



# Investec

Nov-Dec 2010





# Review of global environment



## Looking back



**13 SEP 2008**

“You are about to experience the most unbelievable week in America ever, and we have to prepare for the absolutely worst case ... We have to protect the firm.

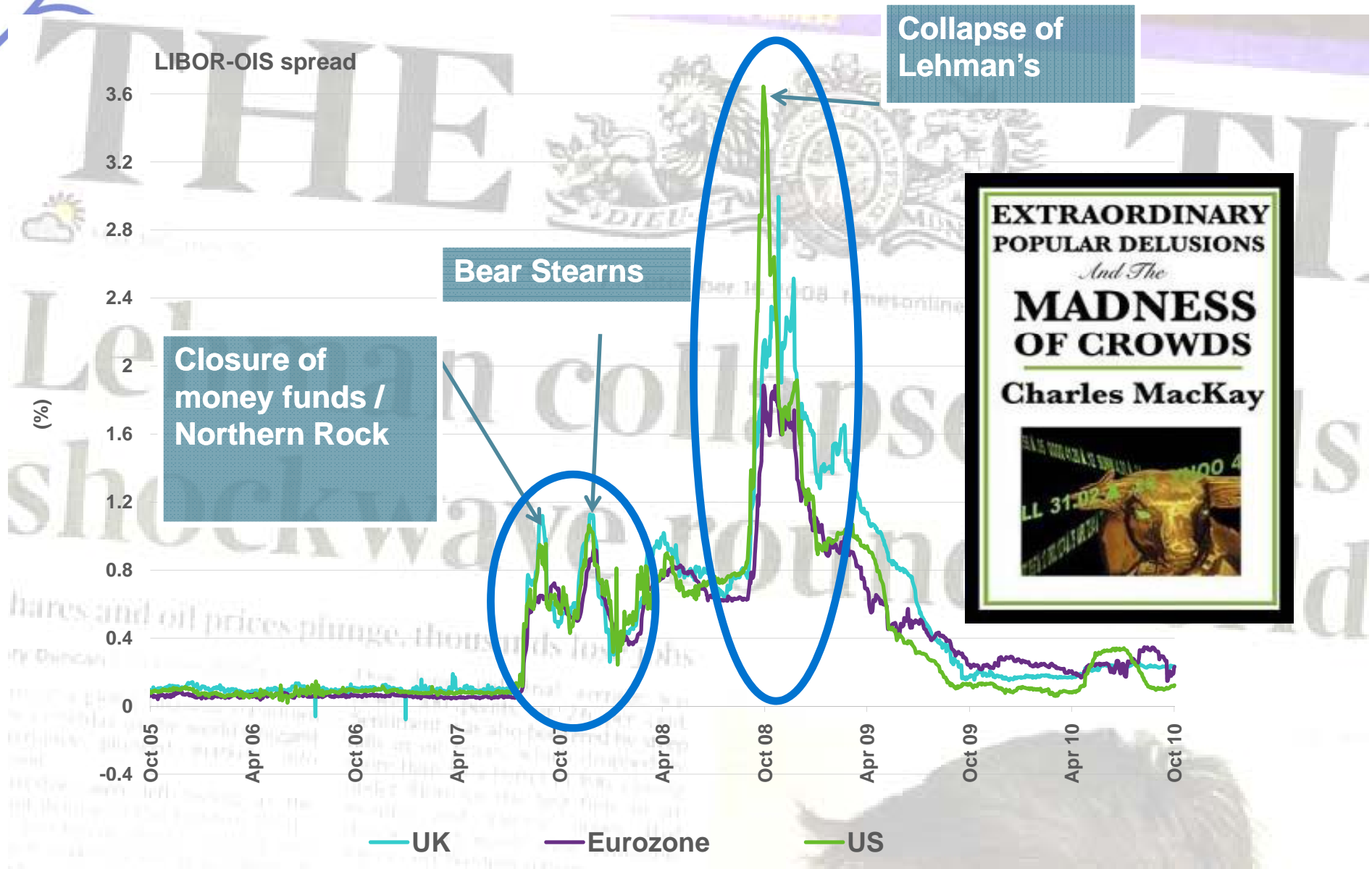
**This is about our SURVIVAL”**

**- JAMIE DIMON, CEO JPMorgan Chase**





# Financial crisis ...



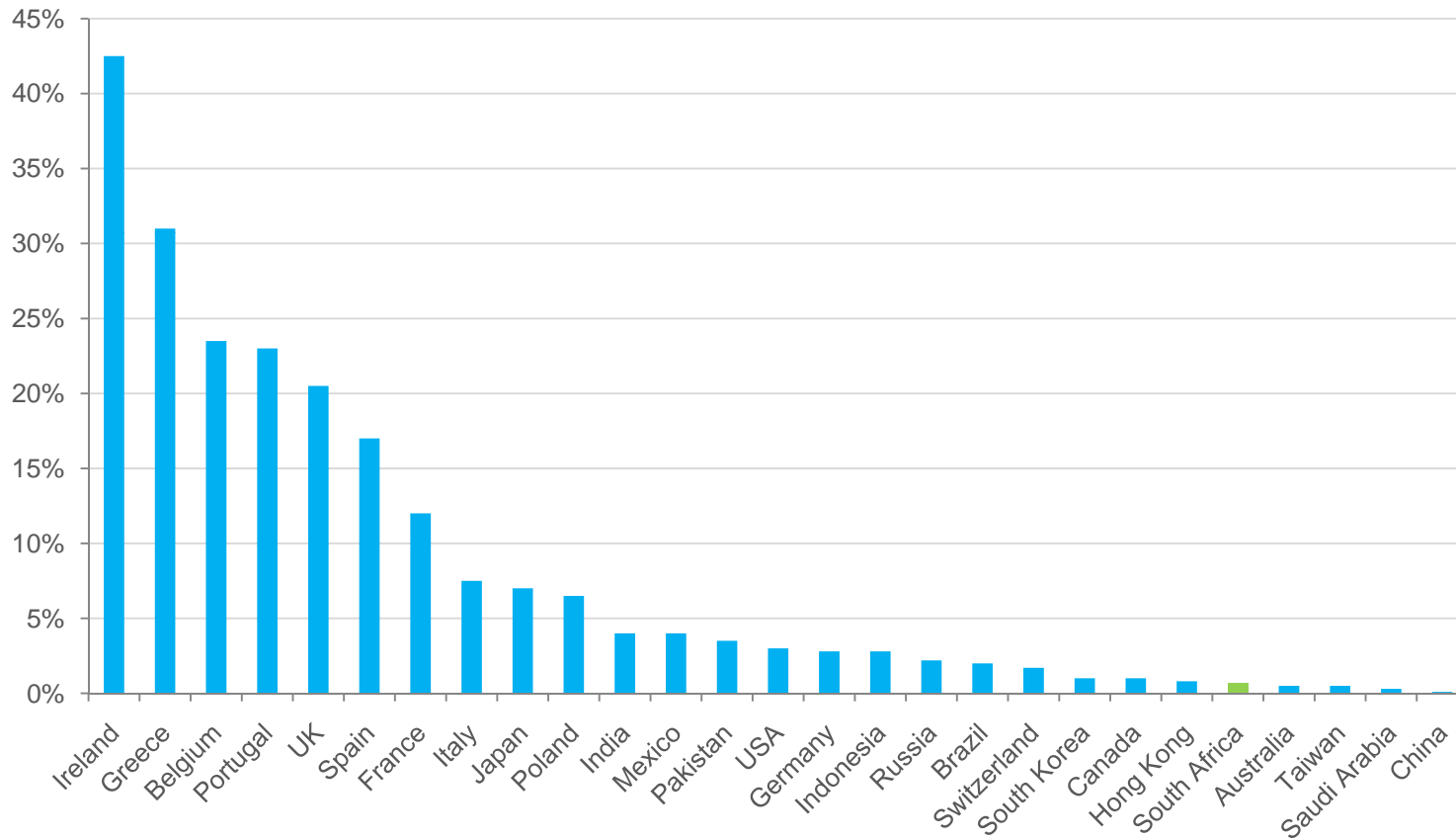
Source: Bloomberg and Datastream





## ... leading to a potential global debt crisis

Country % risk of bankruptcy



Source: Market Oracle, March 2010



# Resulting in the age of austerity

## THE INDEPENDENT UK

### The age of austerity is only just beginning

By Sean O'Grady, Economics Editor

Thursday, 24 June 2010

Britain's public services face the "longest, deepest, sustained period of spending cuts since at least the Second World War", according to the independent Institute for Fiscal Studies (IFS). Never before in peacetime has the public sector seen budgets reduced every year for six years. Some departments will face cutbacks of a third.

**"We have entered the Age of Austerity. It's already arrived in Europe and is destined for the United States. Governments throughout Europe are cutting social spending and raising taxes — or contemplating doing so.**

**Even rich countries find the costs too high, but the sudden austerity could perversely trigger a new financial crisis."**

*Robert J. Samuelson, Washington post, 11 October 2010*

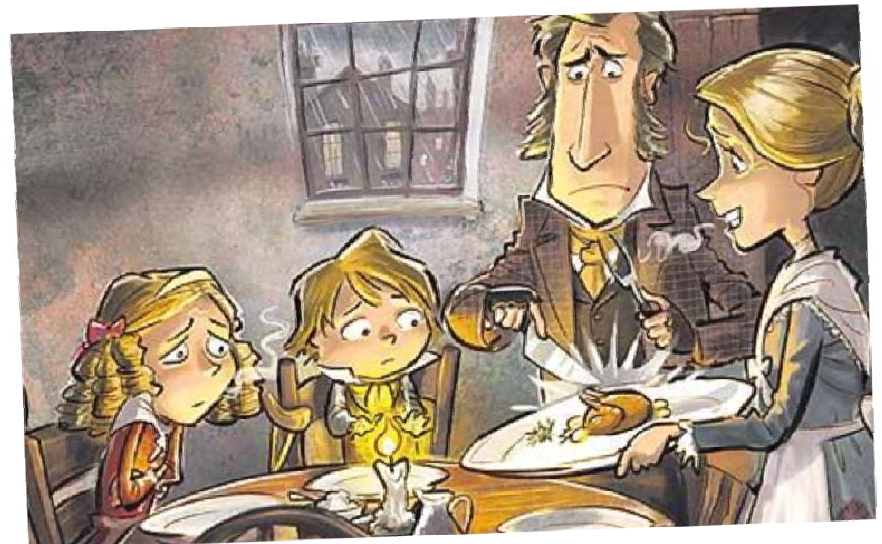
## **BusinessDay** Australia

### World debt crisis needs strong action, now

Robert Carling

October 14, 2010

**We have a vital interest in how the global debt crisis plays out.**





Hence, the world is in 'stop-start' mode

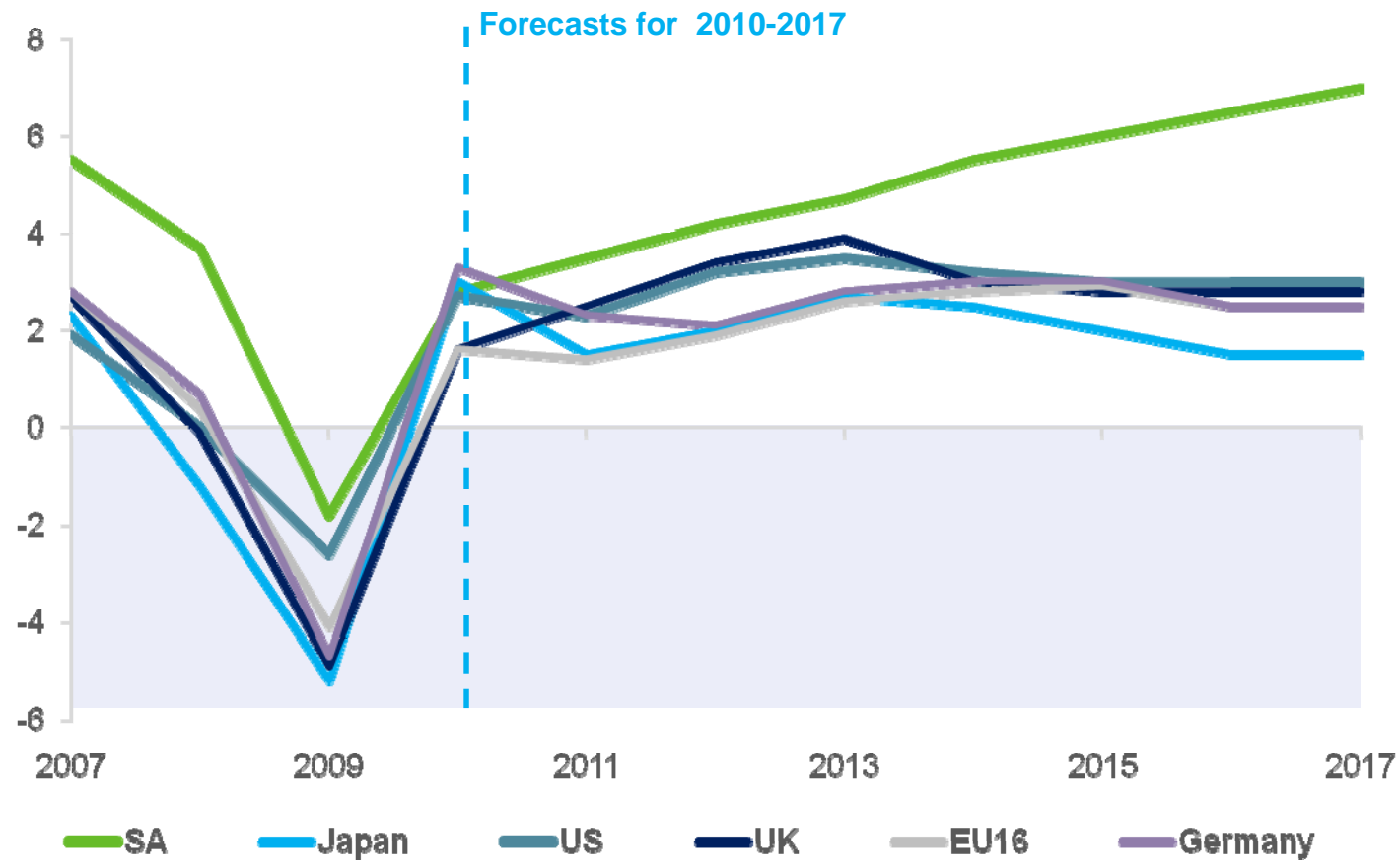


(President Herbert Hoover (August 10, 1874 – October 20, 1964))



## With global growth slowly recovering

GDP Growth

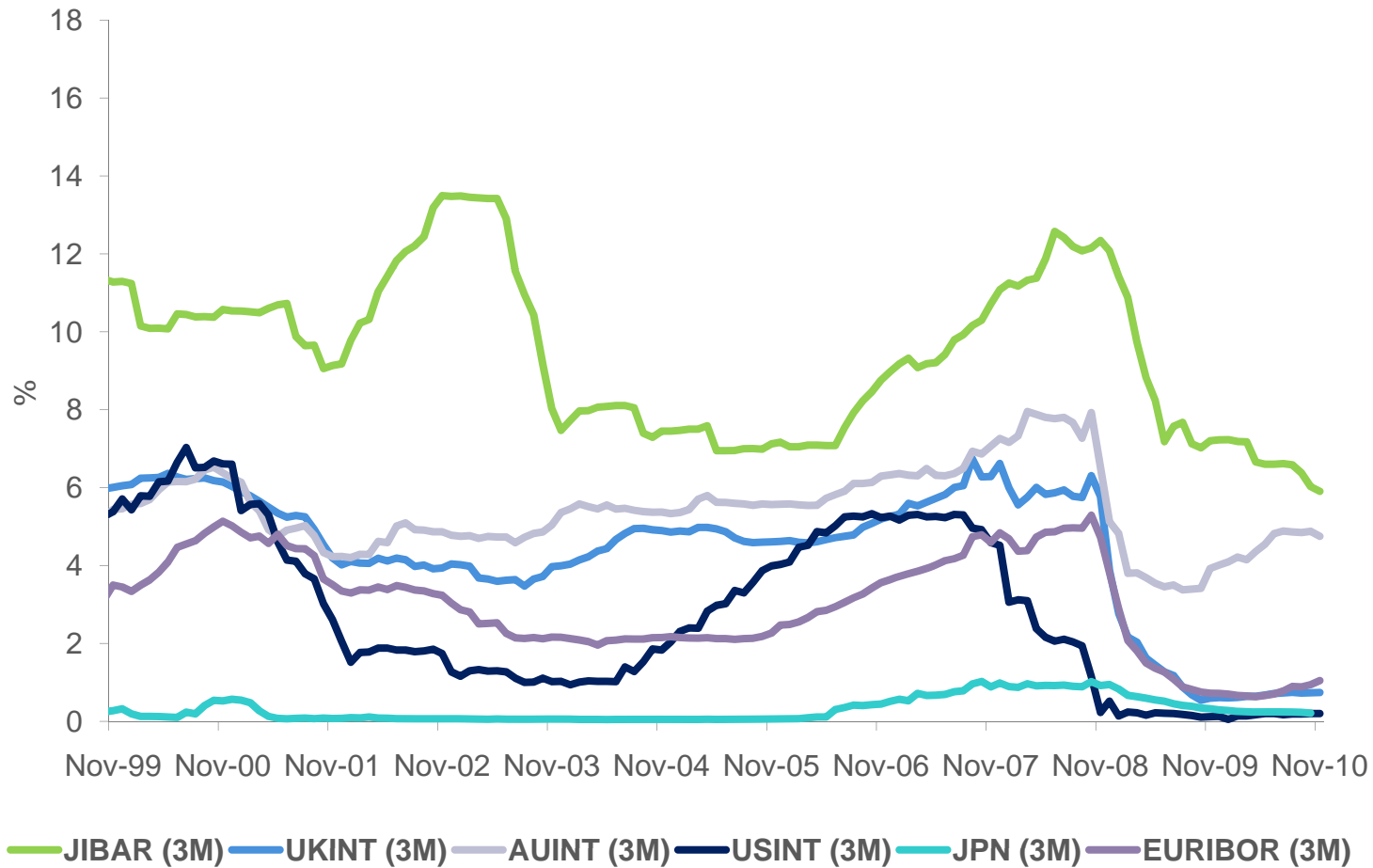


Source: Standard and Poors



# Interest rates at historic lows

Except for South Africa and Australia



Source: Datastream



# Credit markets have recovered



Source: Datastream



# Equity markets volatile but moving up



Source: Datastream





## With SA on a much firmer long-term growth path

- SA never had a banking crisis but rather a traditional recession brought about by high interest rates and the collapse of global demand.
- SA's banking sector was recently ranked 6th in the world in global competitiveness report and first on its strength of regulatory and reporting standards.
- The stimulus led recovery in the US, along with Asia's rapid rebound in growth, has caused SA's recovery to proceed better than initially expected.
- Government and parastatal fixed investment continues to improve, although infrastructure challenges will likely constrain growth at 6-7%.
- The private sector is becoming financially healthier, spending on the back of rising real incomes, not credit, and the middle class is growing strongly.
- The current weak activity a temporary blip in the country's long-term path to stronger growth and improved job creation.



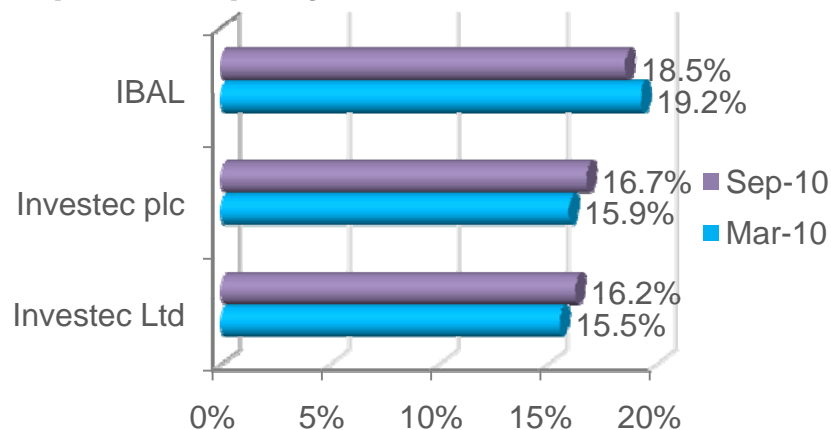
**Investec through the  
crisis**



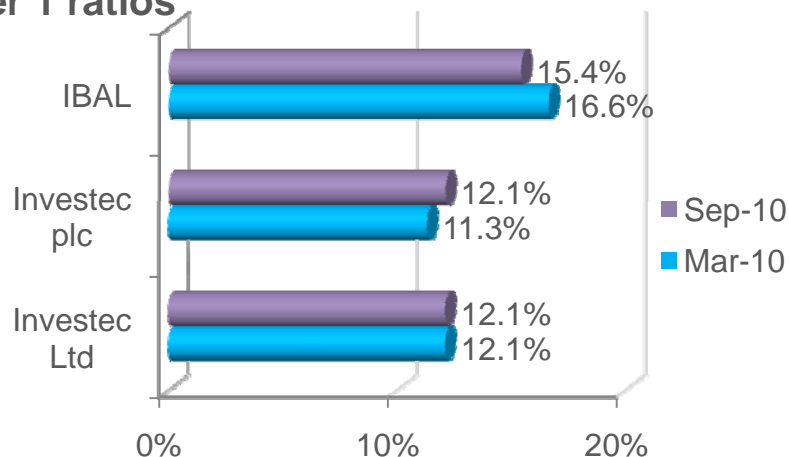
# Maintained a strong balance sheet

- Current capital structure and capital ratios exceed the minimum requirements for 2013

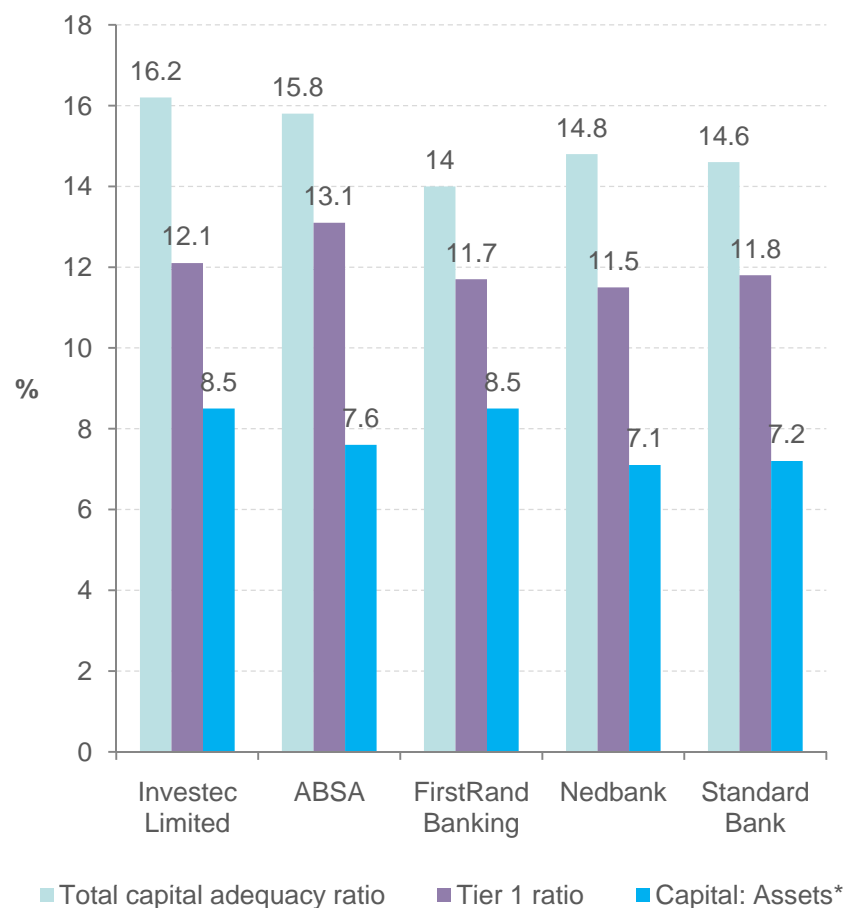
## Capital adequacy ratios



## Tier 1 ratios



## Capital



Source: Annual Company Reports

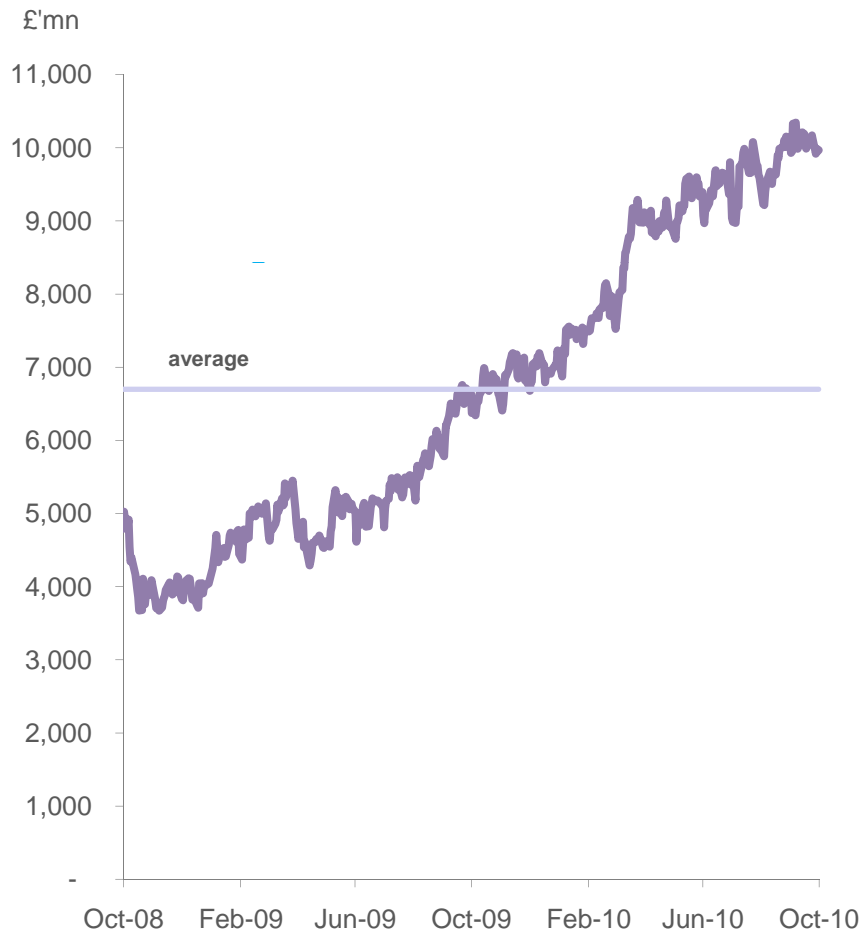
\*A capital adequacy ratio reflects capital as a percentage of risk-weighted assets. A permanent equity ratio is more conservative as it expresses equity as a percentage of total assets, ignoring any risk weightings applied to those assets

^Expected capital adequacy ratios at 30 September 2010

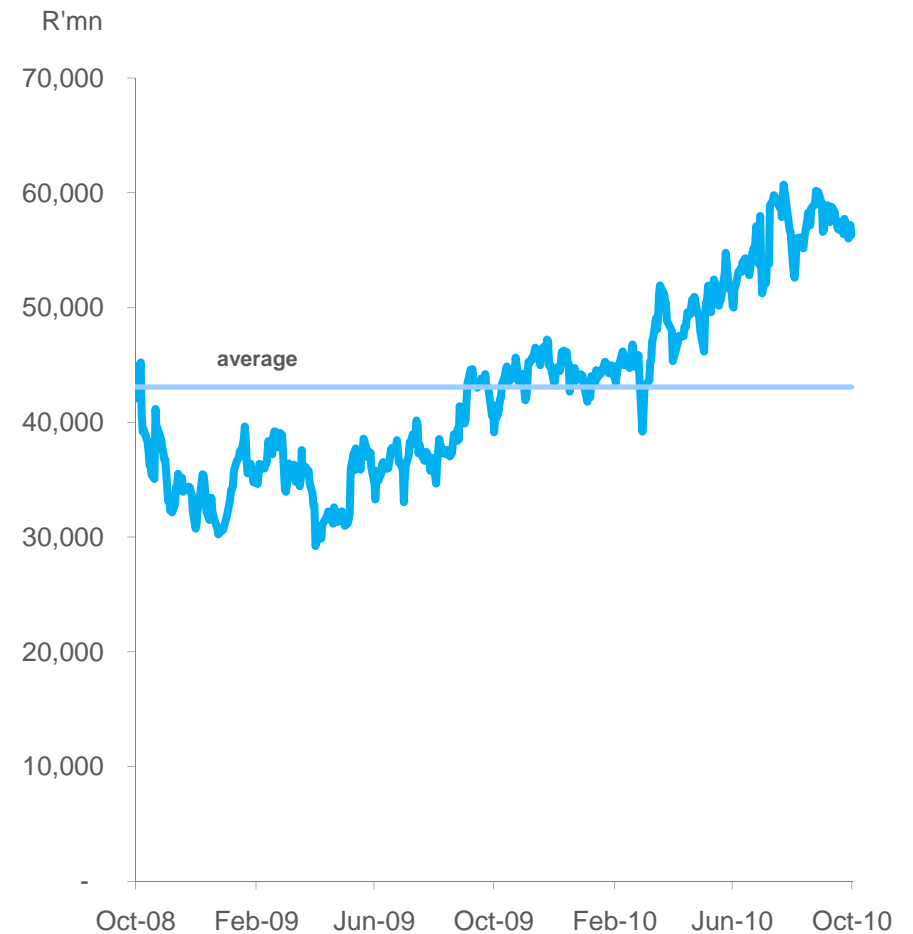


# Diversified our funding sources

**Investec DLC**



**Investec Limited**

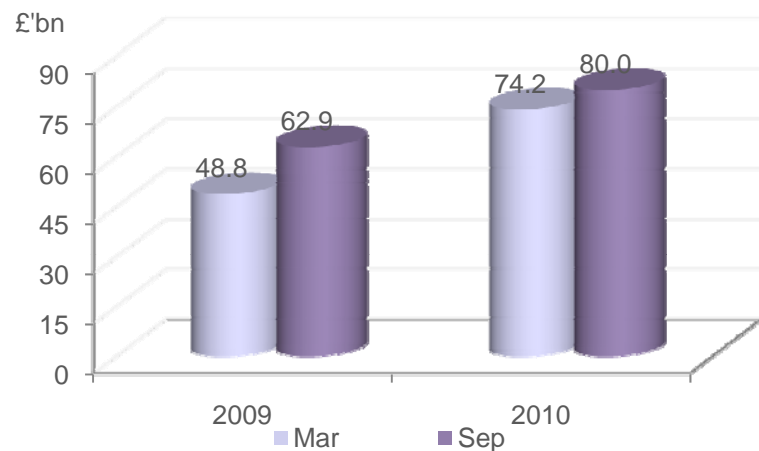




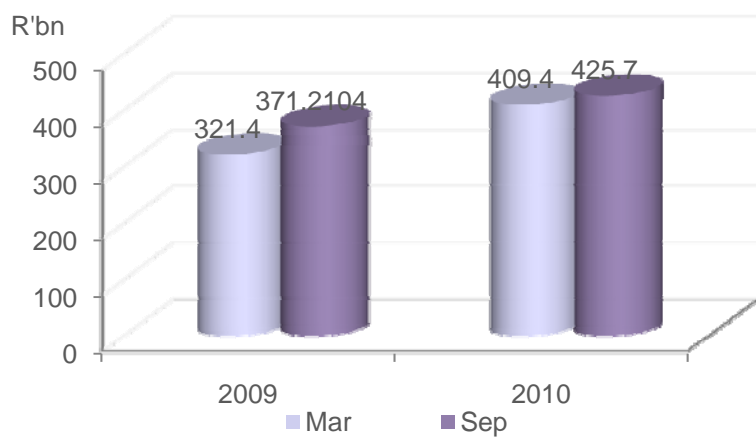
# Built our core earnings drivers

## Third party assets under management

Investec DLC

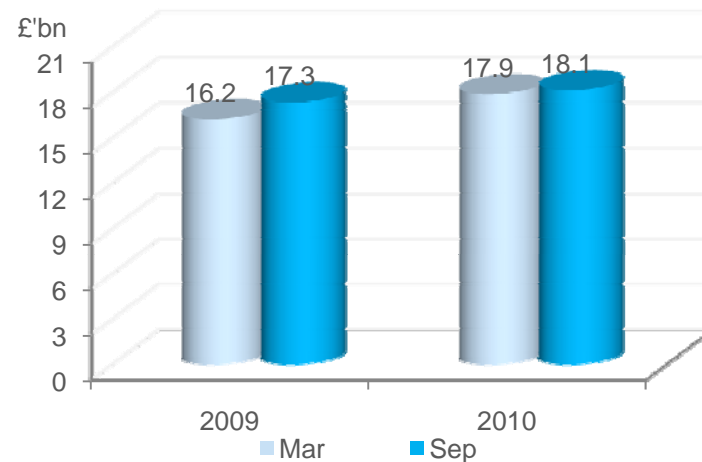


Investec Limited

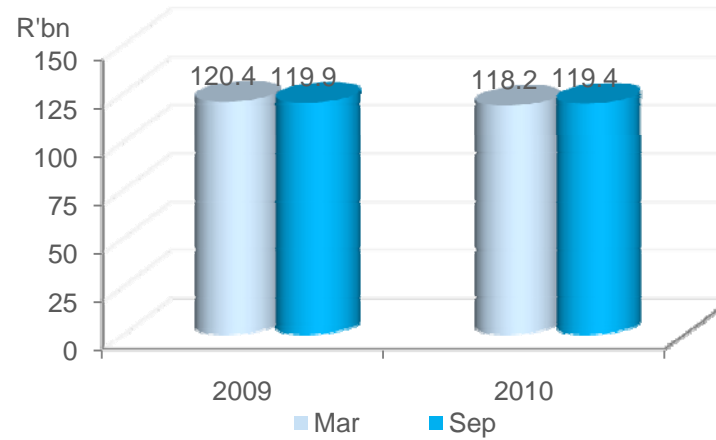


## Core loans and advances

Investec DLC



Investec Limited





# Results of the group

## Salient financial features (Investec DLC)

	Sep-10	Sep-09	% change	Mar-10
Operating profit* excluding debt buy-back	228,157	169,979	34.2%	382,258
Operating profit* before tax (£'000)	228,157	215,979	5.6%	432,258
Attributable earnings* (£'000)	163,202	160,422	1.7%	309,710
Adjusted EPS* (pence)	22.1	24.0	(7.9%)	45.1
DPS (pence)	8.0	8.0	0%	16.0
Net tangible asset value per share (pence)	317.8	296.9	7.0%	324.1
Core loans and advances to customers (£'mn)	18,148	17,342	4.6%	17,891

*\*Before goodwill and non-operating items and after minorities*



# And for South Africa

## Salient financial features (Investec Limited)

R'mn	Sep-10	Sep-09	% change	Mar-10
Operating profit before taxation, headline adjustments and impairments	1,947	2,067	-5.8%	4,450
Operating profit before taxation and headline adjustments	1,570	1,652	-5.0%	3,587
Headline earnings attributable to ordinary shareholders	1,026	1,008	1.8%	2,141
Net core loans and advances	119,407	119,935	-0.4%	118,155
Customer accounts (deposits)	150,954	136,498	10.6%	143,121
Capital adequacy ratio	16.2%	14.7%	-	15.6%
Tier 1 ratio	12.1%	11.3%	-	12.1%

*\*Before goodwill and non-operating items and after minorities*

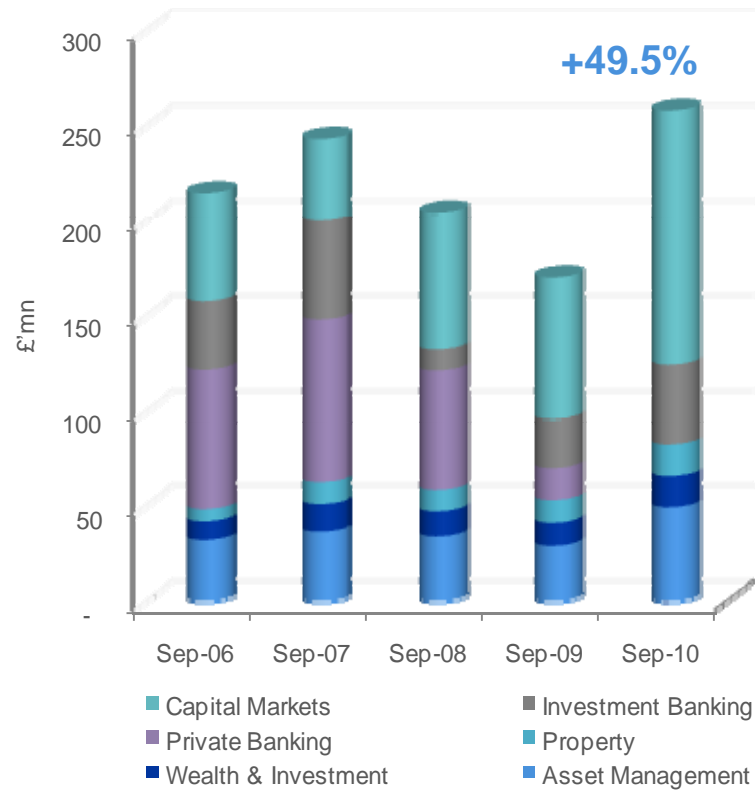




# Strong operational performance

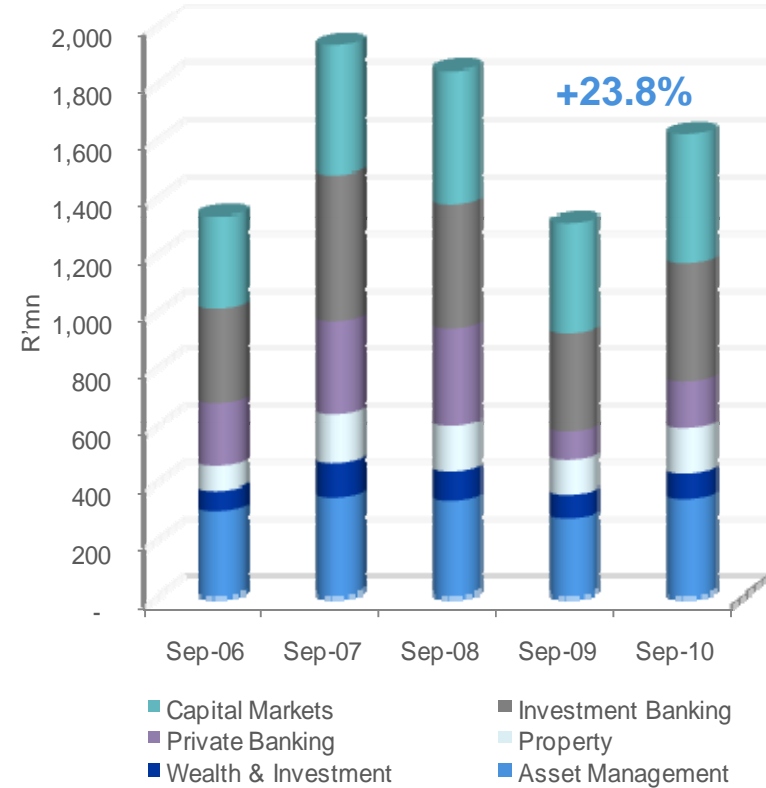
## Investec DLC

Operating profit\*



## Investec Limited

Operating profit\*

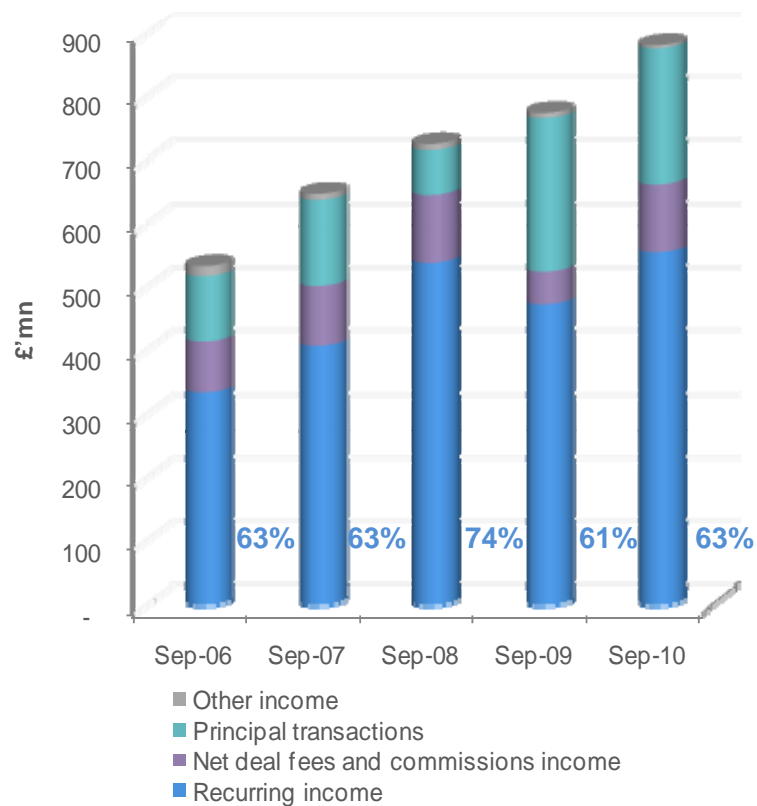


\*Before goodwill, non-operating items, taxation and after minorities and excludes Group Services and Other

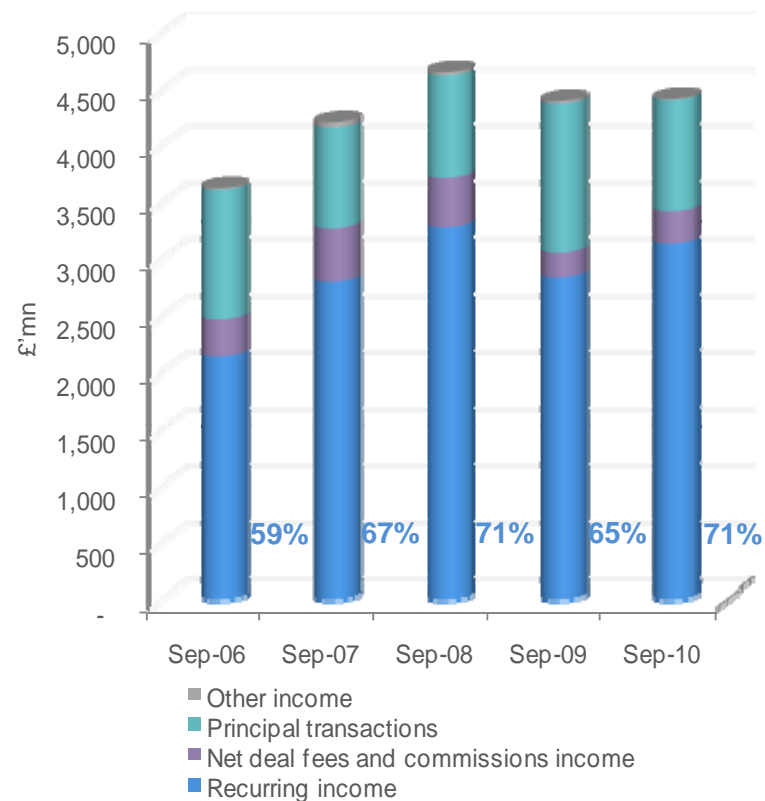


# Supported by strong recurring income base

## Investec DLC



## Investec Limited





## Strategy and outlook



## 2008 – 2009: On the defensive

- For the rest of 2008 and much of 2009, the group's focus continued to be on the balance sheet and we remained in defensive mode





# Past year we've moved onto the front foot



## UBS Investment Research Investec

### The zebra is back onto the front foot

- We raise our EPS forecast by 3% FY10 and 4% FY11

The pre-close briefing of 17 September indicated that Investec is moving defence towards taking more risk. There have been several positives from the briefing, including strong growth in Private Bank deposits (+19% in 5 months), record net flows of £2bn in its asset management business. However, in the short term, earnings are expected to remain under pressure. We expect EPS to

19 November 2010

## Investec Plc

Reuters: INVPL Bloomberg: INVPLN Exchange: LSE Ticker: INVPL

### 1H11 result: Going somewhere slowly

**Voyt Krzychylkiewicz, CFA**  
Research Analyst  
(+27) 11 775-7483  
voyt.krzychylkiewicz@db.com

**Nicole Penny**  
Research Analyst  
(+27) 11 775-7266  
nicole.penny@db.com

Valuation case still holds even if operationally there is little progress

Deutsche Securities  
A Member of Deutsche Bank Group

Compa

Markets Research

## Investec

Half Year Results

### Good interim results

Investec increased operating profit by 34% to £228m for the six months to 30.09.2010 against our forecast of £217m, a 5% forecast beat. More than all of this beat was accounted for by principle transactions which we view as lower quality revenue. All divisions performed well (especially Capital Markets which saw profits increase 81%) with the exception of the Private Bank which reported a loss of £4m against our forecast of a £12m profit.

Numis  
Securities Limited

18 November 2010

17 September 2009

## Investec Plc

Reuters: INVPL Bloomberg: INVPLN Exchange: LSE Ticker: INVPL

### 1H10 trading update - The fog is lifting

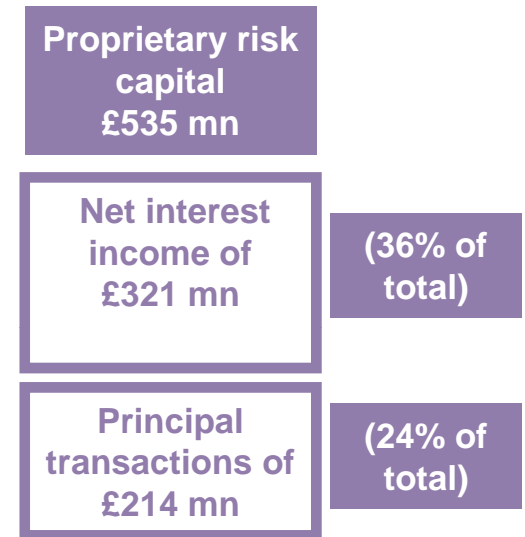
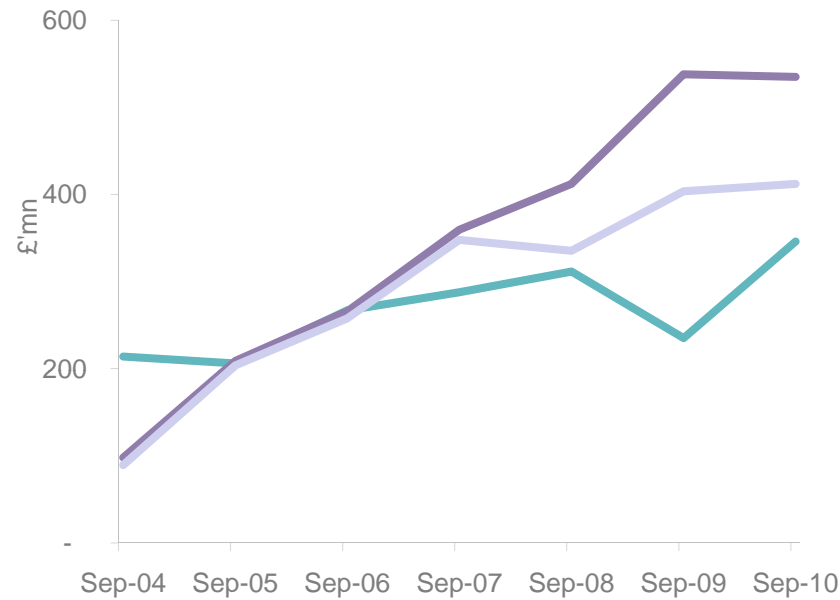
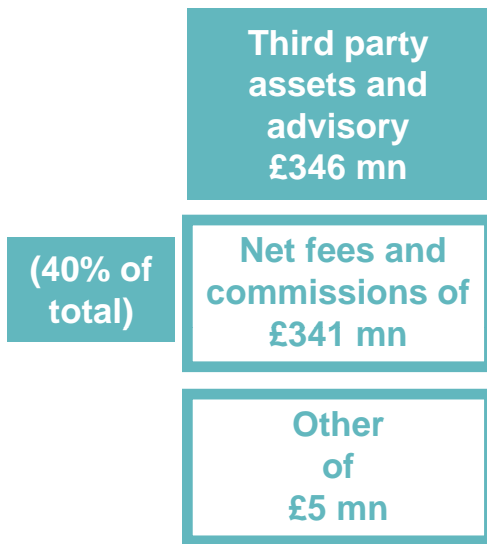
**Voyt Krzychylkiewicz, CFA**  
Research Analyst  
(+27) 11 775-7483  
voyt.krzychylkiewicz@db.com

**Nicole Penny**  
Research Analyst  
(+27) 11 775-7266  
nicole.penny@db.com

Tough 1H10 but there's reason for optimism  
The 1H10 trading update clearly highlighted that the past six months have been



# Focused on realigning the business model



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

Wealth management  
Specialist funds  
Asset management  
Transactional banking  
Advisory

Principal transactions  
Structured transactions  
Market making  
Loans and deposits





## ...and on building our brand

- Strengthen existing client relationships
- Provide distinctive products and an increased breadth of services to clients







## Ready to capture opportunities

- The system has stabilised and activity levels are starting to improve
- We have a solid and resilient franchise and will continue our efforts to build a strong brand
- We are on the front foot and have had a forward-focused approach
- With our strong balance sheet and liquidity position, we are ready to capture opportunities arising from the realignment of the financial services industry



Thank You

