

Out of the Ordinary™



# RESULTS PRESENTATION

For the six months ended 30 September 2015

- 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 trends
- 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 markets in which it operates to differ from those expressed or implied
- Any forward looking statements made are based on knowledge of the group at 19 November 2015

# Highlights for the six month period

- Overall, we have continued to **enhance our international offering**, growing the client base and deepening our core franchise
- We had **solid net inflows** of £4bn in the Wealth & Investment and Asset Management businesses
- The global Specialist Banking business is **substantially ahead** of the prior year
  - Good levels of activity in the UK banking businesses
  - The SA business had a solid Rand performance
  - Investment and fixed income portfolios performed well

# As a result ...

## Statutory operating profit showed steady growth

- Statutory results showed **steady growth**, despite Rand depreciation of 8.2%

	Sep-15	Sep-14	% change	% change on neutral currency basis
Operating profit* (£'mn)	279.4	240.8	16.1%	22.5%
Adjusted earning per share^ (pence)	22.3	19.7	13.2%	19.8%
Total dividend per share (pence)	9.5	8.5	11.8%	na

- Sale of certain businesses** during the previous financial year distorts the comparability of the group's financial position
- Solid performance from the **ongoing business** which is what we focus on for the rest of the presentation

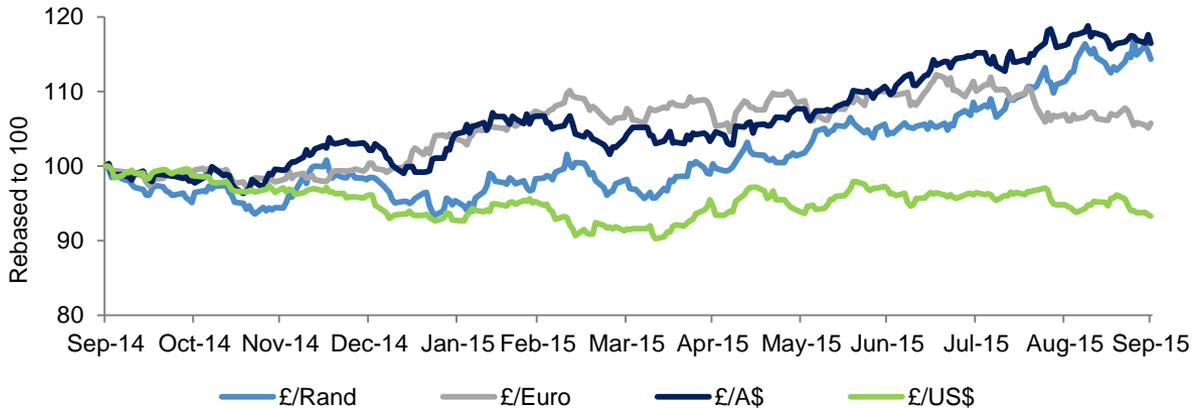
\*Before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests

^Before goodwill, acquired intangibles and non-operating items

# Mixed operating environment

Results impacted by strength of sterling against our key operating currencies

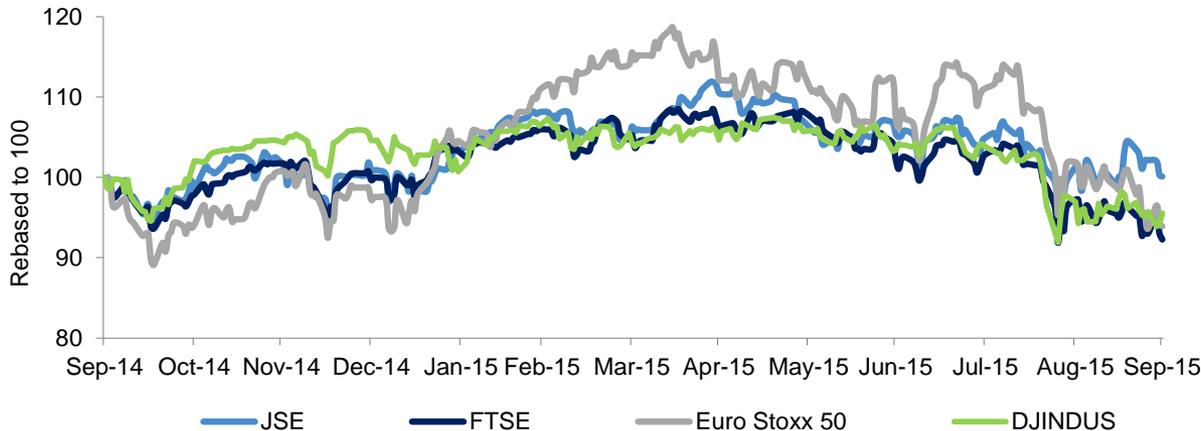
## Exchange rates



	Closing rate % change		Average rate % change	
	Since Mar-15	Since Sep-14	Since Mar-15	Since Sep-14
£ / Euro	-1.8%	5.7%	8.6%	12.1%
£ / A\$	11.7%	16.5%	10.8%	13.3%
£ / ZAR	16.6%	14.3%	8.5%	8.2%
£ / US\$	1.9%	-6.7%	-4.9%	-8.3%

**Note:** - appreciation; + depreciation

## Volatile equity markets



	Closing rate % change	
	Since Mar-15	Since Sep-14
Euro	(16.1%)	(3.9%)
JSE	(4.0%)	1.5%
DJIND	(8.4%)	(4.4%)
FTSE	(8.9%)	(5.6%)

# Diversified business model

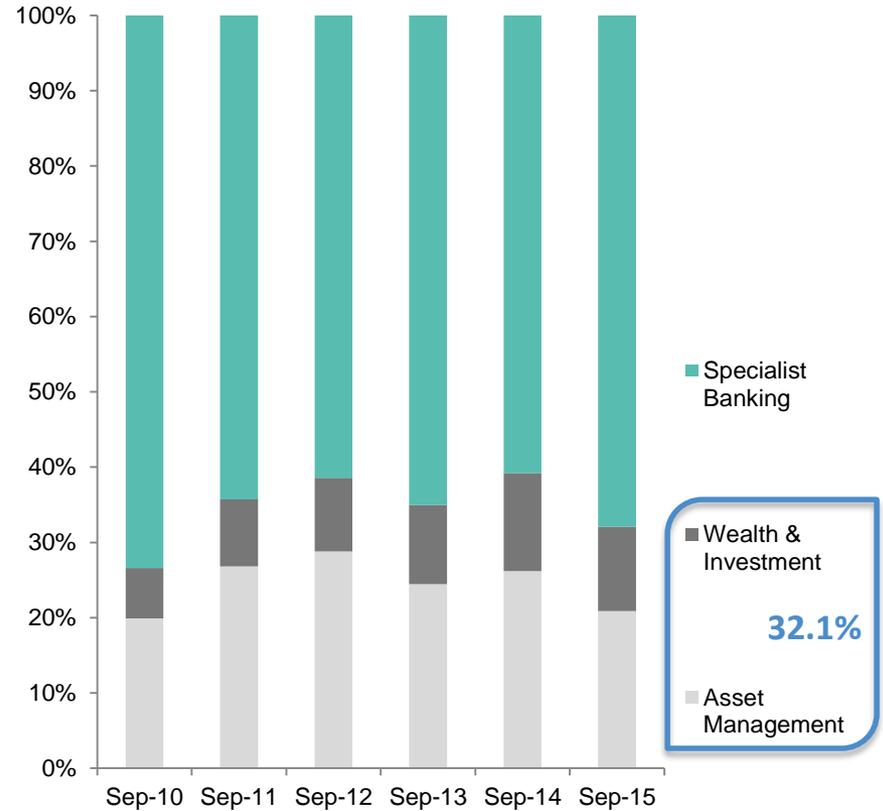
## Geographic diversity

Operating profit\* % contribution to group by geography



## Revenue diversity

Operating profit\* % contribution to group by business

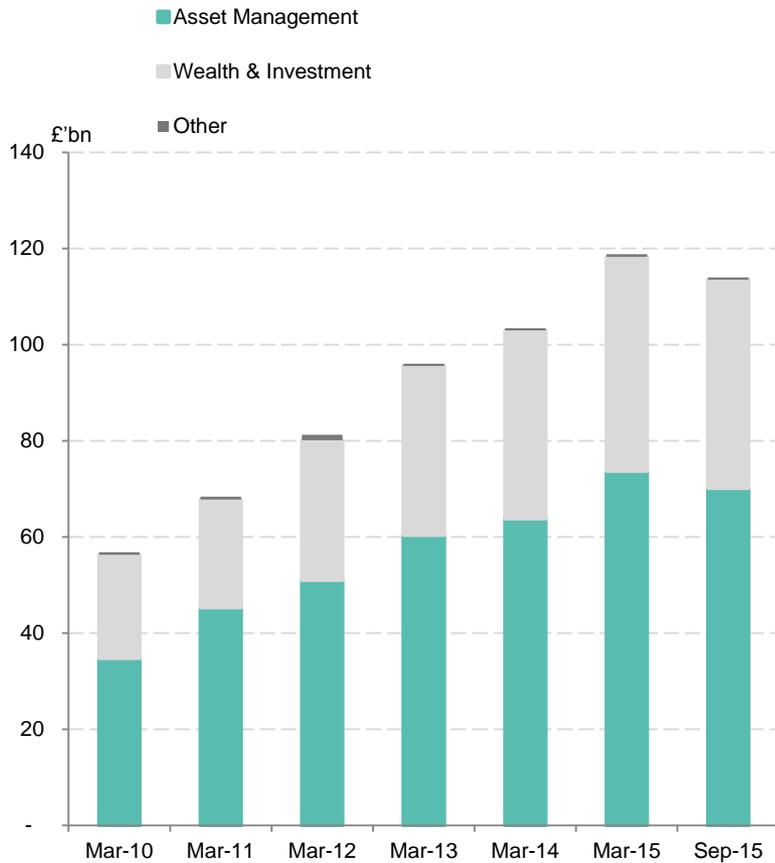


\*Before tax, goodwill, acquired intangibles, non-operating items, taxation, unallocated group costs and after other non-controlling interests

# Key earnings drivers

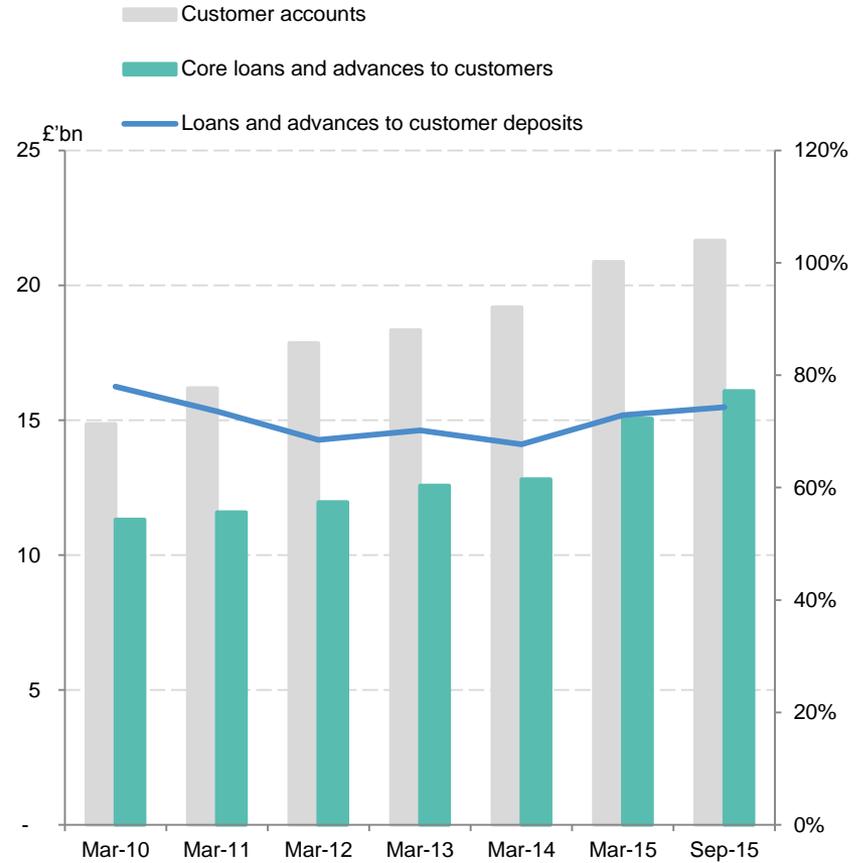
## Third party assets under management<sup>^</sup>

Currency neutral



## Customer accounts (deposits) and loans<sup>^</sup>

Currency neutral

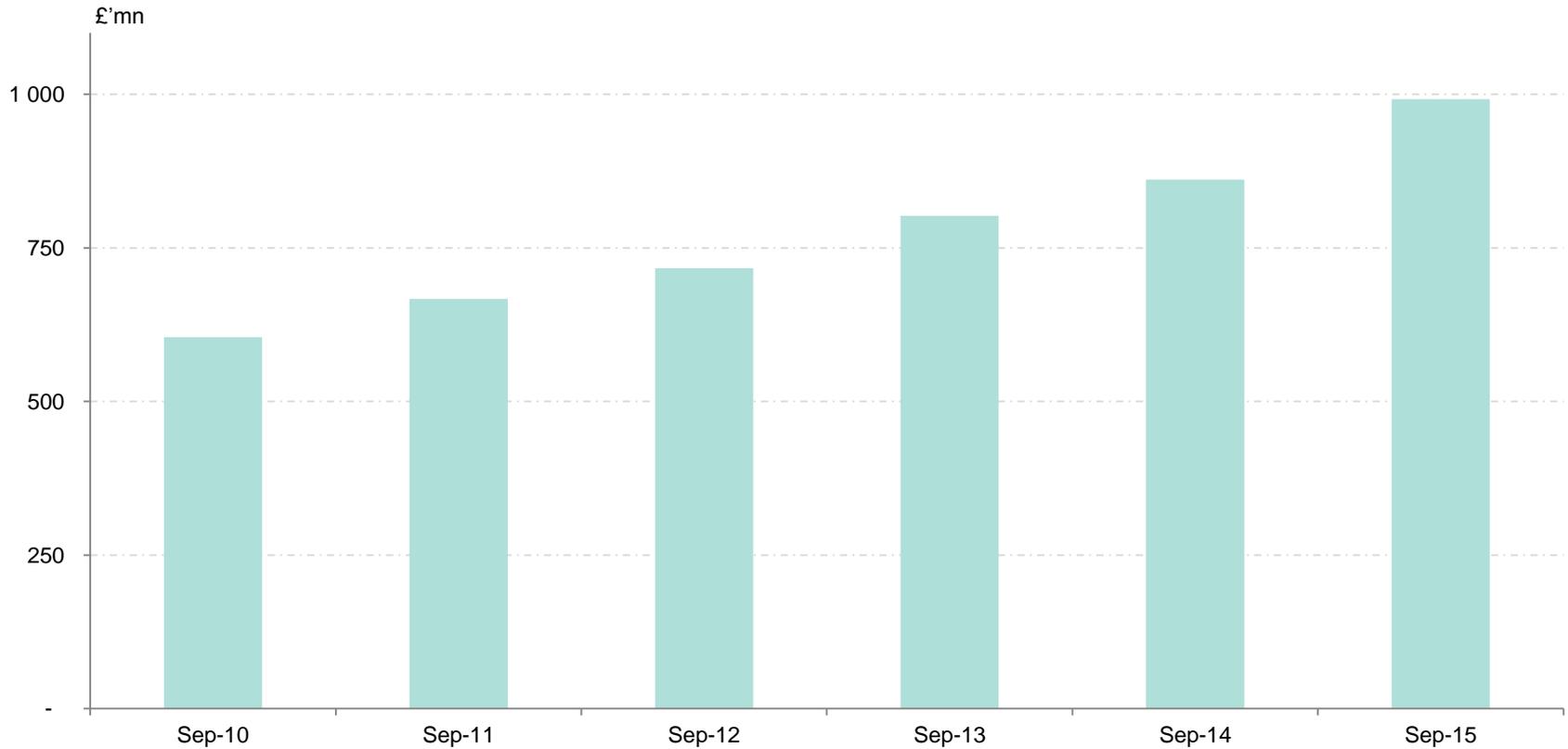


<sup>^</sup>The trends in these graphs are done on a currency neutral basis using the Rand: Pound exchange rate applicable at 30 Sep 2015

# Supporting growth in operating income

## Total operating income<sup>^</sup>

Currency neutral

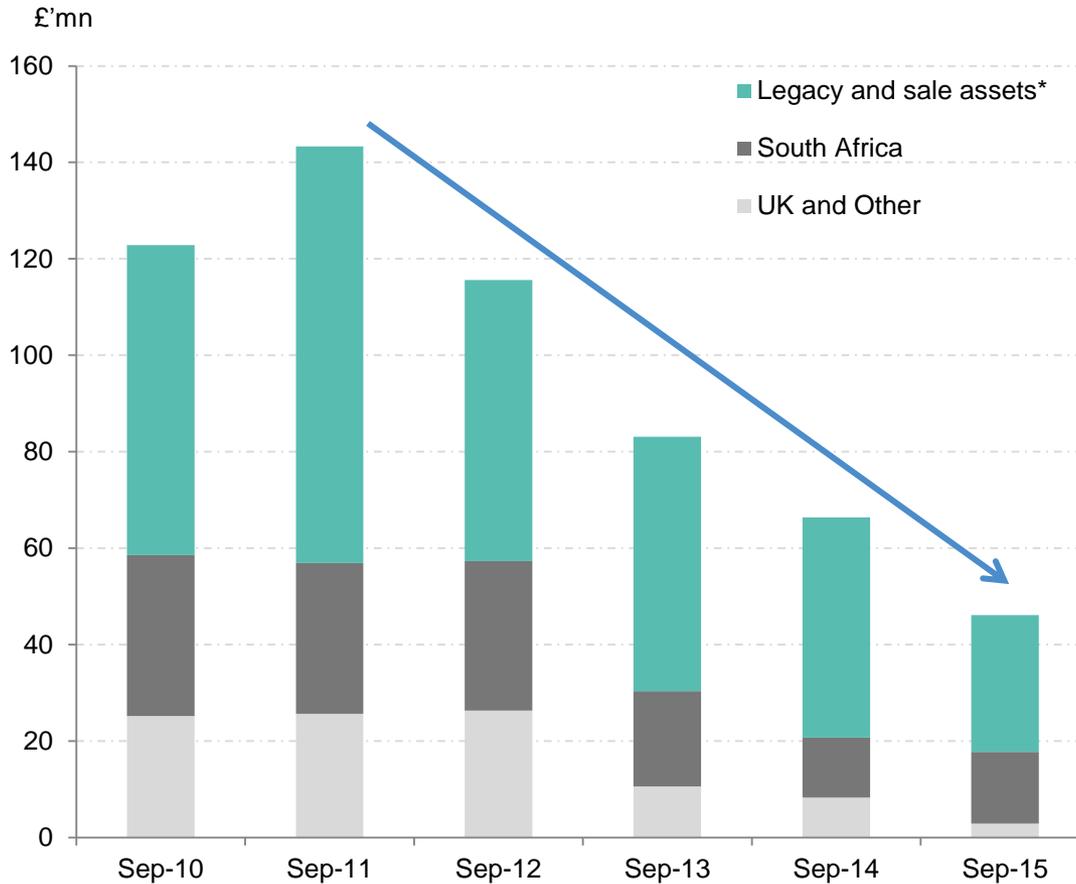


<sup>^</sup>The trends in these graphs are done on a currency neutral basis using the average Rand:Pound exchange rate applicable at 30 Sep 2015

# Impairments continue downward trend

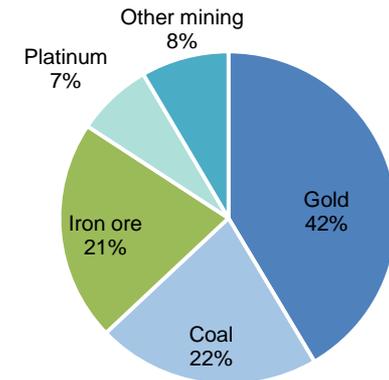
Down 68% since the peak in 2011

## Total impairment (including legacy) by geography



**Total mining exposure represents 2.7% of total credit and counterparty exposures (excluding short-term cash)**  
**Plc £181mn**  
**Limited £329mn**

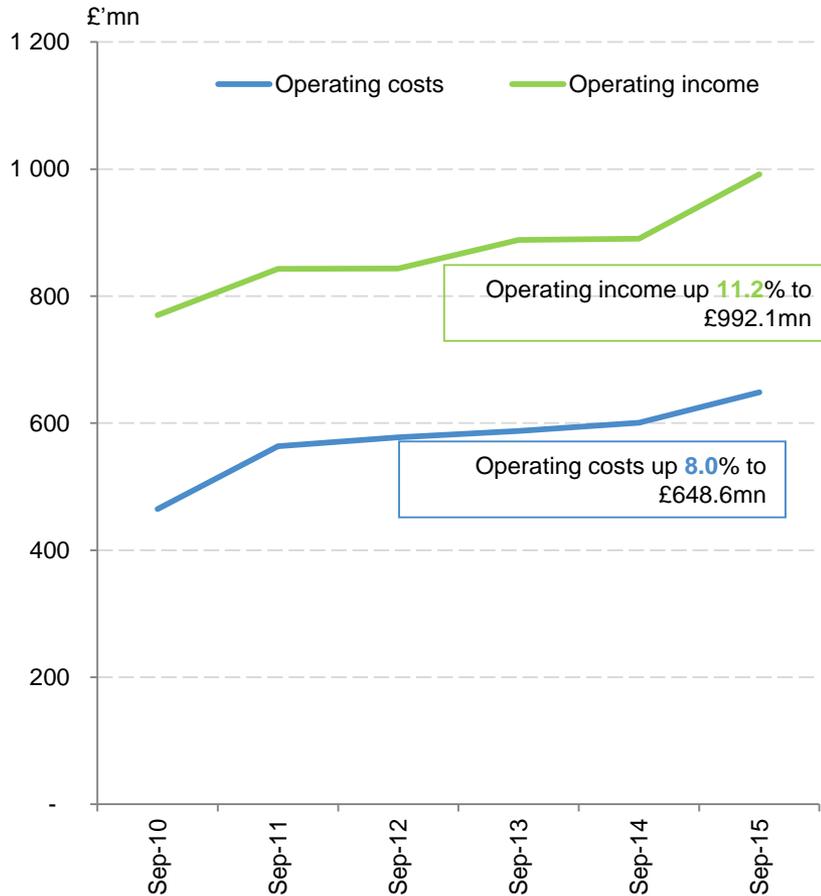
### Composition of mining exposure



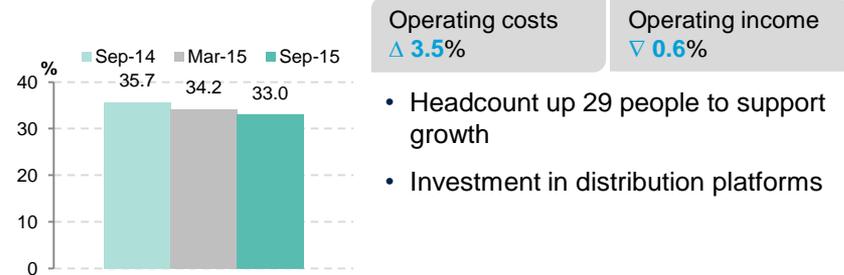
\*Refers to the remaining UK legacy business and group assets that were sold in the 2015 financial year

# Fixed costs marginally up

## Jaws ratio for the group



## Asset Management operating margin



## Wealth & Investment operating margin



## Specialist Banking cost to income



# Resulting in a solid group performance

POUND RESULTS	Sep-15	Sep-14	% change	% change currency neutral basis
Operating profit* before tax (£'000)	315.0	270.4	16.5%	22.2%
Attributable earnings**^ (£'000)	222.6	193.2	15.2%	20.9%
Adjusted EPS**^ (pence)	25.5	22.5	13.3%	19.1%

POUND RESULTS	Sep-15	Mar-15	% change	% change currency neutral basis
Total shareholders' equity (£'mn)	3 666	4 040	(9.3%)	
Customer accounts (deposits) (£'bn)	21.7	22.6	(4.2%)	4.5%
Net core loans and advances to customers (£'bn)	16.1	16.5	(2.5%)	7.1%

RAND RESULTS	Sep-15	Sep-14	% change
Operating profit* before tax (R'mn)	6 129	4 816	27.3%
Attributable earnings**^ (R'mn)	4 328	3 432	26.1%
Adjusted EPS**^ (cents)	496.4	400.0	24.1%

\*Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests; \*\*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests; ^ After deducting preference dividends; ^^Amounts represented on a currency neutral basis assume that the closing and average exchange rates of the group's relevant exchange rates relative to Pounds Sterling remain the same as at 30 Sep 2015 when compared to 31 Mar 2015 and 30 Sep 2014.

# Progress made on our financial targets

	Target	Ongoing		Statutory	
		Sep-15	Sep-14	Sep-15	Sep-14
ROE (post tax)	12%-16% over a rolling 5-yr period	14.8%	13.6%	12.6%	10.7%
Adjusted* EPS growth	Target: 10% > UKPRI	13.3%	na	13.2%	3.7%
Cost to income	Target: < 65%	65.4%	67.4%	66.2%	67.8%
Dividend cover (times)	Target: 1.7 – 3.5 times	na	na	2.3x	2.3x

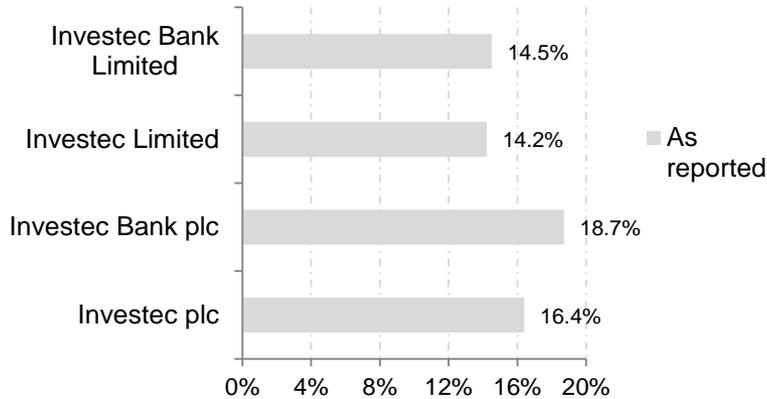
Note: These are medium to long-term targets which we aim to achieve through varying market conditions

\*Adjusted EPS is before goodwill, acquired intangibles and non-operating items and after non-controlling interests and after deducting preference dividends

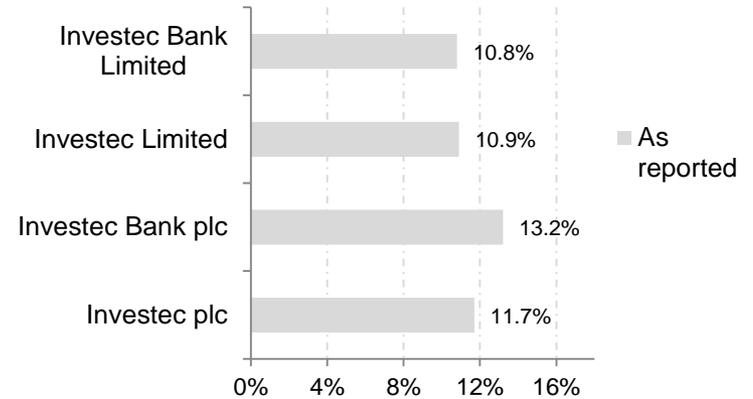
# Stable capital position

As at 30 Sep 2015

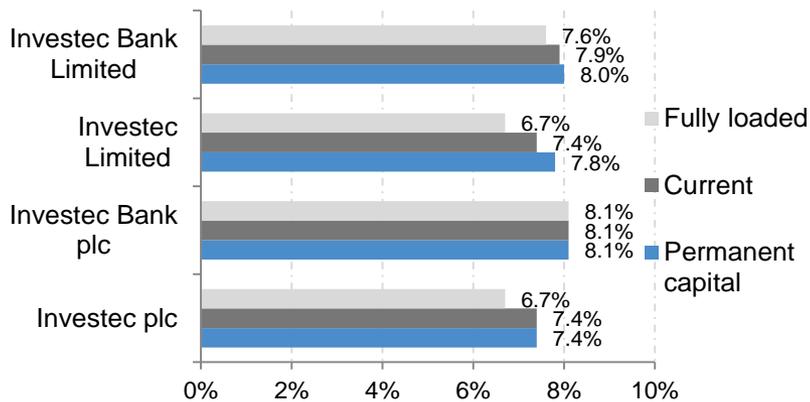
## Capital adequacy



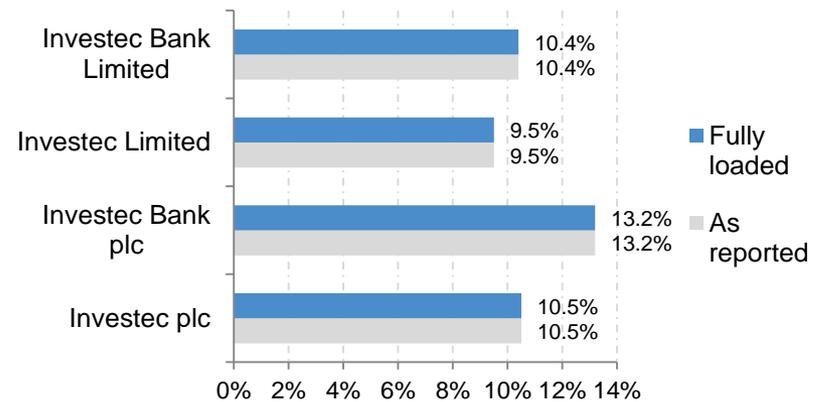
## Tier 1



## Leverage ratios



## Common equity tier 1



Note: Please refer to the 2015 Analyst Book for detailed definitions and explanations



# Divisional highlights

# Asset management - overview

## Overview of performance

- Positive net flows from all Client Groups, totalling £2.9bn for the six months to 30 September 2015
- Our investment performance was competitive across the board. In SA, there has been a marked improvement over the previous reporting period
- In spite of positive net flow momentum in both historic terms and relative to the competitor universe, AUM and revenues were negatively impacted by the weakness in equity markets and the significant depreciation of emerging market currencies

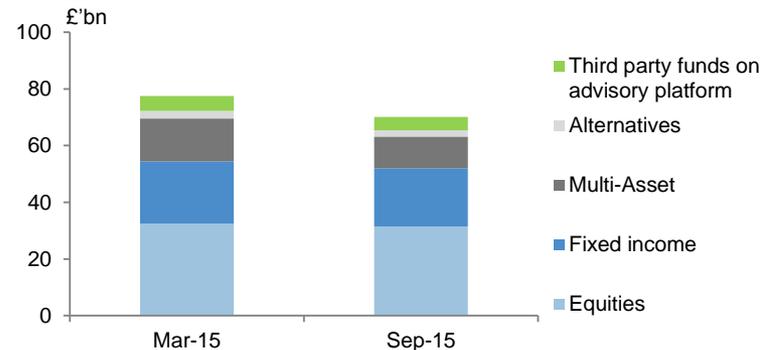
## Outlook

- Weakness in emerging market currencies (particularly the SA Rand) has put pressure on revenues in Sterling terms
- Full year earnings expected to be lower than the prior year
- The business is in good shape with a stable leadership, a strong culture, excellent people and good client support

## Financial summary

	Sep-15	Sep-14	% change
Operating profit* (£'mn)	70.6	76.7	(8.0)%
Operating margin	33.0%	35.7%	
ROE (pre-tax)**	83.8%	98.6%	
	Sep-15	Mar-15	% change
Assets under management (£'bn)	70.1	77.5	(9.5)%

## Assets under management by asset class



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

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

Net flows and AUM for the six month period to 30 Sep 2015 exclude an historic low value cash plus account of £0.5 billion which is subject to volatile net flows.

# Wealth & Investment - overview

## Overview of performance

- Higher average funds under management
- Net inflows of £1.1bn
- Performance marginally behind prior period with strong growth in the South African business
- This is due to investment expenditure on growth initiatives in Switzerland, Hong Kong and the UK and the development of our digital offering
- Ranked best Private Bank and Wealth Manager in SA by Financial Times for third year running

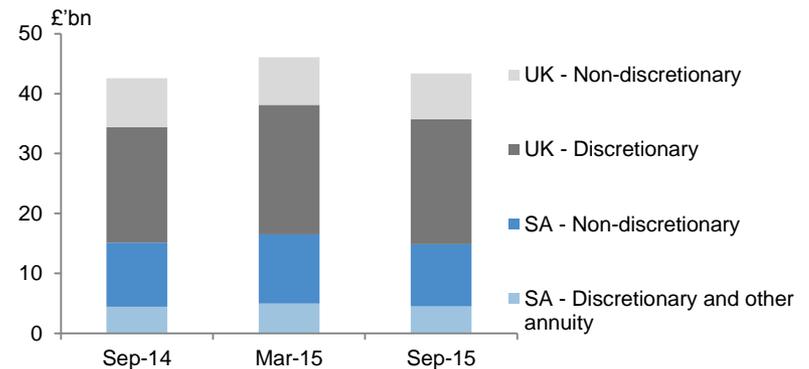
## Outlook

- We expect a challenging environment in the second half of the financial year as the outlook for the global economy and investor sentiment remains uncertain
- We remain confident that our strategy to invest for the future success of our business while remaining focussed on the resilience of our business model

## Financial summary

	Sep-15	Sep-14	% change
Operating profit* (£'mn)	37.9	38.0	(0.5%)
Operating margin	24.0%	24.9%	
ROE (pre-tax)**	25.5%	22.9%	
	Sep-15	Mar-15	% change
Assets under management (£'bn)	43.4	46.1	(5.9%)

## Analysis of key earnings drivers (FUM)



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

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

# Specialist Banking - overview

## Overview of performance

### SA

- Corporate and private banking businesses benefited from positive business momentum and franchise growth
- Unlisted investment portfolio performed well
- Acquired Blue Strata (import solutions business) which is being integrated into the corporate banking business
- Ranked best Private Bank and Wealth Manager in SA by Financial Times for third year running

### UK

- Good levels of activity and higher earnings from fixed income portfolio
- Normalised result from Hong Kong investment portfolio

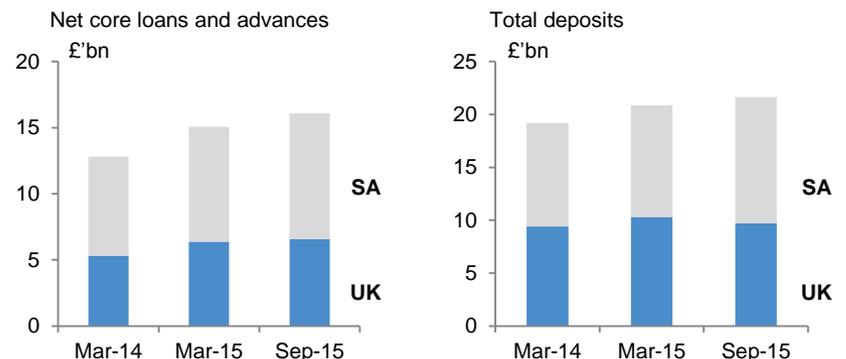
## Outlook

- We continue to see positive momentum in our businesses and expect reasonable growth as a result
- In SA, structural challenges are constraining the economy but activity continues in the corporate and private sectors which support momentum in this business

## Financial summary

	Sep-15	Sep-14	% change
Operating profit* (£'mn)	229.2	177.6	29.0%
ROE (pre-tax)**	18.2%	15.2%	
Cost to income	58.5%	62.3%	
Ordinary shareholders equity (£'mn)	2 361	2 232	5.8%

## Core drivers (neutral currency)^

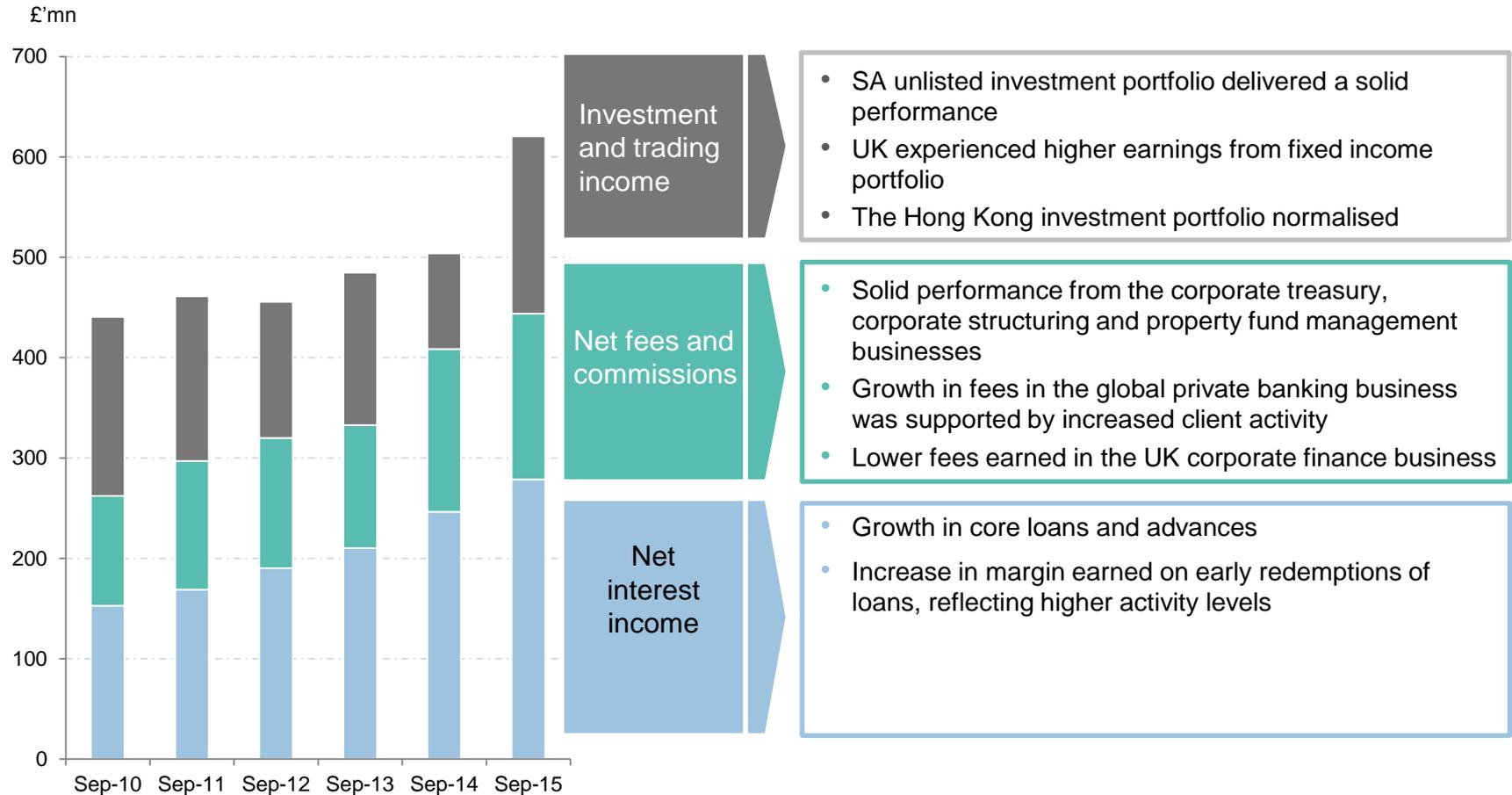


\*Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests; \*\*Return on adjusted shareholders' equity (including goodwill)

^The trends in these graphs are done on a currency neutral basis using the Rand:Pound exchange rate applicable at 30 Sep 2015

# Specialist Banking – mix of income

## Analysis of income (currency neutral)^



^The trends in this graph is done on a currency neutral basis using the Rand: Pound exchange rate applicable at 30 Sep 2015

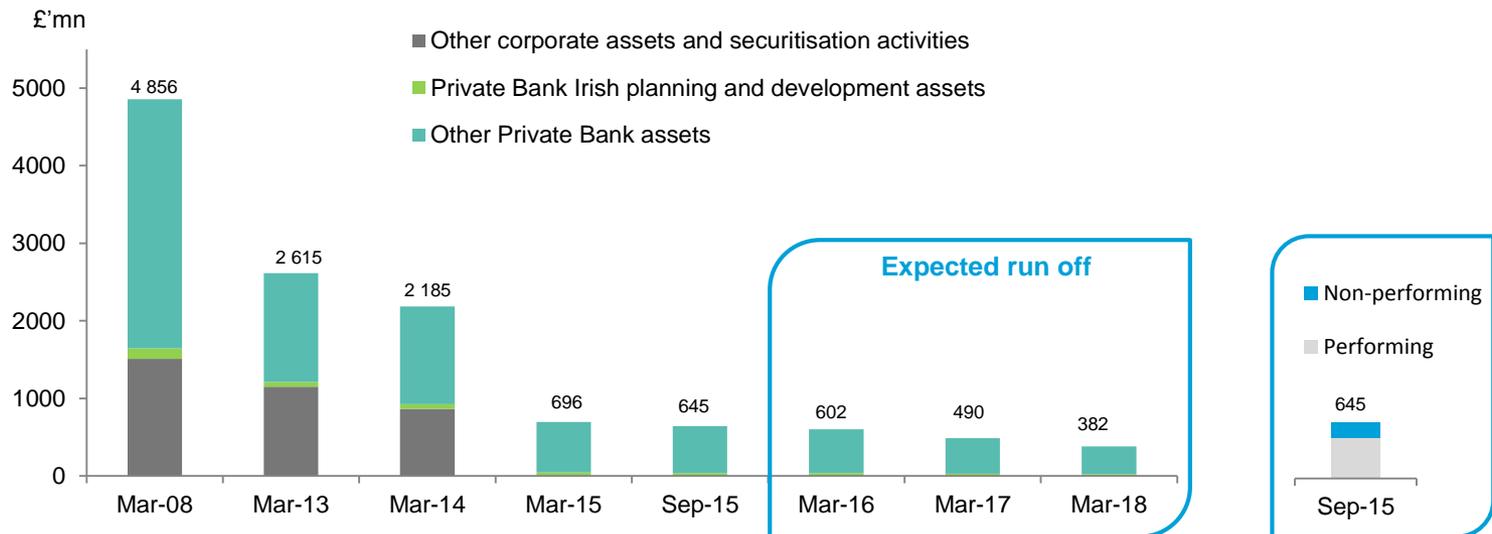
# Specialist Banking

## Continued to reduce the UK Legacy Business exposures

- The legacy portfolio has continued to be actively managed down to £645mn from £696mn (Mar-15)
- Largely through redemptions and write-offs
- The remaining portfolio will continue to be managed down as we see opportunities
- We expect the remaining legacy book will still take 2-4 years to wind down

£'mn	Sep-15	Sep-14
Total income	4.0	7.7
Total impairments	(28.4)	(37.6)
Total expenses	(11.1)	(11.8)
<b>Net loss before tax</b>	<b>(35.5)</b>	<b>(41.7)</b>

### Total net assets: Investec originated





# Positioning and strategy



# Maintaining a sustainable business model

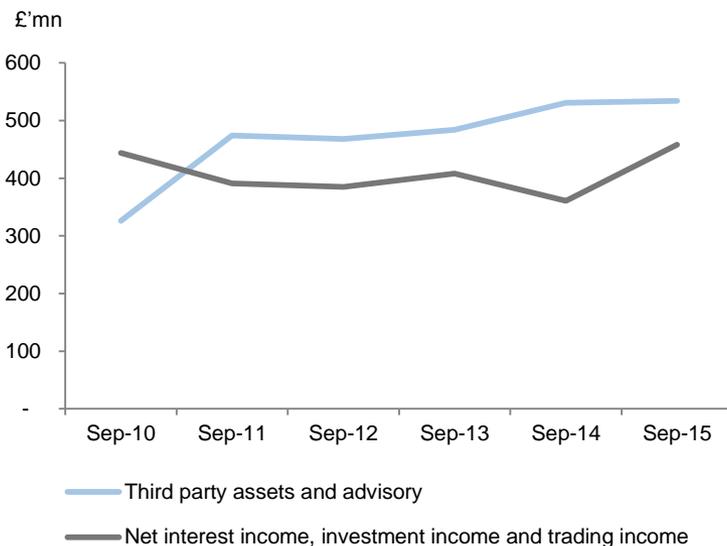
Balanced between capital light and capital intensive activities

## Business model

**Third party assets and advisory**  
£534mn

Net annuity fees and commissions of £427mn  
(43% of total)

Other fees and other income of £107mn  
(11% of total)



**Net interest, investment and trading income**  
£458mn

Net interest income of £284mn  
(29% of total)

Investment income of £112mn  
(11% of total)

Trading income of £62mn  
(6% of total)

**Capital light activities**

Contribute **54%** to group income

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

**Capital intensive activities**

- Lending portfolios
- Investment portfolios
- Trading income
  - Client flows
  - Balance sheet management

Contribute **46%** to group income

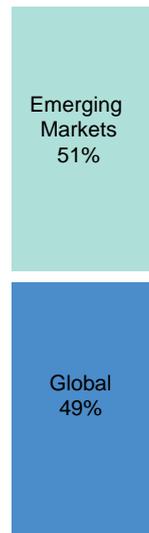


# Strategic priorities for 2016

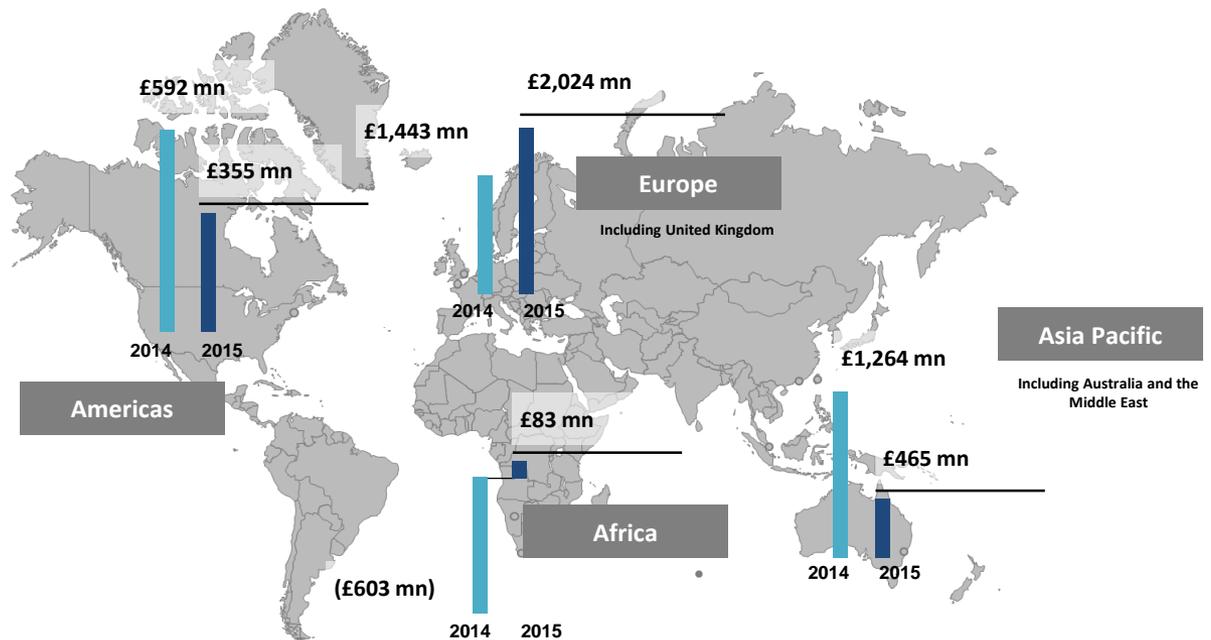
## Asset Management

- No significant change – clients always come first
- Focus on investment performance – always the key priority
- Build out multi-asset and global equity offerings
- Continue to invest in the North America and Asia positioning
- Create conditions for renewed growth in Africa, including the launch of new products
- Talent acquisition and retention
- Continue to invest to make operating platform scalable

**AUM Exposure by Strategy Type<sup>(1)</sup>**



**Net Flows in H1 2015<sup>(2)</sup>**



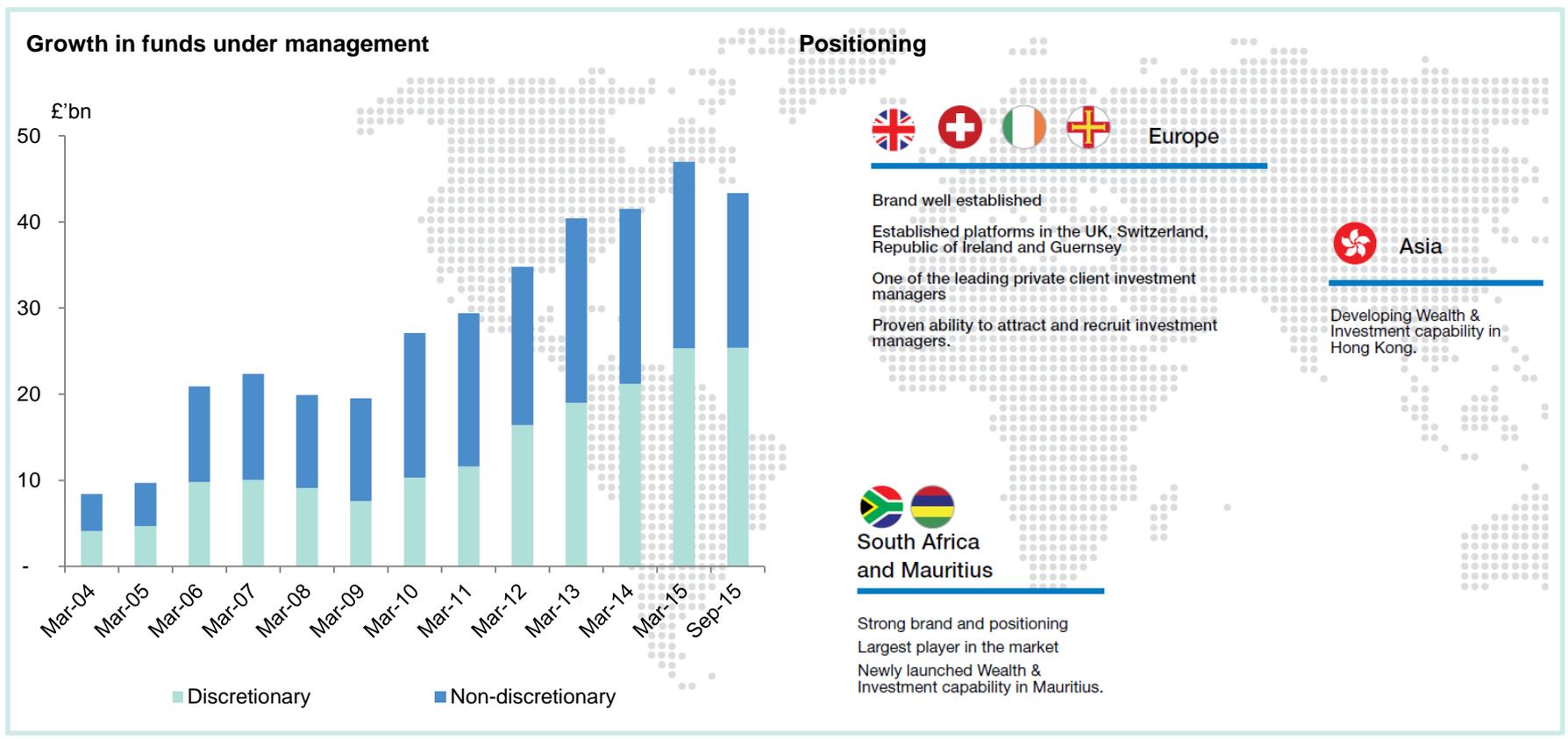
(1) AUM as at 30 Sep 2015, based on location of stock. South Africa is included within Emerging Markets on an asset exposure basis

(2) The net flows for the six months to 30 Sep 2015 exclude an historic low value cash plus account of £0.5bn which is subject to volatile net flows

# Strategic priorities for 2016

## Wealth & Investment

- Key opportunities include:
  - Building and leveraging our private office offering
  - Strong integration with private banking business in terms of channel
  - Digitisation of the offering – already launched in SA and Click & Invest to be launched in UK

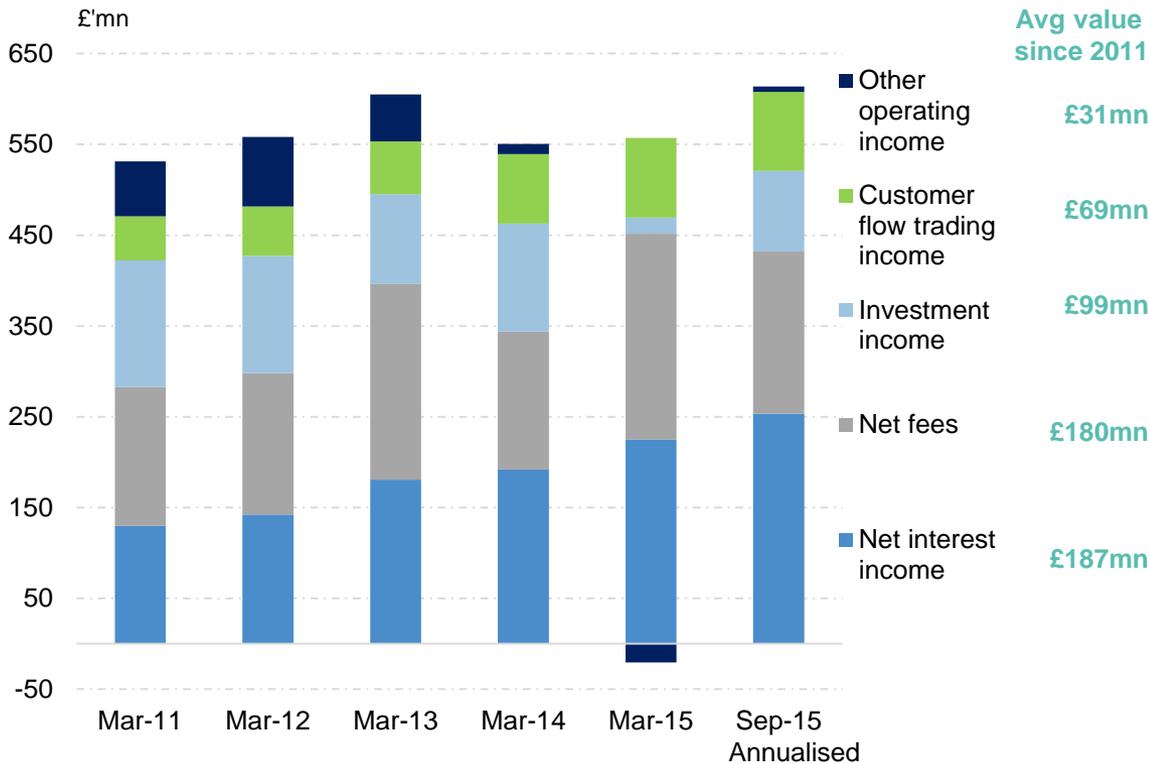




# Strategic priorities for 2016

## Specialist Bank UK and Other Ongoing Positioning

### Analysis of income



- Benefitted from dislocation in the market and gained market share
- Domestically relevant and internationally networked
- Built a solid HNW franchise
- Very strong in mid-cap with a full service offering
- Good corporate finance business
  - Most M&A deals since 2012\*
- Strong corporate treasury business
- Sound niches in specialisations:
  - Credit finance
  - Structured finance
  - Asset finance
  - Aircraft finance
  - Power and infrastructure finance

Generating average income of £566mn per year over past 6 years

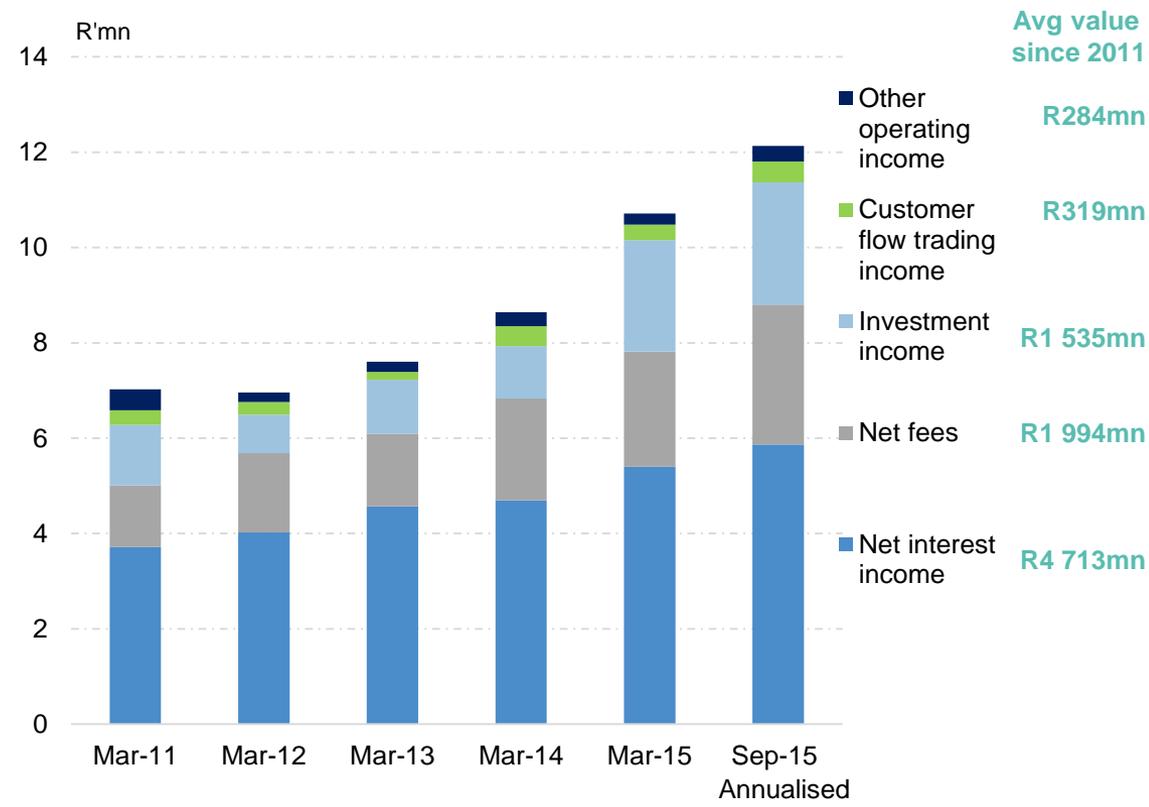
\*Source: FactSet. UK public transactions from Jan 2012 to Aug 2015 up to £1.5bn equity value



# Strategic priorities for 2016

## Specialist Bank SA Ongoing Positioning

### Analysis of income



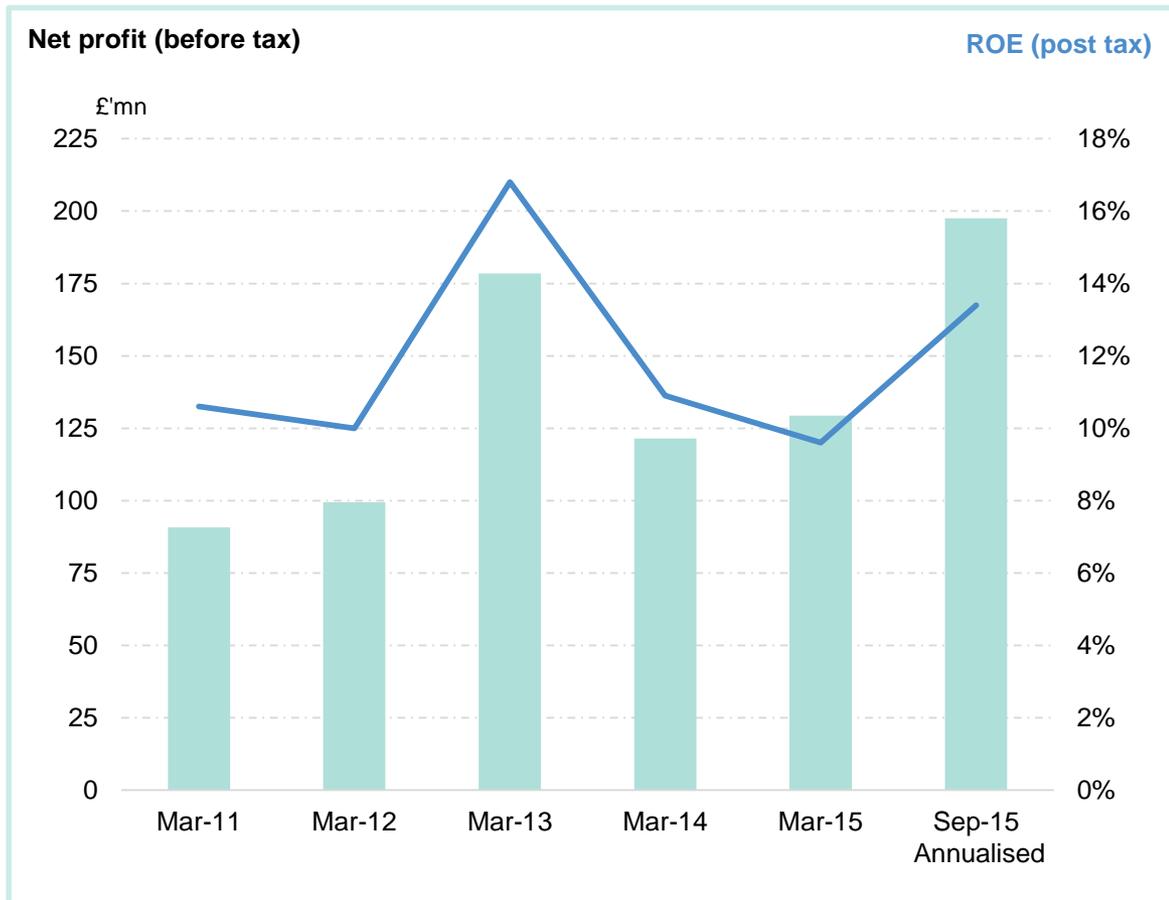
- Leading Private Bank over many years
- Leading Corporate Advisory house
- Highly regarded Corporate and Institutional Bank
- Leading Property business

Generating average income of R8 846mn per year over past 6 years



# Strategic priorities for 2016

## Specialist Bank UK and Other Ongoing Opportunities

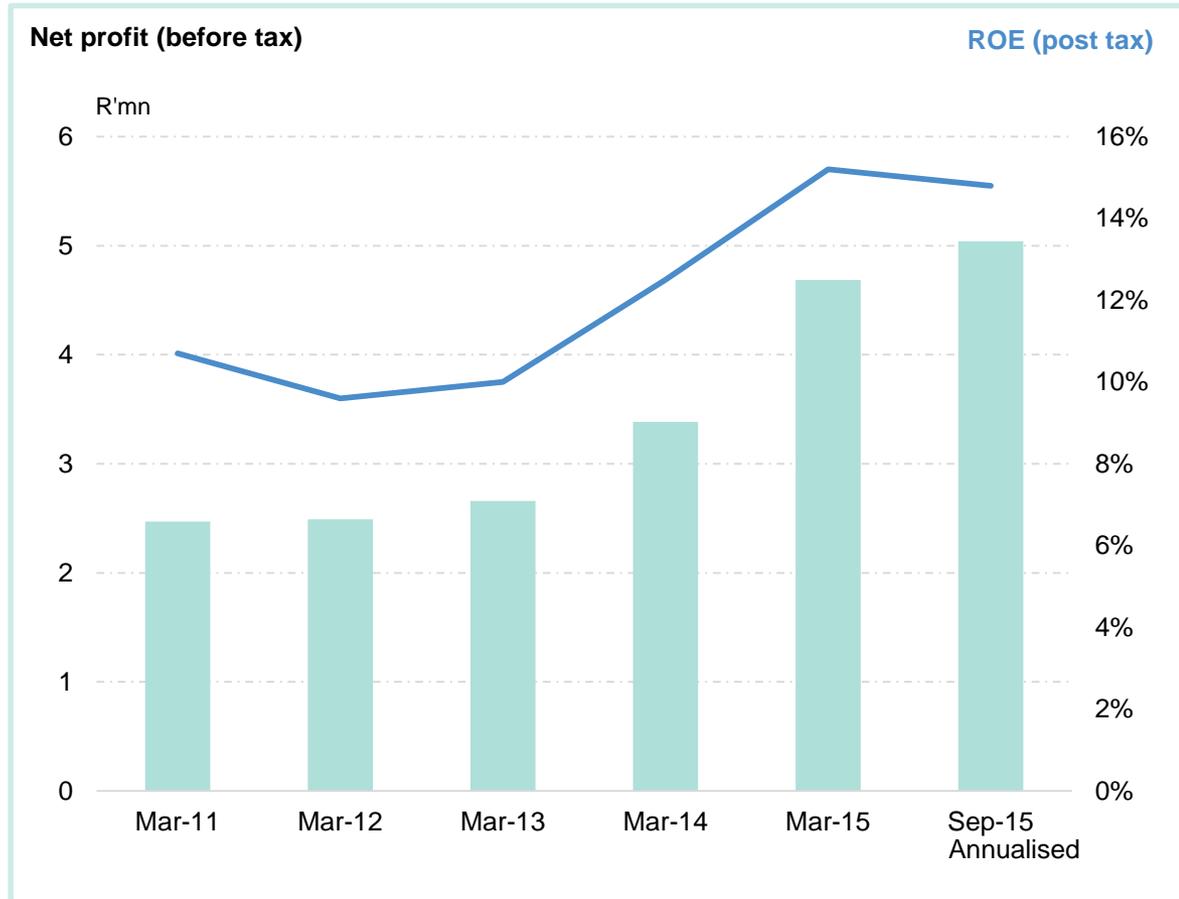


- Opportunity to build out the client franchise businesses in the UK through:
  - Shifting from a product based model in private banking business to a client centric model
  - Collaborating between private banking and wealth and investments businesses
  - Developing a select professional banking business
  - Building the mid-cap offering
  - Integrating the various niche offerings
  - The digitization strategy



# Strategic priorities for 2016

## Specialist Bank SA Ongoing Opportunities



- We have a resilient business model and look to benefit from the opportunities in a disrupted environment
  - Continue to organically grow the transactional banking, property and private capital business
  - Perpetuate our position in the corporate and institutional market
  - Benefit from integration of Blue Strata business

# Strategic priorities for 2016

## Digitization strategy: High Touch AND High Tech

- 2014 -2015 focused on collaborating, merging and aligning to create one digital solution for clients
- This is a journey, not a 'project' that will ever reach completion. We need to continually transform the way we engage with clients to ensure we are consistently providing a seamless, integrated service experience through the channel they choose
- We continue to look for opportunities to build new digitally led businesses in line with our client needs

### One Place – global platform

- SA & UK transactional banking capability off same platform
- 120,000 clients on the platform
- 6,500+ online financial services platforms integrated
- Ability to add services from any other institution



**Categorise your income and expenses** - from dividends to groceries, childcare and shopping. You can see exactly where your money goes and analyse your spending patterns.

### SA Personal Portfolio

- Banking launched in 2014
- Investments to be launched Q1 2016
- Will show a consolidated perspective of all investments



### SA Online Portfolio Manager

- Launched in 2014 (Min of R250,000)
- Currently have 17,000 clients online
- Targeted at PB and IWI clients
- Promoting to 90,000 clients

Online Portfolio Manager  
Your investments. Our Expertise. Your Success.

Manage your wealth today.

Investec brings you accessible opportunities to effectively manage your wealth.

**Investec Master Portfolios**

Select. Compare. Invest

Compare, switch or invest in one of the Investec Master Share Portfolios and discover new investment opportunities

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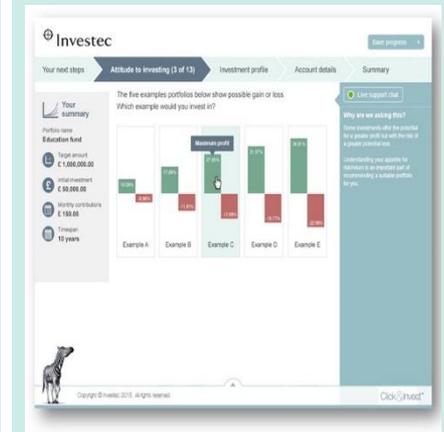
Select. Invest. Save.

Explore our range of Tax-Free investment opportunities

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### UK Online Portfolio Manager

- *Click & Invest* launching in 2016
- Complete digital offering providing advice online
- Targeted at public and not just IWI clients
- £10,000 minimum investment





# Strategic priorities for 2016

## Taking advantage of investment opportunities

- In South Africa a new investment vehicle, **Investec Equity Partners** (IEP), has been created in which Investec will hold a 45% stake alongside other strategic investors who will hold the remaining 55%
- Investec Principal Investments (IPI) will **transfer certain portfolio companies** to this new vehicle and IEP will resultantly raise an additional R10bn of new equity and debt capital to grow the underlying companies transferred and to take advantage of future investment opportunities.
- This transaction is subject to **regulatory approval**.
- It is intended that all IPI staff will transfer to the new company from 1 January 2016



# Strategic priorities for 2016

## Positioning for a new generation of leadership

- In pursuit of **sustained growth**, we have restructured certain operating responsibilities:
  - To **maintain differentiated businesses** that are integrated under the Investec brand and provide the best solution for our clients
  - To facilitate growth with **direct management responsibility** and accountability
  - To **ensure talented future leaders** are in place for the long-term success of the group as part of a natural process of transition
- We have always maintained a policy of **growing talent from within** and our leaders generally have an extensive history with the group
- Key global businesses are supported by **experienced management teams** who are responsible for driving the performance of those businesses

# Strategic priorities for 2016

## Key responsibilities to highlight (subject to regulatory approval)

### Group

- Group Risk and Finance Director – **Glynn Burger**
- Group Chief Financial Officer – **Nishlan Samujh**

### Global Specialist Bank

- Joint Head of the Specialist Bank - **Ciaran Whelan** and **David van der Walt**
- Global head of Private Banking - **Ciaran Whelan**
- Global head of Corporate and Institutional Banking - **David van der Walt**
- Chief Executive Officer of Investec Bank plc - **David van der Walt**

### South African Specialist Bank

- Chief Executive Officer of Investec Bank Limited - **Richard Wainwright**
- Joint Geographic Head of South Africa - **Glynn Burger** and **Richard Wainwright** (formerly held by Andy Leith)

### Investec Equity Partners – SA Investment Vehicle

- Executive Chairman - **Andy Leith** (Andy also continues as a Senior Group Executive of Investec Limited)



# Closing

# Summary

## Sustainability through diversification

- We are well positioned for sustained growth across our businesses as a result of the following:
  - We have **restructured and aligned** our areas of activity to ensure we are focused on providing the best solution for our clients
  - We have built **domestically relevant** businesses in our key geographies that are also internationally networked
  - Our focused client franchise offerings are balanced with our specialist niches and complimented by an **opportunistic overlay** that enables us to switch between markets and take advantage of opportunities
  - Our **unique culture** attracts talents and allows diversity and innovation to flourish
  - We have a **depth of leadership** and strong management teams driving growth

# Outlook

- The **macro environment** is uncertain as global equity markets remain volatile and, in South Africa, social and economic challenges persist.
- Nevertheless, we **remain positive** on our current position and prospects for the business
- Current levels of activity are supporting performance as we focus on **providing value** for shareholders and an **exceptional experience** for clients



**End**