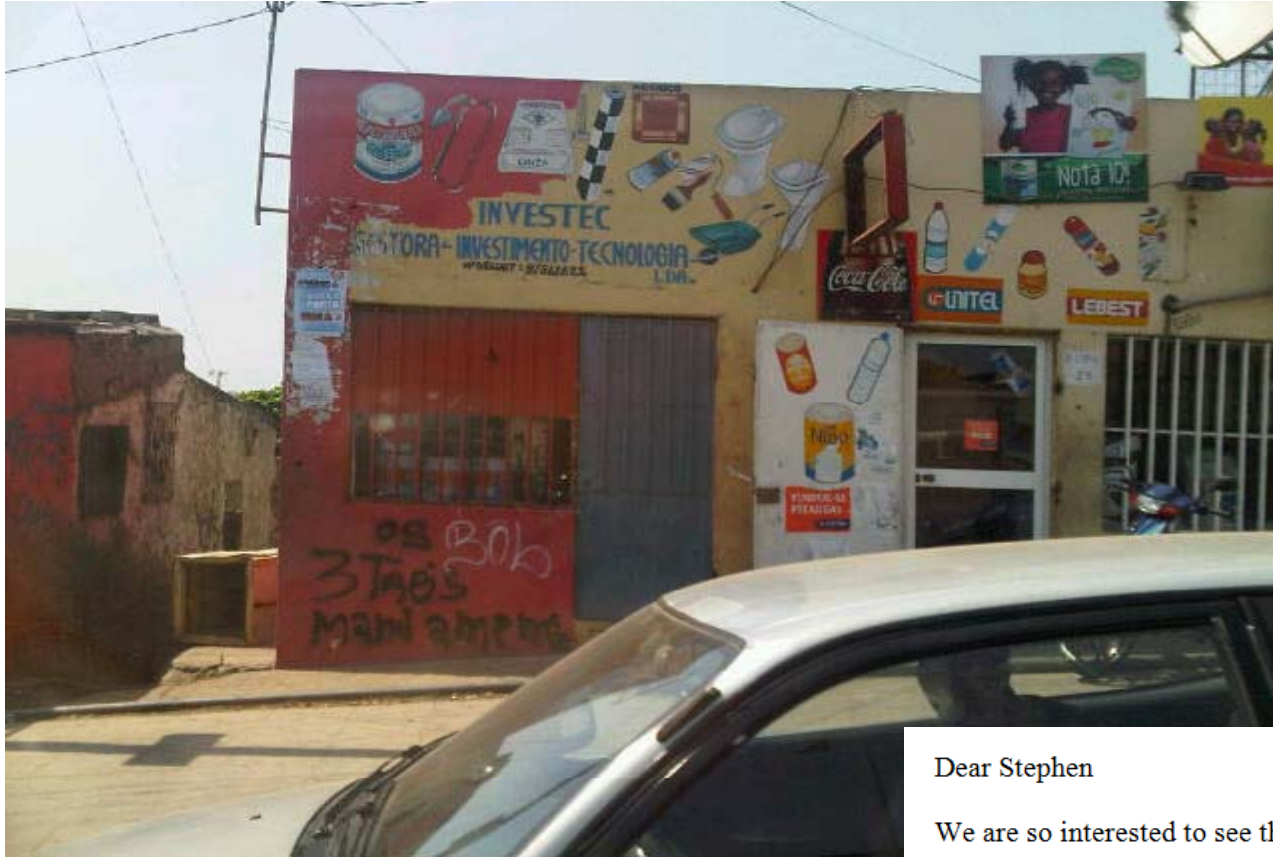
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# Capture opportunities in Africa ...



Dear Stephen

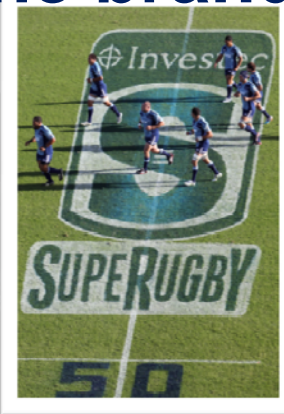
We are so interested to see that you have opened in Luanda Angola.

Are you going to issue units for the building in your property portfolio?

Best regards

Michael Lewis

# Continue to focus on ... clients and the brand





# Continue to focus on ... remaining competitive



Deals of the Year



DealMakers  
South Africa's Corporate Finance Journal  
Dealmaker of the Decade 2010



# Outlook

- ▶ We are seeing good momentum in the businesses

Asset Management	Growing
Wealth and Investment	Growing
Property Activities	Stable but down from high base
Private Banking	Recovering
Investment Banking	Growing
Capital Markets	Growing



# Well positioned to benefit from future growth



- ▶ Looking ahead, regulatory uncertainties remain and we will continue to maintain excess levels of liquidity and capital until there is further clarity. However, we expect earnings to benefit from continued momentum in our businesses and the normalising of impairment losses.
- ▶ We have sought to realign the business model and grow revenues from less capital intensive activities. This strategy is paying off and we are developing the right balance of businesses for the long term.
- ▶ We have taken advantage of the dislocation that occurred in financial markets to attract talented people and extend brand awareness to benefit from steadily improving market activity.

*Out of the Ordinary*<sup>®</sup>



Specialist Bank and  
Asset Manager

# Results presentation

For the year ended

31 | 03 | 2011

