

Out of the Ordinary®



Specialist Bank and  
Asset Manager



## Investor pre-close briefing

15 March 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 risks
- 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 the markets in which it operates to differ from those expressed or implied
- Any forward looking statements made are based on the knowledge of the group at 15 March 2012

Out of the Ordinary®



Specialist Bank and  
Asset Manager



## Operational review

- Proviso: unless otherwise stated, figures and trends discussed in the operational review relate to the eleven month period to 29 Feb 2012 and compare 1H2012 vs 2H2012
- References to operating profit relate to normalised\* operating profit. Trends within the divisional sections relate to normalised operating profit
- Investec will release its results for the year ended 31 Mar 2012 on 17 May 2012

\*Normalised operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to non-controlling interests



## Overview of the year ending 31 Mar 2012

- Volatile markets and low levels of activity have characterised the second half of the group's 2012 financial year
- While earnings from principal activities are expected to decrease substantially, the Specialist Banking businesses are expected to benefit from growth in both margin and fee income
- The Asset Management and Wealth Management businesses continued to see net inflows
- We have continued to grow the proportion of revenues derived from our non-lending activities



## Overview of the year ending 31 Mar 2012

- The UK business is expected to report operating profit marginally ahead of the prior year
- The South African business is expected to report operating profit in Rands in line with the prior year
- As reported in the group's interim results, the Australian business is expected to report an operating loss, with results in 2H2012 lower than that reported in 1H2012



## Overview of the year ending 31 Mar 2012

- Recurring income as a percentage of total operating income is expected to be approximately 68% (2011: 62%)
- Operating income is expected to decline 2% to 3% arising from:
  - A substantial decline in income from principal transactions
  - An increase in net interest income
  - A strong increase in net fees and commissions receivable
- Expenses are expected to increase by less than 1%
- The cost to income ratio is therefore expected to increase, although this ratio remains within the group's target
- Operating profit\* is expected to be 12% to 16% lower than the prior year
- Adjusted\*\* EPS is expected to be 22% to 27% lower than the prior year

\*Normalised operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to non-controlling interests

\*\* Before goodwill, acquired intangibles and non-operating items but after tax and after adjusting for earnings attributable to non-controlling interests

7



## Overview of the year ending 31 Mar 2012

- For the period 31 Mar 2011 to 29 Feb 2012:
  - Third party assets under management increased 11% to £98.8bn – an increase of 15% on a currency neutral^ basis. These numbers include £7.4bn acquired from the Evolution Group plc
  - Customer accounts (deposits) increased 4% to £25.5bn - an increase of 8% on a currency neutral^ basis
  - Core loans and advances increased 1% to £18.9bn - an increase of 5% on a currency neutral^ basis

^Calculation assumes R:£ and AUD:£ closing exchange rates remain the same as at 29 Feb 2012 when compared to 31 Mar 2011

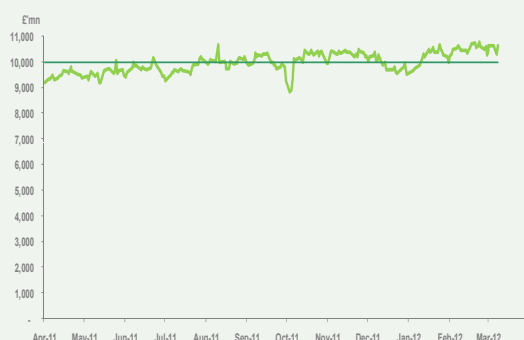
8



## Cash balances remain strong

- Continue to focus on:
  - diversifying funding sources
  - limiting concentration risk
  - reduced reliance on wholesale funding
  - building our retail franchise
  - reducing cost of liabilities
- Core advances<sup>^</sup> as a percentage of customer deposits at 29 Feb 2012 is at 69.8% (Mar 2011: 72.4%)

### Cash and near cash



Min* £'bn	Max* £'bn	Ave* £'bn
8.8	10.8	10.0

### Current total £10.6bn

Ltd £6.2bn; plc £4.4bn

\*Since 31 March 2011

<sup>^</sup>Excluding own originated assets which have been securitised.

9



## Capital and ROE targets

- Given the changing financial, regulatory and economic landscape our ROE and capital adequacy targets have been under review, as announced previously
- We have finalised our review in this regard and the revised targets are set out in the table below:

	Revised target	Old target
ROE	12% to 16% over a rolling 5 year period	>20% over the medium to long-term
Total capital adequacy	15% to 18%	14% to 17%
Total tier 1	11% to 12%	11%

- Capital ratios remain strong
- We expect Investec Limited's and Investec plc's capital adequacy ratios to be within the revised target ranges as indicated above

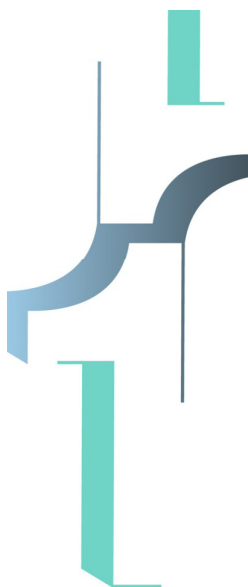
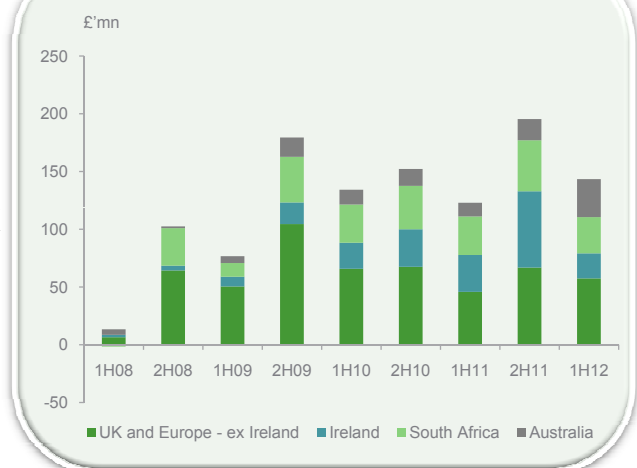
10



## Impairment trends

- Impairments on core loans are expected to be lower than the prior year, with a significant decrease compared to the 2H2011
- Impairments in Australia remain high as a decision has been taken to clear the non-core portfolio as soon as possible
- Impairments in the South African and UK core books are expected to be in line with 1H2012
- We expect the credit loss ratio on total average loans and advances to be approximately 1.05% (Mar 2011: 1.27%)
- Impairments in Kensington have increased sharply as a result of adopting new best practice guidelines (published by UK FSA during the past year) relating to provisioning methodology in respect of borrowers that have benefited from some forbearance

## Impairment analysis



Out of the Ordinary®

 **Investec**

Specialist Bank and  
Asset Manager



**Divisional review**



## Asset Management

- Solid long term performance across investment capabilities
- Strong net inflows in excess of £4.5bn
- Financial performance in line with 1H2012 but behind 2H2011 mainly due to lower absolute performance fees

### Assets under management: Since 31 Mar 2011: up 6% to £62.3bn



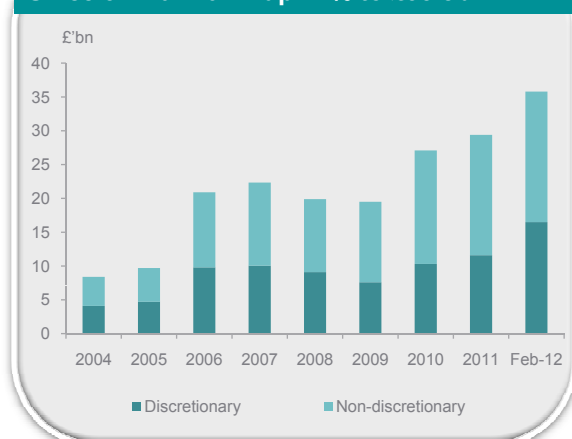
Trends reflected in graph are for the year-ended 31 Mar, unless otherwise indicated.



## Wealth & Investment

- Performing in line with the prior year
  - Higher average funds under management, but weaker market conditions
  - Acquisition of the Evolution Group plc
    - effective 22 Dec 2011
    - FUM of £7.4bn
    - The integration of the businesses is proceeding well and is expected to largely be completed in Sep 2012

### Funds under management: Since 31 Mar 2011: up 22% to £35.8bn



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



## Property Activities

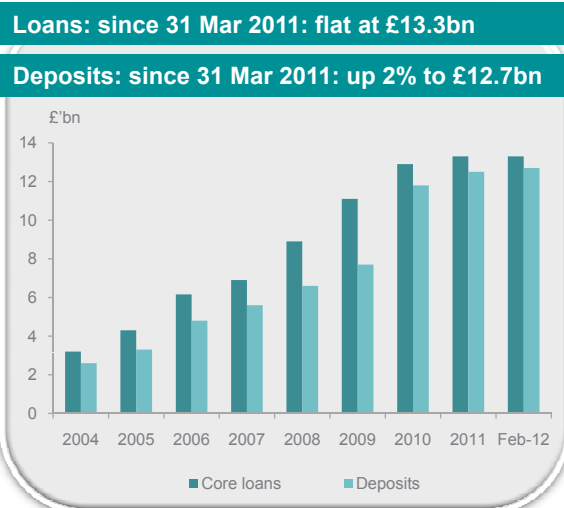
- Performance in line with expectations but substantially lower than the prior year

15



## Private Banking

- The core private banking business has returned to profitability benefiting from:
  - Lower impairments across all geographies
  - Improved margins in the South African business
  - A solid performance from the professional finance business in Australia
  - Overall activity levels have however, declined in 2H2012
- The non-core property development businesses in Australia and Ireland have posted results in line with 1H2012



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

16





## Investment Banking

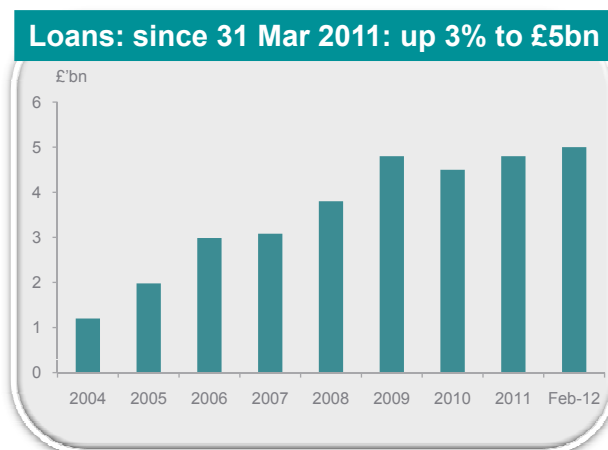
- Weak market conditions resulted in a subdued overall performance
- UK performing marginally behind the prior year:
  - Reasonable performance in Corporate Finance
  - Improved performance in the Principal Investment portfolio
  - Weaker performance from securities activities
- South Africa substantially down on the prior year:
  - The Private Equity and Corporate Finance businesses have performed well
  - Mark downs on listed investments held in the Direct Investment portfolio
  - Poor performance from the Institutional Stockbroking business as a result of lower volumes
- Improved performance in Australia

17



## Capital Markets

- Satisfactory performance in line with the prior year
- Strong performance from the South African business and a solid performance from UK and Australia



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

18



## Other Activities

- Central Funding:
  - South Africa marginally behind the prior year
  - UK significantly behind the prior year largely due to debt buy-back profits of £32mn earned in Feb 2011 not repeated in current year
- Central Costs have declined in relation to the prior year

19



Out of the Ordinary®  
 **Investec**  
Specialist Bank and  
Asset Manager



**Additional aspects**

## Other information

- Effective tax rate: expected to be approximately **18.5%**
- Non-operational integration costs with respect to the acquisition of the Evolution Group plc expected to be approximately **£13mn**
- Weighted number of shares in issue for the year ending 31 Mar 2012 expected to be approximately **810mn**

21



Out of the Ordinary®  
 **Investec**  
Specialist Bank and  
Asset Manager



**Conclusion**



## Conclusion

- The year under review has echoed the difficulties of the broader environment
- We will continue to leverage off our existing platforms, seeking to create additional operational efficiencies and organic growth opportunities across all the geographies in which we operate
- Assets under management have grown substantially, impairments appear to have peaked and costs are well under control
- While the pace of economic recovery varies across the world, and the regulatory environment remains challenging, the significant reshaping of our business that has taken place over the past few years ensures the group is well placed to benefit from any improvement in the level of economic activity

23



*Out of the Ordinary®*

 **Investec**

Specialist Bank and  
Asset Manager



**Investor pre-close  
briefing**

15 March 2012

Out of the Ordinary®



Specialist Bank and  
Asset Manager



## Appendices

### Operating environment

	29 Feb 2012	30 Sep 2011	31 Mar 2011	% move since Mar 2011
JSE ALSI	34,215	29,674	32,204	6.2%
FTSE ALSI	3,072	2,654	3,068	0.1%
Australian All Ord	4,351	4,070	4,929	-11.7%
SA Prime	9.00%	9.00%	9.00%	-
UK Clearing Banks	0.50%	0.50%	0.50%	-
RBA cash rate target	4.25%	4.75%	4.75%	0.50%

Year to date	29 Feb 2012		30 Sep 2011		31 Mar 2011	
Currency per £1.00	Close	Ave	Close	Ave	Close	Ave
South African Rand	11.85	11.84	12.62	11.25	10.88	11.16
Australian Dollar	1.48	1.52	1.60	1.53	1.55	1.65
Euro	1.19	1.15	1.16	1.13	1.13	1.17
Dollar	1.60	1.61	1.56	1.63	1.60	1.55

Source: Datastream

## Normalised\* operating profit:

For the six months ended 30 September 2011

	UK & Europe	Southern Africa	Australia	Total group
<b>£'000</b>				
Asset Management	28,401	37,177	-	65,578
Wealth & Investment	13,217	8,571	-	21,788
Property Activities	(20)	10,453	1,255	11,688
Private Banking	3,779	14,701	(23,382)	(4,902)
- Core Private Bank	9,163	14,701	13,258	37,122
- Property development portfolio being run-off**	(5,384)	-	(36,640)	(42,024)
Investment Banking	(2,059)	7,488	(1,770)	3,659
Capital Markets	98,892	54,806	1,917	155,615
Group Services and Other Activities	(47,876)	17,478	601	(29,797)
<b>Normalised operating profit before tax</b>	<b>94,334</b>	<b>150,674</b>	<b>(21,379)</b>	<b>223,629</b>
- Core business	99,718	150,674	15,261	265,653
- Property development portfolio being run-off**	(5,384)	-	(36,640)	(42,024)
Non-controlling interest - equity				(4,568)
<b>Operating profit before tax</b>				<b>219,061</b>

\*Normalised operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to non-controlling interests.

\*\*Residual property development loan portfolios in Ireland and Australia which have been ring-fenced for collection and recovery and are being run-off.

27

## Normalised\* operating profit:

For the year ended 31 March 2011

	UK & Europe	Southern Africa	Australia	Total group
<b>£'000</b>				
Asset Management	53,002	74,306	-	127,308
Wealth & Investment	25,008	15,418	-	40,426
Property Activities	375	40,178	7,155	47,708
Private Banking	(84,041)	2,990	(10,390)	(91,441)
Investment Banking	8,887	65,191	(6,716)	67,362
Capital Markets	139,978	92,211	9,860	242,049
Group Services and Other Activities	(9,583)	9,780	797	994
<b>Normalised operating profit before tax</b>	<b>133,626</b>	<b>300,074</b>	<b>706</b>	<b>434,406</b>
Non-controlling interest - equity				(10,962)
<b>Operating profit before tax</b>				<b>423,444</b>

\*Normalised operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to non-controlling interests.

28

## Investec Asset Management: assets under management\*

£'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
UK and international	36,075	29,171	30,765	23,727	21,666	17.3%
Mutual funds	17,617	14,031	15,402	12,451	11,064	14.4%
Segregated mandates	18,458	15,140	15,363	11,276	10,602	20.1%
Southern Africa	26,266	23,902	28,037	25,764	24,737	(6.3%)
Mutual funds	9,802	8,282	9,466	8,557	7,757	3.5%
Segregated mandates	16,464	15,620	18,571	17,207	16,980	(11.3%)
<b>Total AUM*</b>	<b>62,341</b>	<b>53,073</b>	<b>58,802</b>	<b>49,491</b>	<b>46,403</b>	<b>6.0%</b>

Home currency 'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
Southern Africa	311,255	301,643	305,043	283,378	274,828	2.0%
Mutual funds	116,156	104,519	102,990	94,119	86,180	12.8%
Segregated mandates	195,099	197,124	202,053	189,259	188,648	(3.4%)

Rates: R:£ 11.85 12.62 10.88 11.00 11.11

\*All AUM are on a managed basis.

29

## Wealth & Investment SA: funds under management

R'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
Discretionary	26,573	23,724	22,585	20,811	19,726	17.7%
Non-discretionary*	141,849	131,202	136,216	121,045	114,168	4.1%
<b>Total</b>	<b>168,422</b>	<b>154,926</b>	<b>158,801</b>	<b>141,856</b>	<b>133,894</b>	<b>6.1%</b>

### Net inflows at cost over the period:

Discretionary	882	1,977	1,182	619	537
Non-discretionary	(11,613)	4,862	11,544	6,989	(999)
<b>Total</b>	<b>(10,731)</b>	<b>6,839</b>	<b>12,726</b>	<b>7,608</b>	<b>(462)</b>

£'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
Discretionary	2,242	1,880	2,076	1,892	1,776	8.0%
Non-discretionary	11,970	10,396	12,520	11,004	10,276	(4.4%)
<b>Total</b>	<b>14,213</b>	<b>12,276</b>	<b>14,596</b>	<b>12,896</b>	<b>12,052</b>	<b>(2.6%)</b>

Rates: R:£ 11.85 12.62 10.88 11.00 11.11

\*Now incorporates funds under advice as previously reported within the Private Bank. For comparative purposes historic numbers have been restated accordingly.

30

## Wealth & Investment Non-SA: funds under management

£'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
IWI						
- Discretionary	9,813	8,924	9,571	8,818	8,517	2.5%
- Non-discretionary	3,023	2,826	3,164	3,077	3,082	(4.5%)
- Other*	-	-	-	896	1,300	-
Total	12,836	11,750	12,735	12,791	12,899	0.8%
Evolution (WdB)						
- Discretionary	4,448	-	-	-	-	-
- Non-discretionary	2,453	-	-	-	-	-
- Other	464	-	-	-	-	-
Total	7,365	-	-	-	-	-
Other UK and Australia funds under advice**	1,429	2,706	2,117	2,004	2,187	(32.5%)
<b>Total</b>	<b>21,630</b>	<b>14,456</b>	<b>14,852</b>	<b>14,795</b>	<b>15,086</b>	<b>45.6%</b>

\*Sale of Rensburg Fund Management Limited to Franklin Templeton Global Investors Limited (UK) effective January 2011.

\*\*Now incorporates funds under advice as previously reported within the Private Bank. For comparative purposes historic numbers have been restated accordingly.

## Wealth & Investment total: funds under management

£'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
South Africa	14,213	12,276	14,596	12,896	12,052	(2.6%)
Non-SA	21,630	14,456	14,852	14,795	15,086	45.6%
<b>Total</b>	<b>35,843</b>	<b>26,732</b>	<b>29,448</b>	<b>27,691</b>	<b>27,138</b>	<b>21.7%</b>

31

## Private Banking: loans and advances

£'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
UK and Europe	3,523	3,485	3,378	3,363	3,585	4.3%
South Africa	7,963	7,337	8,122	7,905	7,696	(2.0%)
Australia	1,854	1,715	1,823	1,687	1,644	1.7%
<b>Total core loans</b>	<b>13,340</b>	<b>12,537</b>	<b>13,323</b>	<b>12,955</b>	<b>12,925</b>	<b>0.1%</b>

Home currency 'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
South Africa	R94,364	R92,595	R88,372	R86,953	R85,500	6.8%
Australia	\$2,740	\$2,744	\$2,825	\$2,747	\$2,730	(3.0%)

Rates:

R:£	11.85	12.62	10.88	11.00	11.11
£:AUD	1.48	1.60	1.55	1.63	1.66

32



## Private Banking: retail deposits

£'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
UK and Europe	6,235	6,063	6,100	6,127	6,308	2.2%
South Africa	5,112	4,749	5,154	4,902	4,607	(0.8%)
Australia	1,326	1,186	1,211	1,127	851	9.5%
<b>Total deposits</b>	<b>12,673</b>	<b>11,998</b>	<b>12,465</b>	<b>12,156</b>	<b>11,766</b>	<b>1.7%</b>

Home currency 'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
South Africa	R60,579	R59,935	R56,081	R53,921	R51,181	8.0%
Australia	\$1,963	\$1,898	\$1,877	\$1,837	\$1,413	4.6%

Rates:

R:£	11.85	12.62	10.88	11.00	11.11
£:AUD	1.48	1.60	1.55	1.63	1.66

33

## Capital Markets: loans and advances

£'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
UK and Europe	2,095	2,001	2,023	1,897	1,752	3.6%
South Africa	2,565	2,159	2,556	2,599	2,590	0.4%
Australia	310	279	253	196	166	22.5%
<b>Total core loans</b>	<b>4,970</b>	<b>4,439</b>	<b>4,832</b>	<b>4,692</b>	<b>4,508</b>	<b>2.9%</b>

Home currency 'million	29 Feb 2012	30 Sep 2011	31 Mar 2011	30 Sep 2010	31 Mar 2010	% Change YTD vs Mar 2011
South Africa	R30,400	R27,251	R27,805	R28,587	R28,778	9.3%
Australia	\$459	\$447	\$393	\$320	\$275	16.8%

Rates:

R:£	11.85	12.62	10.88	11.00	11.11
£:AUD	1.48	1.60	1.55	1.63	1.66

34

## Contact details

For further information please refer to the Investor Relations section of [www.investec.com](http://www.investec.com)

Or contact the Investor Relations team:

- Telephone:
  - UK: +44 (0) 207 597 5546
  - SA: +27 (0) 11 286 7070
- E-mail: [investorrelations@investec.com](mailto:investorrelations@investec.com)



35

*Out of the Ordinary®*

 **Investec**

Specialist Bank and  
Asset Manager



**Investor pre-close  
briefing**

15 March 2012