

Out of the Ordinary®



2016

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# RESULTS PRESENTATION

For the six months ended 30 September 2016

Specialist Banking

Asset Management

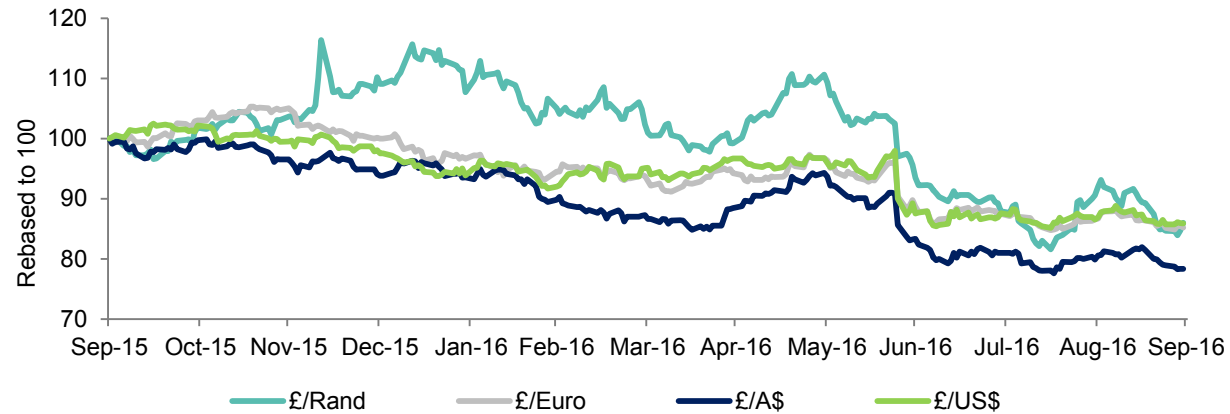
Wealth & Investment

- 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 17 November 2016

# Volatile operating environment

## With high levels of macro uncertainty

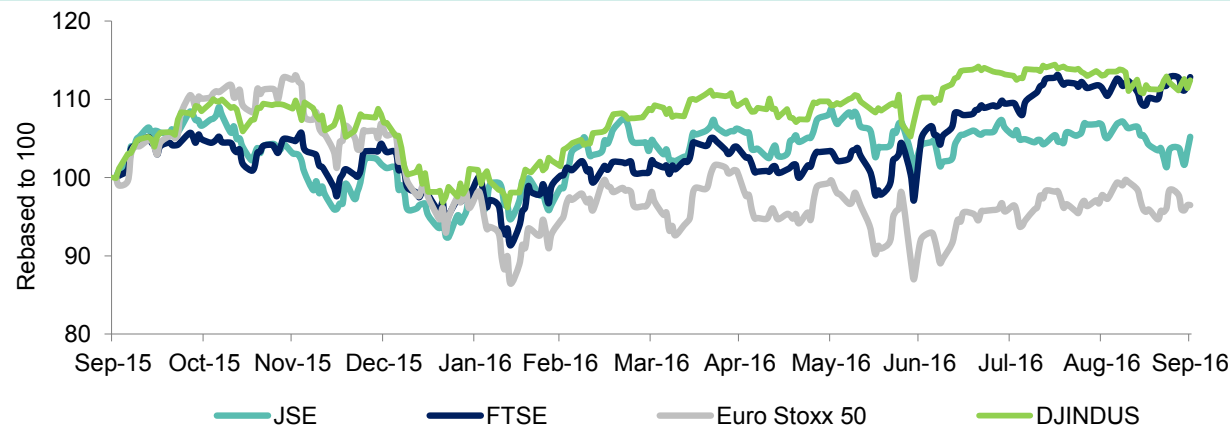
### Exchange rates



	Period end % change		Average % change	
	Since Mar-16	Since Sep-15	Since Mar-16	Since Sep-15
£ / Euro	-8.4%	-14.8%	-3.0%	-5.5%
£ / A\$	-9.3%	-21.5%	-2.4%	-10.4%
£ / ZAR	-15.4%	-14.7%	-3.5%	3.4%
£ / US\$	-9.7%	-14.1%	-4.5%	-5.9%

**Note:** - appreciation; + depreciation

### Equity markets



	Period end % change	
	Since Mar-16	Since Sep-15
Euro	(0.1%)	3.2%
JSE	(0.6%)	3.7%
DJIND	3.5%	12.4%
FTSE	10.6%	12.6%

## Highlights for the six month period

- Notwithstanding the volatile environment, we continued to see the development of our core franchise businesses:
  - Growth in third party funds under management
  - Growth in net interest income
  - Growth in fees and commissions
  
- Offset by:
  - Decline in investment income
  - Costs arising from planned investment in our core franchise businesses

## As a result ...

### Stable statutory performance

- Statutory results showed stable performance

	Sep-16	Sep-15	% change	% change on neutral currency basis
Operating profit* (£'mn)	281.4	279.4	0.7%	1.6%
Adjusted earning per share^ (pence)	22.7	22.3	1.8%	2.2%
Total dividend per share (pence)	10.0	9.5	5.3%	na

- Minor impact from the Rand depreciation of 3.4% on income statement but larger impact of Rand appreciation of 15.4% on the balance sheet
- Sound 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

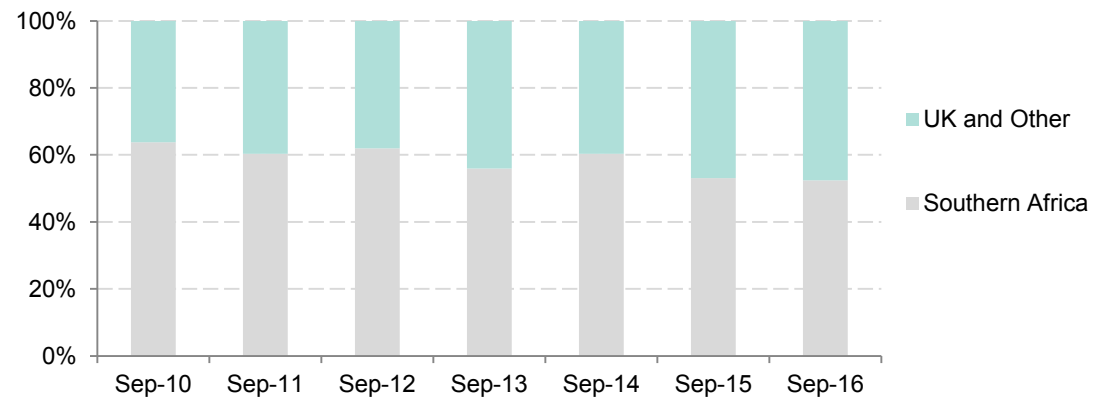
^Before goodwill, acquired intangibles and non-operating items

# Diversified business model

## Consistent contribution across geographies and businesses

### Geographic diversity

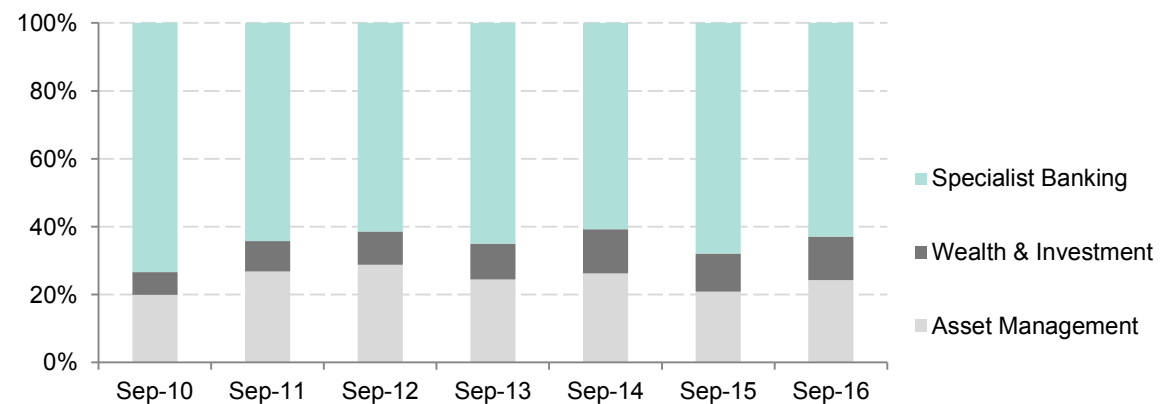
Operating profit\* % contribution to group by geography



- Combined UK and Other business up 1.3% in Pounds
- Combined SA business in Rands marginally down on the prior period (0.5%)

### Business diversity

Operating profit\*\* % contribution to group by business



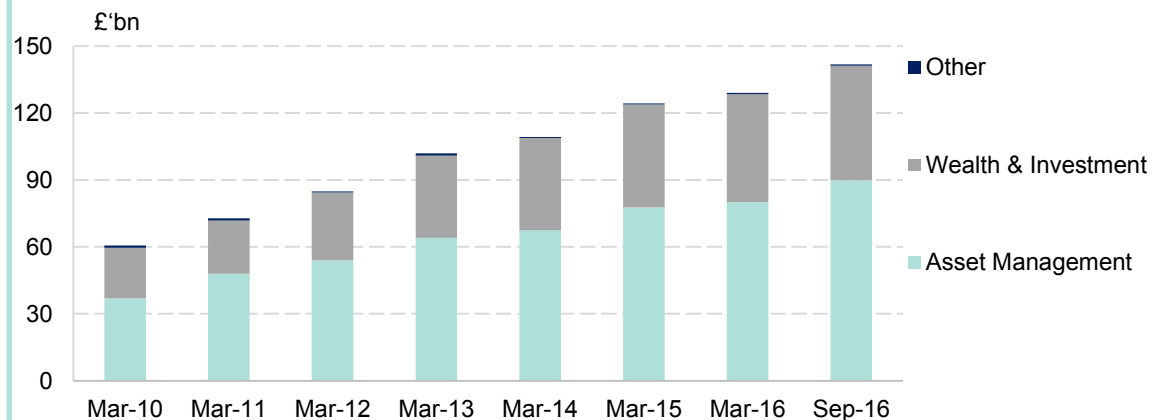
- Increased contribution to the group's results from the asset and wealth management businesses of 39.9%

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

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

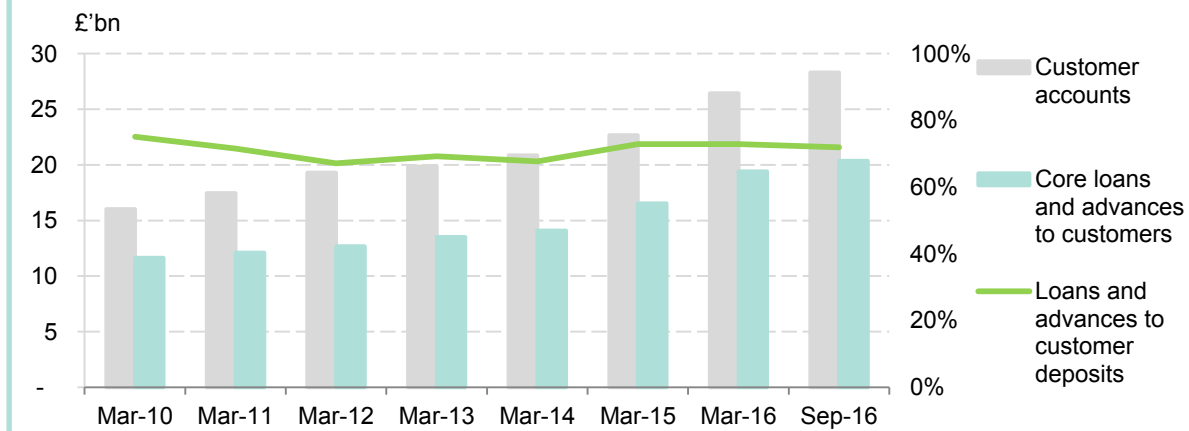
# Solid growth in key earnings drivers

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



- Strong growth in third party assets under management of 16.5% to £141.8bn - (10.3% on a currency neutral basis)

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

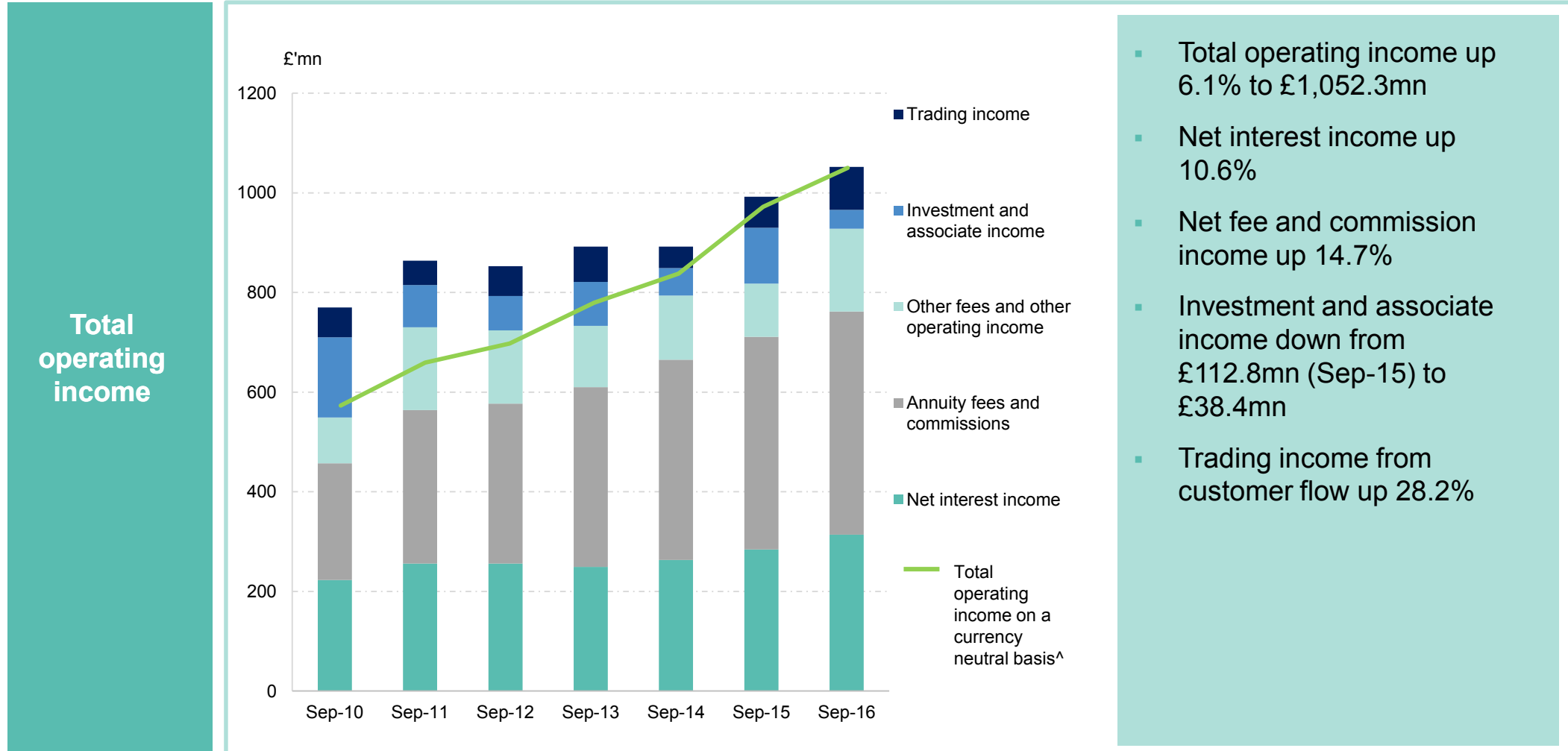


- Customer accounts increased 17.7% to £28.3bn – (7.3% on a currency neutral basis)
- Core loans and advances up 16.1% to £20.4bn – (up 4.0% on a currency neutral basis)

<sup>^</sup>The trend in this graph is done on a currency neutral basis using the Rand:Pound exchange rate applicable at 30 Sep-16

# Strong operational performance

## Supporting growth in operating income



^The trend for this line is done on a currency neutral basis using the Rand:Pound exchange rate applicable at 30 Sep-16



# The Investec Equity Partners (IEP) transaction

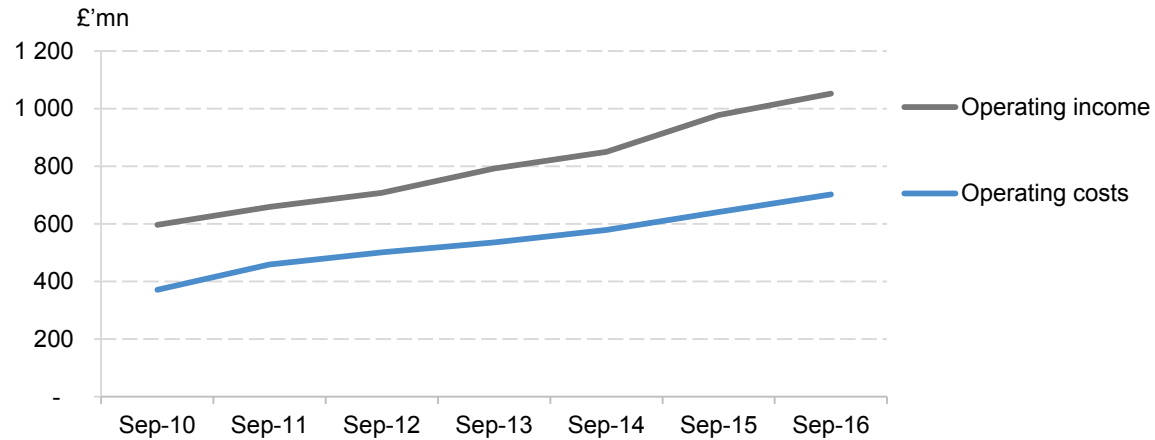
## Impacted group investment income

- In South Africa, a new investment vehicle, IEP, was created on 11 January 2016
- Investec holds a 45% stake alongside other strategic investors who hold the remaining 55%
- The shares held in IEP are reflected on the balance sheet as an investment in an associate (R5.3bn)
- From the date of the transaction Investec has applied the equity accounting method to account for its investment in IEP as opposed to the fair value accounting method previously applied to the underlying investments held
- This had a major impact on the group's 1H17 performance
- The base of earnings from this investment portfolio has effectively been reset and now primarily reflects equity accounted earnings
- No earnings were accounted for in the group's results for 2H16 from IEP
- On average, our private equity business (prior to becoming IEP) earned approximately R900mn pre-tax profit per year over the past 3 years

# Costs increase due to planned investment

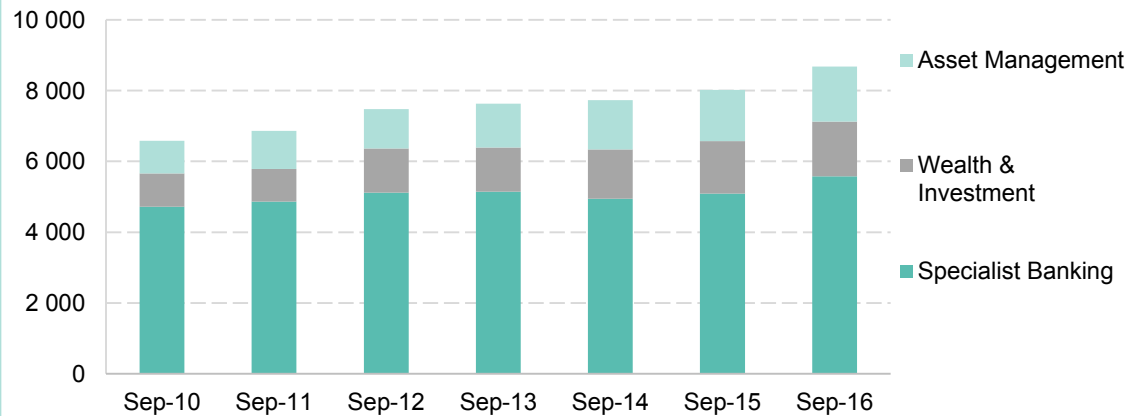
Cost to income up to 66.7% from 65.4% last year

## Jaws ratio for the group<sup>^</sup>



- Operating income increased 6.1% to £1,052.3mn
- Operating costs increased 8.2% to £701.8mn

## Total permanent employees



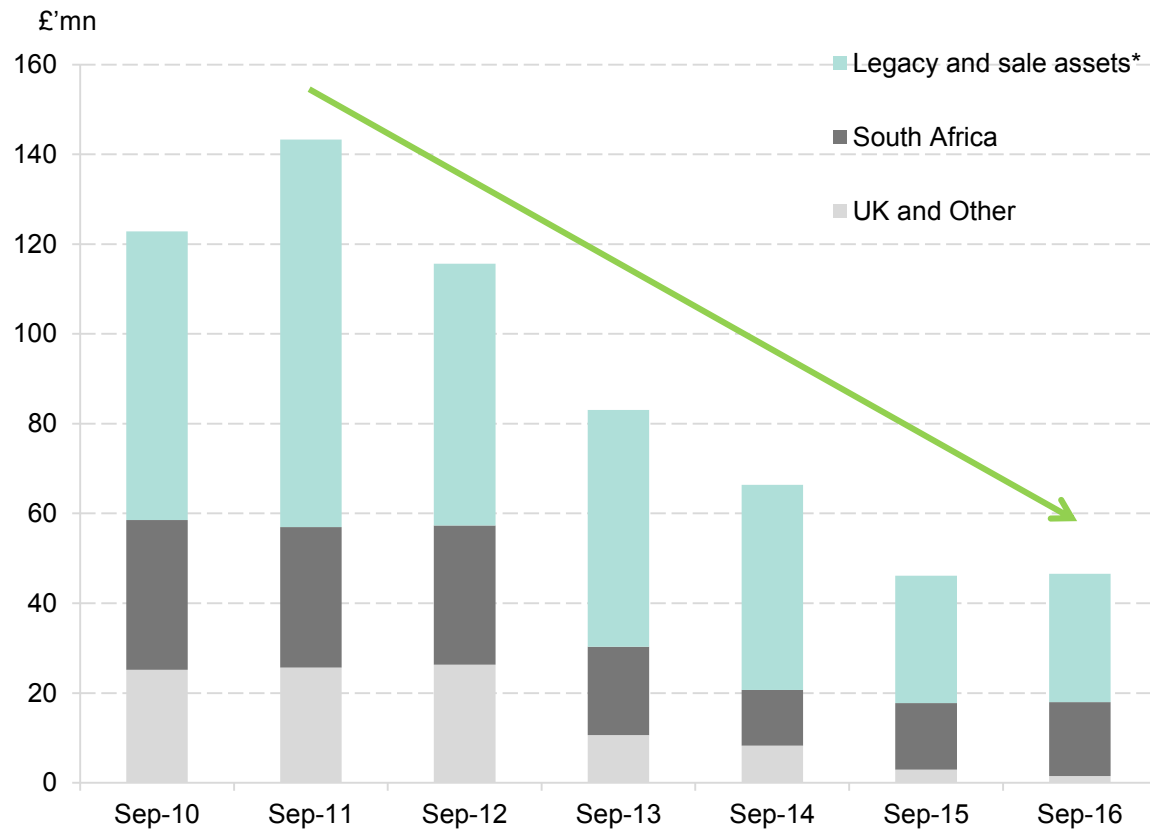
- Headcount increased across all businesses in line with growth aspirations

<sup>^</sup>The trend in this graph is done on a currency neutral basis using the Rand:Pound exchange rate applicable at 30 Sep-16

# Total impairments flat

With increased defaults in the SA banking business

**Total impairment charge (including legacy) by geography**



- Impairments on loans and advances increased marginally to £46.6mn (2015: £46.1mn)

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

## Resulting in a stable group performance

POUND RESULTS	Sep-16	Sep-15	% change	% change currency neutral basis^^
Operating profit* before tax (£'mn)	314.5	315.0	(0.2%)	0.8%
Attributable earnings**^ (£'mn)	230.0	222.6	3.3%	3.9%
Adjusted EPS**^ (pence)	25.7	25.5	0.8%	1.2%

POUND RESULTS	Sep-16	Mar-16	% change	% change currency neutral basis^^
Total shareholders' equity (£'mn)	4 485	3 859	16.2%	6.5%
Customer accounts (deposits) (£'bn)	28.3	24.0	17.7%	7.3%
Net core loans and advances to customers (£'bn)	20.4	17.5	16.1%	4.0%

RAND RESULTS	Sep-16	Sep-15	% change
Operating profit* before tax (R'mn)	6 253	6 129	2.0%
Attributable earnings**^ (R'mn)	4 559	4 328	5.3%
Adjusted EPS**^ (cents)	509	496	2.5%

\*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 2016 when compared to 31 Mar 2016 and 30 Sep 2015.

## Performance against financial targets

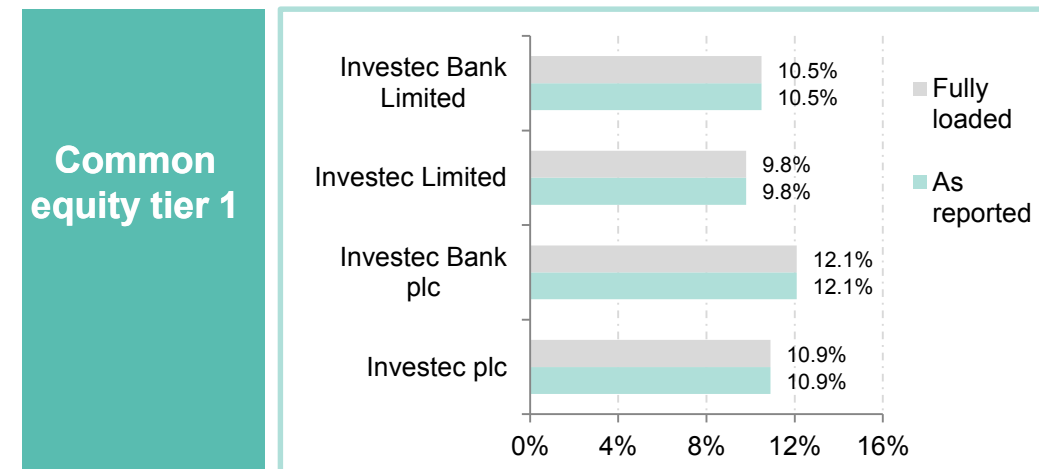
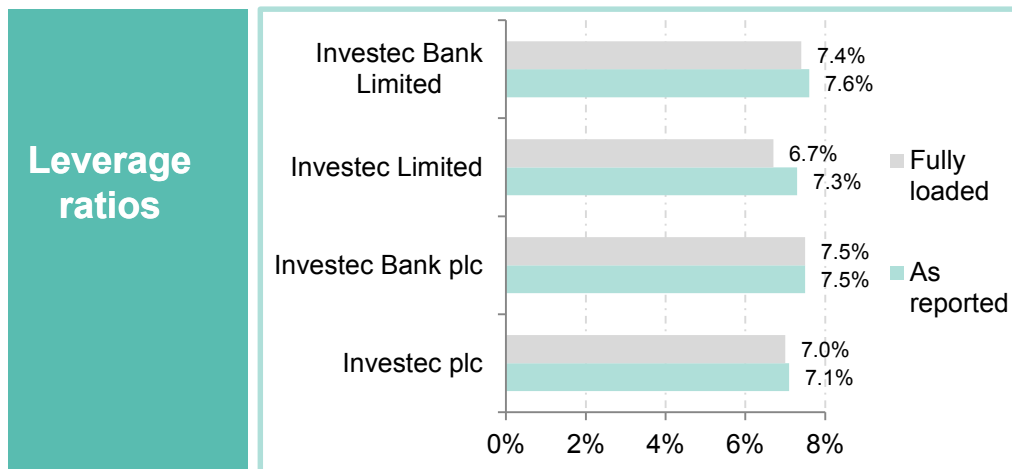
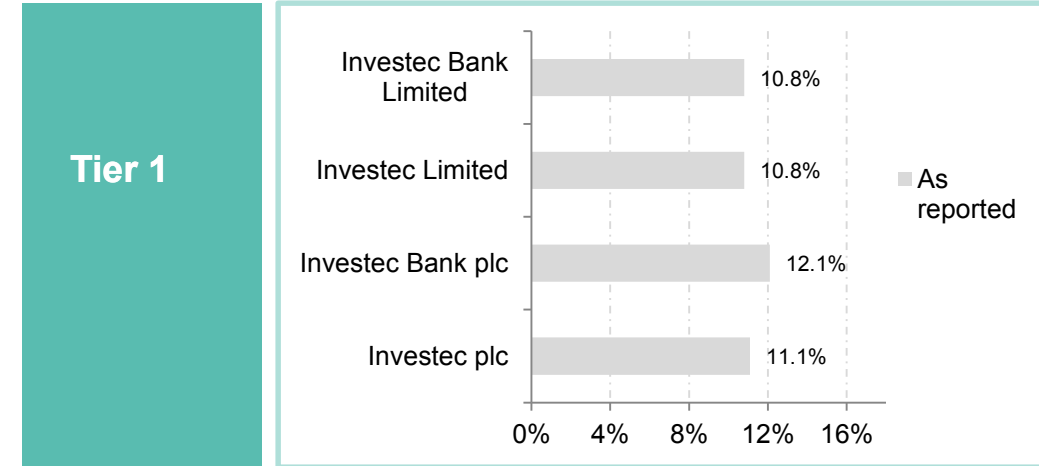
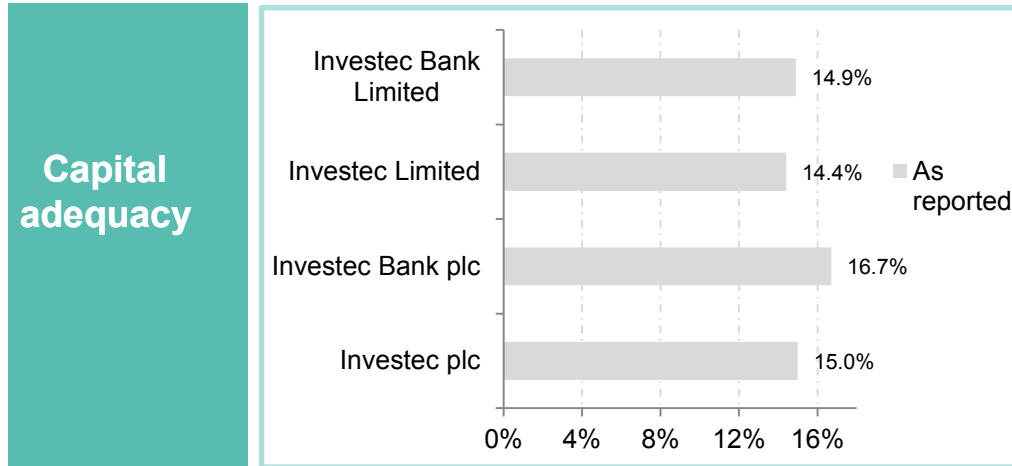
Summary of financial targets		Target	Ongoing		Statutory	
			Sep-16	Sep-15	Sep-16	Sep-15
	ROE (post tax)	12%-16% over a rolling 5-yr period	13.9%	14.8%	12.1%	12.6%
	Adjusted* EPS growth	10% > UKPRI	0.8%	2.3%	1.8%	4.8%
	Cost to income	< 65%	66.7%	65.4%	67.1%	66.2%
	Dividend cover (times)	1.7 – 3.5 times	na	na	2.3x	2.0x

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-16



Note: Please refer to the September 2016 analyst book for detailed definitions and explanations

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# Divisional highlights



# Asset Management - Overview

Into our 26<sup>th</sup> year, momentum remains positive



**Solid growth of 16.6% in operating profit to £82.3mn from £70.6mn**

- Earnings benefited from higher average assets under management, Southern Africa performance fees and positive markets/currency movements

**Operating margin up from 33.0% to 34.4%**

**Strong growth in AUM**

- Solid net flows of £1.1bn representing an annualised torque ratio of 3%^
- Positive market and currency movements of £13.0bn

\*Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests  
 ^Torque ratio defined as 6 month net flows divided by opening assets under management, annualised for 12 months



# Asset Management – Outlook

## Strong platform for growth

### Outlook

- Industry challenged by increased regulation, market illiquidity and volatility, and the threat of digital disruption
- Strong platform for growth and there are significant opportunities over the next five years
- Momentum is positive

### Independent recognition



*European Pensions:  
Emerging Markets  
Manager of the Year  
2015*

Raging Bull Awards 2016



of honouring South Africa's top  
unit trust funds and managers



Asset Manager of the Year  
Emerging Markets

Investec Asset  
Management

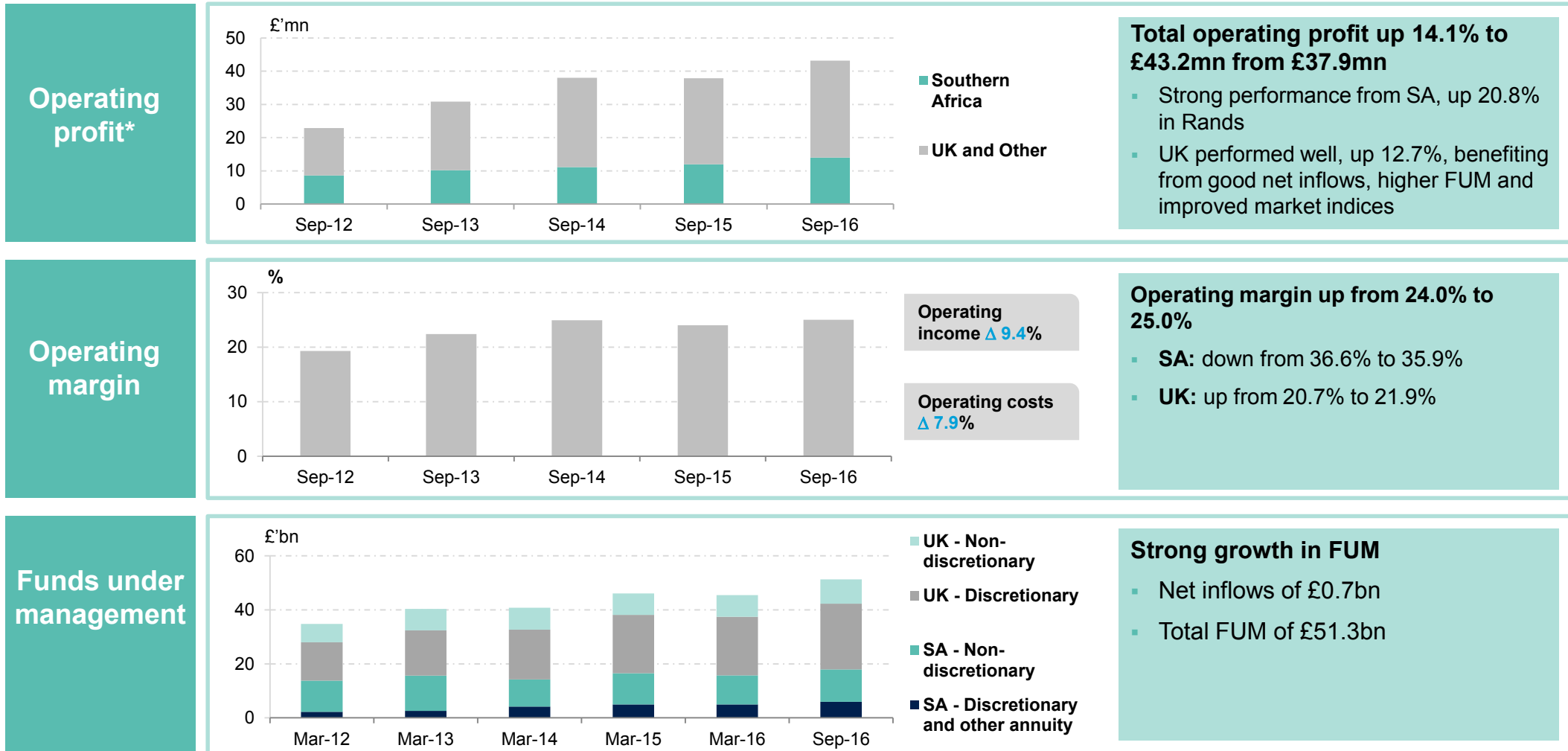
PRIVATE EQUITY | AFRICA

GP & Advisor  
Awards 2015  
\*\*\*  
WINNER

*Professional Pensions  
Investment Awards:  
Multi Asset Manager of the Year  
2015*

# Wealth & Investment - overview

## Solid overall performance



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

# Wealth & Investment – strategic review

## Investing for long-term sustainability

### Outlook

- SA environment has proved challenging with anaemic GDP growth forecast and political developments exacerbating consumer and investor confidence
- Investor sentiment in the UK will remain uncertain until we receive clarity on the way forward for Brexit
- We remain confident in our strategy to invest for the future success of our business while remaining focussed on the resilience of our business model

### Independent recognition



Best Private Bank and Wealth Manager, South Africa  
(For 4 years in a row)

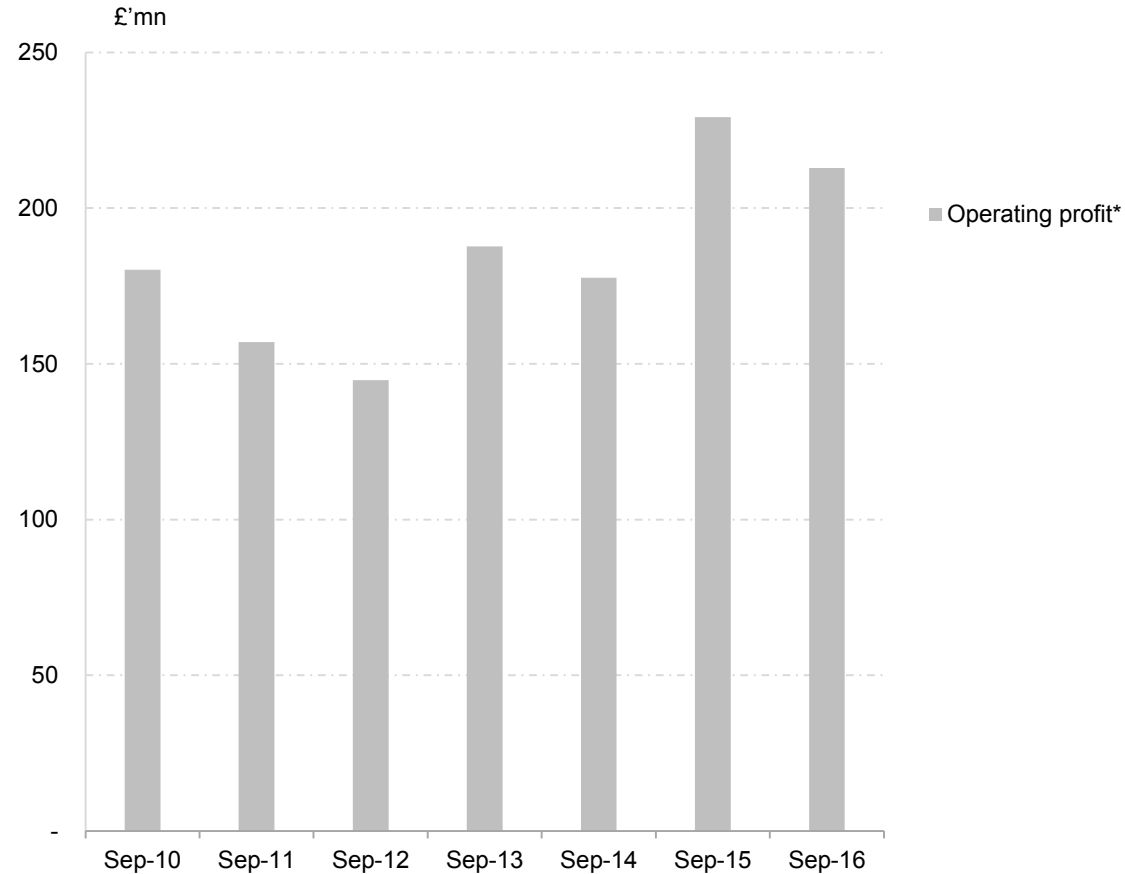


Winner of Defaqto Gold Discretionary Fund Manager service award 2016

# Specialist Banking – global overview

## Underlying operational performance sound

### Performance



- Operating profit down 7.1% to £212.8mn from £229.2mn
- Results impacted by a decline in investment income
- Good levels of client activity supported by a deepening of the franchise

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

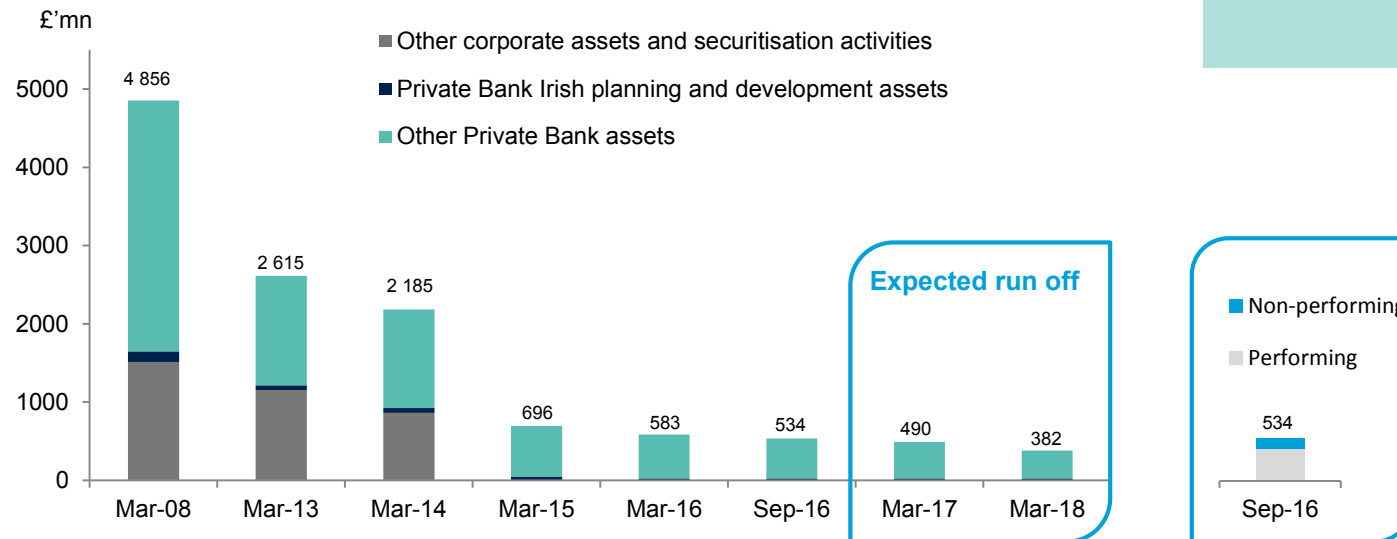
# Specialist Banking – UK Legacy

## Continued to reduce the UK legacy business exposures

Total UK legacy assets

£'mn	Sep-16	Sep-15
Total income	(0.6)	4.0
Total impairments	(28.6)	(28.4)
Total expenses	(3.9)	(11.1)
<b>Net loss before tax</b>	<b>(33.1)</b>	<b>(35.5)</b>

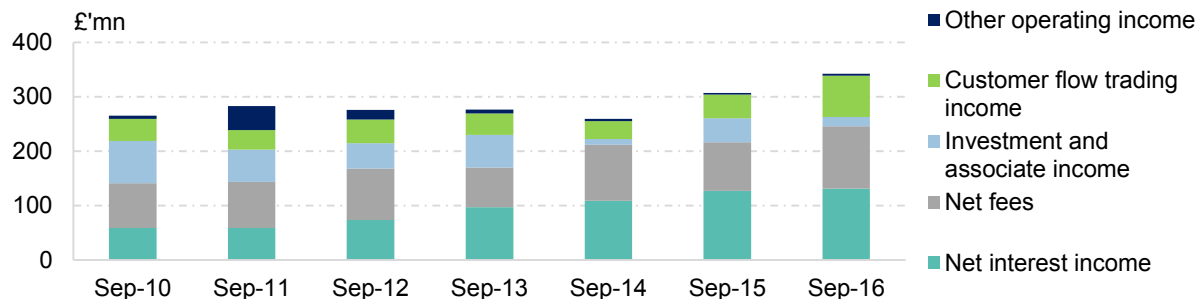
- The legacy portfolio has continued to be actively managed down to £534mn from £583mn (Mar-16)
- Largely through asset sales, redemptions and write-offs
- The remaining portfolio will continue to be managed down as we see opportunities



# Specialist Banking – UK and Other Ongoing

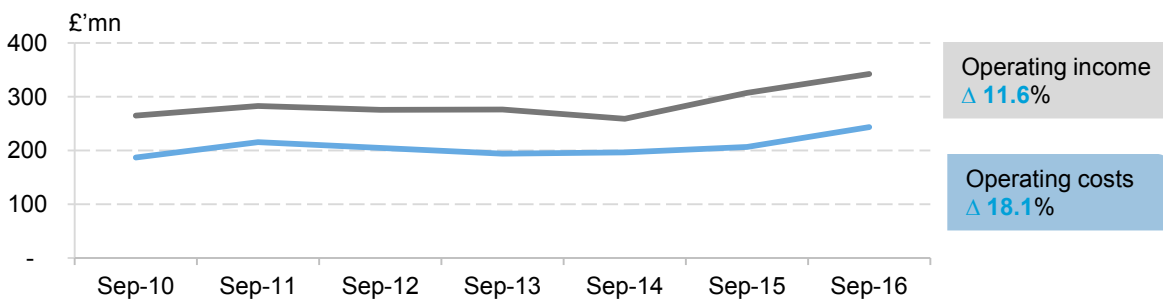
## Solid performance across the business

### Analysis of income



- Strong book growth and sound levels of lending activity
- Increased client activity
- Solid performance from corporate advisory and aviation finance
- Weak performance from a Hong Kong investment and less sales in debt securities

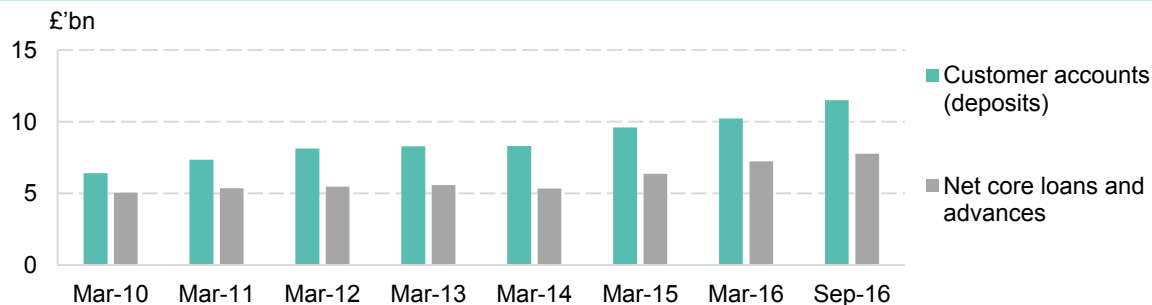
### Jaws ratio



#### Cost to income of 71.1%

- Operating income up from £307mn to £342mn
- Overall costs increased due to planned investment in IT infrastructure and headcount to support future growth

### Customer accounts and loans



#### Moderate growth in core drivers

- Core loans and advances up 4.8% on a currency neutral basis
- Customer accounts (deposits) up 11.4% on a currency neutral basis

# Specialist Banking – UK and Other Ongoing

## Continue to build and develop the client franchises

### Outlook

- While we remain cautious on the environment, our businesses have experienced good levels of activity and continue to develop their propositions

### Independent recognition



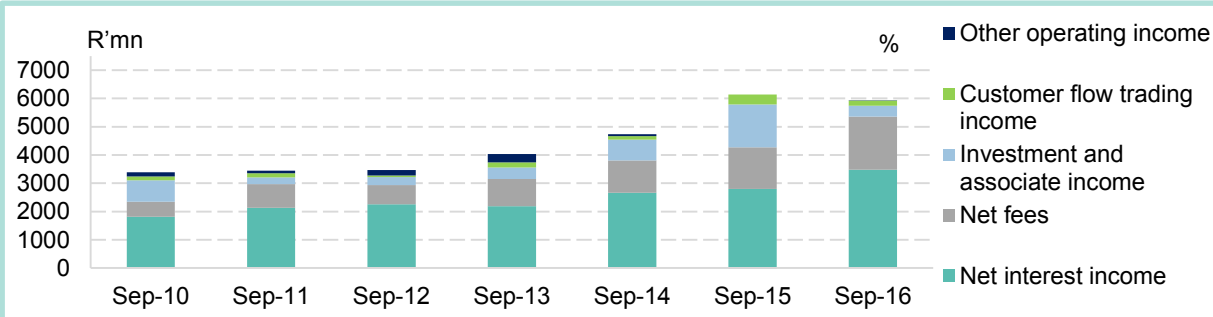
WINNER 2016  
Best Currency  
Exchange Service



# Specialist Banking – SA Ongoing

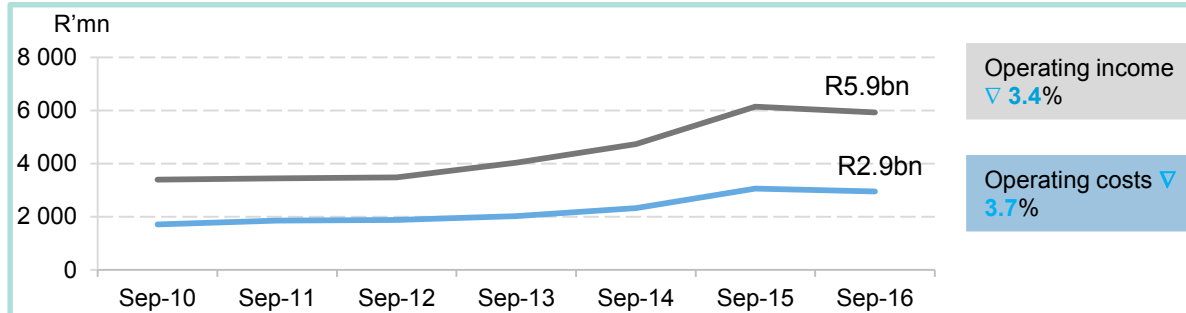
## Solid performance across businesses

### Analysis of income



- Sound levels of client activity
- Solid growth in net interest and fee and commission income

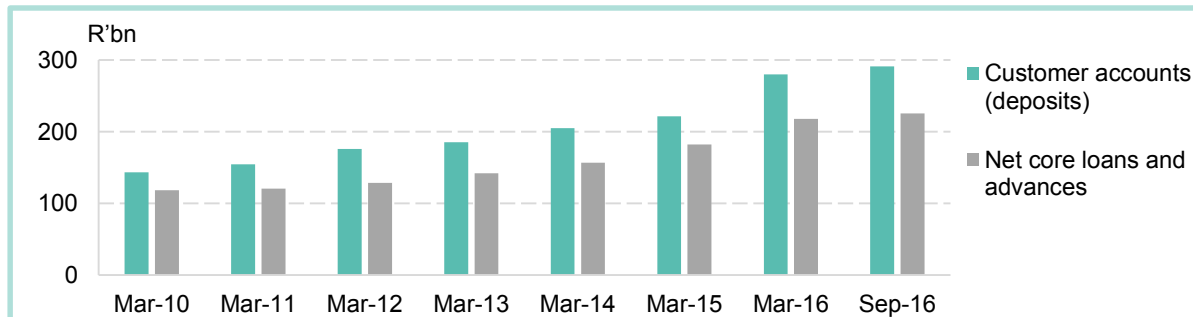
### Jaws ratio



### Cost to income of 49.7%

- IEP transaction impacted investment income and costs
- Overall costs increased due to investment in IT infrastructure and headcount to support future growth

### Customer accounts and loans



### Growth in core drivers

- Core loans and advances up 3.4%
- Customer accounts (deposits) up 4.0%



# Specialist Banking – SA Ongoing

## Build and develop client franchises

### Outlook

- Despite the current social, political and economic challenges in the SA environment, we are well positioned to take advantage of any opportunities that arise
- We continue to see decent levels of activity in our core banking franchise

### Independent recognition



Best Distributor, Africa 2016



Best Private Bank and Wealth Manager, South Africa  
(For 4 years in a row)



1<sup>st</sup> in M&A investment advisor (deal flow)  
1<sup>st</sup> in General corporate finance (deal value)  
1<sup>st</sup> in M&A sponsor (deal flow)  
*This is the 10th year that Investec Corporate Finance has won the investment advisor deal flow category in the past 13 years.*



Airfinance Journal 2015  
Africa Deal of the year



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# Strategic review

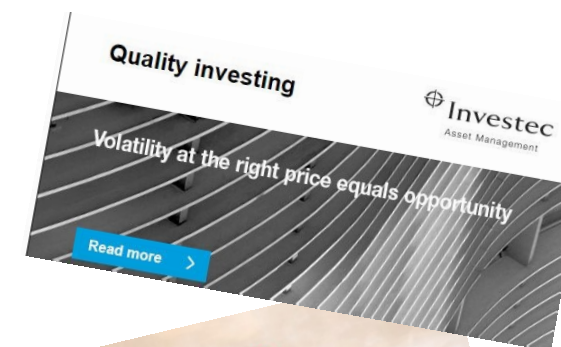


# Asset Management – strategic priorities

## Focus on clients, people and long-term growth

### Strategic priorities and progress

- Scale Multi-Asset and Global Equities
  - Some progress, but not enough due to short-term performance headwinds
- Go on the front foot in South Africa
  - Excellent progress - £1.2bn net flows in Africa in last 6 months
- Capture growth opportunities in North America, Europe and Asia Pacific (large markets)
  - Well positioned but we need to inject more momentum
- In addition to our current Institutional success, grow in the Advisor channel
  - Good progress in South Africa
  - More work to be done internationally
- Nurture new long-term initiatives
  - On track
- Invest in, motivate and lead our people
  - Continue to attract and retain excellent people
  - Increase in equity ownership from 15% to 16% (from 1 Oct-16)
  - Distinctive, strong culture



# Wealth & Investment – strategic priorities

## Investing for long-term sustainability

### Strategic priorities and progress

- Internationalisation
  - Building our capabilities in Hong Kong
  - Integrating platforms, infrastructure and investment process for Switzerland
  - Focus in Ireland on portfolio management and appropriate acquisitions will be considered
- Digitalisation as another channel to retain clients and reach new clients
  - Since launch of One Place: number of investors with Wealth & Investment Online up 44.6%; funds invested with Wealth & Investment Online up 50.2%
  - Click & Invest in UK currently in test phase and will enhance our core offering
- One Place – coordinating across businesses
  - Online Portfolio Manager has a Private Banking and Wealth & Investment client base overlap of 26% (AUM)
- Efficiency – Straight Through Processing (STP)
  - We are moving forward with initiatives that seek to enhance the digital aspects of our core offering and improve the efficiency of our internal processes
- New opportunities
  - Launching Investec Philanthropy in SA

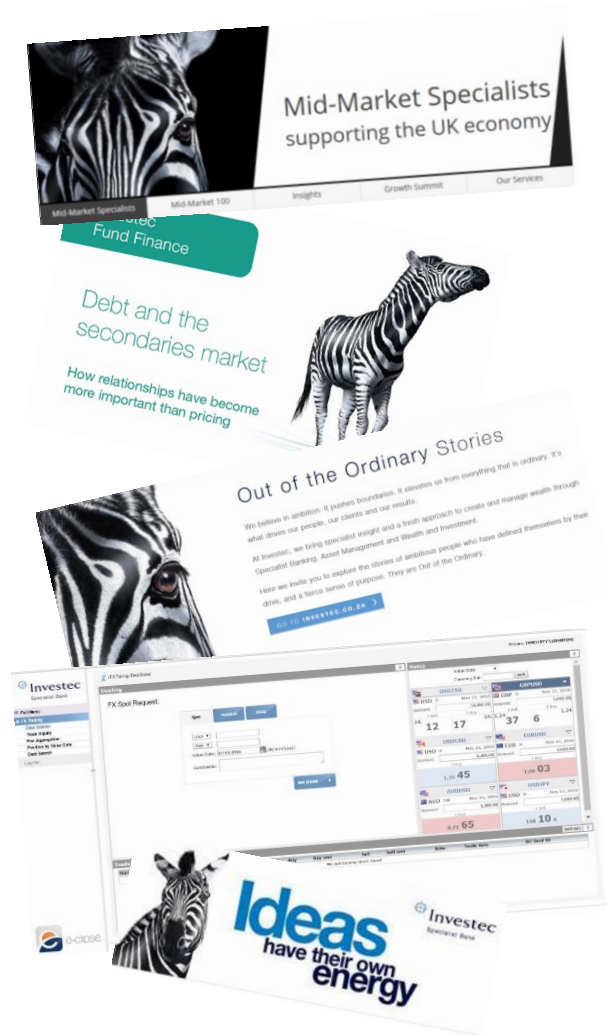


# Specialist Bank – strategic priorities Corporate Client

## Building franchises and broadening client base

### Strategic priorities and progress

- Broaden client base by building franchise while deepening client relationship
  - ❑ Continuously developing strong relationships with our core client base
  - ❑ Success is partly linked to the *Digitisation* strategy and maintaining the entrepreneurial spirit
  - ❑ Incrementally add new products and services
- Building capital light revenues
  - ❑ Continue to grow our treasury and distribution platforms and our funds businesses
  - ❑ Maintain earnings levels through a combination of lending and fee based income
- Maintain *Entrepreneurial* spirit
  - ❑ Various internal processes held throughout the year to ensure we are looking at opportunities
  - ❑ SA: Live Out of the Ordinary campaign <https://www.liveoutoftheordinary.co.za/home>
  - ❑ UK: Restless Spirits campaign – connecting with clients
- Creating One Place for corporates by investing in platforms and infrastructure
  - ❑ Developing the eCommerce capability to grow our client base through online execution, eg Forex electronic trading platform for interbank clients
- Improve coordination across business units and geographies
  - ❑ Creation of Investment Banking Origination team to originate business across the Specialist Bank



# Specialist Bank – strategic priorities Private Client

## Providing a personalised and integrated private client experience

### Strategic priorities and progress

- International platform for clients with global access to products and services
  - Created One Place which is High Touch and High Tech
  - Continually enhancing and evolving the platform to ensure a seamless, integrated service experience
  
- Ability to offer SA clients access to full international offering
  - Enhancing our international private banking proposition and strengthening our position as a leading international private bank
  - Providing a more comprehensive and convenient Family Banking solution with the imminent launch of the Investec Youth Account
  
- Build the processes, products and people over next 3-5yrs to create a business which can become a domestically relevant UK business
  - Shifting from product based model in private banking to a client centric model. Focusing on high net worth and active entrepreneurs
  
- Integrated offering between Private Bank and Wealth & Investment through One Place
  - Investec digital offering ranked **9th** in world in Independent Wealth Service Survey\*



\*Mobile Apps for Wealth Management, My Private Banking research report, May 2016

# Building capital light activities

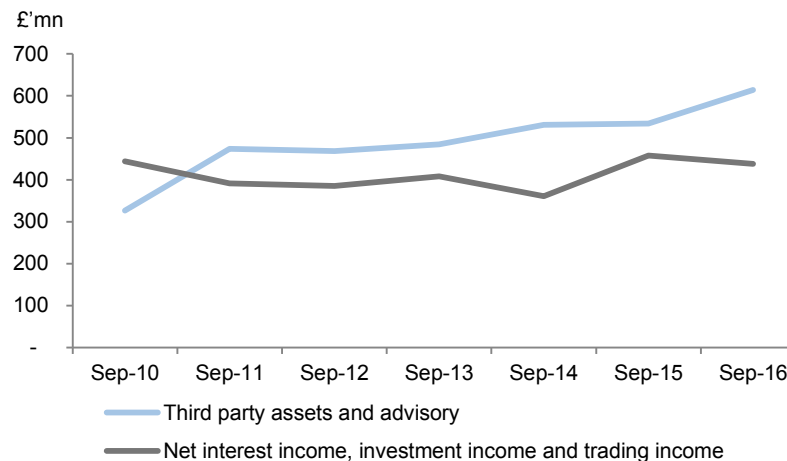
With a steady increase over past 7 years

## Business model

**Third party assets and advisory income**  
£614mn

**Net annuity fees and commissions of £448mn**  
(43% of total)

**Other fees and other income of £166mn**  
(15% of total)



**Net interest, investment and trading income**  
£438mn

**Net interest income of £314mn**  
(30% of total)

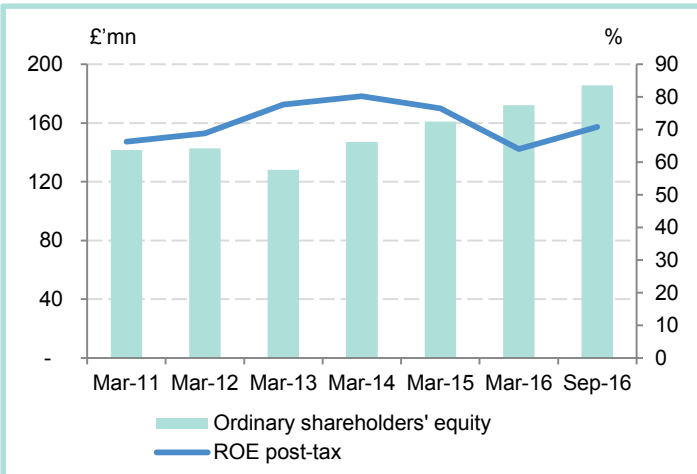
**Investment and trading income of £124mn**  
(12% of total)

	Capital light activities		Capital intensive activities	
<ul style="list-style-type: none"> <li>Asset management</li> <li>Wealth management</li> <li>Advisory services</li> <li>Transactional banking services</li> <li>Property funds</li> </ul>	58%	2016	42%	<ul style="list-style-type: none"> <li>Lending portfolios</li> <li>Investment portfolios</li> <li>Trading income                             <ul style="list-style-type: none"> <li>Client flows</li> <li>Balance sheet management</li> </ul> </li> </ul>
	54%	2013	46%	
	42%	2010	58%	

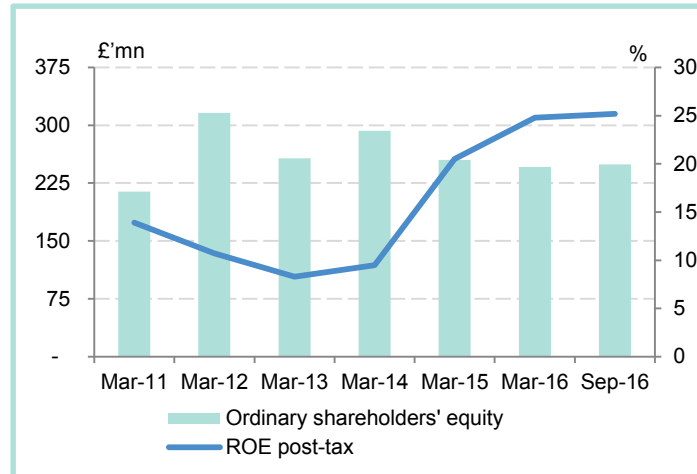


# Steadily improving ROE across businesses

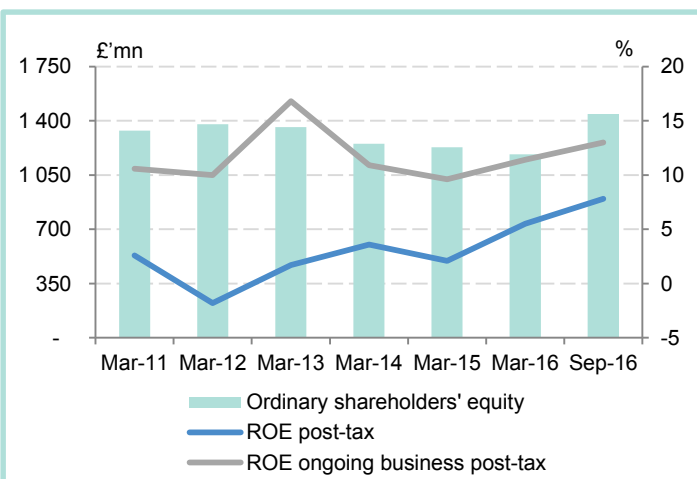
## Asset Management



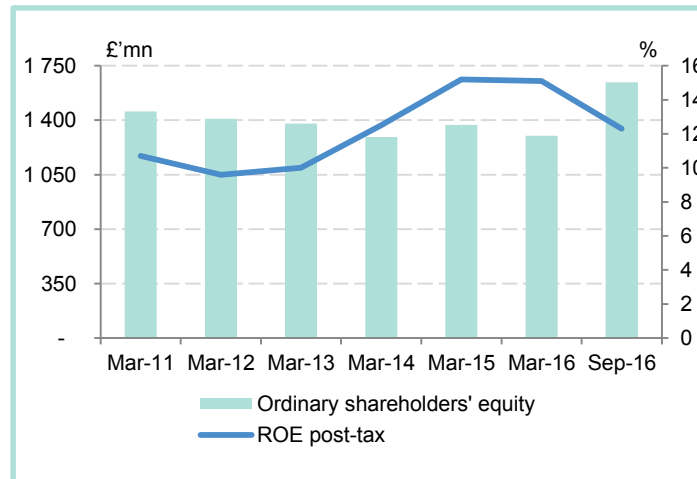
## Wealth & Investment



## UK Specialist Bank

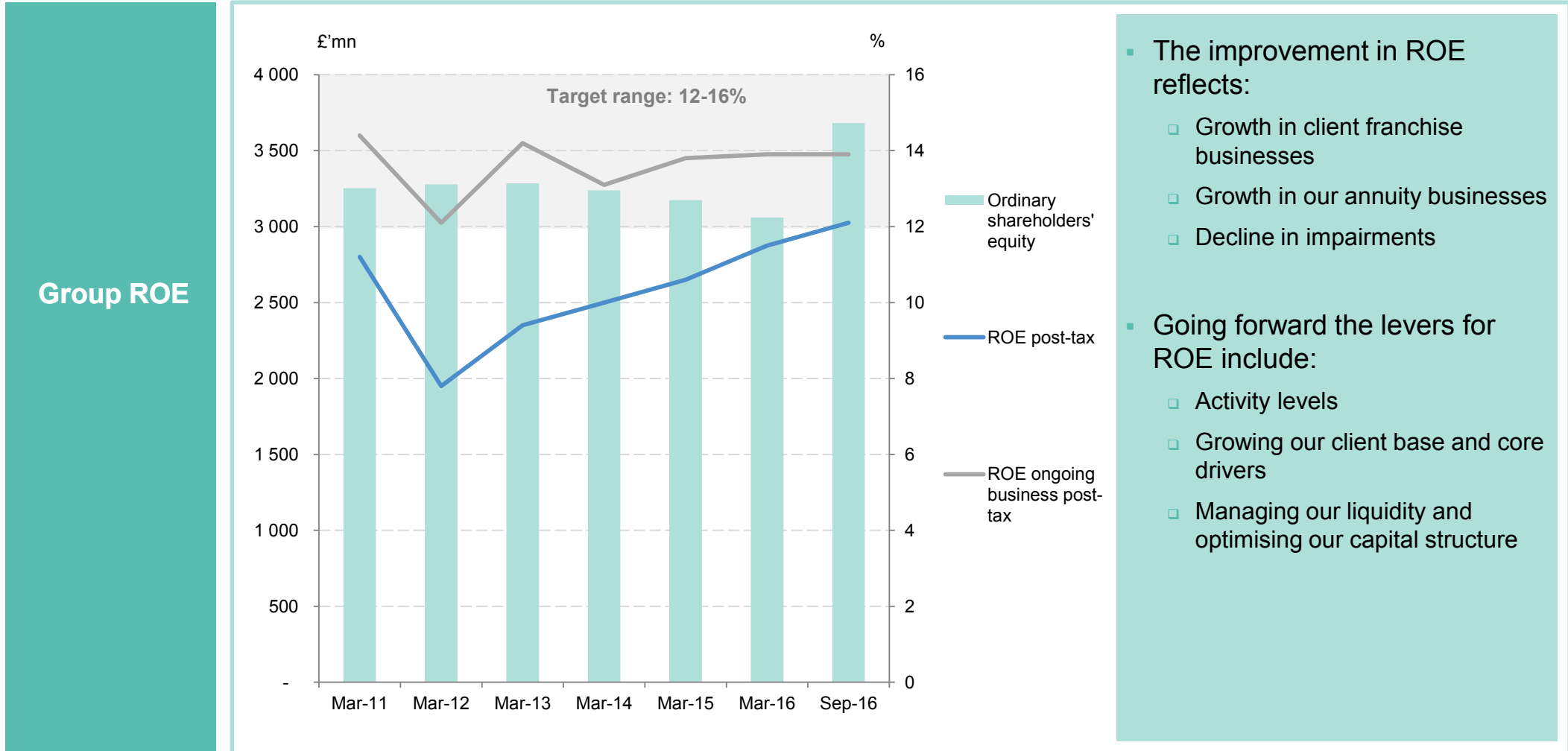


## SA Specialist Bank





# As a result, Group ROE within the target range



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# Closing



# Summary

## Focused on growth and shareholder return

- Over the past few years we have been through a **significant transition** as a firm, realigning our business model and at the same time positioning our organisation for the next phase of growth
- We have appointed many **new leaders**, at both a global level and a business unit level, to enable us to successfully shift the organisation. They have settled into their roles and are motivated to build their businesses and **drive growth**
- Our businesses are focused on **improving the quality of earnings** and **leveraging** our unique client profile to provide the best and most **integrated client experience**
- We have spent time with staff **perpetuating our culture** and **entrenching our values** and remain committed to engaging with all our stakeholders, investing in our people and our communities and driving returns for our shareholders
- **Strong coordination** across business and geography is key to our future success as an organisation

- **Uncertainty persists** in the macro environment as the UK prepares for Brexit, the US adopts a new presidential administration and South Africa deals with economic, political and social volatility
- While we are mindful of the potentially challenging external circumstances, our **operational and geographic diversity** is supporting a recurring income base which has proved resilient notwithstanding fluctuating market conditions
- We **remain committed** to providing value for shareholders balanced by appropriate outcomes for stakeholders and an exceptional experience for clients

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End

