



*Out of the Ordinary®*

 **Investec**

Specialist Bank and  
Asset Manager



# Results presentation

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For the year ended

31 | 03 | 2012



*Out of the Ordinary®*

 **Investec**

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Asset Manager

## Long term strategy



## Our long term strategy

- Since inception we have expanded through a combination of **organic growth** and **strategic acquisitions**
- The internationalisation of Investec is based on the following **strategy**:
  - Following our customer base
  - Gaining domestic competence and critical mass in the chosen geographies
  - Facilitating cross-border transactions and flow
- Our strategy for the past 20 years has been to build a **diversified portfolio** of businesses and **geographies** to support clients (institutional, corporate and private individuals) through varying markets and economic cycles
- In order to create a meaningful and **balanced portfolio** we need proper foundations in place which gain traction over time



# We remain steadfast with this strategy

UK	Australia	South Africa
<ul style="list-style-type: none"><li>Extremely tough and competitive environment</li><li>Established a brand and gaining traction in most businesses</li></ul>	<ul style="list-style-type: none"><li>Struggled to gain a foothold initially</li><li>Have now built a foundation to support a sustainable business model</li></ul>	<ul style="list-style-type: none"><li>We are <i>not</i> a high street bank and instead have carefully niched activities in asset management, wealth and investment and specialist banking</li></ul>



Investing in banks

## The not-for-profit sector

Are regulators striking the right balance between safety and profitability?

May 5th 2012 | from the print edition

“Returns on equity have fallen precipitously, from about 15% before the crisis to below 10% now. British banks' returns have slipped from almost 20% to about 5% last year”





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## The year in review

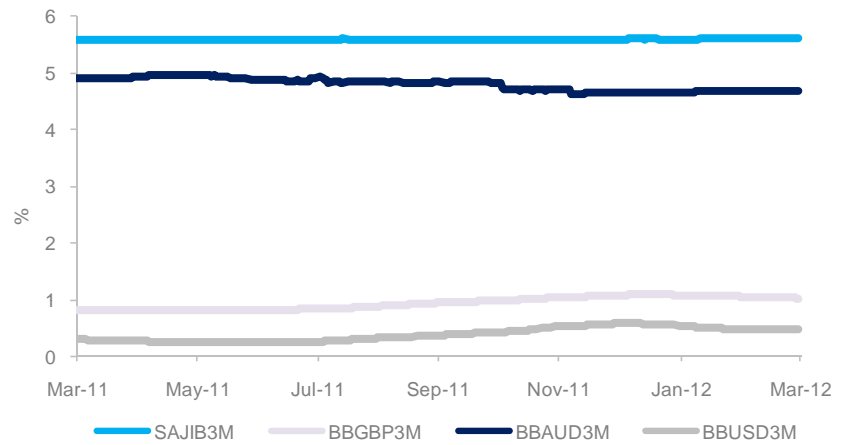


# Very difficult operating environment ...

## Equity markets



## Interest rates



## Exchange rates

### Rand/£



### Euro/£



### A\$/£



Source: Datastream



... masking significant realignment that has taken place

- Financial performance for the year 2012 has echoed the **difficulties of the broader environment**
- We have **realigned our business model**
- We have **maintained revenues** despite difficult markets with the quality of earnings improving substantially
- Many of our businesses have **continued to deliver**
- Underperforming businesses are **turning the corner** with gross defaults down



# Integration a core focus across the group

## **Wealth & Investment in the UK**

- Integration of Rensburg Sheppards business was completed during the year
- We have made substantial progress in integrating Williams de Broë businesses

## **Investment Banking in the UK**

- The integration of Evolution Securities into the Investment Banking business is largely complete after rationalisation of the combined entity

## **Specialist Banking Single Bank integration**

- Establishing a single platform
- One business servicing defined target markets
- Significant cost and revenue synergies to be extracted over time
- Increase in cross-border activity servicing local client base

## **Australia**

- Significant restructuring of the business and credit portfolio to align with rest of group





# We have realigned our business model ...

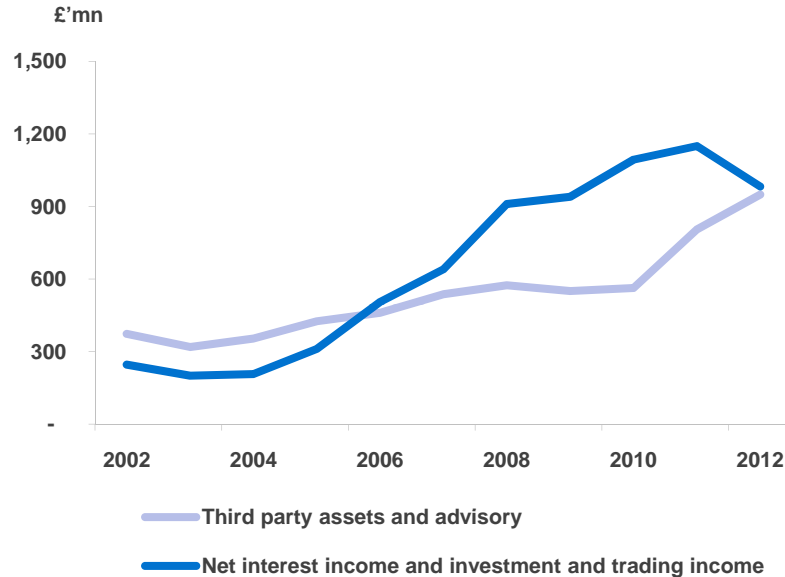
...by building capital light revenues

## Sustainable business model

**Capital light**  
£949mn  
**49% of total**

**Net fees and commissions**  
of £884mn  
(46% of total)

**Other of £65mn**  
(3% of total)



**Capital intensive**  
£983mn  
**51% of total**

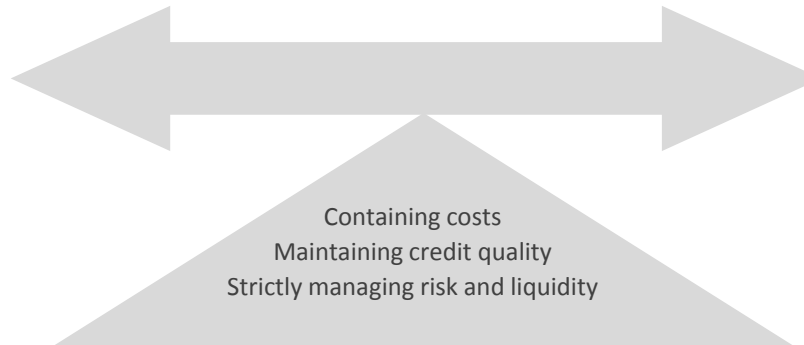
**Net interest income of**  
£699mn  
(36% of total)

**Investment income of**  
£174mn  
(9% of total)

**Trading income of**  
£109mn  
(6% of total)

### Third party asset management and advisory revenue

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



### Net interest income, investment income and trading income

- Lending portfolios
- Investment portfolios
- Trading income from client flows
- Trading income from balance sheet management
- Other trading income

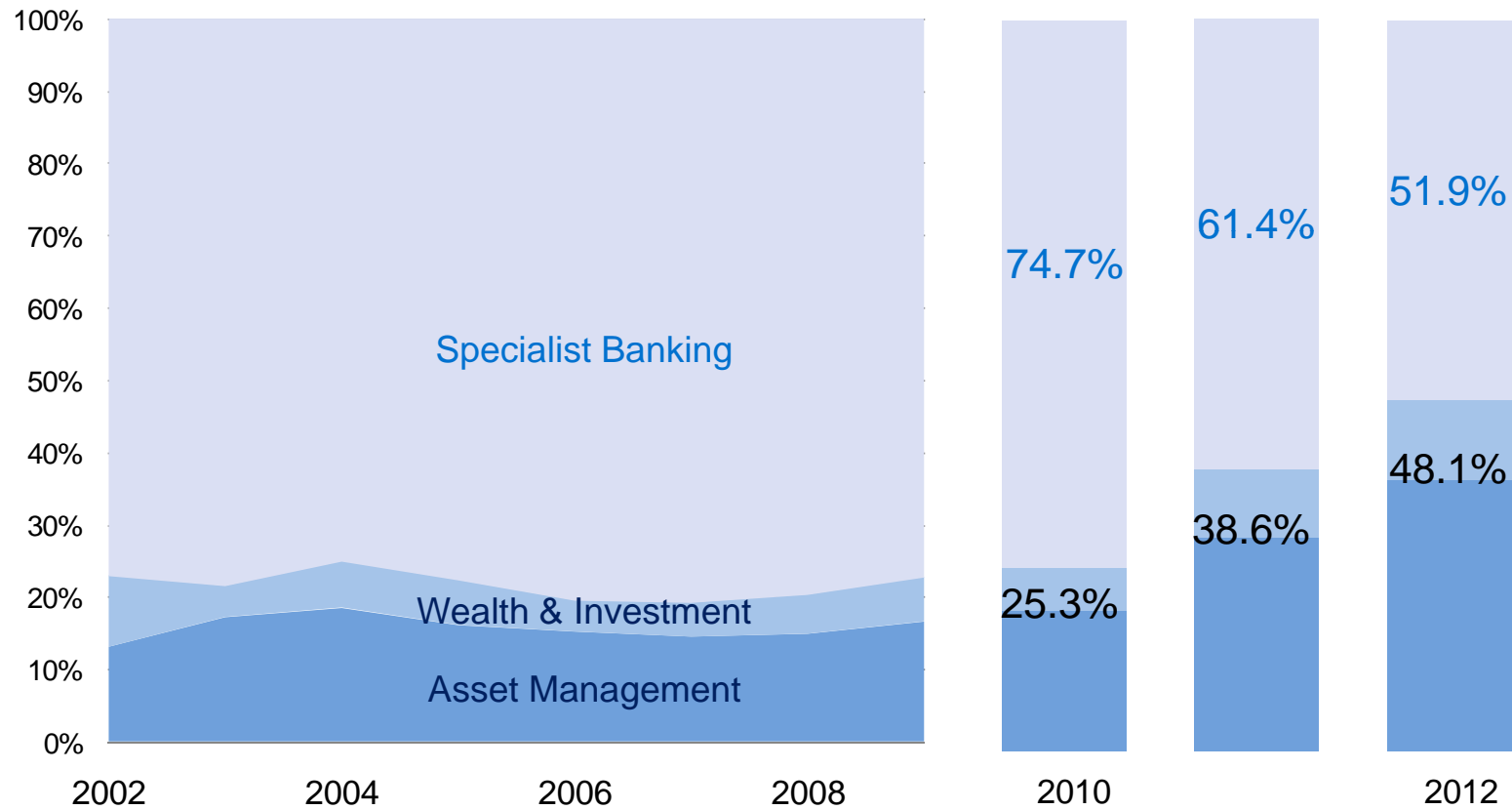
Trends reflected in graph are for the year-ended 31 March, unless otherwise indicated.



## ... into three distinct business areas

Asset management and wealth management now account for 48.1% of group

% contribution of operating profit\* to total group

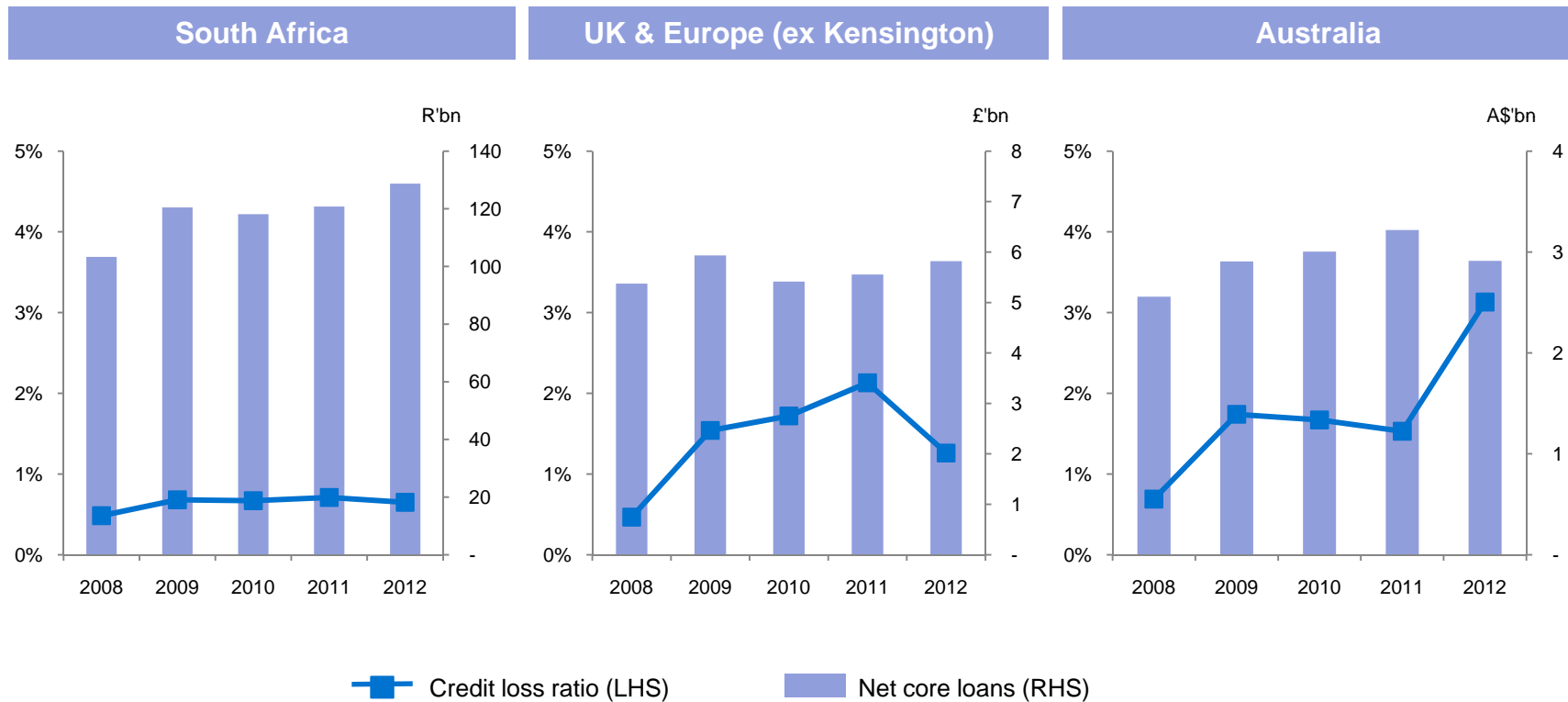


\*Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests



## Impairments down in two key geographies

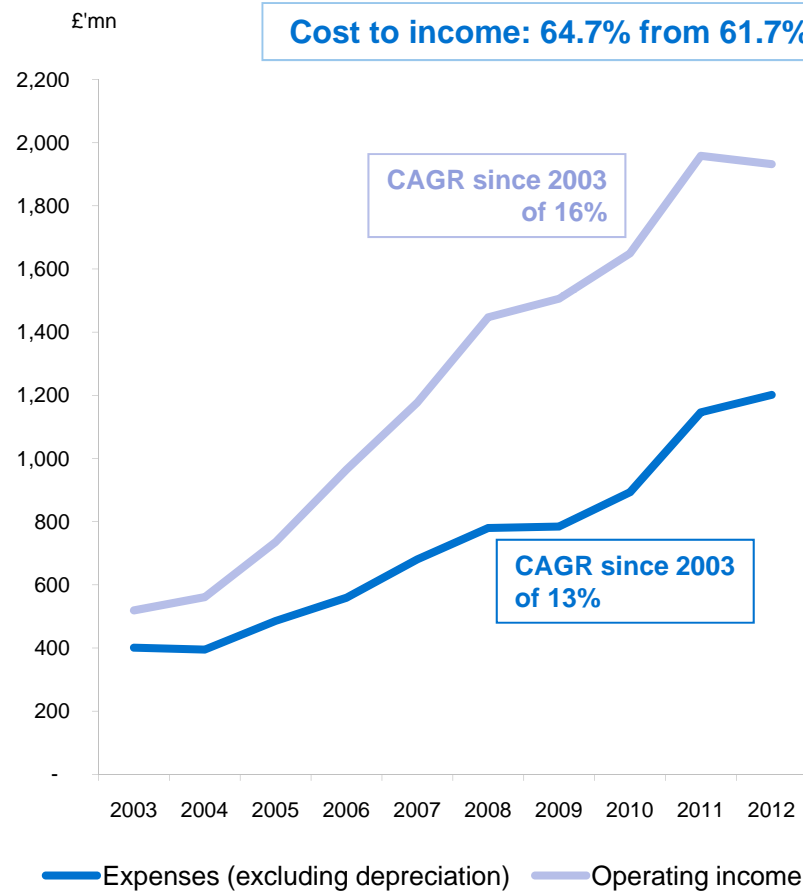
- SA and UK & Europe impairments much improved
- Australian credit loss ratio substantially up as a result of additional impairments required in light of the weak residential property market



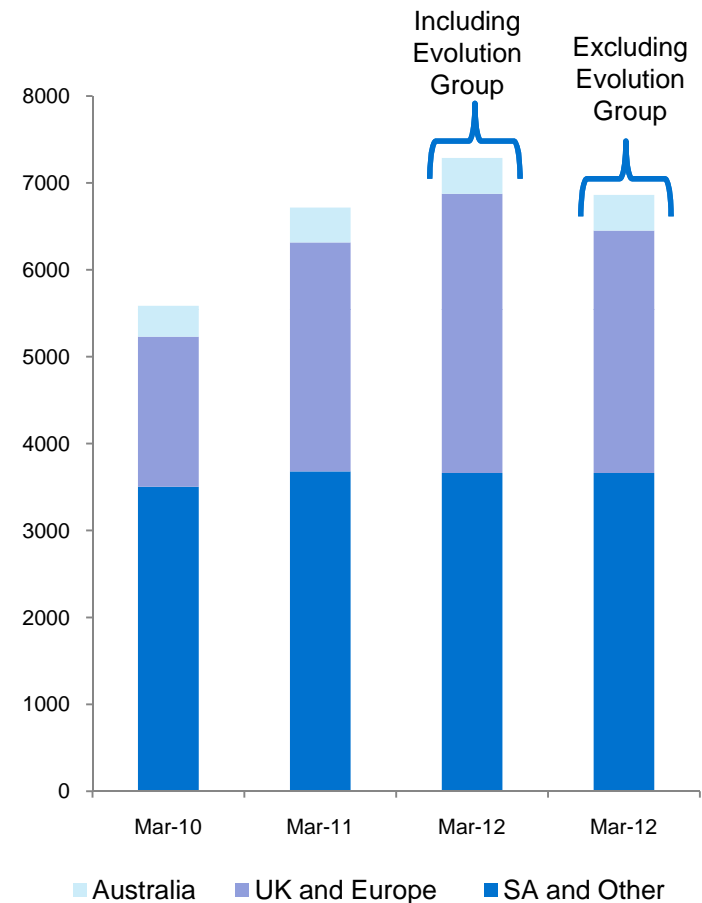


# Costs relative to revenue deteriorated slightly ... but cost to income ratios still within our target range

## Jaws ratio



## Headcount\* relatively stable excluding acquisitions



\*Permanent headcount and includes Rensburg Sheppards from June 2010



## Resulting in a weak group performance

	Mar-12	Mar-11	% Change
Operating profit* before tax (£'000)	<b>358 625</b>	434 406	(17.4%)
Operating profit* before tax and impairment losses on loans and advances (£'000)	<b>683 743</b>	752 636	(9.2%)
Attributable earnings* (£'000)	<b>257 579</b>	327 897	(21.4%)
Adjusted EPS* (pence)	<b>31.8</b>	43.2	(26.4%)
DPS (pence)	<b>17.0</b>	17.0	-
Net tangible asset value per share (pence)	<b>315.1</b>	343.8	(8.3%)
Total shareholders' equity (£'mn)	<b>4 013</b>	3 961	1.3%
Core loans and advances to customers (£'bn)	<b>18.2</b>	18.8	(2.8%)

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



## Financial targets adjusted for changing landscape

- ROE and capital adequacy targets revised given changing financial, regulatory and economic landscape
- Capital ratios remain strong

	Target (Previous target)		Mar-12	Mar-11
ROE	12%-16% over a rolling 5-yr period (>20% over the medium to long-term)		<b>7.8%</b>	11.2%
Tangible ROE			<b>9.5%</b>	13.2%
Adjusted* EPS growth	Target: 10% > UKRPI		<b>(26.4%)</b>	(4.2%)
Cost to income	Target: < 65%		<b>64.7%</b>	61.7%
Dividend cover (times)	Target: 1.7 - 3.5 times		<b>1.9x</b>	2.5x
Capital adequacy	Target: 15-18%	Limited	<b>16.1%</b>	15.9%
	(14%-17%)	plc	<b>17.5%</b>	16.8%
Tier 1 ratio	Target: 11%-12%	Limited	<b>11.6%</b>	11.9%
	11%	plc	<b>11.6%</b>	11.6%

\*As determined in accordance with IFRS. Adjusted EPS is before goodwill, acquired intangibles and non-operating items.

Note: These are medium to long-term targets which we aim to achieve them through varying market conditions.



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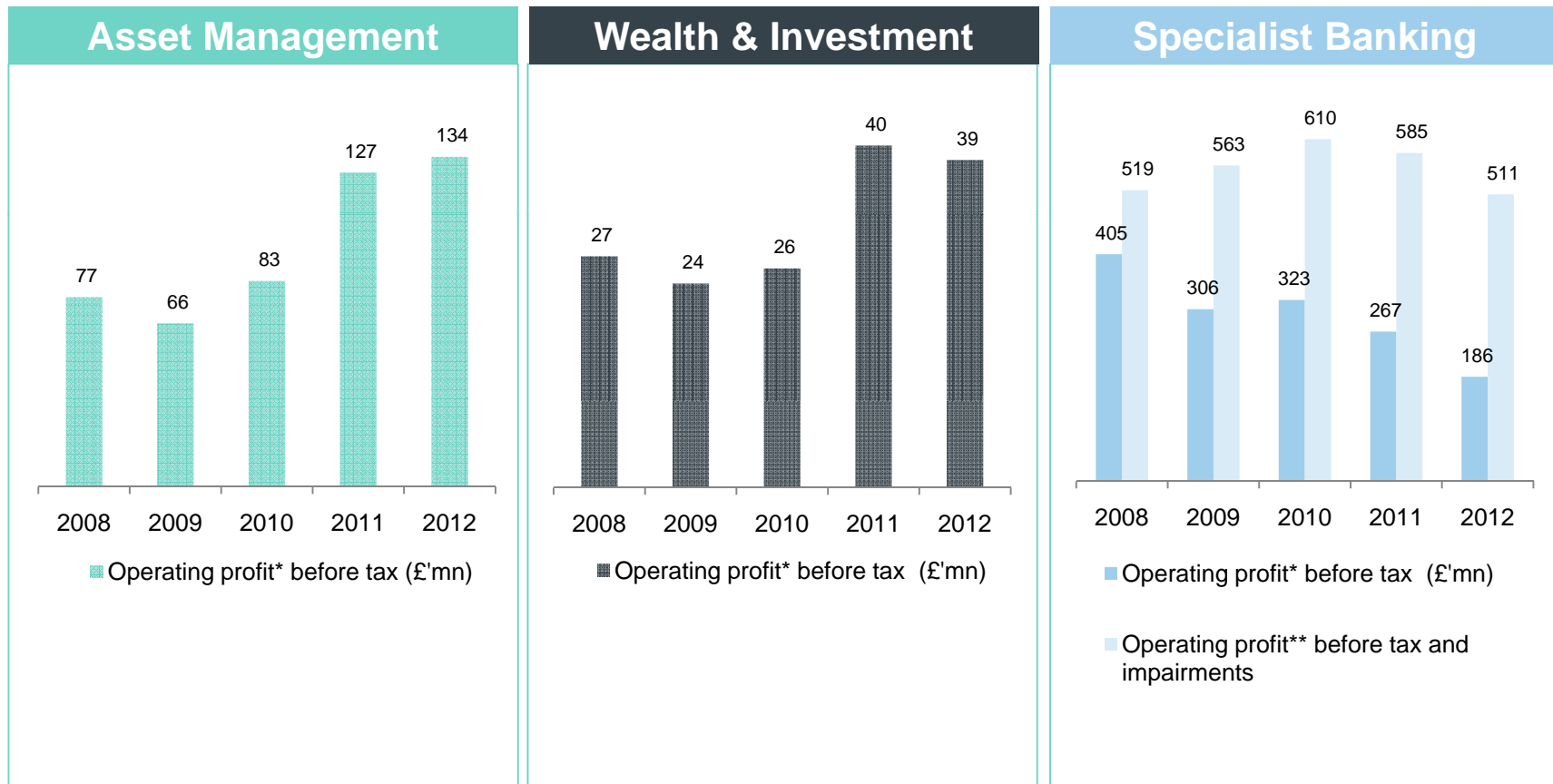
Specialist Bank and  
Asset Manager

## **Divisional highlights**



# Specialist Banking held back by elevated impairments and weaker performance from investment portfolios

Operating profit\* by business for 31 March



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





# Asset Management

## Overview of performance

- Competitive investment performance
- Assets under management in excess of £61.5bn against only £28.8bn five years ago
- Continued strong net inflows of £5.2bn

## Outlook

- Positive business momentum supported by strategic clarity
- Subject to risks posed by volatile markets

## Financial summary

(£)	Mar-12	Mar-11	% change
Operating profit* (mn)	133.7	127.3	5%
Cost to income	64.3%	63.0%	-
ROE (pre-tax)**	84.0%	78.5%	-
ROE tangible (pre-tax)	288.6%	329.7%	-

(£)	Mar-12	Mar-11	% change
Assets under management (bn)	61.5	58.8	4.7%

Currency neutral up **10.2%**

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

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



# Wealth & Investment

## Overview of performance

- SA business benefited from higher average funds under management
- UK positively impacted by full contribution from the acquisition of Rensburg Sheppards plc
- Results adversely impacted by restructuring and sales of certain of the operations in the UK and Europe
- The acquisition of the Evolution Group plc added about £7bn of FUM with the integration of these businesses progressing well

## Outlook

- Short terms prospects supported by synergies from integration

## Financial summary

(£)	Mar-12	Mar-11	% change
Operating profit* (mn)	38.7	40.4	(4.2%)
Cost to income	80.3%	74.1%	-
ROE (pre-tax)**	13.1%	16.5%	-
ROE tangible (pre-tax)	46.9%	78.7%	-

	Mar-12	Mar-11	% change
Total FUM (£'bn)	34.8	29.4	18.1%
UK FUM (£'bn)	21.0	14.9	41.2%
SA Funds under management (R'bn)	169.4	158.8	6.6%

**Currency neutral up 24.1%**

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

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



# Specialist Banking

(Comprising Investment Banking, Private Banking, Capital Markets and Property)

## Overview of performance

- Performance down largely as a result of
  - Debt buy-backs not repeated in current year
  - Weaker performance from the listed principal investment portfolio
- Good progress in creating single global platform to leverage our global capabilities
- Legacy issues, particularly in Australia and Ireland, cloud what would have been an improving underlying performance
- Launched Property Fund and successful first year performance with a return of 28%

## Outlook

- Macro environment continues to hamper the recovery
- Impairments normalising in most businesses and geographies

## Financial summary

(£)	Mar-12	Mar-11	% change
Operating profit* (mn)	186.2	266.7	(30.2%)
Cost to income	62.4%	60.1%	-
ROE (pre-tax)**	6.1%	9.7%	-
ROE tangible (pre-tax)	6.5%	10.4%	-

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

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



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## Strategy and positioning



# Specialist bank and asset manager

Three distinct business activities focused on well defined target clients

**Corporate / Institutional / Government**

**Private Client  
(High Net Worth / High Income)**

**Asset  
Management**

Provides investment management services

**Specialist Banking\***

Provides a broad range of services:

- Advisory
- Transactional Banking
- Lending
- Treasury and Trading
- Investment Activities

**Wealth &  
Investment**

Provides investment management services and independent financial planning advice

\*Includes Capital Markets, Investment Banking, Private Banking and Property Activities



# Asset Management

## Strategy

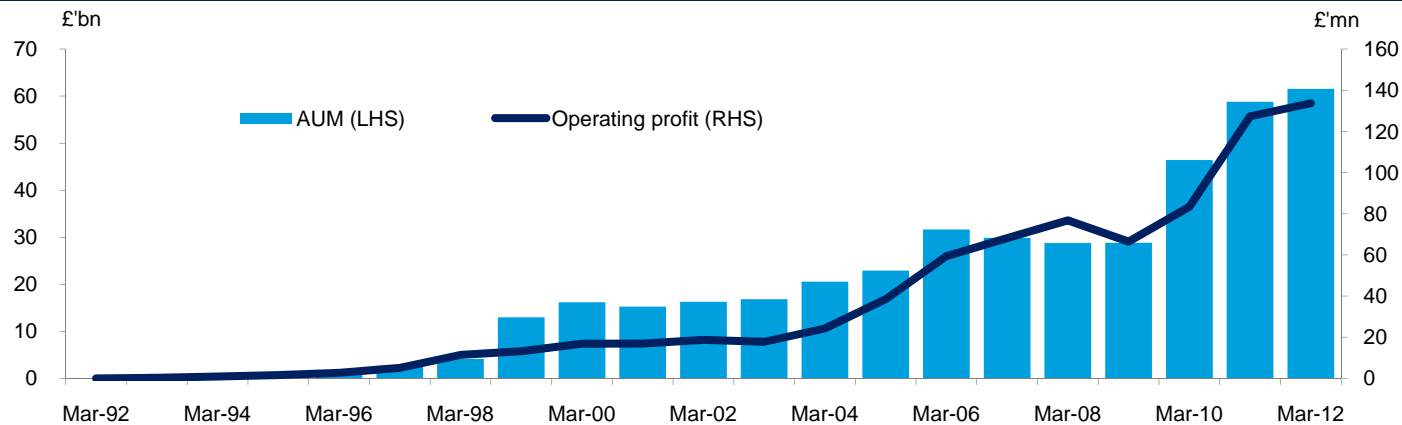
- Long term sustainability
- The emphasis is on quality and depth across the business
- Maintain cost discipline

## Value proposition

- Organically built an independent global platform from an emerging market base
- Competitive investment performance in chosen specialties
- Institutional focus and global client base
- Strong culture with stable and experienced leadership



## Global funds under management





# Wealth & Investment

Creating a global platform with strong regional capability

## Strategy

- Focus on internationalising the business
- Deliver the successful integration of Williams de Broë with strong leadership already in place
- Development of international and UK resident non-domiciled market via Guernsey and Swiss offshore offering



Citywire Wealth Manager Advisers' Choice Awards 2011 Large Firm Award



Financial Advisers' Awards 2011 "5 Star" Award



FT Private Client Wealth Management Survey 2011 Performance Awards



The Avaloq Award for Best Discretionary Service

## Value proposition

- Business has been built via consolidation of smaller businesses over a long period of time
- Well established platforms in the UK and SA
- Better systems leading to better and lower cost product
- Superior offering that can be leveraged with group distribution capabilities

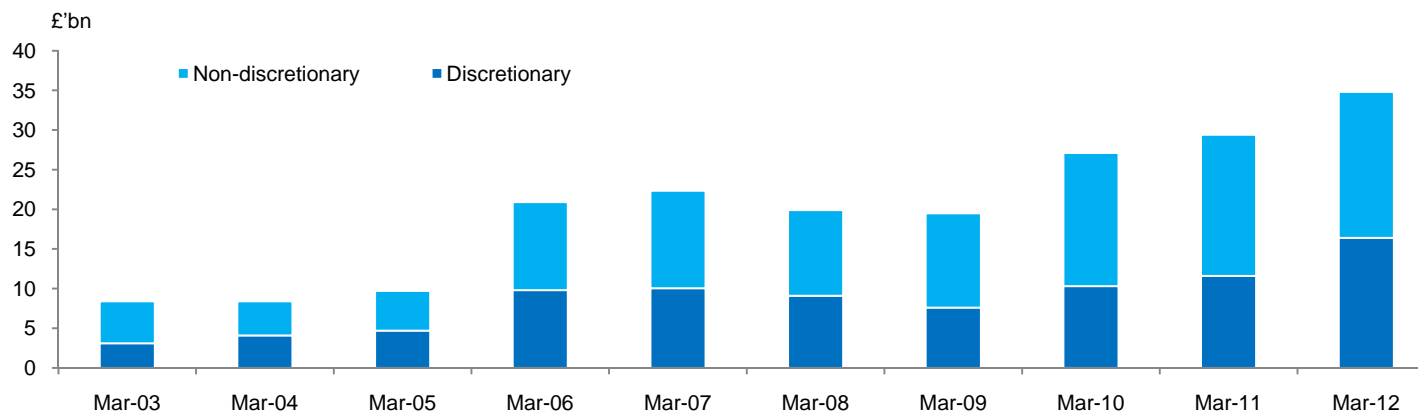


Ranked # 1 in the 2011 PWC Banking survey Wealth Management



1<sup>st</sup> : Stockbroker awards for sophisticated investors

## Global funds under management



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



# Specialist Banking

## Corporate / Institutional / Government

### Corporate Advisory and Investment

- Advisory
- Institutional, research, sales and trading
- Principal investments
- Property activities

### Corporate and Institutional Banking

- Treasury and Trading
- Specialised finance

## Private Client (High Net Worth / High Income)

### Private Banking

- Lending
- Deposits
- Investments
- Advice





# Specialist Banking: Corporate Advisory and Investment

## Strategy

- Building strong domestic businesses with international access
- Develop key global sector specialisations, Eg Resources
- Leveraging corporate relationships across group
- Building Property Fund

## Value proposition

- Strong brand and positioning
- Provide a credible offering to clients operating between the developed world and the emerging world
- Unique positioning in key sectors (eg Resources) operating between the first world and the emerging world

### DealMakers

Dealmaker of the Year,  
9 out of the last 11 years

EXTEL  
SURVEYS  
CONFIDENCE EXCELLENCE

1st

Leading Pan-European Brokerage  
Firm – UK Small- & Mid-Cap

UK Survey 2011

EXTEL  
SURVEYS  
CONFIDENCE EXCELLENCE

2nd

Leading UK Brokerage Firm

UK Survey 2011

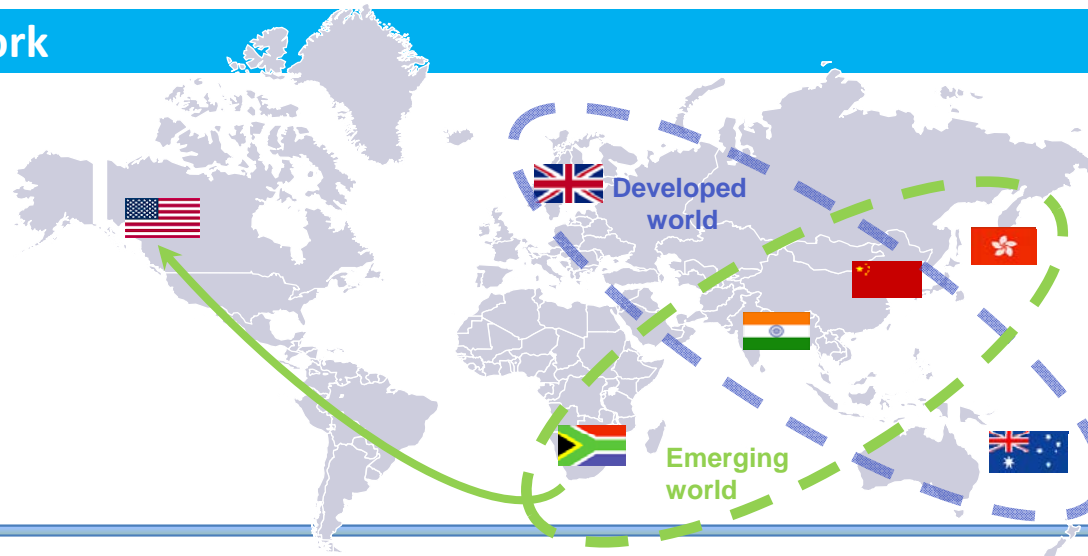
EXTEL  
SURVEYS  
CONFIDENCE EXCELLENCE

1st

Corporate Broking, Sales and  
Trading Execution

UK Survey 2011

## Global network





# Specialist Banking: Corporate and Institutional Banking

## Strategy

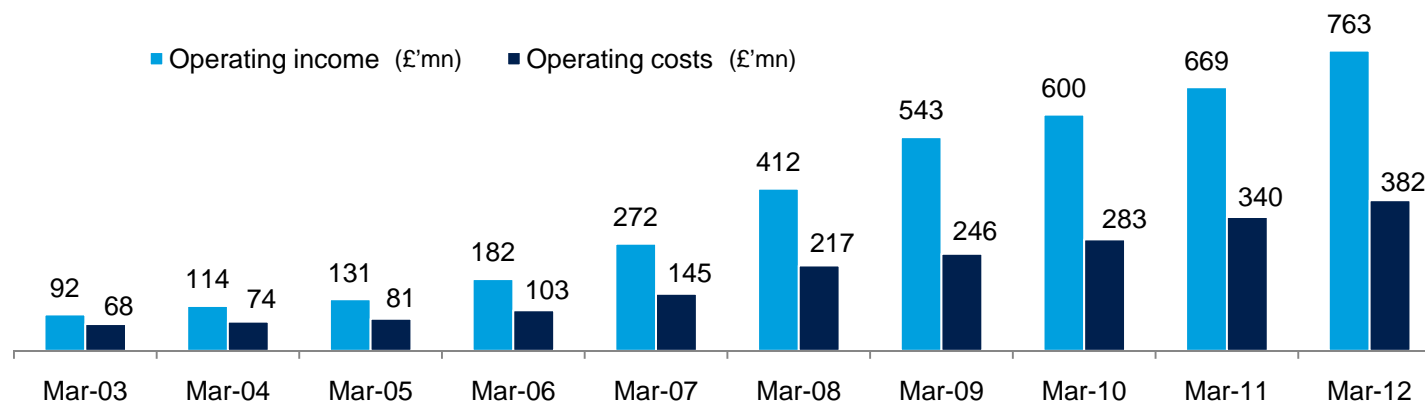
- Go deeper into core markets
- Focus on growing capital light business
- Continued focus on lengthening deposit base
- Focus on Africa and connecting Africa, India and China to our core geography offerings

## Value proposition

- Strong international platform based on traditional bank customer flow
- Successfully built sustainable businesses on the back of client driven transactional flow
- Balanced business model with good business depth and breadth



## History of growth





# Specialist Banking: Private Clients

## Strategy

- Key focus is on:
  - Back to Basics
  - Growing the client base
  - Ensuring the product offering is delivered to our global client base
- Build the transactional banking business to enhance client offering
- Greater systems and product integration
- Develop retail and private client deposit franchise

## Value proposition

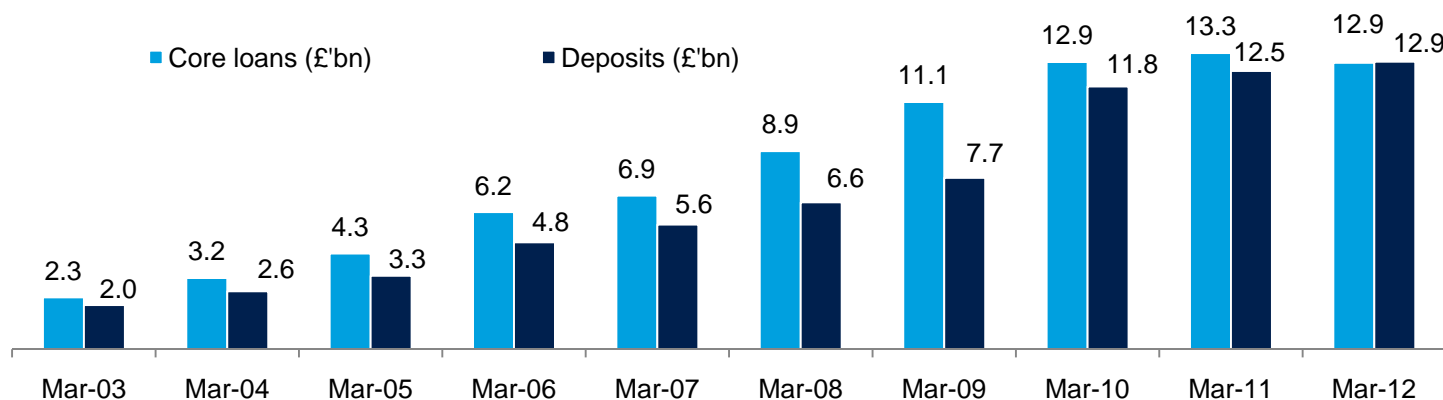
- **HIGH TOUCH** service to facilitate the creation of wealth and management of wealth for our clients
- Provide transactional banking, credit, deposit and investment services to two distinct client bases: High Income and HNW
- Also offer advice and tailored credit and investment solutions to HNW's



2011 Service Quality Performance Award



## Deposits and advances





# Australia

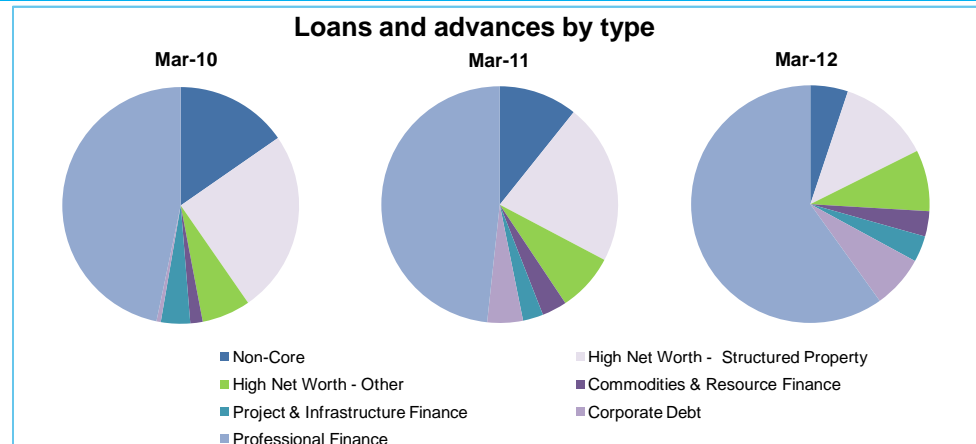
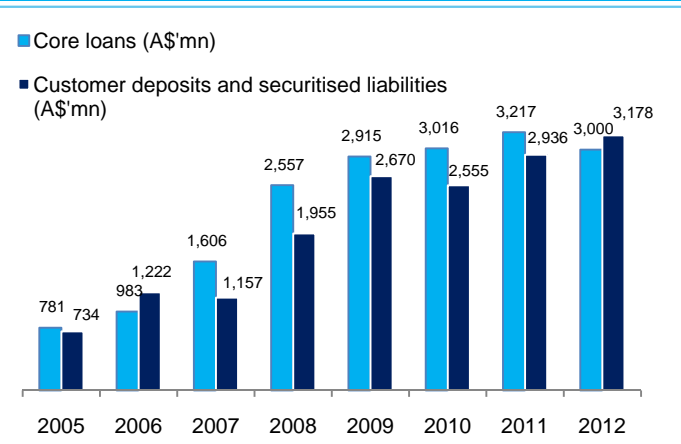
## Strategy

- Private Banking refocused on building Professional Finance and High Income channel diversifying away from property lending
- Reshaping of High Net Worth business strategy with a focused lending and advisory offering to clients

## Value proposition

- Three distinct business areas to support local and global clients under single bank platform
  - Corporate and Institutional Banking
  - Corporate Advisory
  - Private Banking
- Established brand and good platform for expansion of other group activities eg Asset Management already gaining traction with \$5bn in region

## Deposits and advances



Trends reflected in graph are for the year-ended 31 March, unless otherwise indicated.



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## Conclusion





Our brand is well developed ...





# ... and we have invested in people and a sustainable future



Entrepreneurship programme, JASA



ProMaths awards South Africa



Skills@work Award in SA

1 December 2011



EUR 100m BOOST FOR GREEN ELECTRICITY IN SOUTH AFRICA

THE EUROPEAN INVESTMENT BANK AND INVESTEC ESTABLISH EUR100M RENEWABLE ENERGY FUNDING FACILITY FOR SOUTH AFRICA TO FOCUS ON SUPPORTING SOUTH AFRICA'S GROWING GREEN ECONOMY

Investing for a sustainable future

"Promaths made me! I learnt beyond the spheres of mathematics and science. Through many programmes which they offered, I realised that life offers infinite possibilities."

Top performer ProMaths 2011

Climate change award in UK

Funding renewable energy research on local SA birdlife



Supporting local communities in UK

Winner 2012

Business Charity Awards

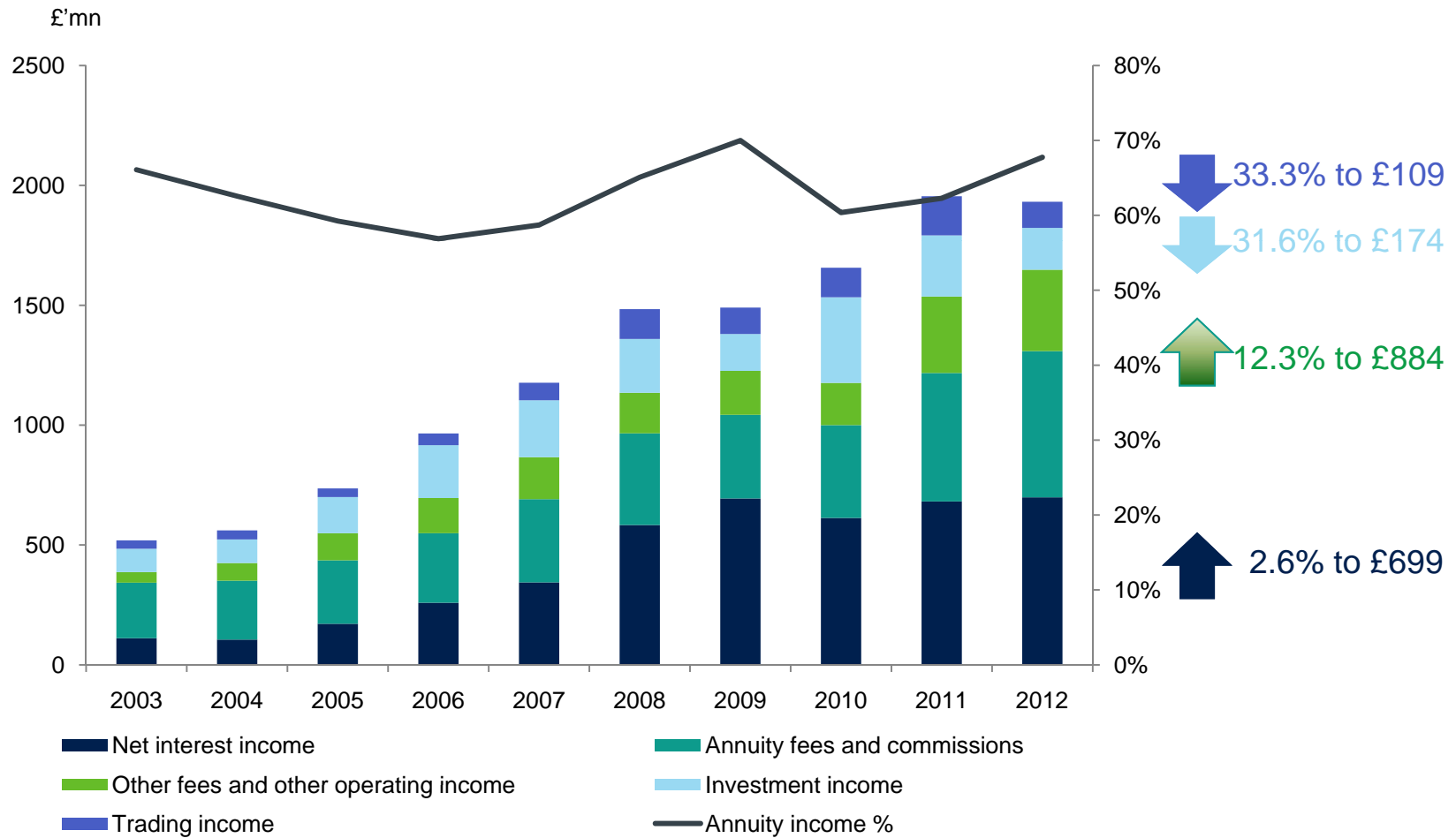
"Investec's support has made all the difference, enabling us to take forward our plans to establish Newham City Farm as an educational facility and employment hub supporting people in a disadvantaged borough."

Kevin Jenkins, Senior Advisor, Community Links



# Since UK listing: building recurring income

Average recurring income since 2003 of 63%



\*Where annuity income is net interest income and annuity fees.

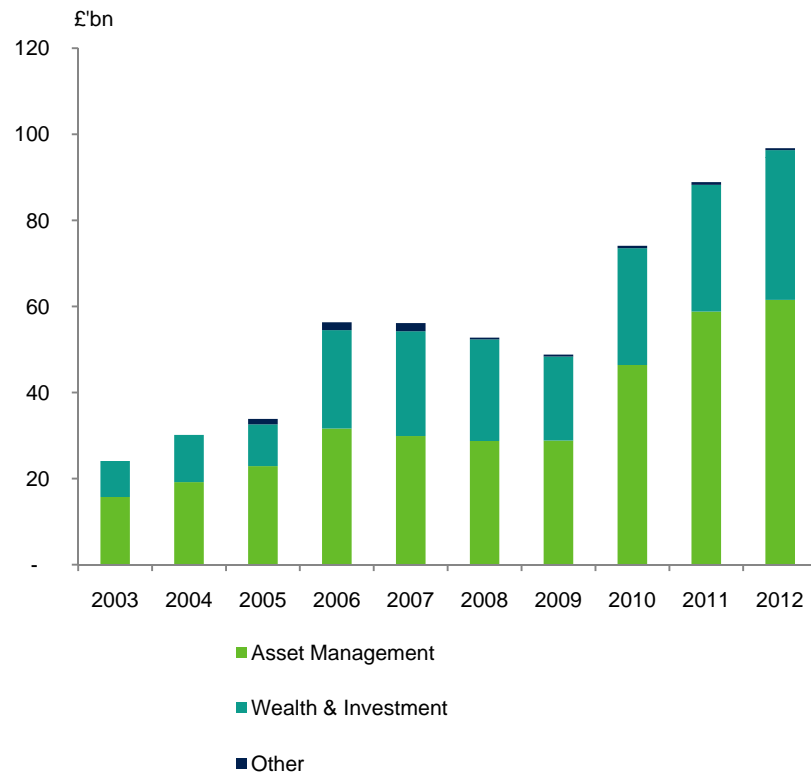




# Since UK listing: strong growth in core earnings drivers

## Third party assets under management

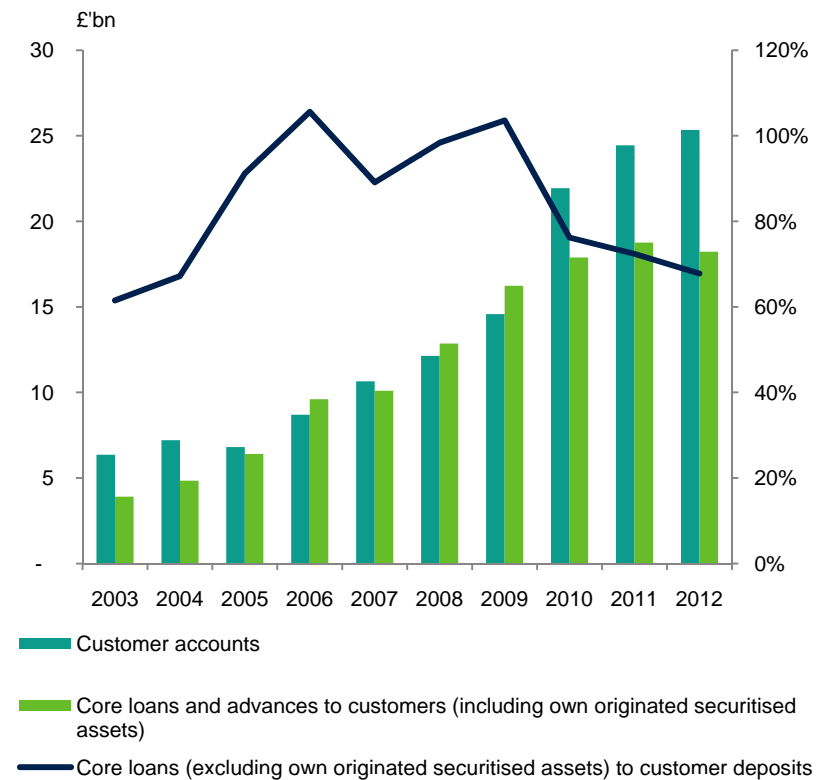
CAGR since 2003 of 17%



## Core loans and advances and deposits

CAGR since 2003 - customer deposits 17%

CAGR since 2003 - loans 19%

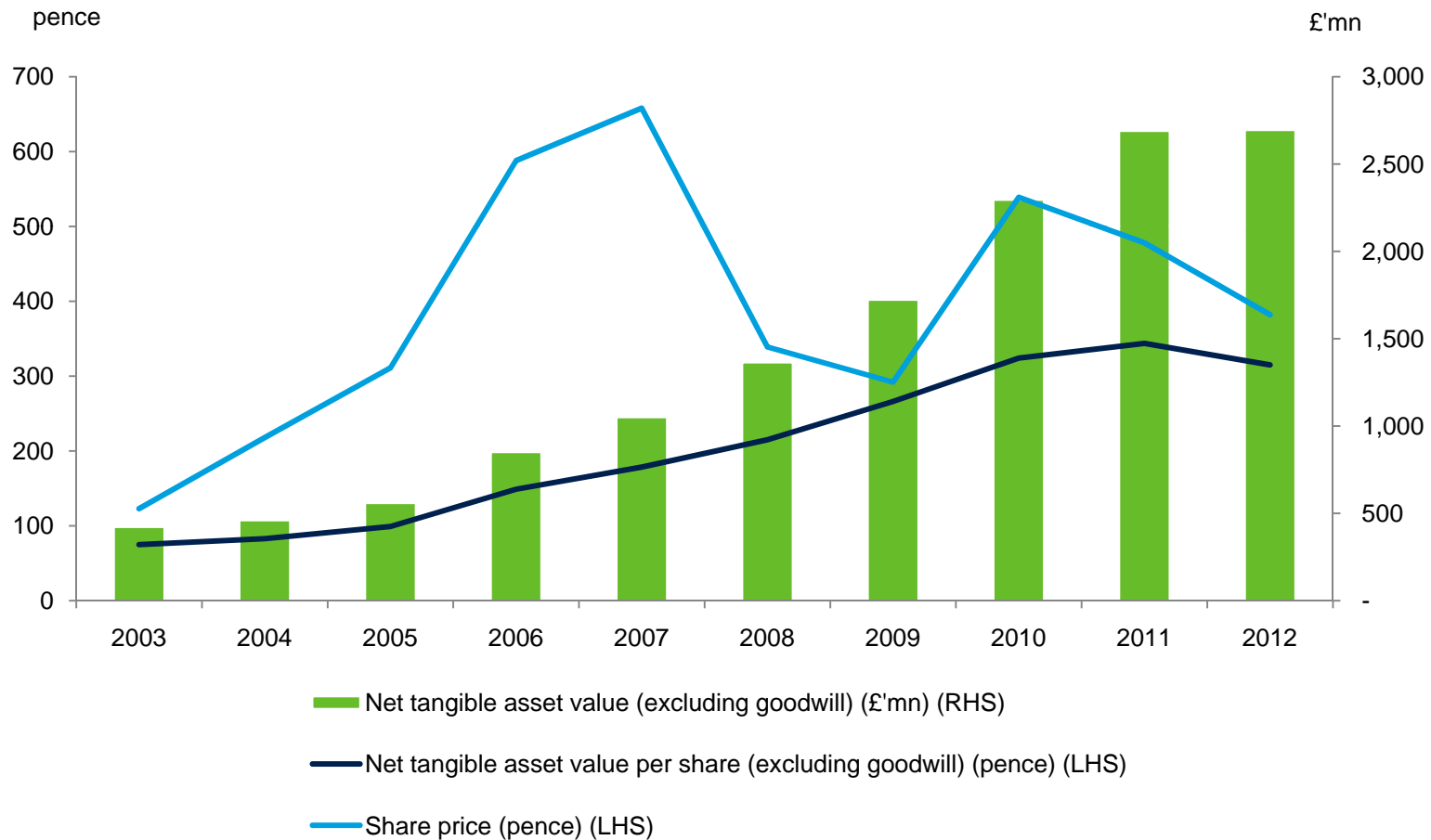




## Since UK listing: solid growth (excl. dividends)

CAGR of NTAV: 23%

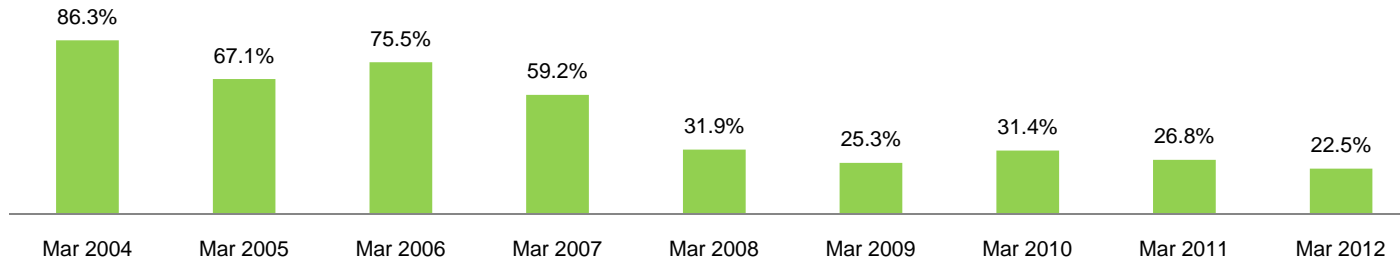
CAGR of NATV per share: 17%



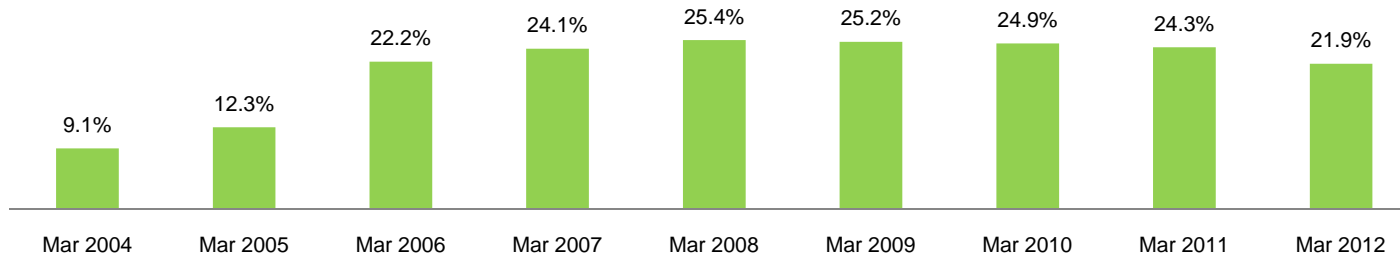


# Since UK listing: returns (incl. dividends) Investing at 31 March 2003

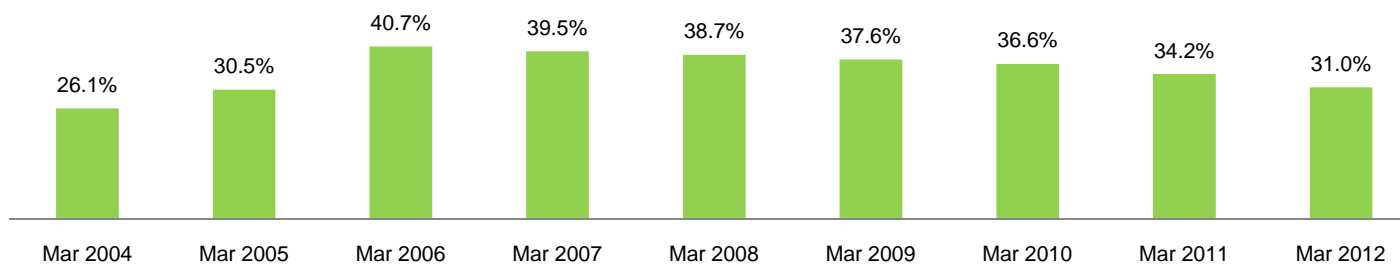
## IRR at the respective year end date on share price and dividends



## IRR at the respective year end date on NAV and dividends



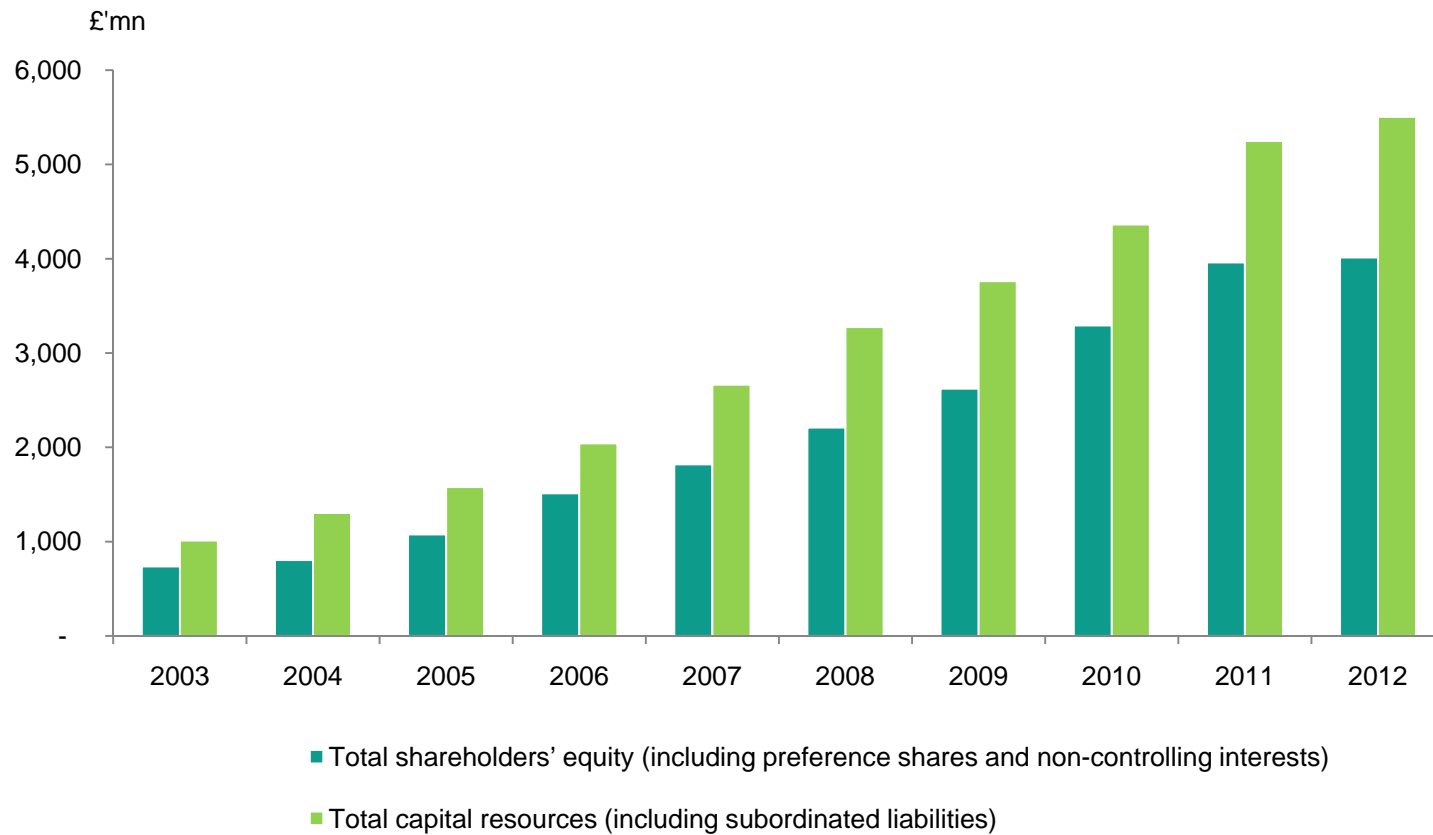
## IRR at the respective year end date on TNAV and dividends





## Since UK listing: Strong capital growth

CAGR since 2003: 21%





## In summary ...

### The current strategic focus is to ...

- Build low capital intensive revenue
- Tightly manage costs while still investing for the future
- Maintain appropriate levels of capital and liquidity
- Continue the path of implementing the single bank strategy to create additional operational efficiencies and better service our clients
- Maintain momentum in Asset Management
- Complete integration in Wealth & Investment and continue internationalising the offering
- Capture trade and investment opportunities between developed and emerging economies



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## Outlook and closing



## Outlook

- In the face of challenging global market conditions, we continued to pursue our strategy of realigning the business model towards less capital intensive activities and concentrating on reducing legacy issues.
- Our competitive position is strong with all platforms in place and our client franchise is robust.
- We have the right people and skills to take advantage of opportunities in our identified niches, focusing on winning new clients and servicing existing clients in the best possible way.
- The operating environment remains unpredictable and we continue to build on the solid foundation, driving organic growth in our chosen businesses whilst maintaining strong cost and capital discipline.



## Closing

**“ Over many years we have developed a unique culture which encourages our people to be transparent through open and honest dialogue. This results in the organisation receiving significant feedback, which is often very robust. The last few years have taught us many new lessons and reminded us of lessons we may have learnt in the past, but forgotten.**

**We are an organisation that accepts feedback from all our stakeholders and believe that our ability to understand and act on such feedback can only help create a more powerful organisation in the future.**

**”**