

Stephen Koseff CEO of Investec group

IMF 2011



Out of the Ordinary®

# Overview of Investec



*Out of the Ordinary™*



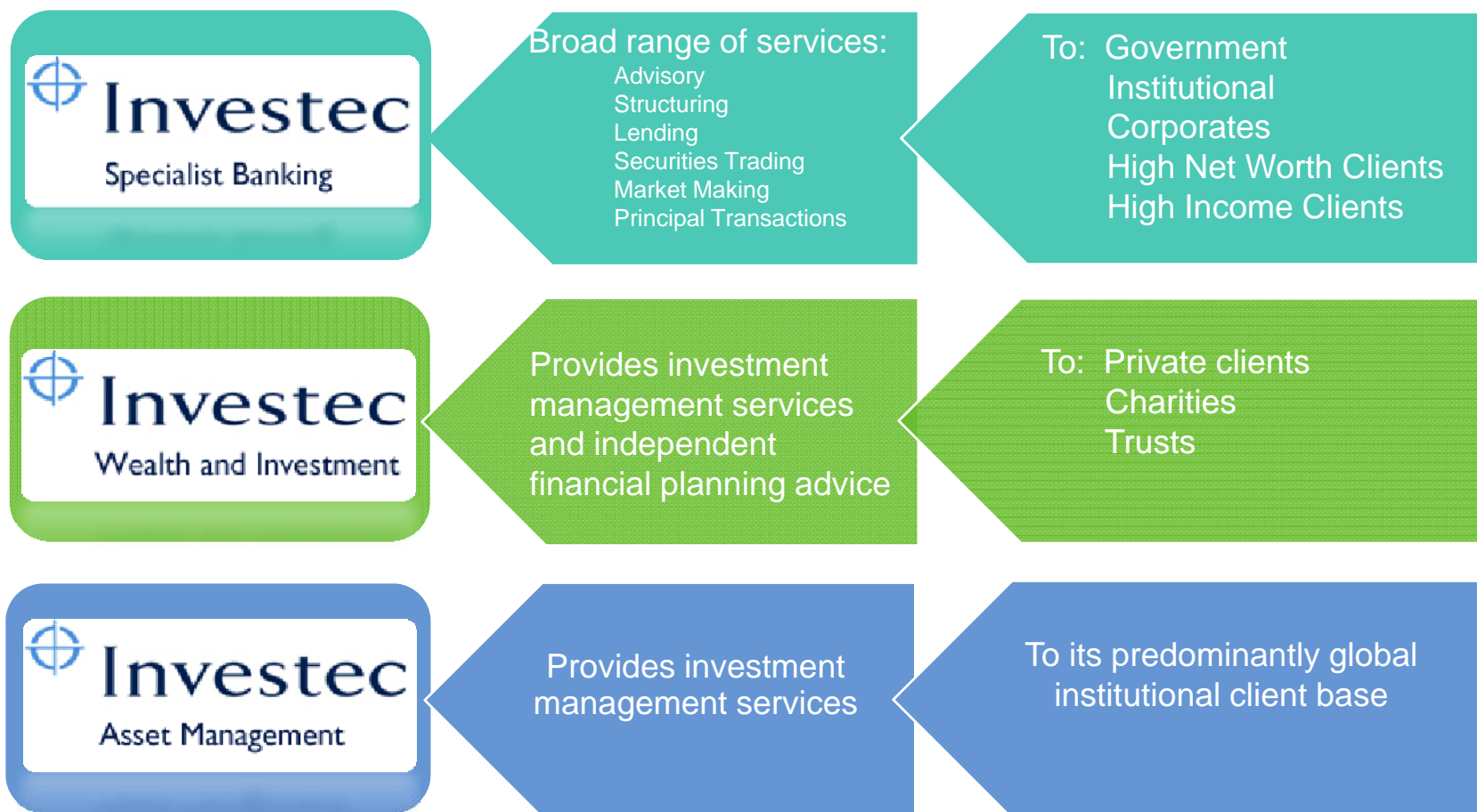
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We strive to be a  
**distinctive specialist bank  
and asset manager**

driven by commitment to  
our core philosophies and values



# Specialist bank and asset manager



# International platform



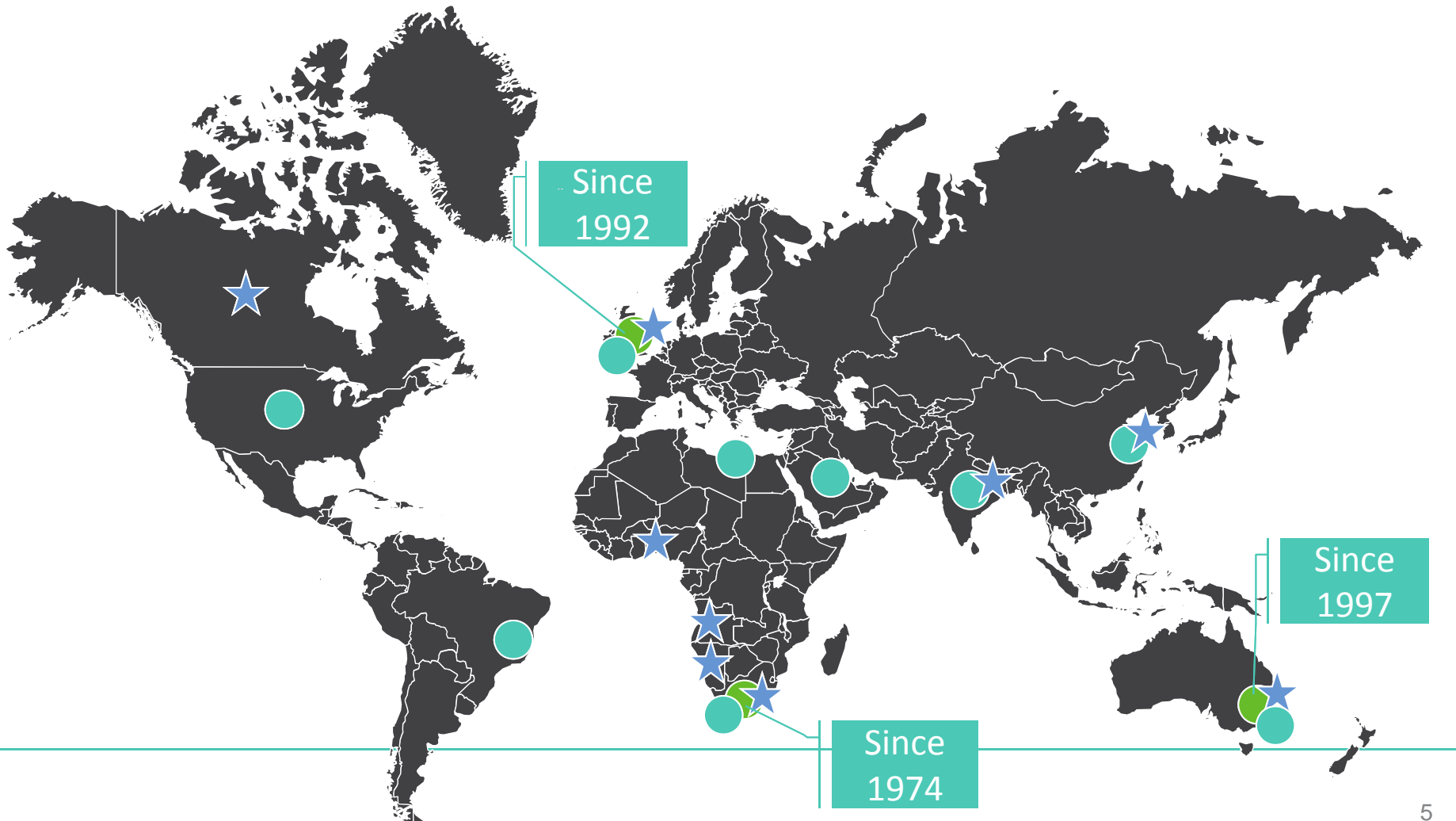
Distribution channels



Origination channels



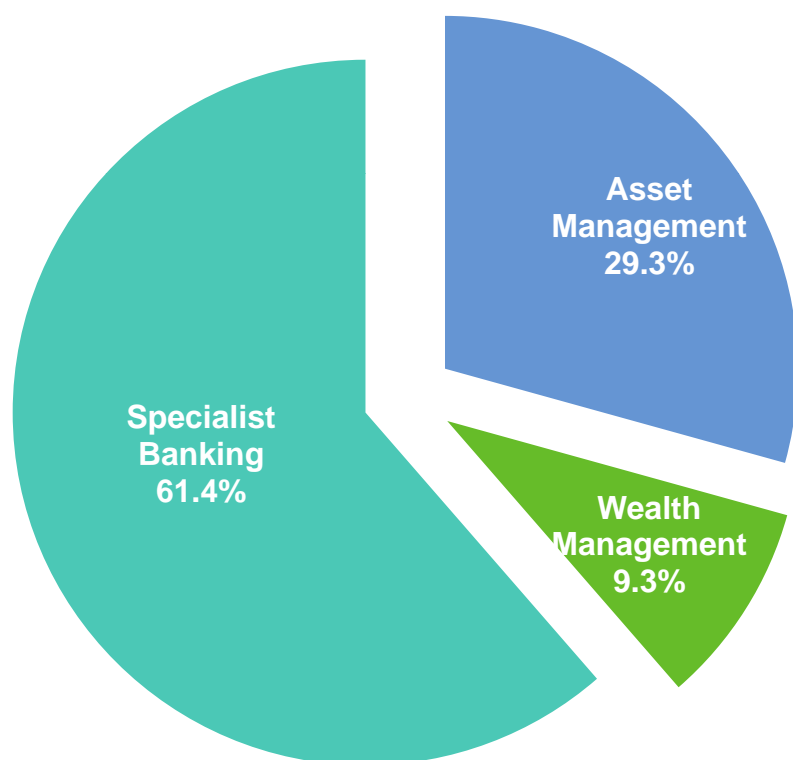
Core infrastructure



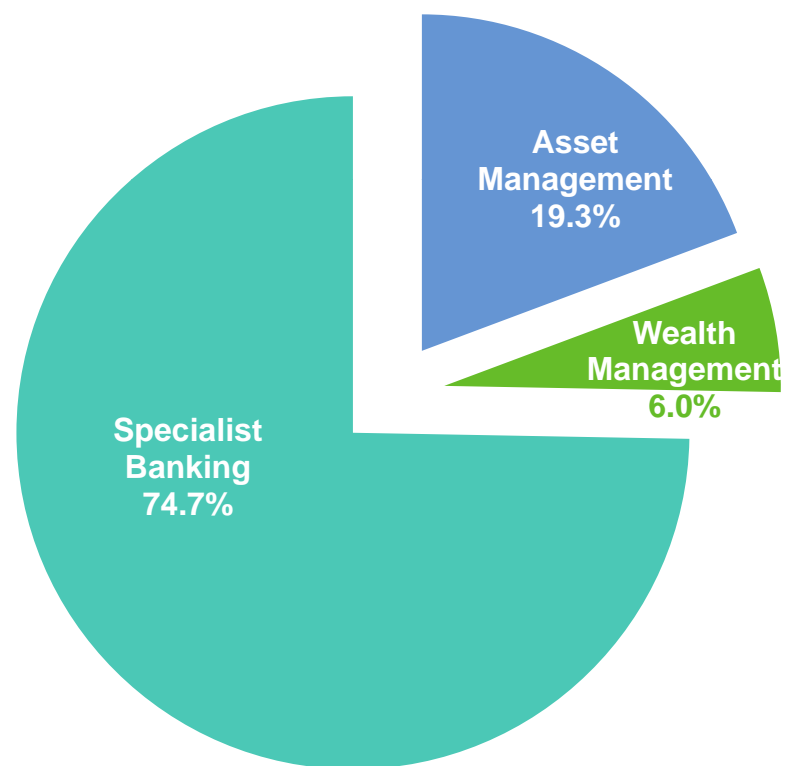


# Building non-banking revenue streams

Contribution to group earnings 31 Mar-11



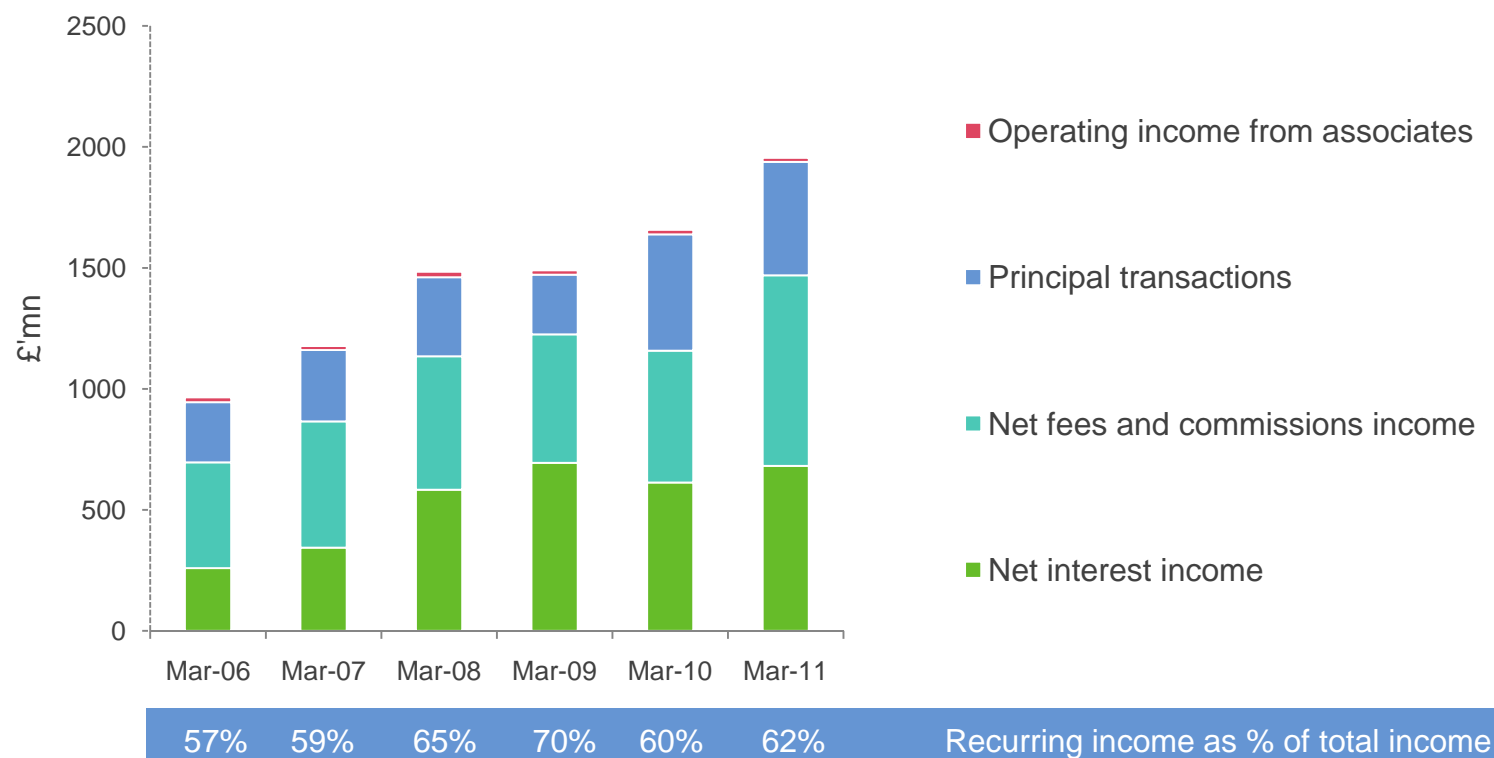
Contribution to group earnings 31 Mar-10





# Solid base of recurring income

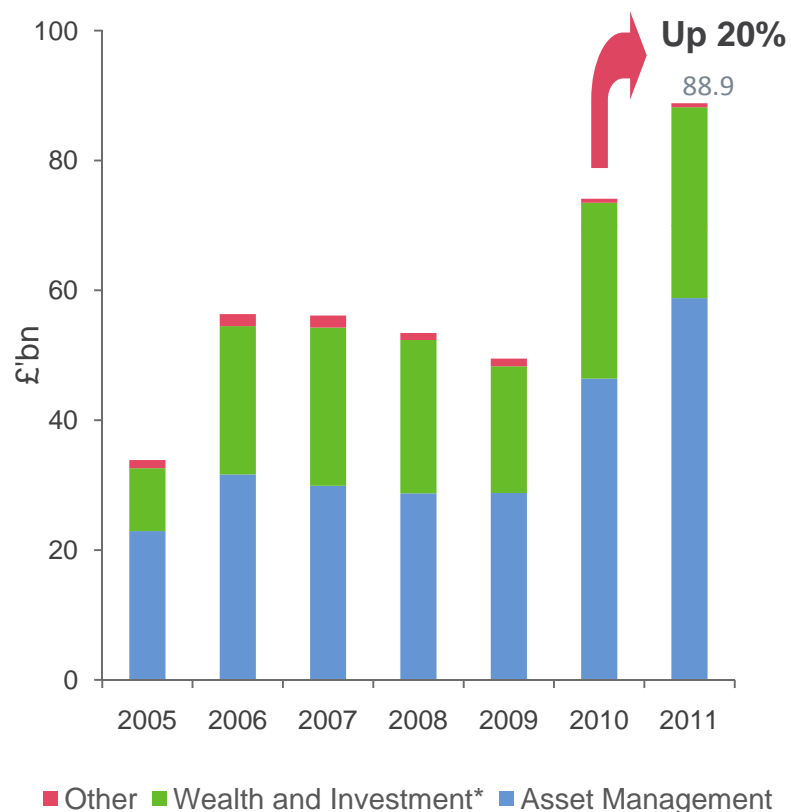
## Recurring income



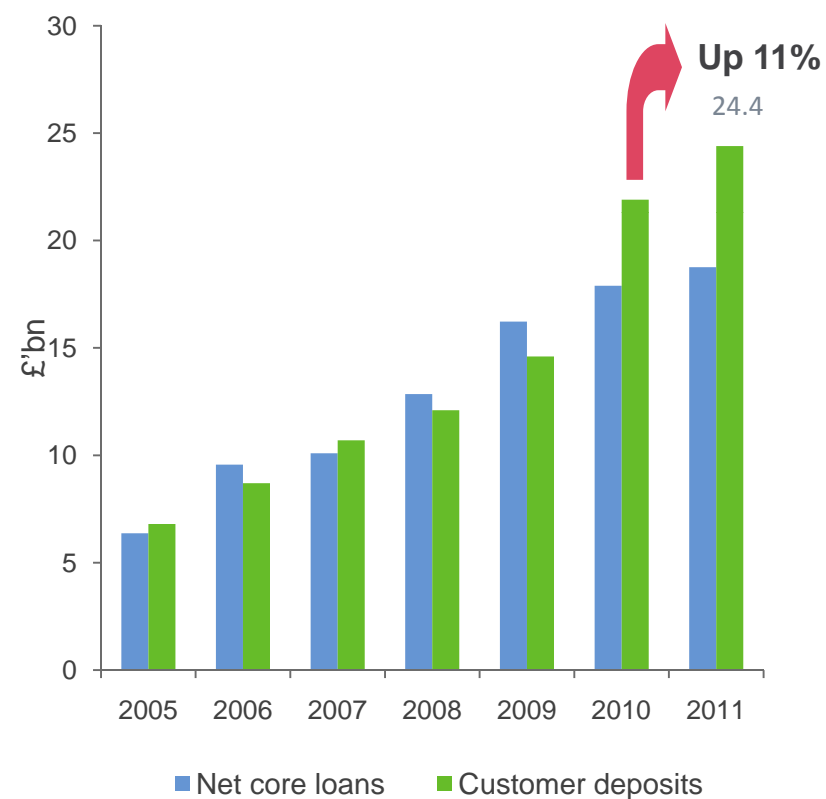


# Strong growth in funds under management and customer deposits

## Third party assets under management



## Customer accounts (deposits) and loans



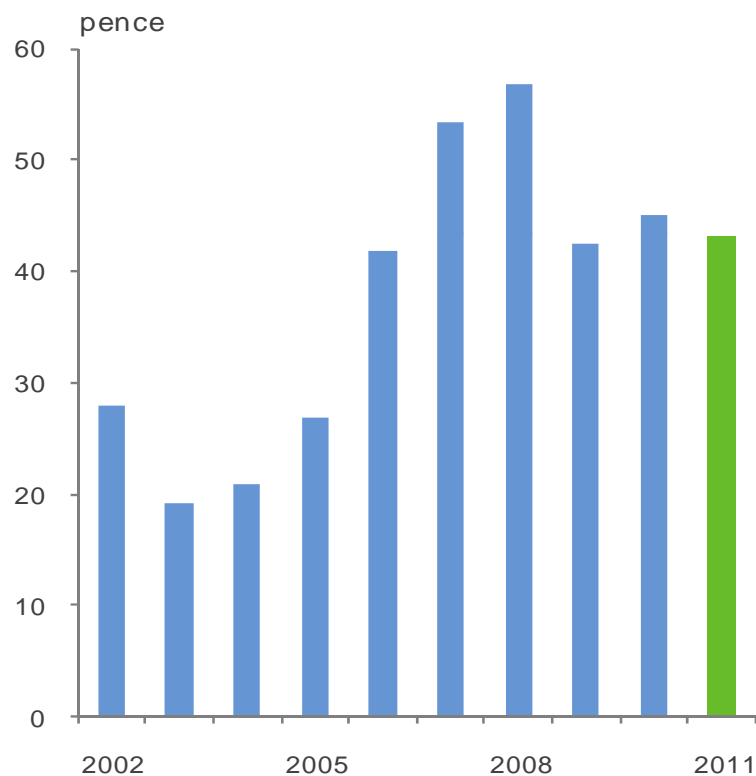
*\*Incorporates funds under advice as previously reported within the Private Bank. Historic numbers have been restated accordingly.*



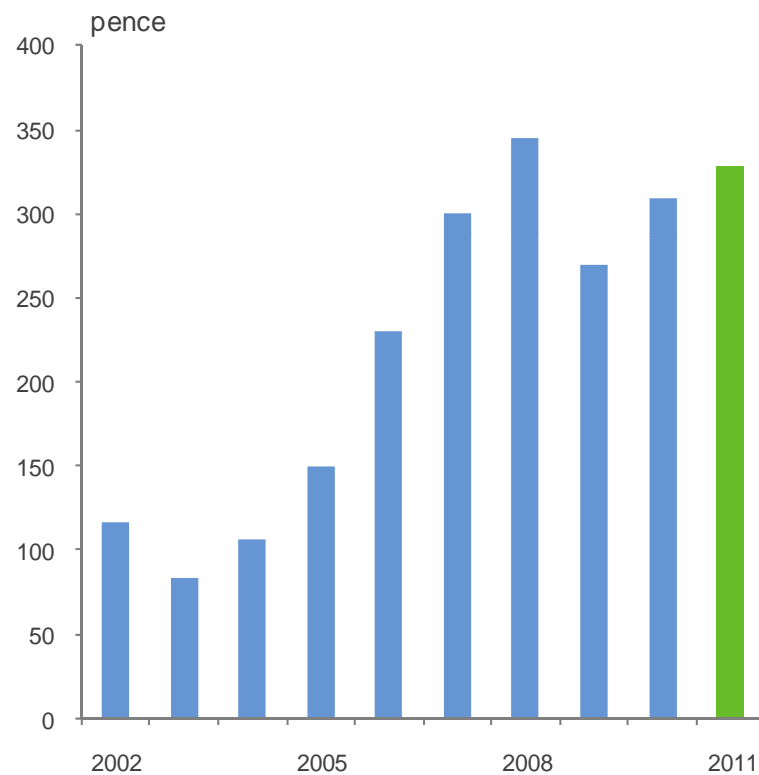


# 10 year track record

## EPS before goodwill and non-operating items\*



## Attributable earnings before goodwill and non-operating items



Results are shown for the year-ended 31 March, unless otherwise indicated.

Prior to 2005 numbers are reported in terms of UK/SA GAAP and thereafter in terms of IFRS.

\*EPS numbers have been adjusted for the 5:1 share split that took place in September 2006.



# Investec DLC: Salient features

|                                                                                  | Mar-11  | Mar-10  | % Change |
|----------------------------------------------------------------------------------|---------|---------|----------|
| Operating profit* before tax (£'000)                                             | 434 406 | 432 258 | 0.5%     |
| Operating profit* before tax and impairment losses on loans and advances (£'000) | 752 636 | 718 839 | 4.7%     |
| Core loans to customer deposits                                                  | 72.4%   | 76.2%   | (5.0%)   |
| Credit loss ratio                                                                | 1.27%   | 1.16%   | 9.5%     |
| Adjusted EPS* (pence)                                                            | 43.2    | 45.1    | (4.2%)   |
| Cost to income ratio                                                             | 61.7%   | 57.8%   | 6.7%     |
| Return on average adjusted shareholders equity (post-tax)                        | 11.2%   | 13.5%   | (17.0%)  |

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



# Investec DLC: Summarised balance sheet

| £'000                                                       | Mar-11            | Mar-10            |
|-------------------------------------------------------------|-------------------|-------------------|
| <b>Assets</b>                                               |                   |                   |
| Cash and near cash                                          | 9,319,000         | 9,117,000         |
| Derivative assets                                           | 1,799,204         | 1,591,841         |
| Securities, including repo's                                | 5,365,472         | 3,713,131         |
| Loans and advances to customers                             | 20,370,705        | 19,191,216        |
| Securitised assets                                          | 4,924,293         | 5,334,453         |
| Investment properties and fixed assets                      | 659,328           | 434,293           |
| Goodwill and intangible assets                              | 593,060           | 311,037           |
| Combined other assets, excluding assurance assets           | 1,548,912         | 1,479,038         |
|                                                             | <b>44,579,974</b> | <b>41,172,009</b> |
| <b>Liabilities</b>                                          |                   |                   |
| Deposits by banks                                           | 2,834,435         | 3,652,712         |
| Derivatives and other trading liabilities                   | 2,202,975         | 1,698,039         |
| Repurchase agreements and securities lending                | 1,599,646         | 1,599,646         |
| Settlement liabilities                                      | 575,254           | 723,492           |
| Customer accounts                                           | 24,441,260        | 21,934,044        |
| Debt securities in issue                                    | 2,145,213         | 2,187,041         |
| Securitised liabilities                                     | 4,340,864         | 4,714,556         |
| Subordinated liabilities                                    | 1,287,635         | 1,070,436         |
| Combined other liabilities, excluding assurance liabilities | 1,766,844         | 1,023,674         |
|                                                             | <b>40,618,872</b> | <b>37,880,148</b> |
| <b>Equity</b>                                               | <b>3,643,105</b>  | <b>2,976,765</b>  |
| Perpetual preferred securities issued by subsidiaries       | 317,997           | 315,096           |
|                                                             | <b>44,579,974</b> | <b>41,172,009</b> |

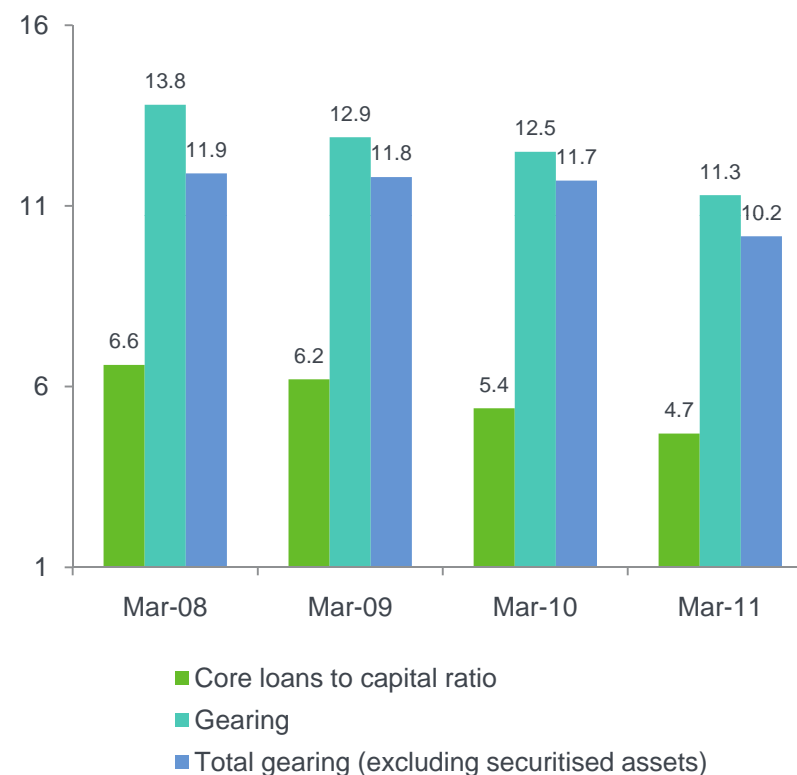


# Investec DLC: Capital and leverage

## Capital position

|                     | Expected<br>30 Sep<br>2011 | 31 Mar<br>2011 | 30 Sep<br>2010 |
|---------------------|----------------------------|----------------|----------------|
| <b>Investec plc</b> |                            |                |                |
| Total               | 16.4%                      | 16.8%          | 16.7%          |
| Tier 1              | 11.1%                      | 11.6%          | 12.1%          |
| <b>Investec Ltd</b> |                            |                |                |
| Total               | 15.4%                      | 15.9%          | 16.2%          |
| Tier 1              | 11.7%                      | 11.9%          | 12.1%          |

## Gearing



*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*



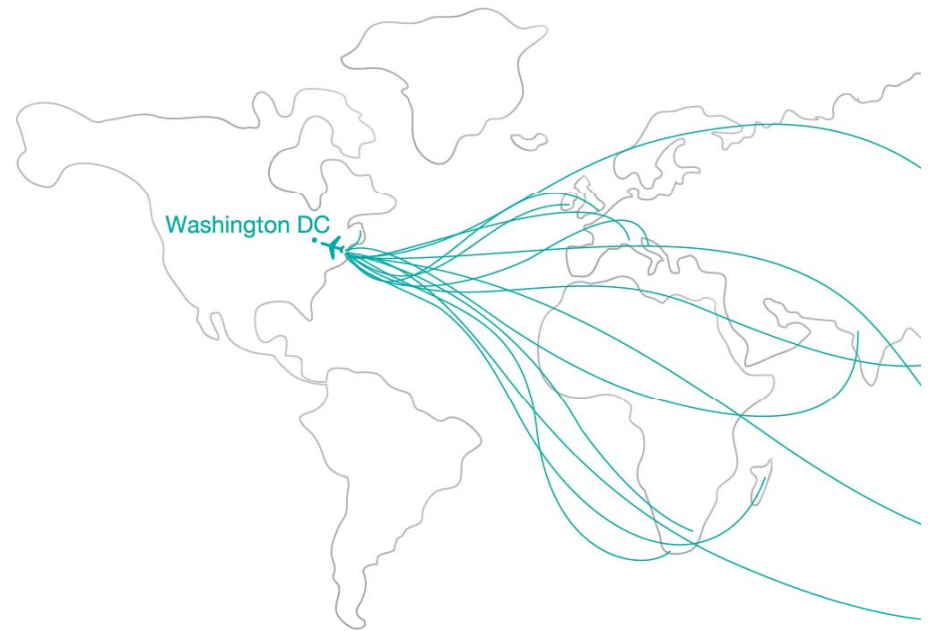
# Positioned for long term growth

Update given to the market on 15 September 2011

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- Operating conditions are difficult as the global geopolitical landscape remains uncertain
- The group's operational performance remains stable underpinned by a solid recurring income base





# An overview of the South African (SA) economy

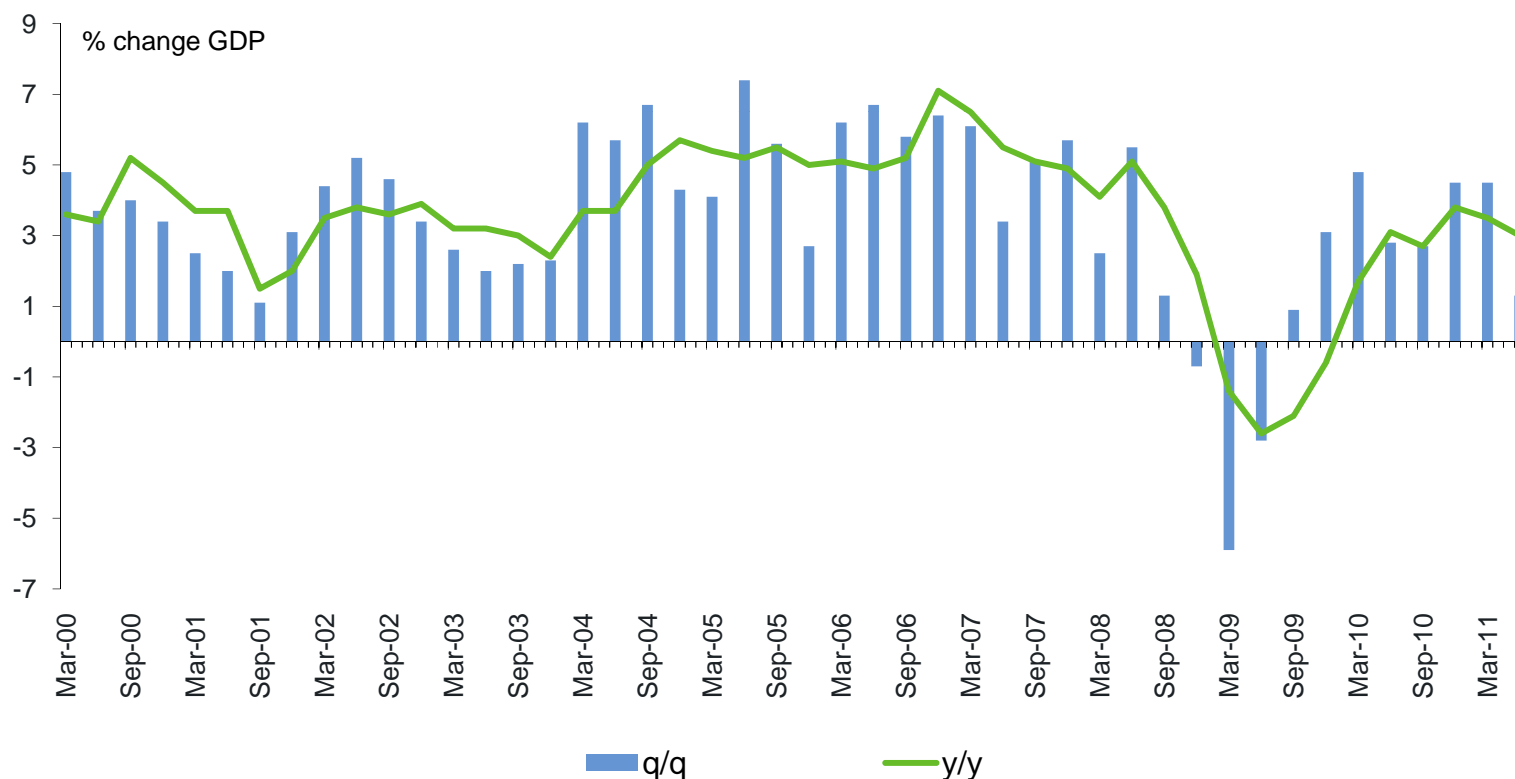


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## SA's current growth rate of 3.4% is above most advanced economies.

- SA is a small, open economy and the slower than expected global recovery means 2011 is now likely to see growth of only 3.2% (previously 3.7% was expected).
- This is still above last year's outcome of 2.8%, but below both trend and the rate needed to meaningfully reduce unemployment.

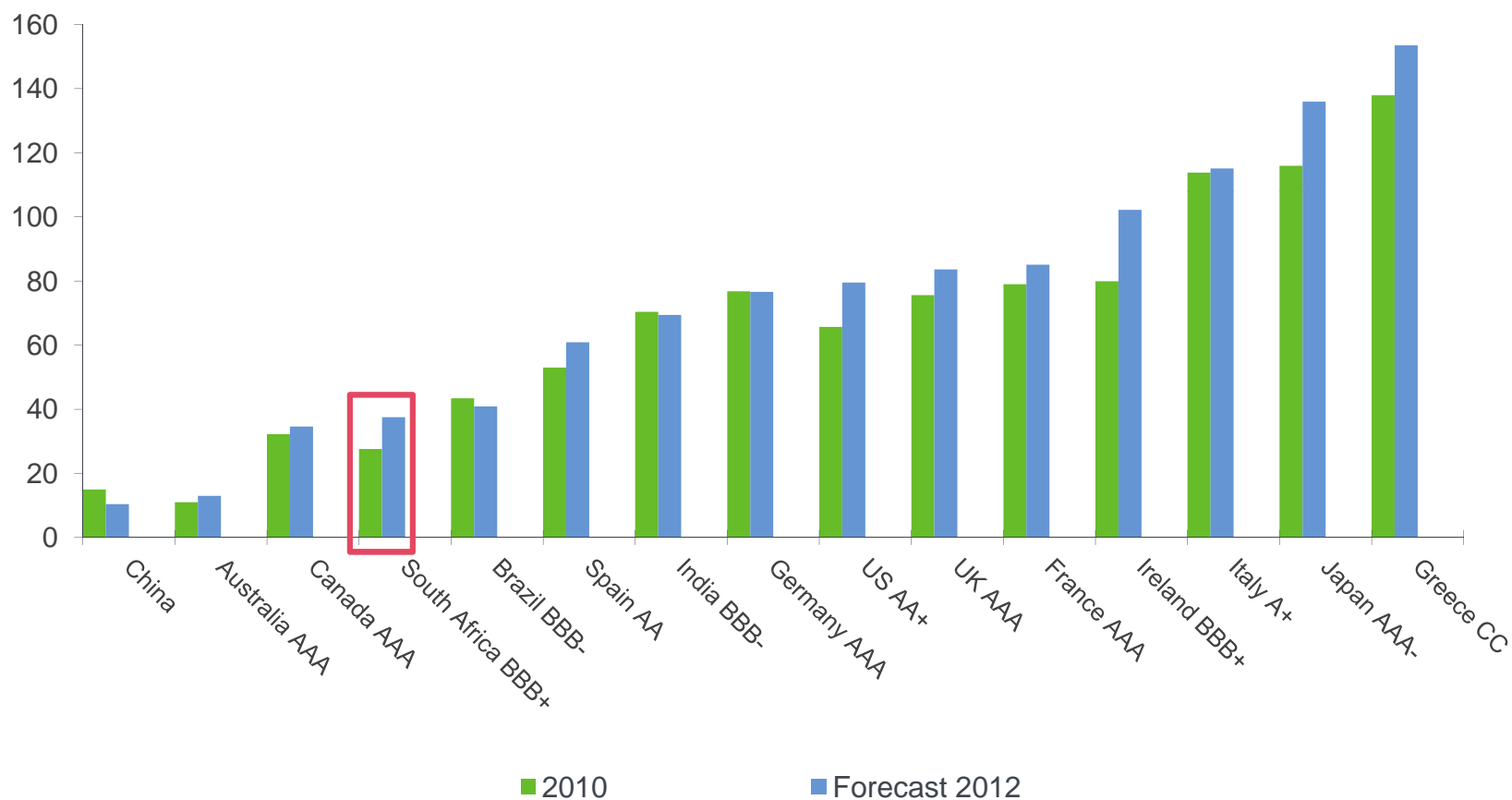


Source: SARB



# SA's sound balance sheet is due in part to its very low debt levels ...

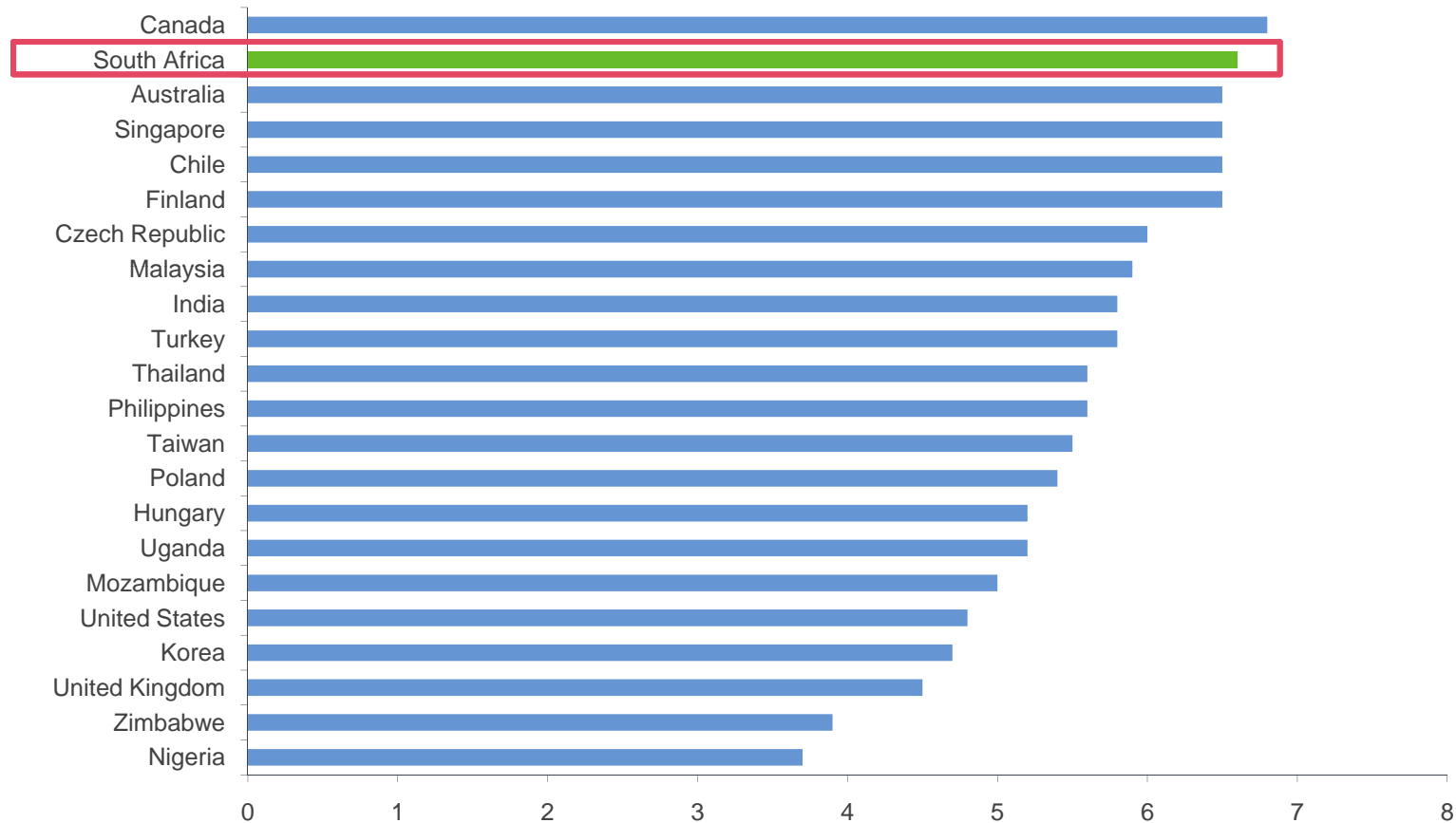
Net government debt as % of GDP



Source: Standard and Poor's



... sound banking sector which was recently ranked 2<sup>nd</sup> in the world\* ...

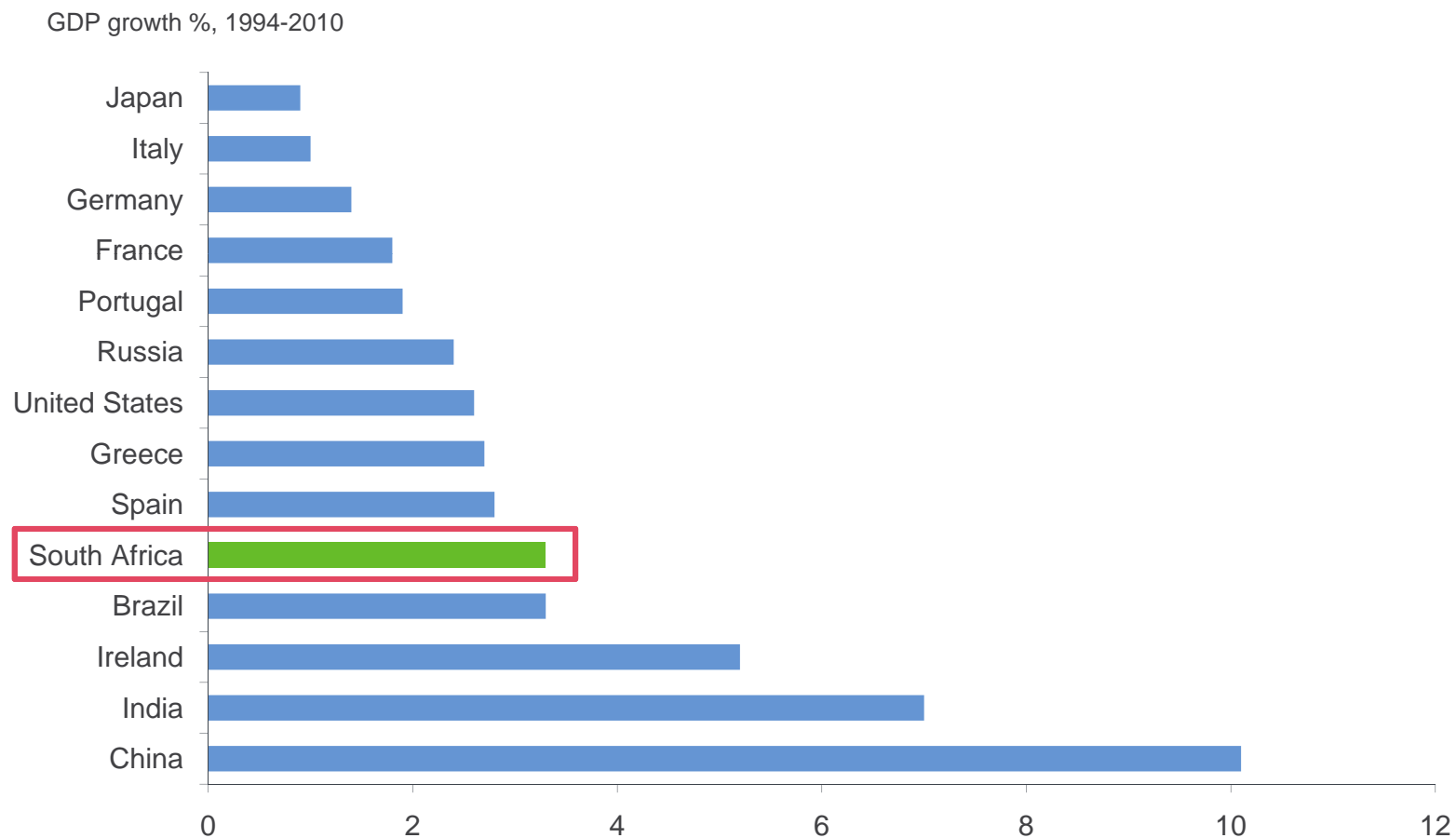


(1 = insolvent and may require a government bailout; 7 = generally healthy with sound balance sheets) 2010-11 weighted average

\*Source: Global Competitiveness Report

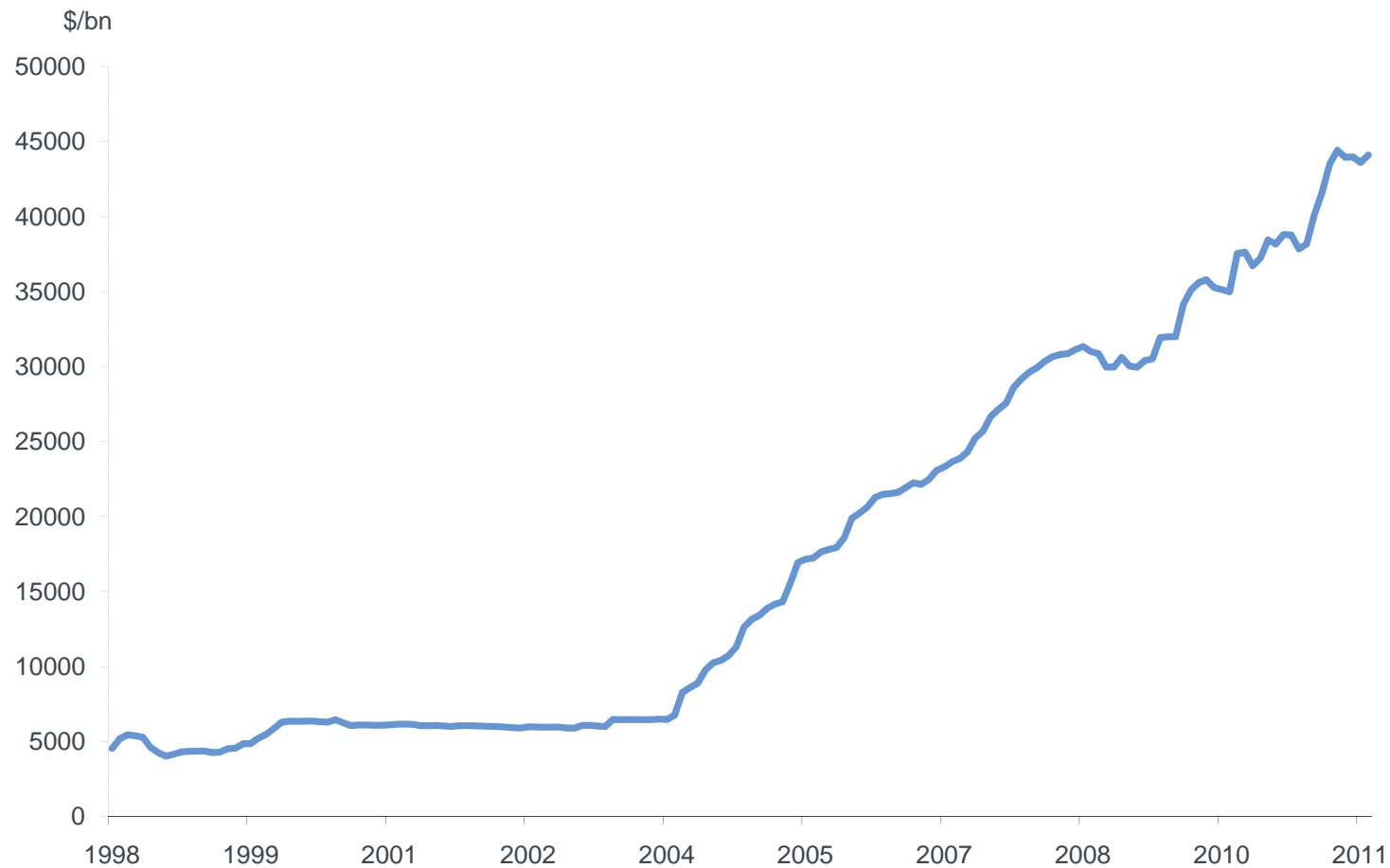


... persistent economic growth ...



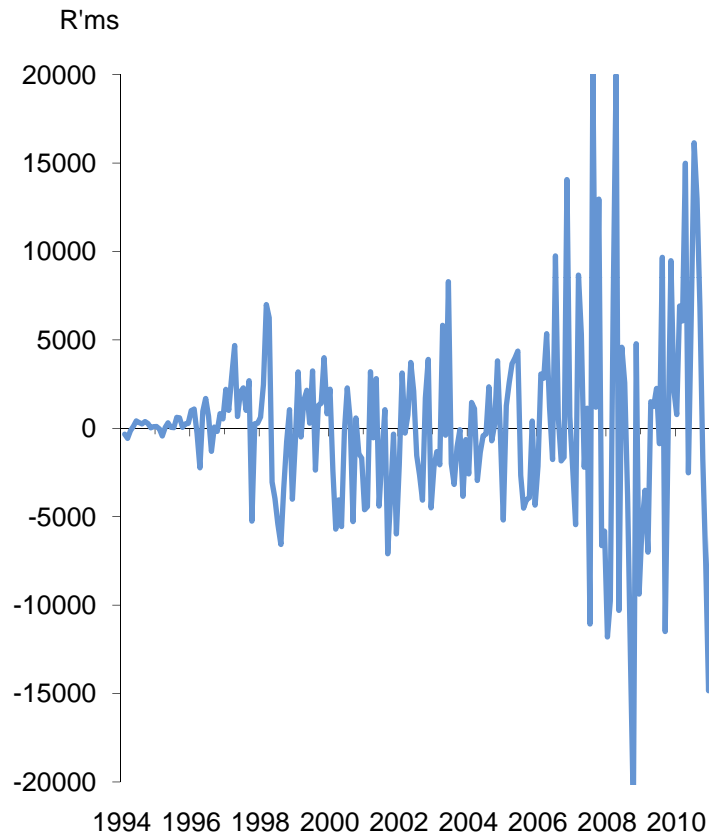
Source: IMF

... and sharp rise in foreign exchange reserves.

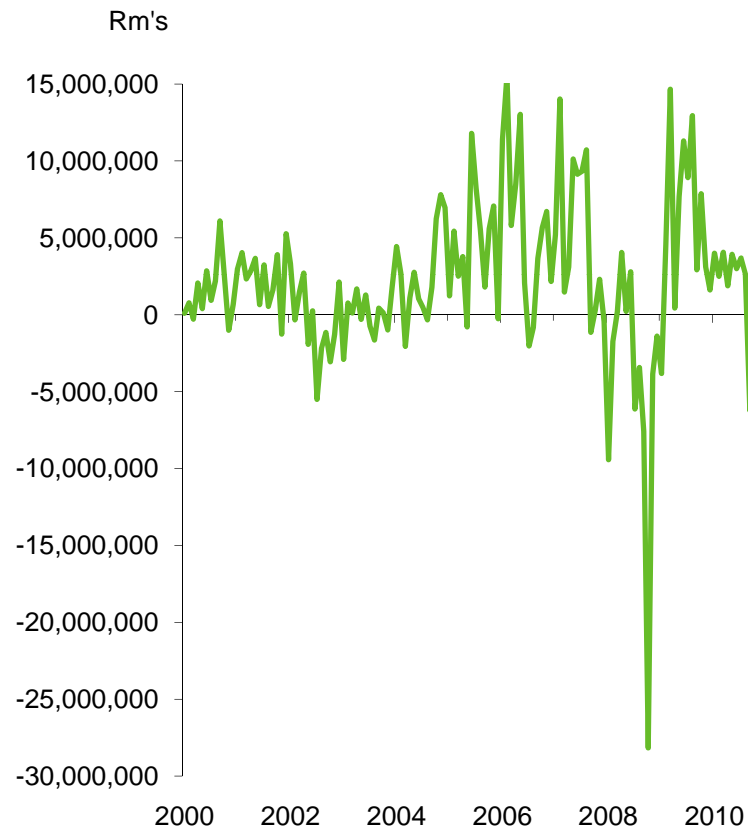


Source: SARB and Standard and Poor's

# The financing of the current account deficit is still reliant on portfolio inflows ...



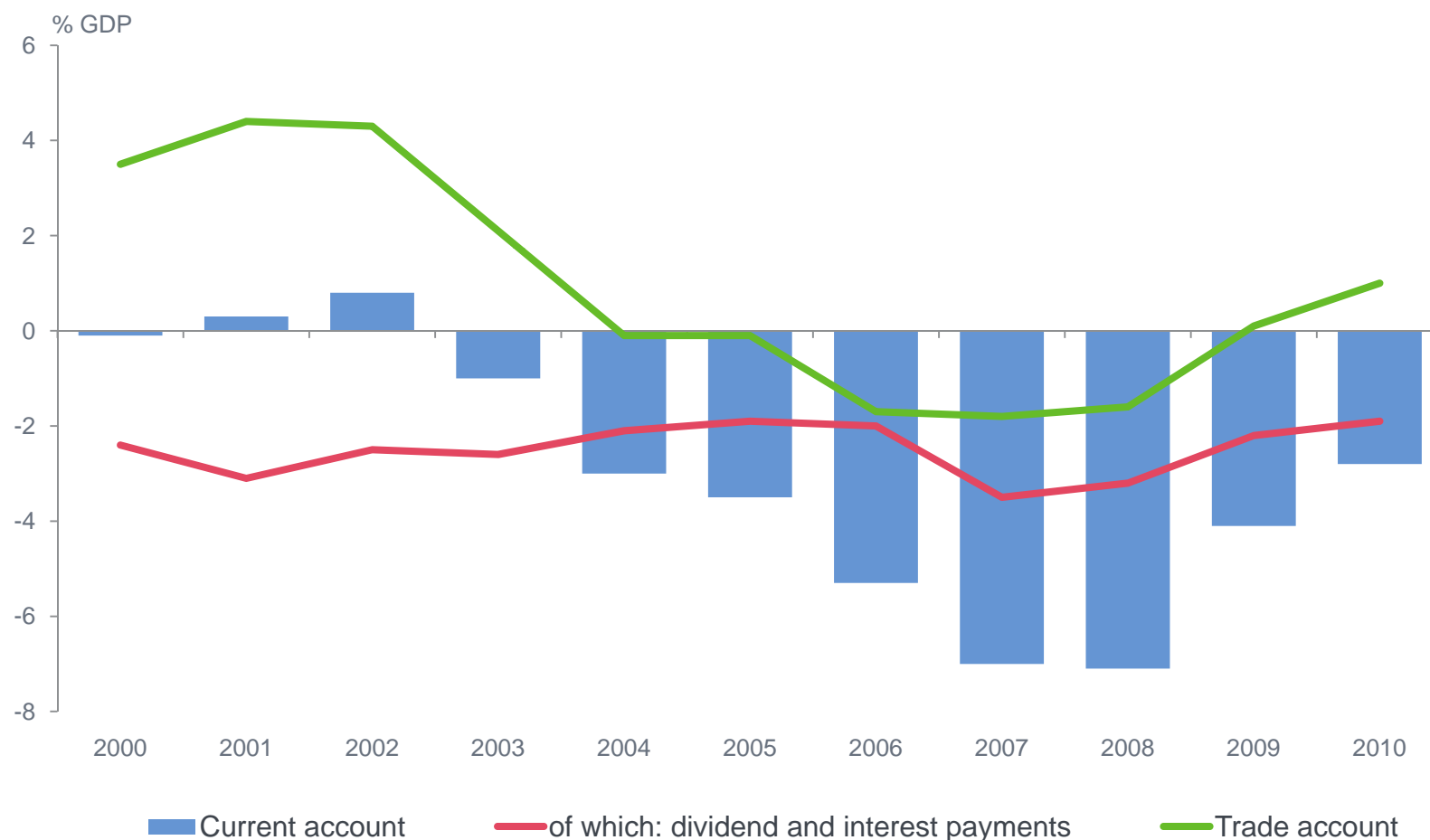
— Foreign net purchases of SA gilts



— Foreign net purchases of SA equities



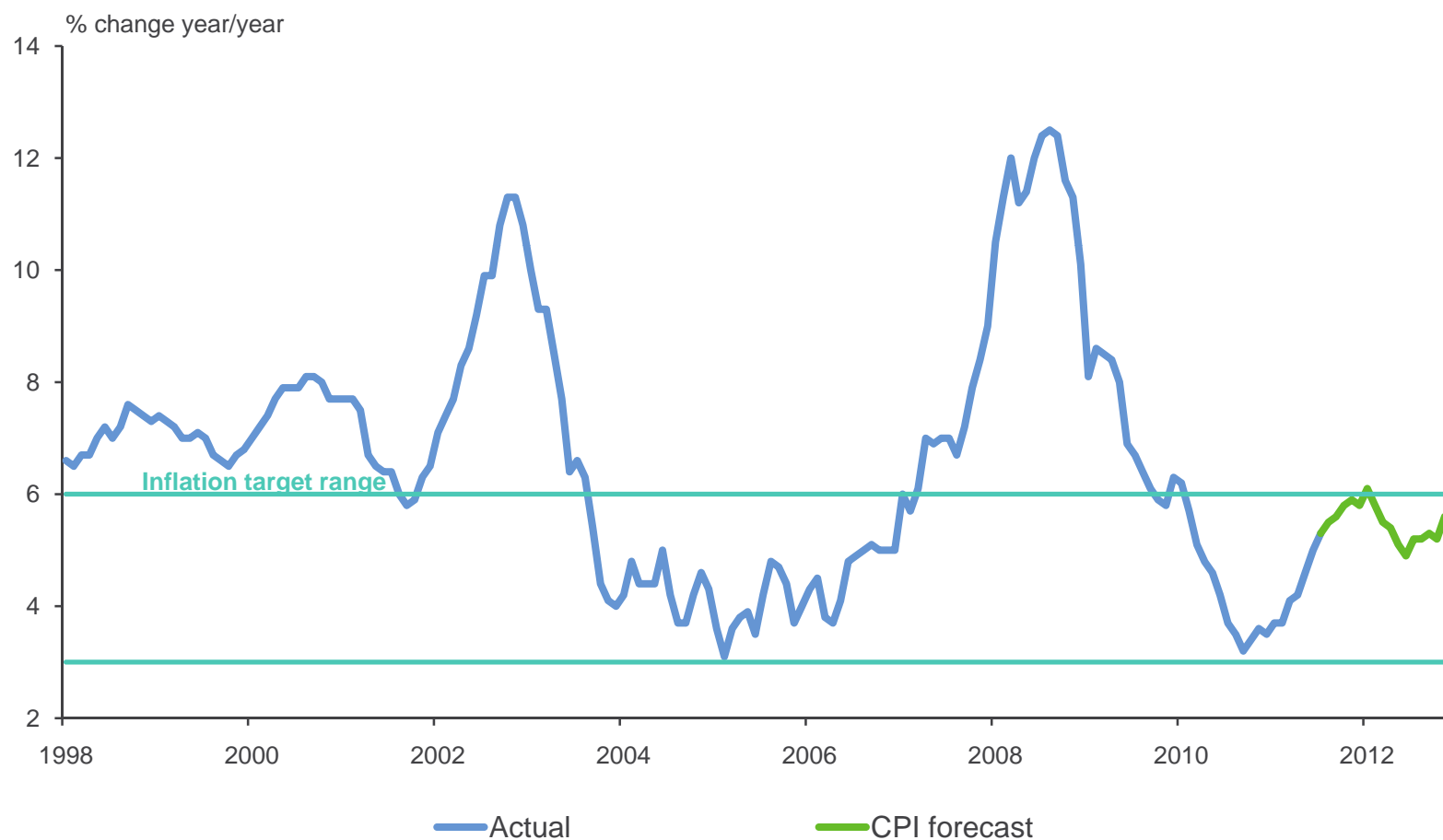
... but when portfolio flows reverse, the deficit automatically reduces as the trade account tends to run a surplus.



Source: SARB

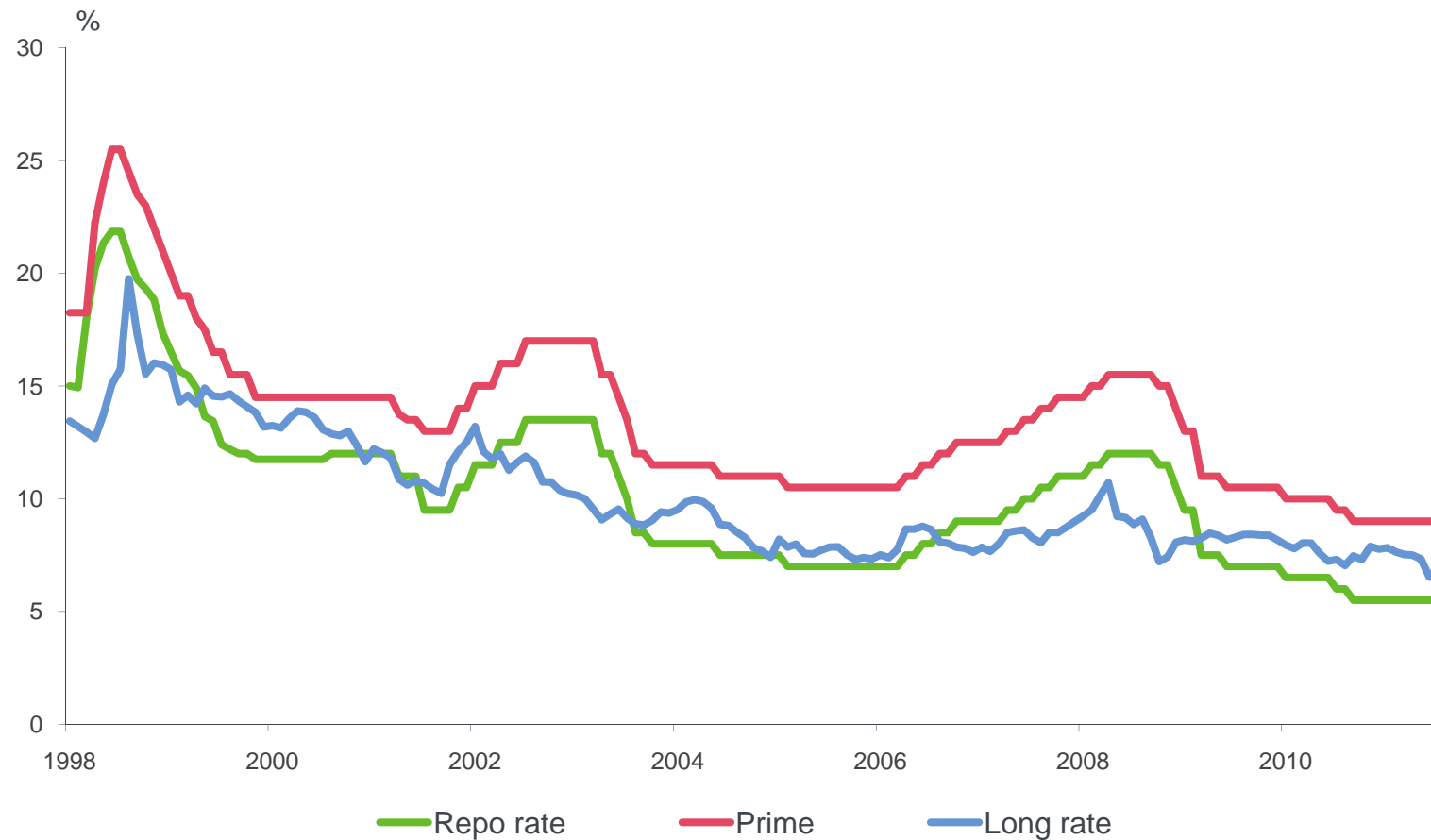


# Inflation is expected to only temporarily breach the upper limit of the target range ...



Source: Stats SA, Investec

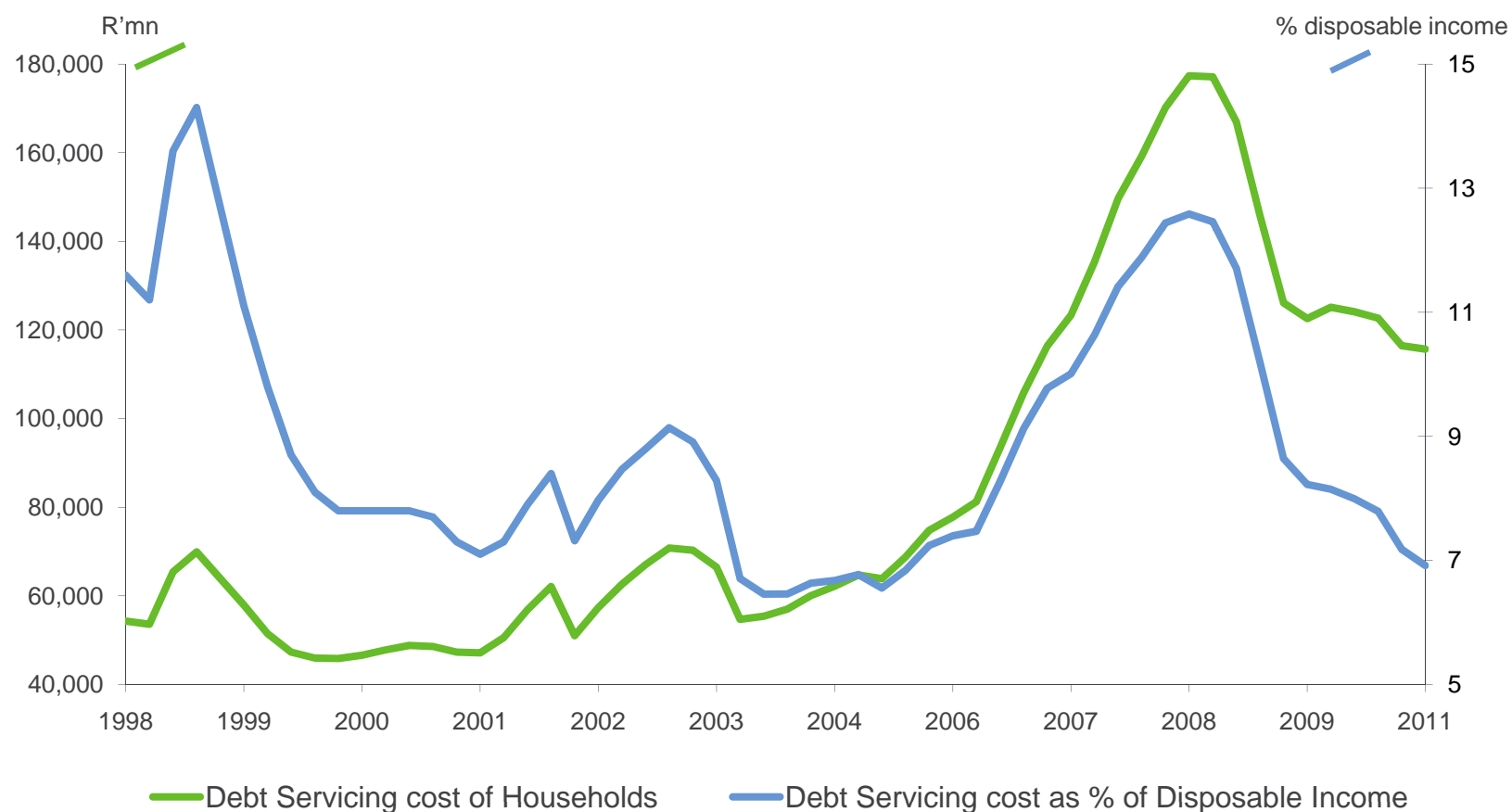
... meaning interest rates are unlikely to rise significantly.



Source: I-net



Debt servicing costs are falling, due to moderation in private sector debt levels and low interest rates.

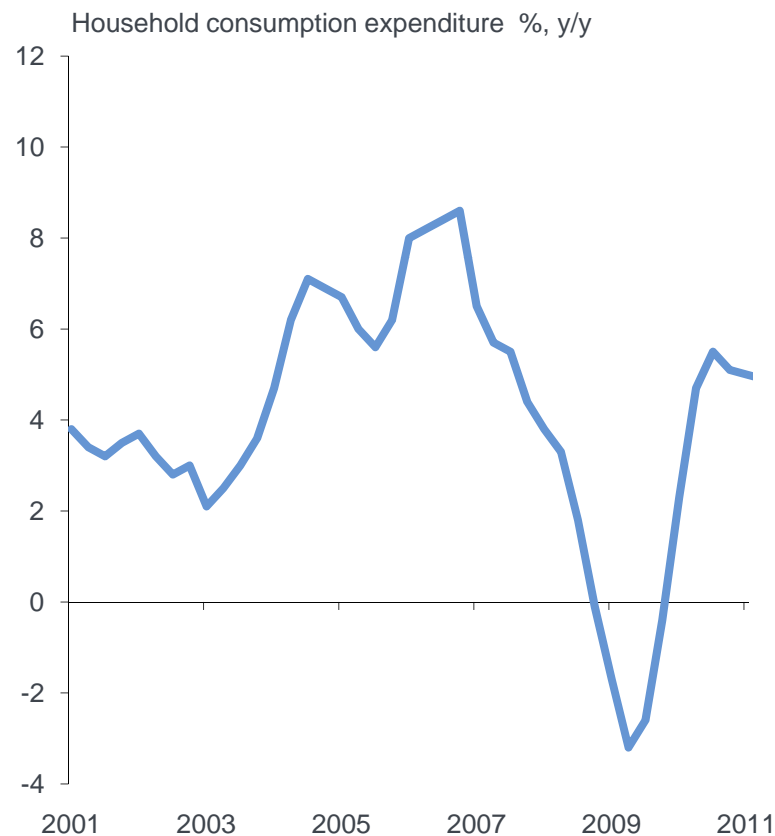
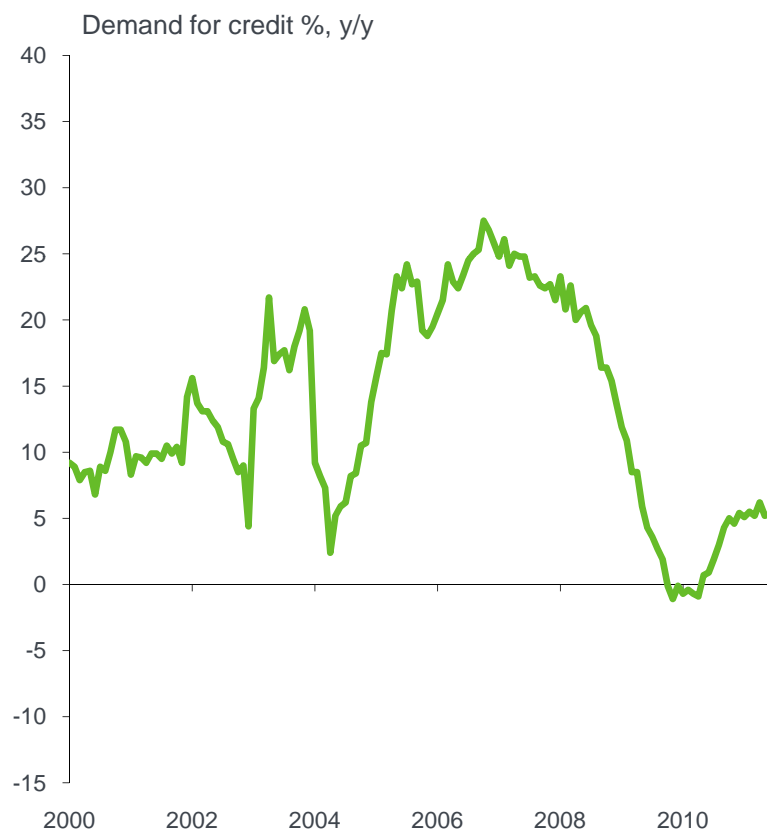


Source: SARB



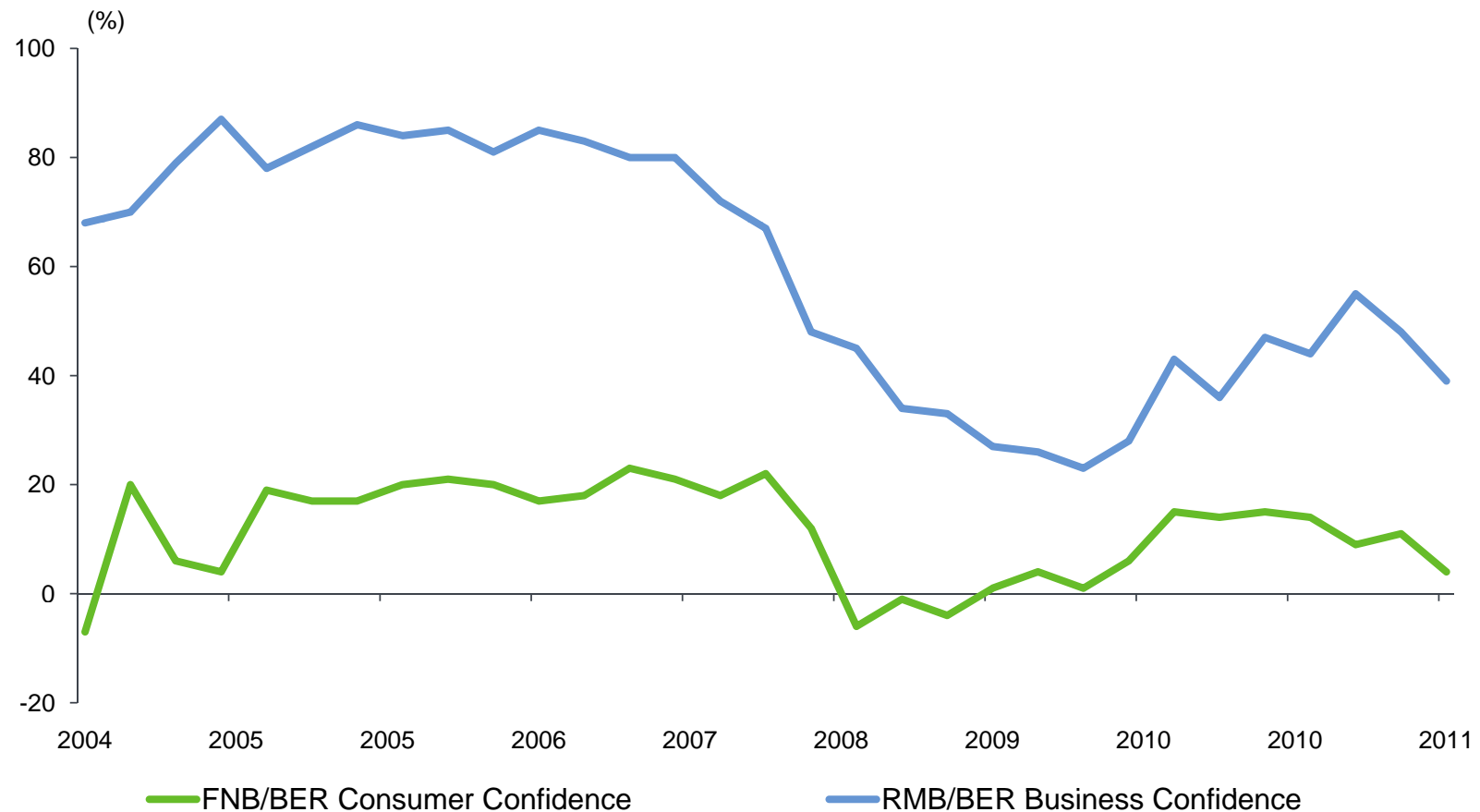


# Growth in private sector spending has picked up but demand for credit is sluggish although improving.



Source: SARB, Bloomberg

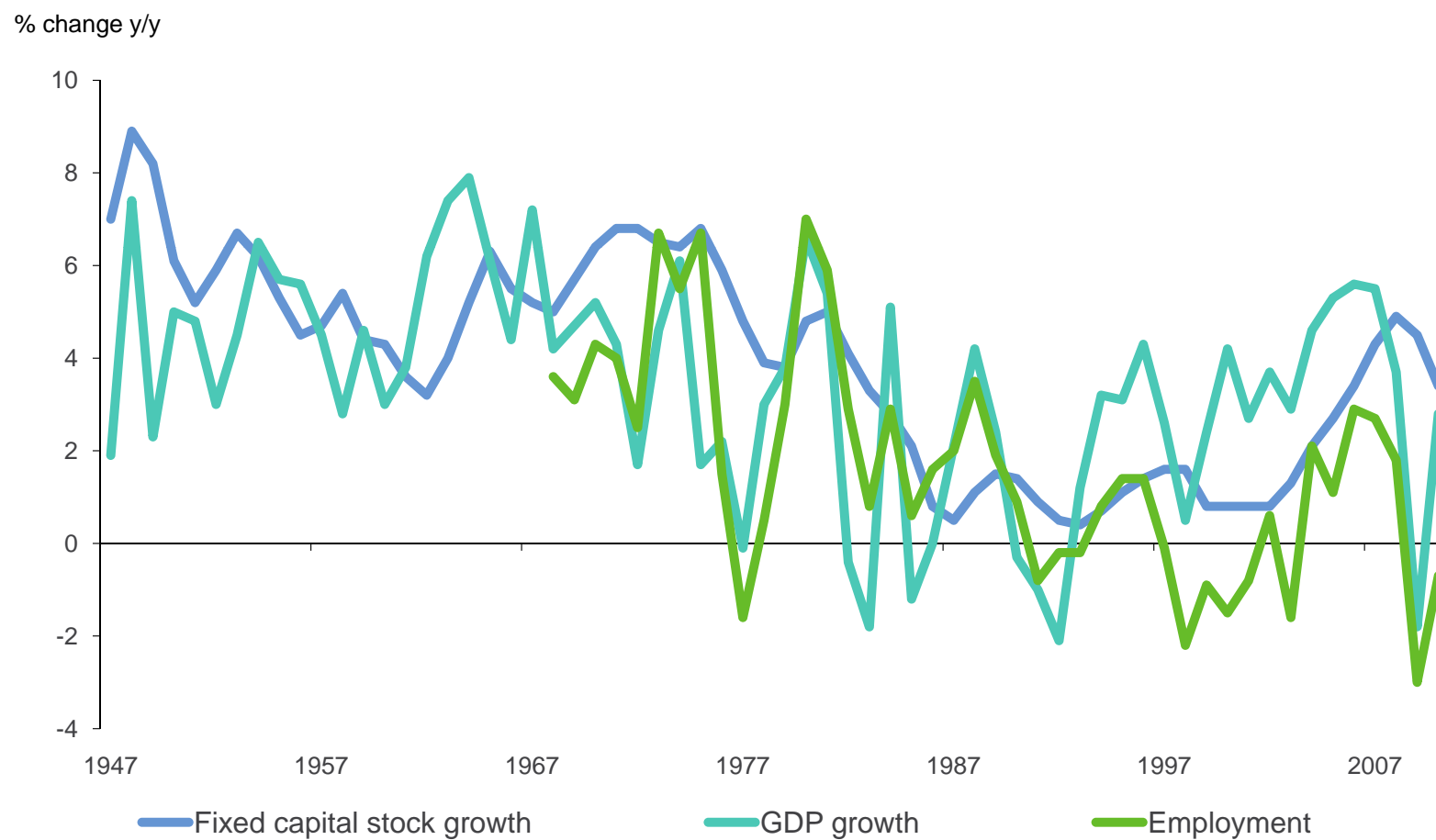
Confidence, however, is declining as a consequence of lethargic global growth.



Source: BER



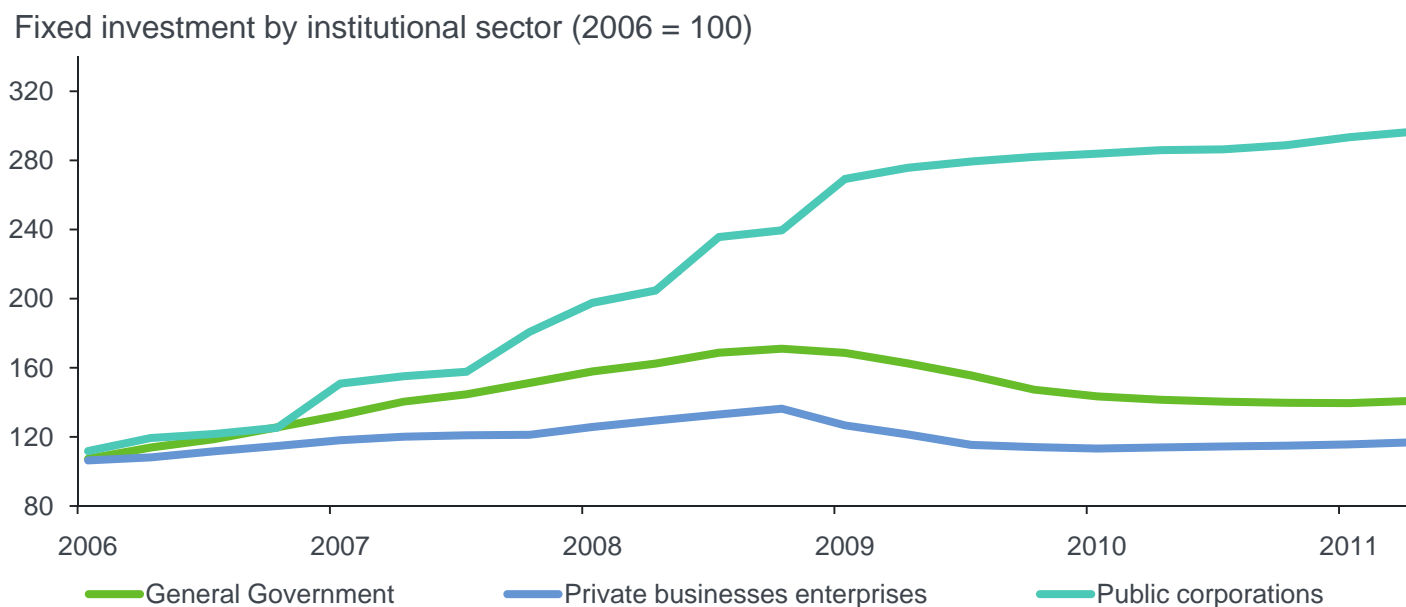
## Investment in infrastructure is weak ...



Source: SARB



... as government and private business enterprise under invest.



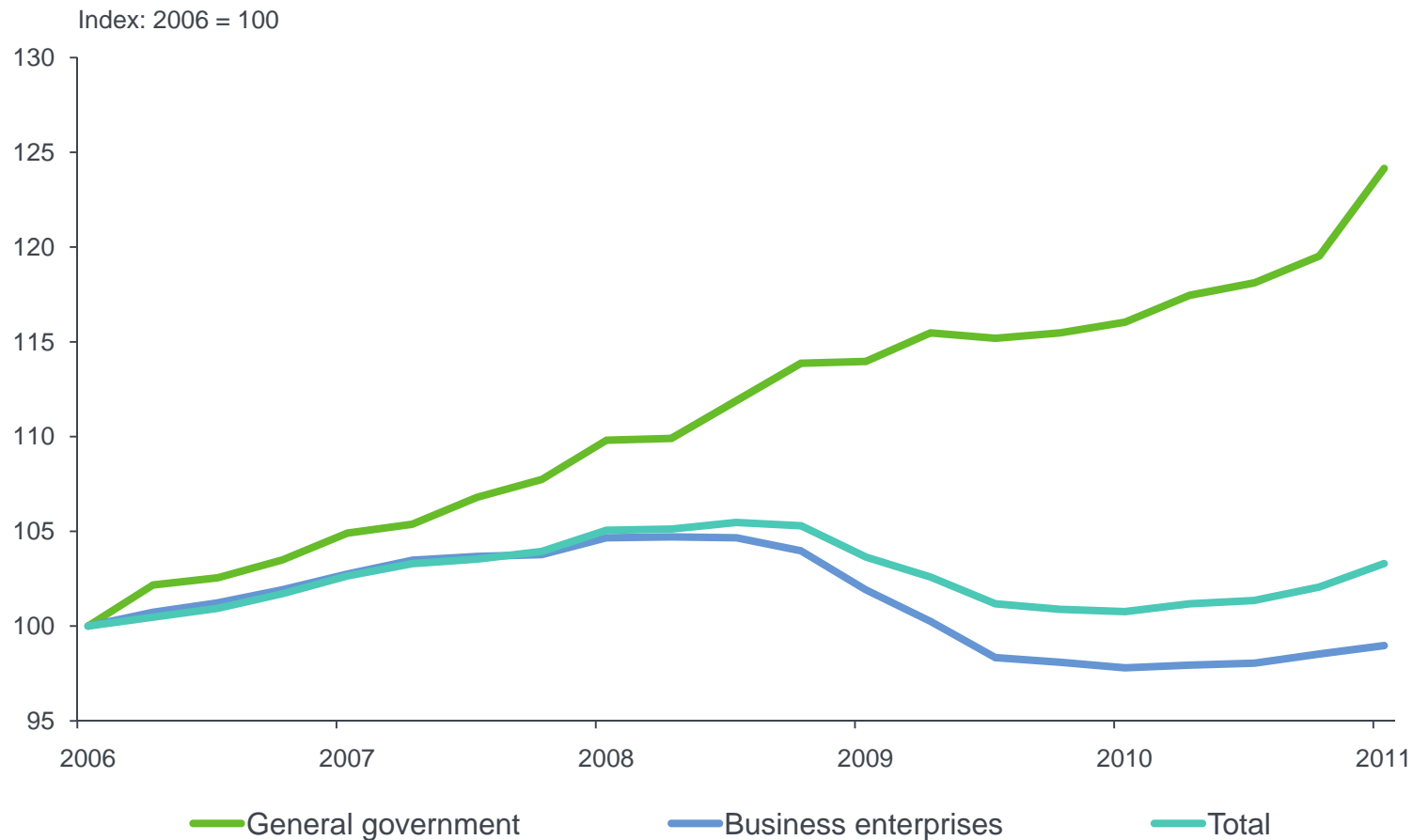
### Real gross fixed capital formation

*% change at seasonally adjusted annualised rates*

|                              | 2010        |            |            |            |             | 2011       |            |
|------------------------------|-------------|------------|------------|------------|-------------|------------|------------|
|                              | Q1          | Q2         | Q3         | Q4         | Year        | Q1         | Q2         |
| Private business enterprises | -2.9        | 2.2        | 2.0        | 1.6        | -4.4        | 2.7        | 4.0        |
| Public corporations          | 2.6         | 2.9        | 0.7        | 3.3        | 3.5         | 6.6        | 4.4        |
| General Government           | -10.3       | -5.3       | -3.0       | 1.9        | -10.9       | -0.5       | 3.8        |
| <b>Total</b>                 | <b>-2.8</b> | <b>1.2</b> | <b>1.0</b> | <b>1.5</b> | <b>-3.7</b> | <b>3.1</b> | <b>4.1</b> |

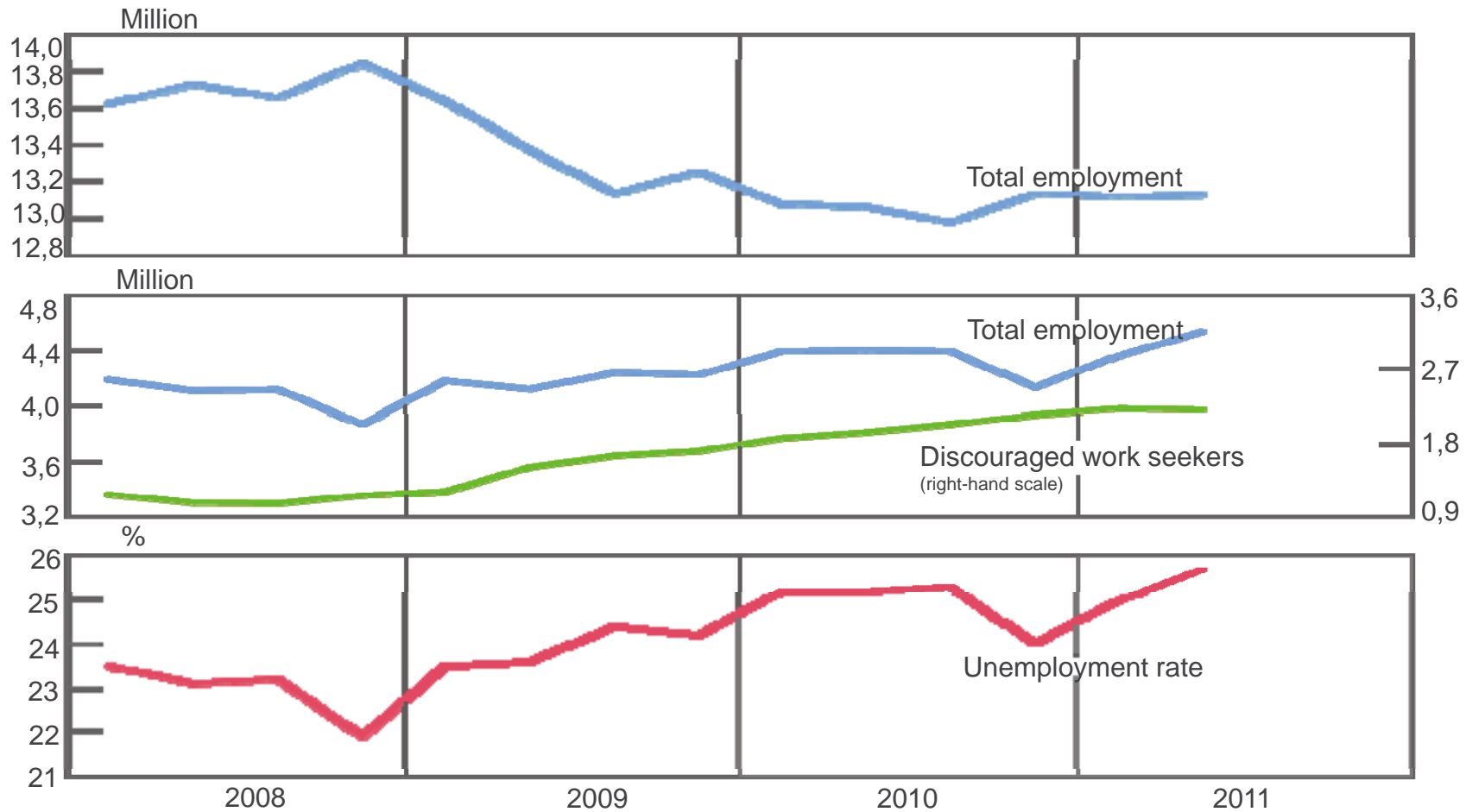
Source: SARB

# Restrictive labour practices and weak global conditions impact on job creation in the private sector ...



Source: SARB

... leaving unemployment at a very high level of 25.7%.

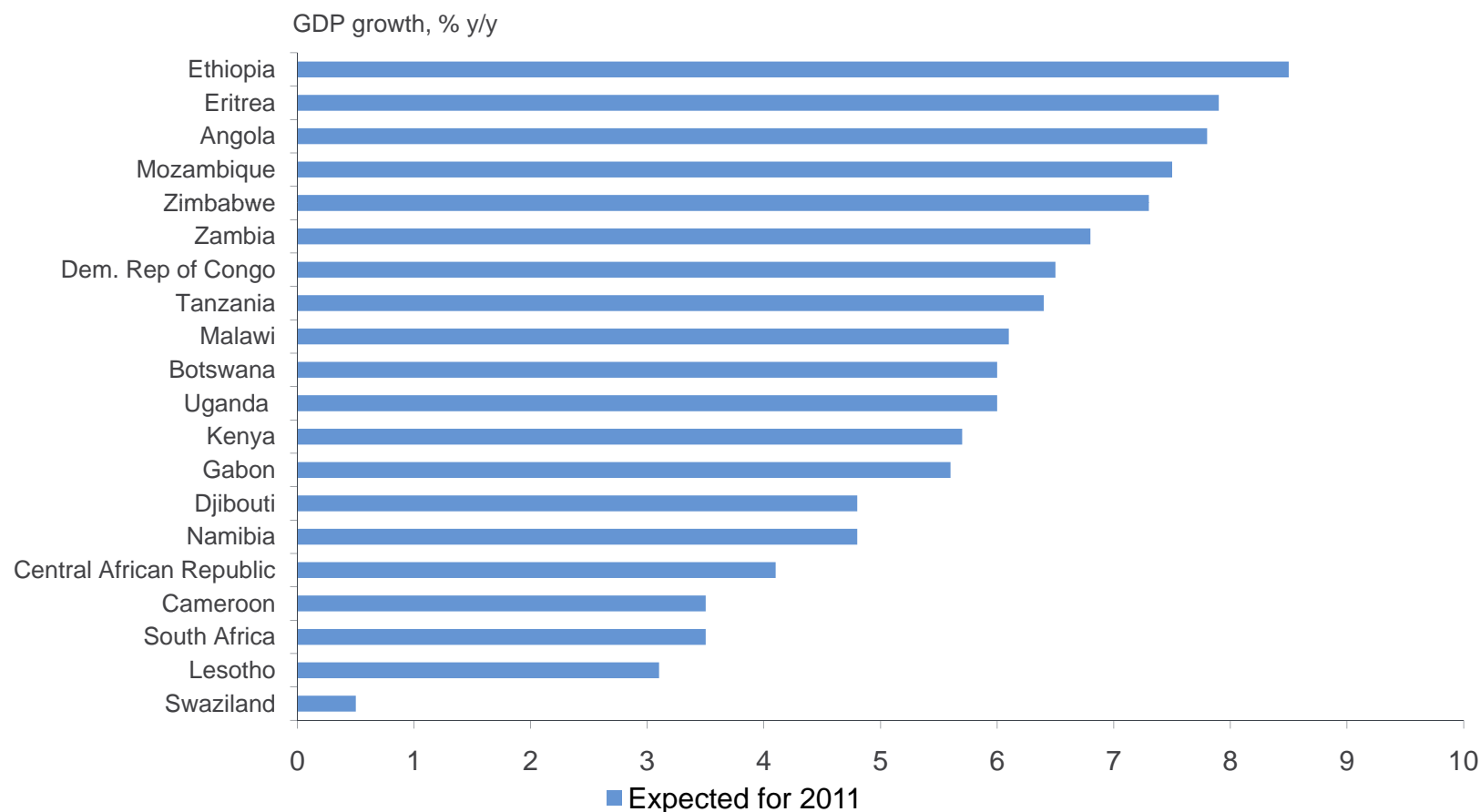


Source: : Statistics South Africa, Quarterly Labour Force Survey



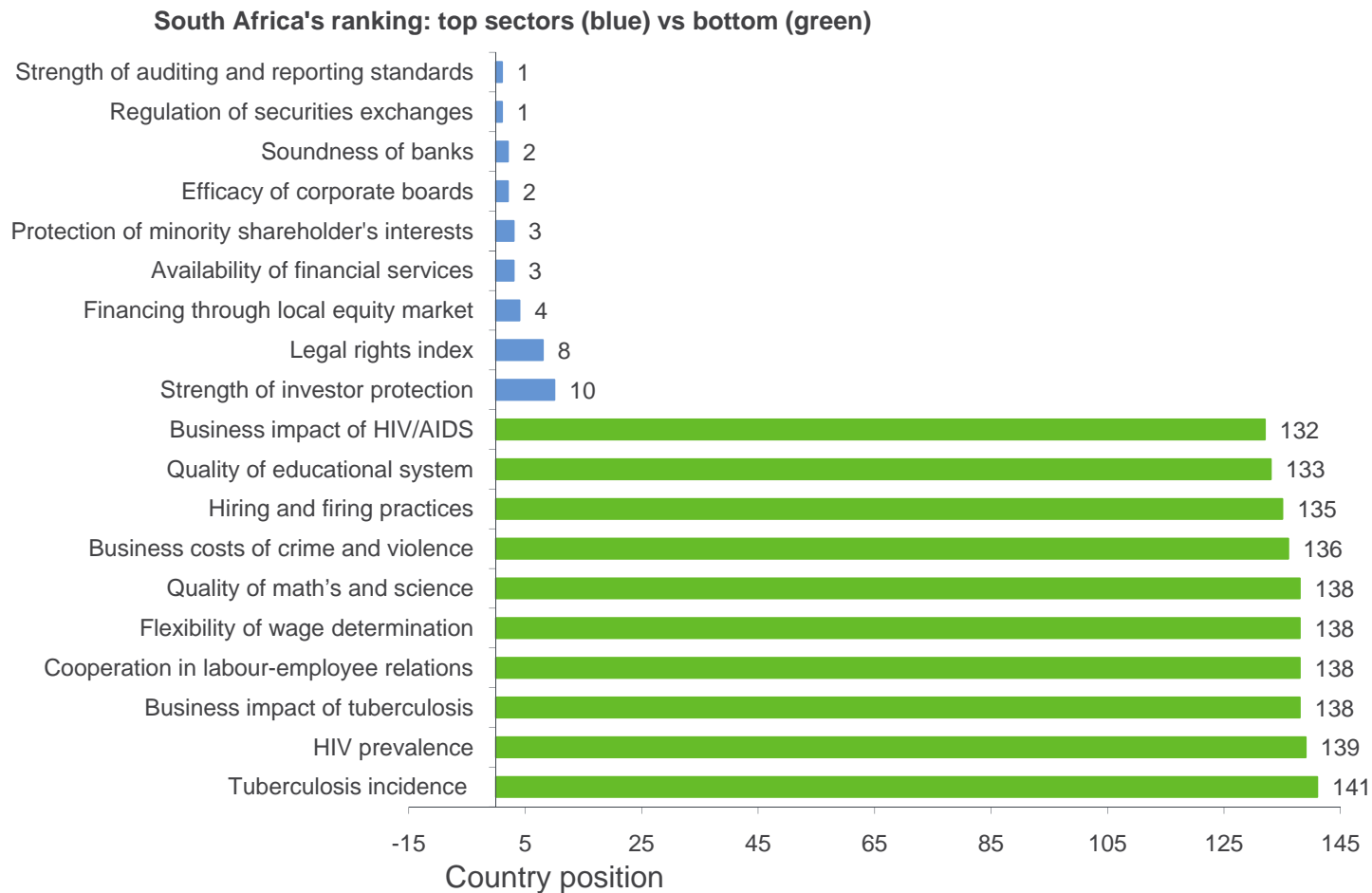
## SA is well positioned to take advantage of Africa's growth potential ... (particularly in services and tourism)

- Growth in Africa has been above the world average of 3.3% over the past decade.
- The IMF forecasts that it will grow by 5.5% in 2011 and 5.9% in 2012.



Source: IMF

... with a strong private and financial sector, although disadvantaged by lack of capacity in the public sector.



Source: Global Competitiveness Report





# Conclusion

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- SA fortunes are tied to the **global economy**.
  - The **growing middle class** and counter-cyclical **government spending** (including rapidly increasing job creation and salary levels in the public sector), provide support to growth.
  - The private sector has become **financially healthier** over the last few years, increasingly spending on the back of rising real incomes, not credit. **Consumer spending** remains the driver of growth.
  - On a longer-term basis **stronger growth** and improved **job creation** is likely, providing government rectifies its management constraints by **partnering** with the private sector.
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# Thank you



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