

Out of the Ordinary®



Interim Results Presentation

15 November 2018



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 14 November 2018
- Unless otherwise stated, all information in this presentation has been prepared on a statutory basis



Highlights

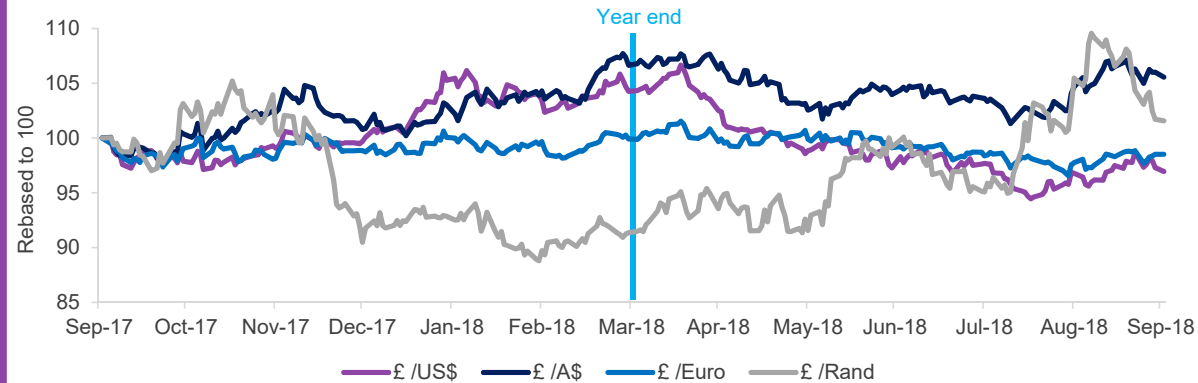
- Sound financial performance
- Improved Group ROE
- Substantial net inflows in Asset Management
- Positive momentum in the UK Specialist Bank
- Smooth leadership transition
- Good progress on the proposed demerger of Asset Management
- Operational focus: revenue growth, capital allocation and cost discipline

Against the background of challenging economic conditions and tough markets.



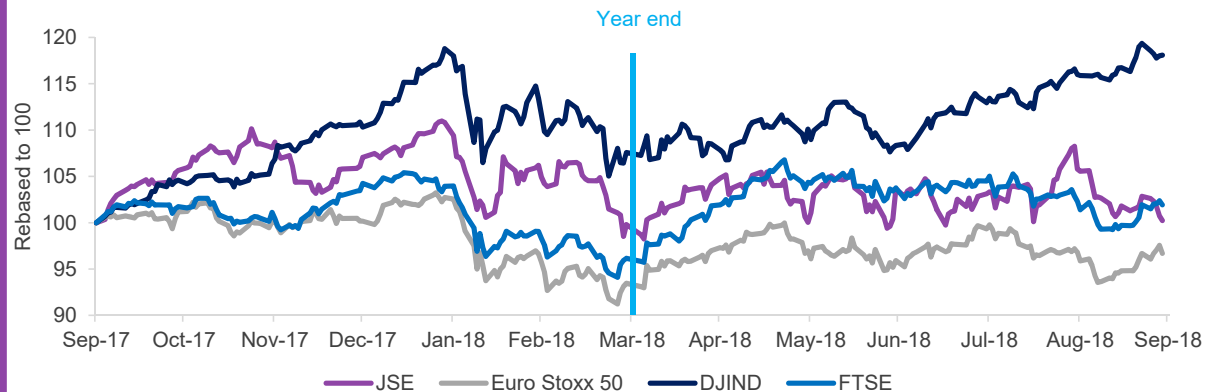
Persistent economic and market uncertainty

Exchange rates



- The SA economy has been weak, impacting activity levels
- Brexit and political uncertainty has impacted corporate and consumer confidence in the UK

Equity markets



- Rising US interest rates, threat of trade wars, and concerns over global growth resulting in market volatility and uncertainty



Snapshot of results

- Growth in operating profit* and adjusted EPS[^] of 14.2% and 6.4% respectively
- Asset Management and Wealth & Investment have grown assets under management to £166.5bn supported by **net inflows** of £4.8bn
- The Specialist Banking business saw a **substantial reduction in impairments** as well as revenue growth supported by reasonable levels of activity
- The cost to income ratio improved marginally - **revenue growth and cost containment remain priorities**
- A **solid base of annuity revenue** continues to support earnings

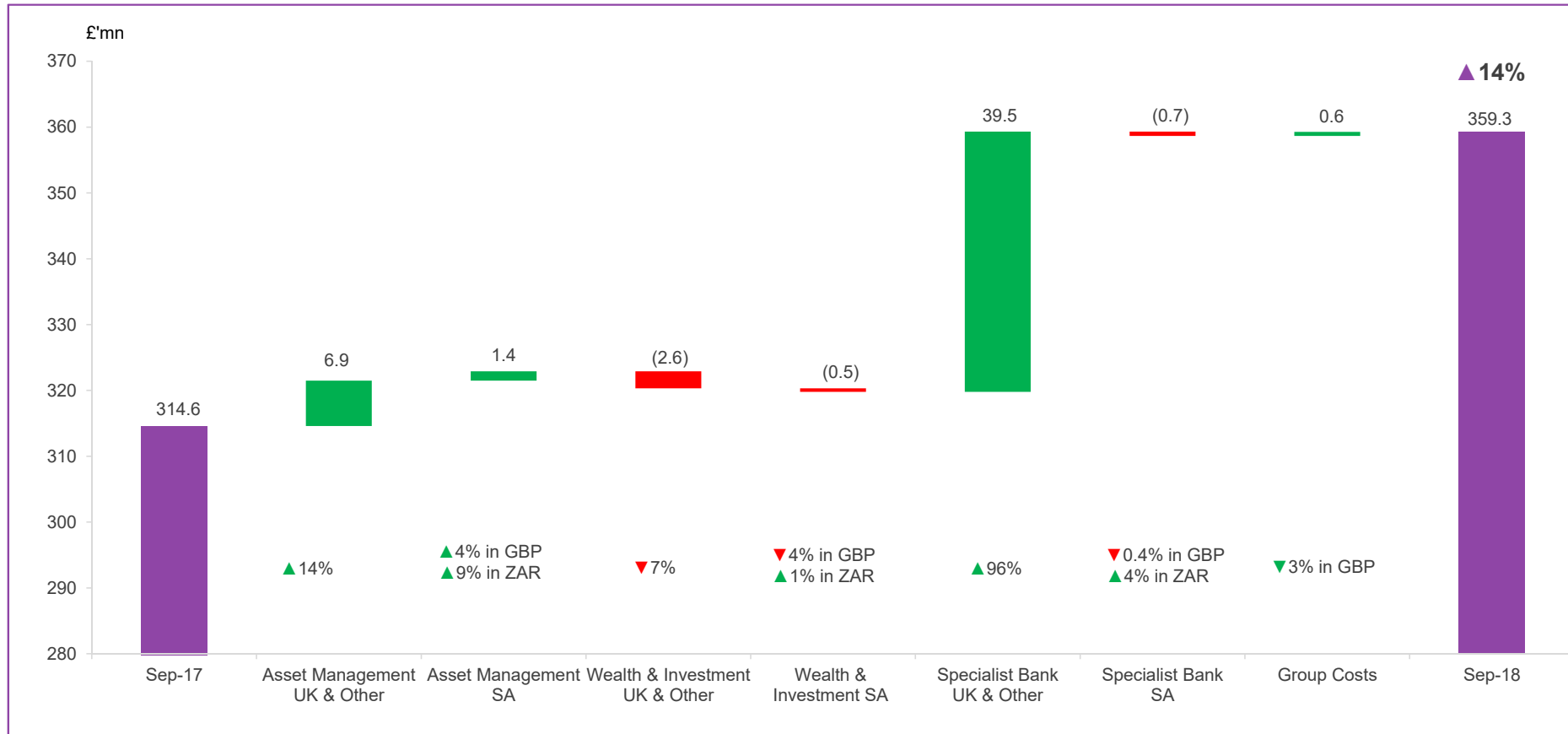
*Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.

[^]Before goodwill, acquired intangibles and non-operating items and after non-controlling interests and the deduction of preference dividends.



Growth in operating profit

Strong performance from the UK Specialist Banking and Asset Management businesses

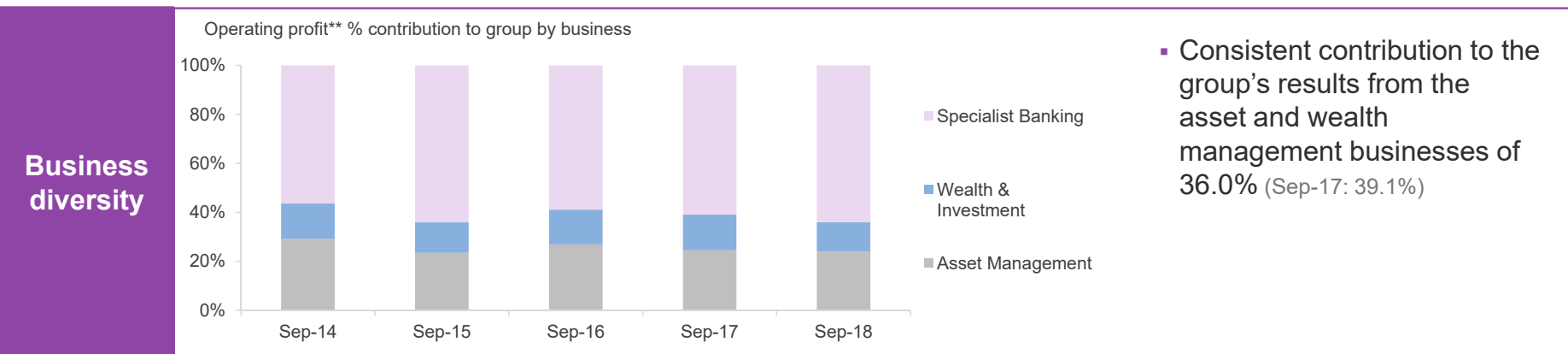
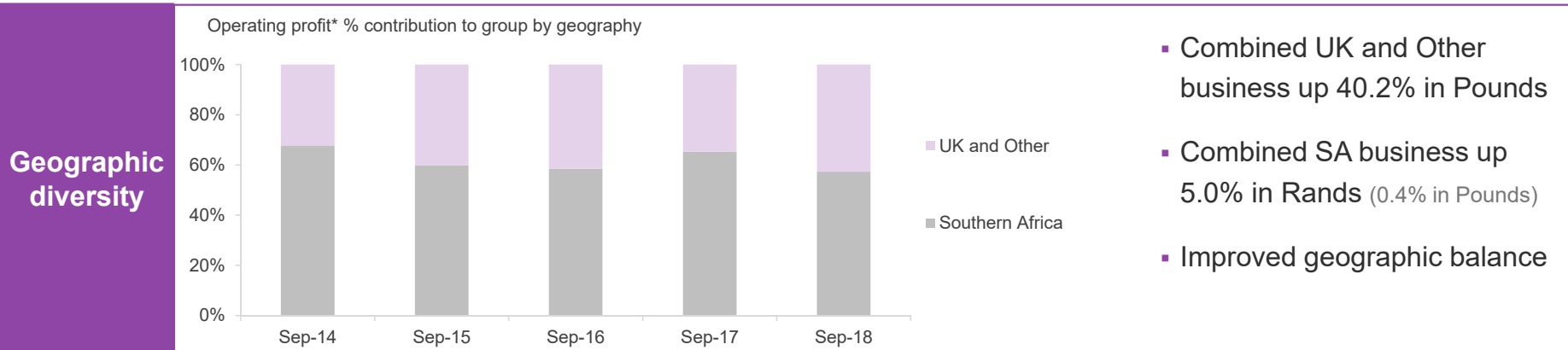


Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.



Diversified business model

Consistent contribution across geographies and businesses

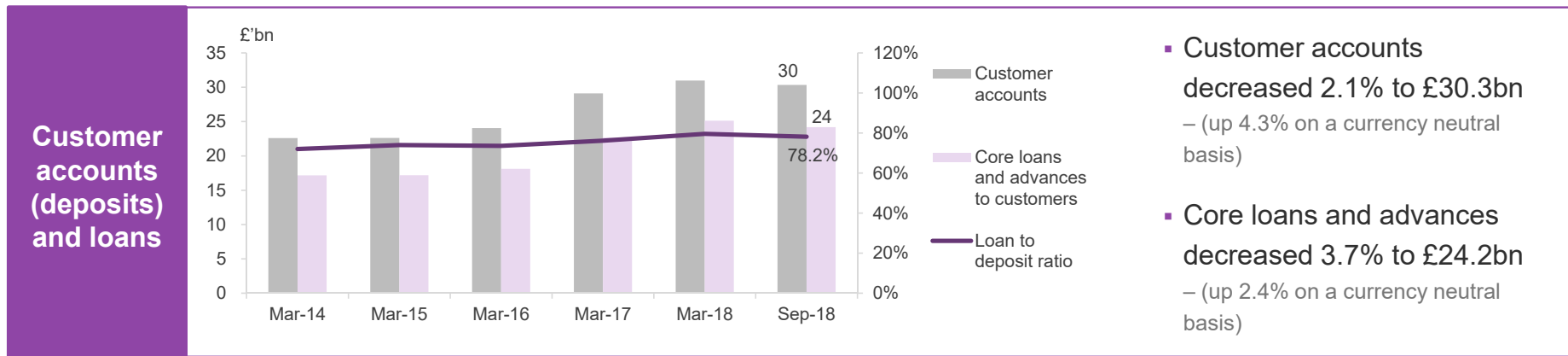
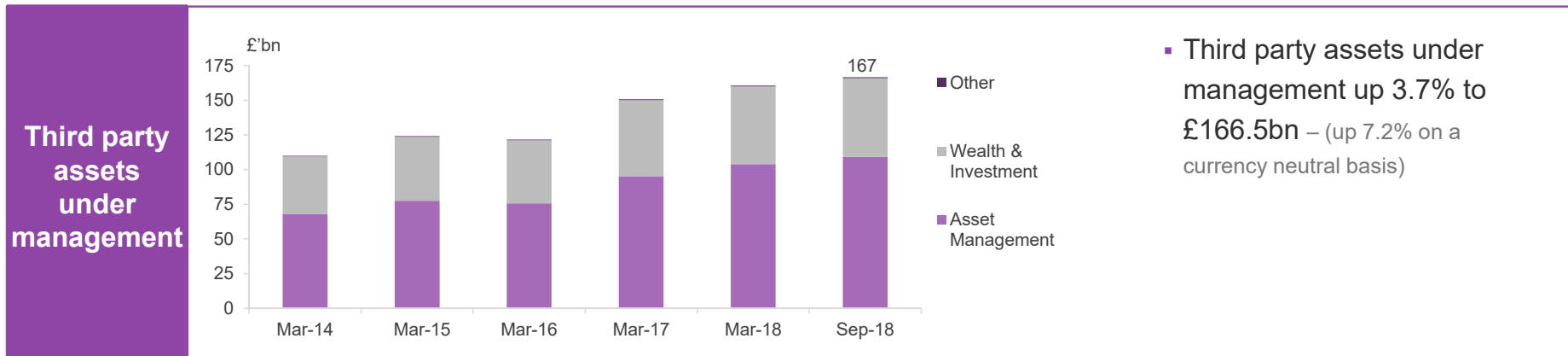


*Before goodwill, acquired intangibles, non-operating items, taxation and after unallocated group costs and other non-controlling interests.

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



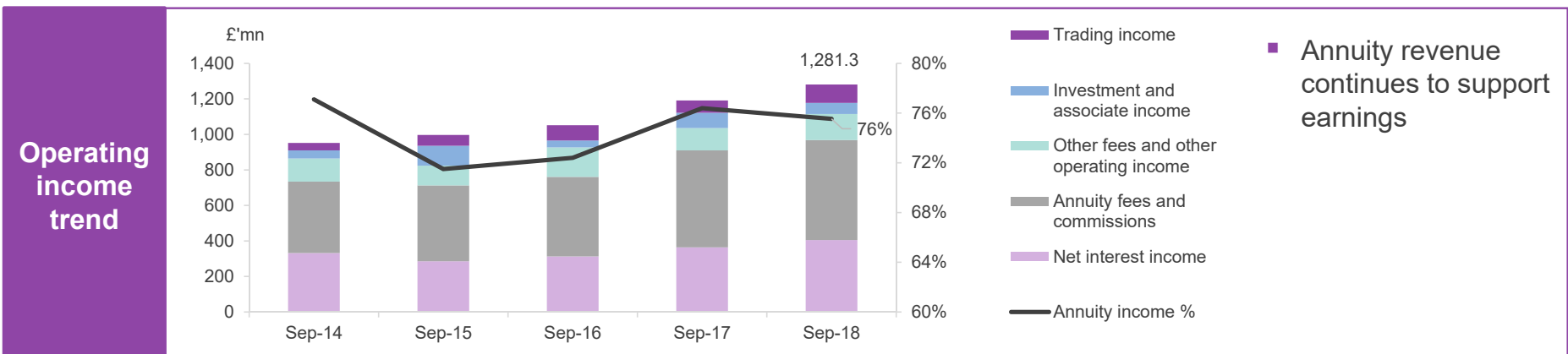
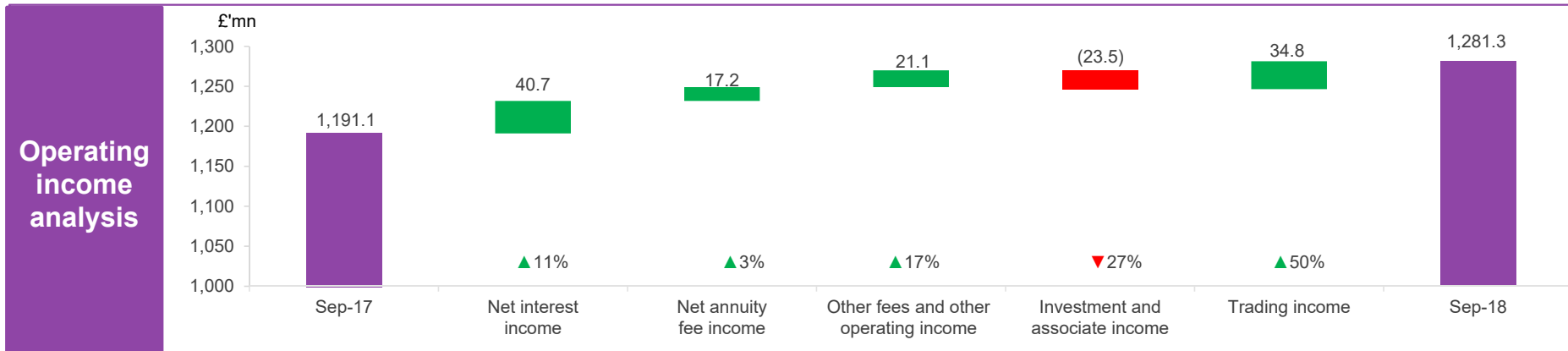
Growth in key earnings drivers





Supporting growth in operating performance

Total operating income up **7.6%** to £1,281mn



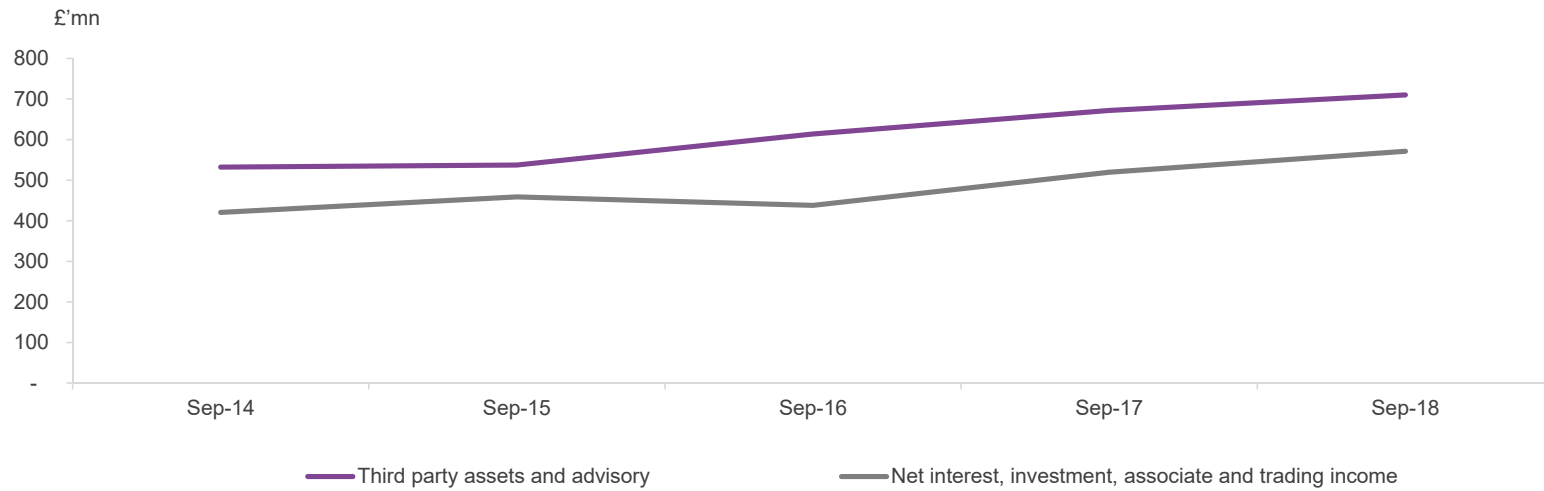


Balanced business model

Balanced between capital light and capital intensive activities

Capital light activities		Capital intensive activities	
Third party assets and advisory	55% of group income	Net interest, investment, associate and trading income	45% of group income

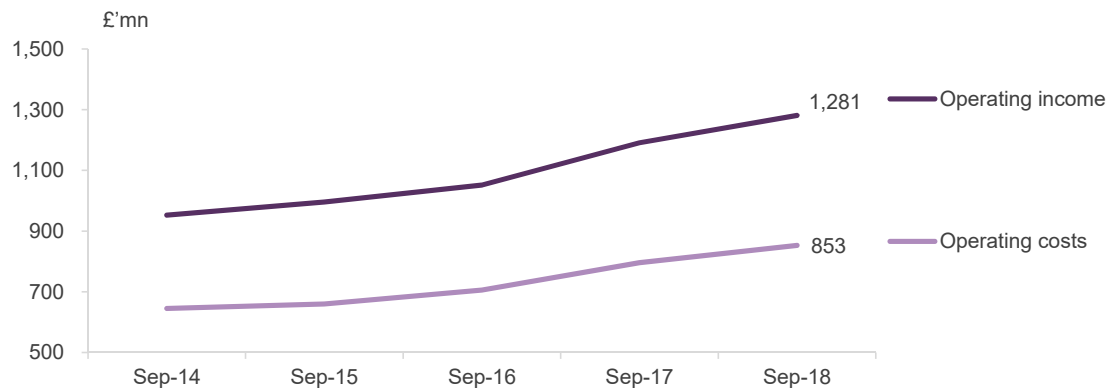
Business model





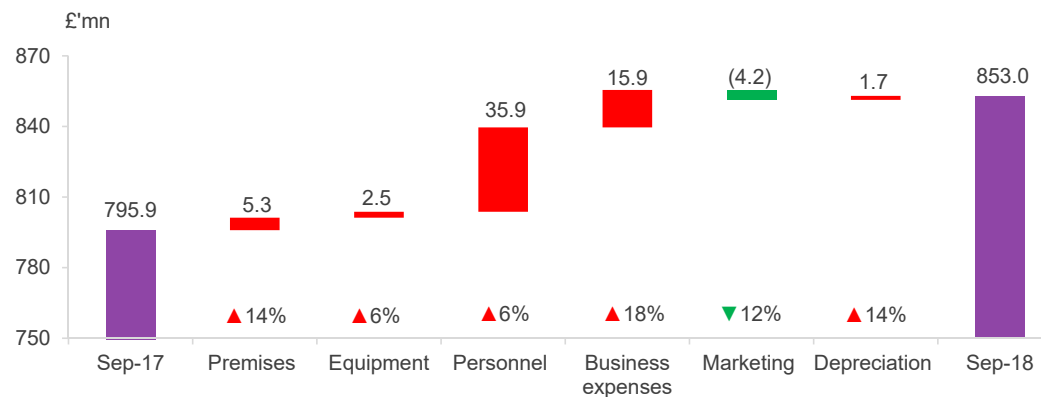
Jaws starting to widen slightly

Jaws ratio for the group



- Cost to income improved marginally to 66.6% from 66.9%
- Operating income up 7.6% to £1,281mn from £1,191mn
- Operating costs up 7.2% to £853mn from £796mn

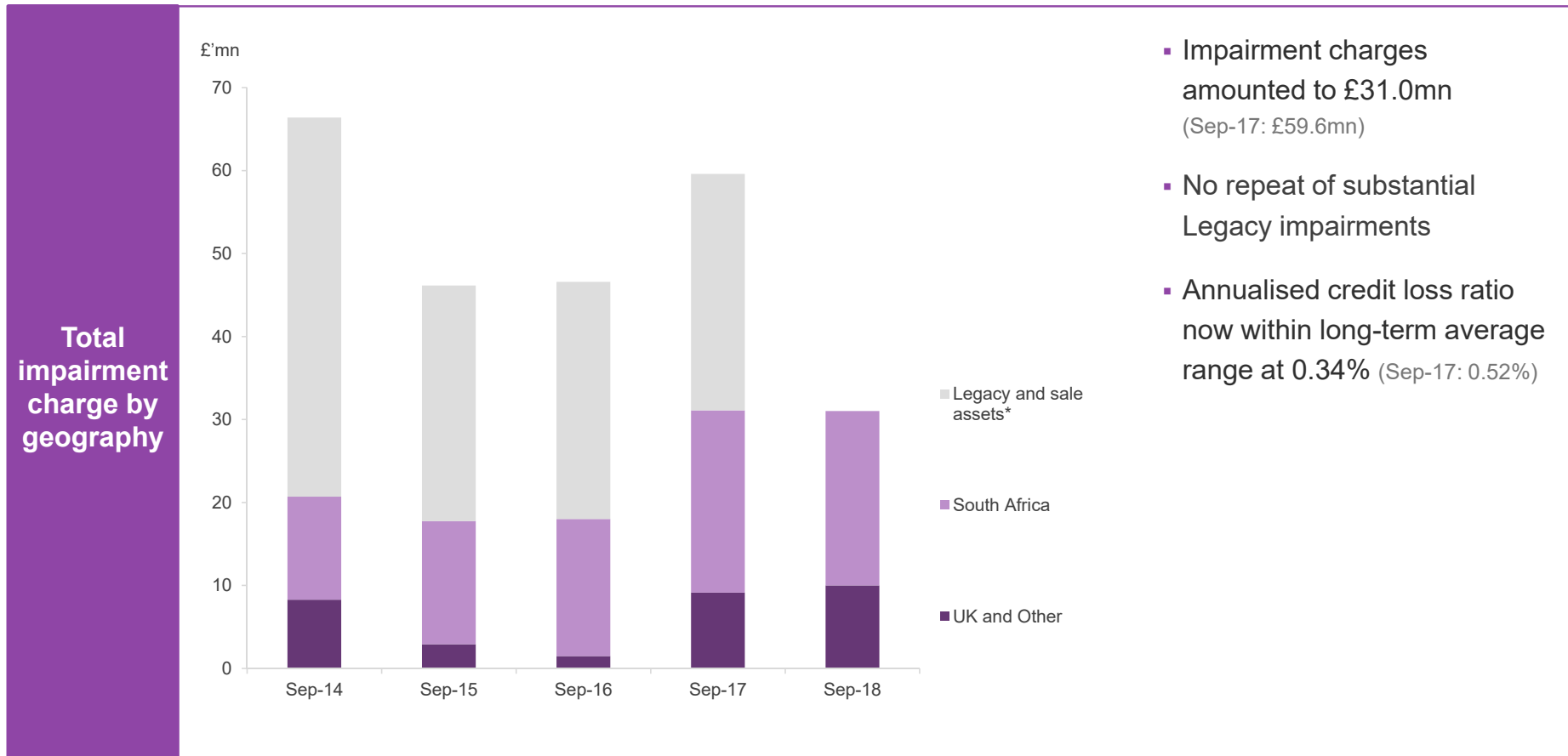
Cost analysis



- Headcount increased to support both activity levels and increased regulatory requirements



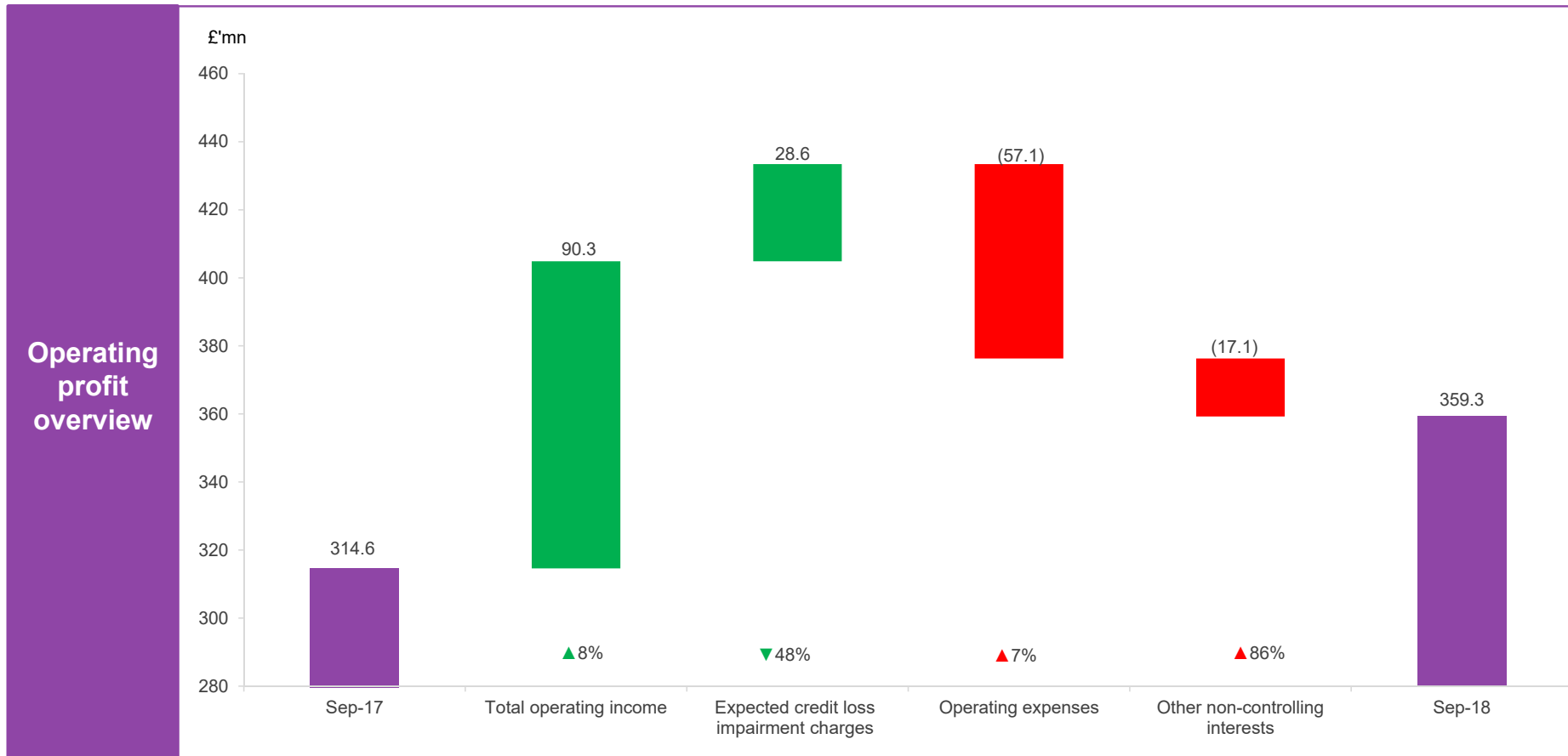
Reduction in impairments



*Refers to the remaining UK Legacy business and group assets that were sold in the 2015 financial year. From September 2018 the UK Legacy business is no longer reported separately.



Operating profit up **14.2%** to £359.3mn



Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.



Resulting in a sound performance

	Sep-18	Sep-17	% change	% change currency neutral basis [^]
Operating profit* before tax (£'mn)	359.3	314.6	14.2%	17.6%
Attributable earnings** (£'mn)	265.3	245.3	8.2%	11.1%
Adjusted EPS** (pence)	28.3	26.6	6.4%	9.4%
Weighted number of ordinary shares in issue (million)	937.2	922.9	1.5%	n/a
Total dividend per share (pence)	11.0	10.5	4.8%	n/a
	Sep-18	Mar-18	% change	% change currency neutral basis [^]
Shareholders equity (£'mn)	4,179.7	4,442.1	(5.9%)	(1.9%)
Customer accounts (deposits) (£'bn)	30.3	31.0	(2.1%)	4.3%
Net core loans and advances to customers (£'bn)	24.2	25.1	(3.7%)	2.4%

- Results impacted by the average Rand depreciation of 4.1% period-on-period
- Core income drivers impacted by the closing Rand depreciation of 11.0% from 31 March 2018
- Equity impacted by the Rand depreciation and the adoption of IFRS 9 on 1 April 2018

*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 and the deduction of preference dividends; [^]Amounts represented on a currency neutral basis for income statement items assume that the relevant average exchange rates for the six months to 30 Sep 2018 remain the same as those in the prior period, and for balance sheet items that the relevant closing exchange rates at 30 Sep 2018 remain the same as those at 31 Mar 2018.



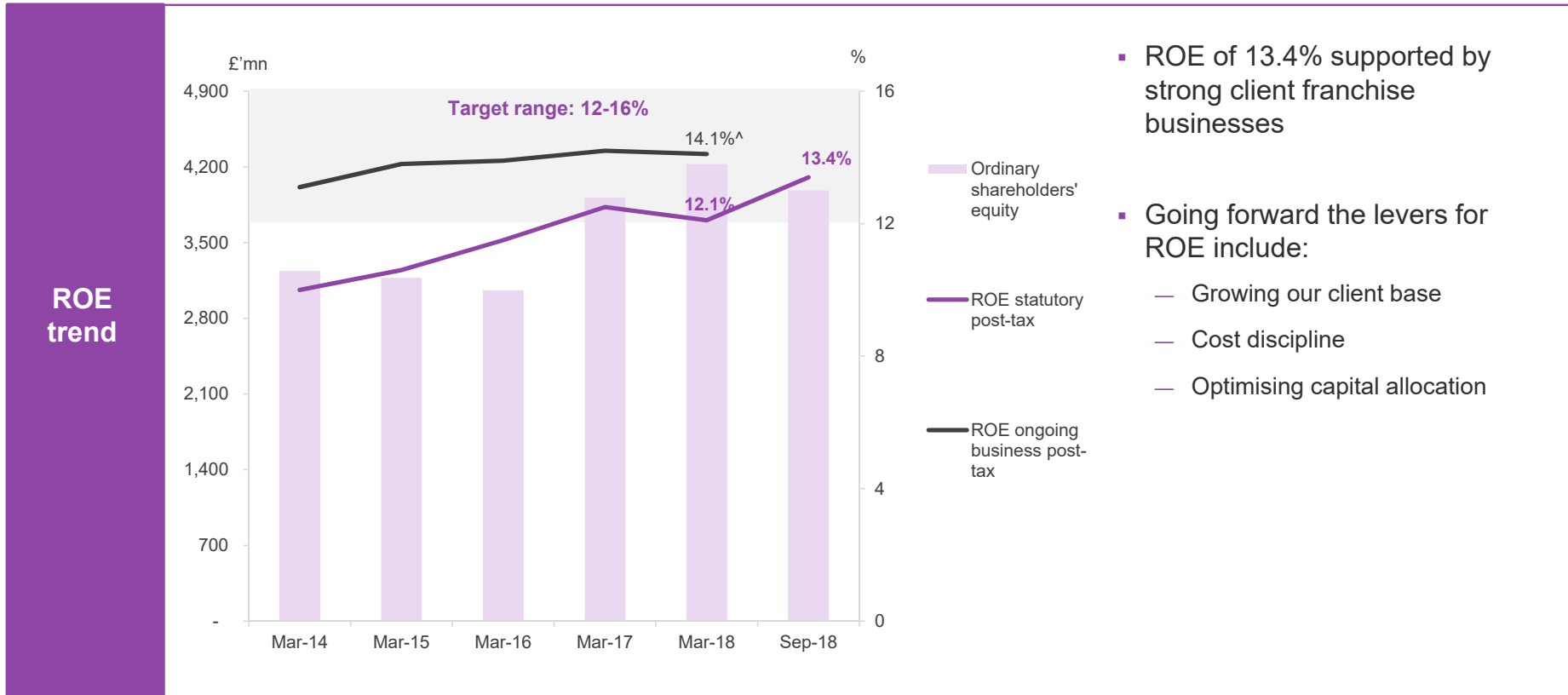
Performance against financial targets

	Target	Sep-18	Mar-18	Sep-17	
Summary of financial targets	ROE (post tax)	12%-16%	13.4%	12.1%	12.5%
	Cost to income	< 65%	66.6%	66.9%	66.9%
	Dividend cover	1.7x – 3.5x	2.6x	2.2x	2.5x

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



ROE within target range

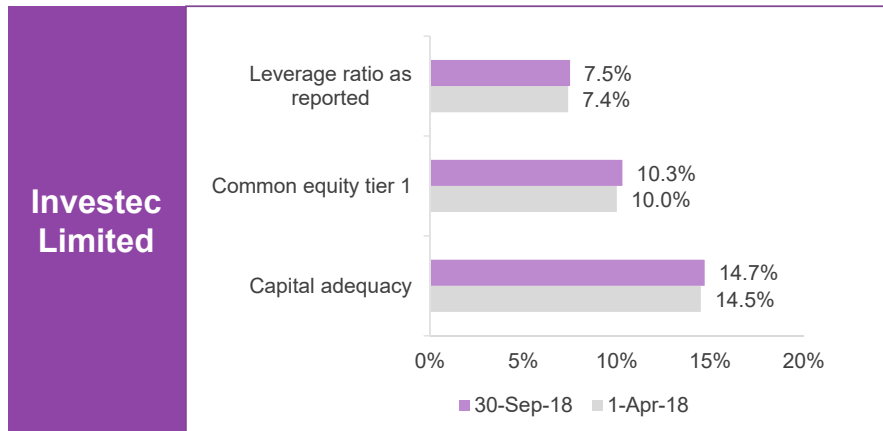


^Ongoing is no longer separately disclosed.



Sound balance sheet

Healthy capital ratios in excess of regulatory requirements

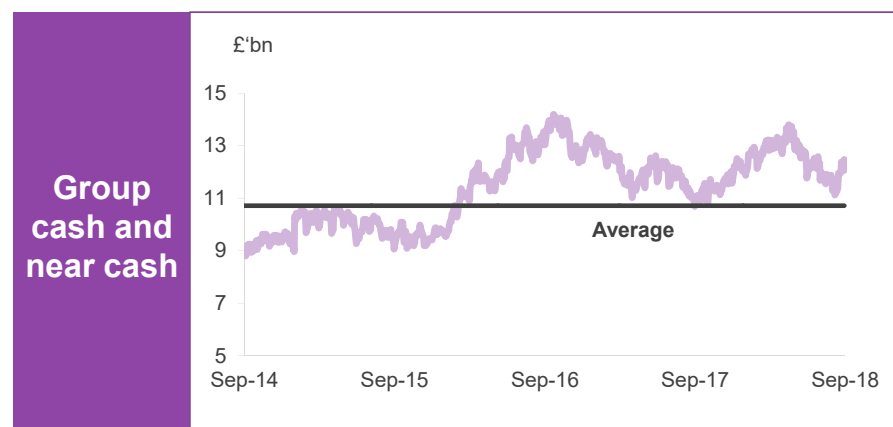
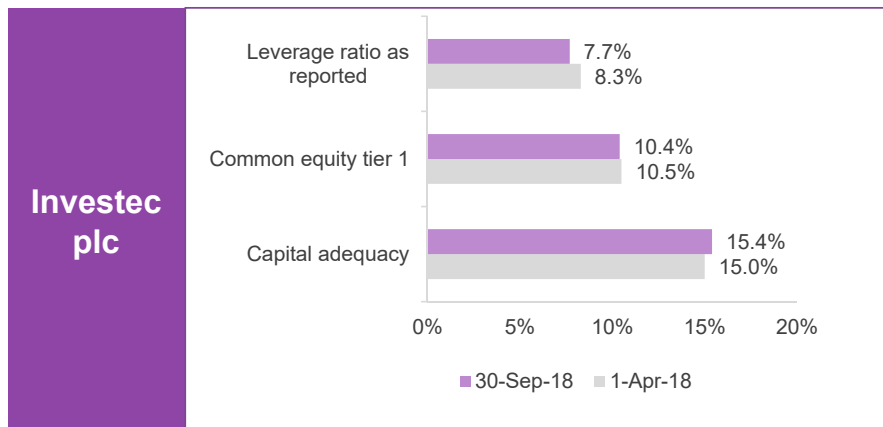


Capital

- Common equity tier 1 ratio above 10% target and total capital ratios within target range of 14%-17%
- Leverage ratios sound, remain comfortably ahead of 6% target
- We are on track to implement FIRB in South Africa by end of 2019 financial year, subject to regulatory approval

Liquidity

- High level of readily available, highly liquid assets
- Advances as a percentage of customer deposits of 78.2% (Mar-18: 79.6%)



Refer to the 2018 Interims Analyst Booklet for further detail on capital adequacy and leverage ratios.

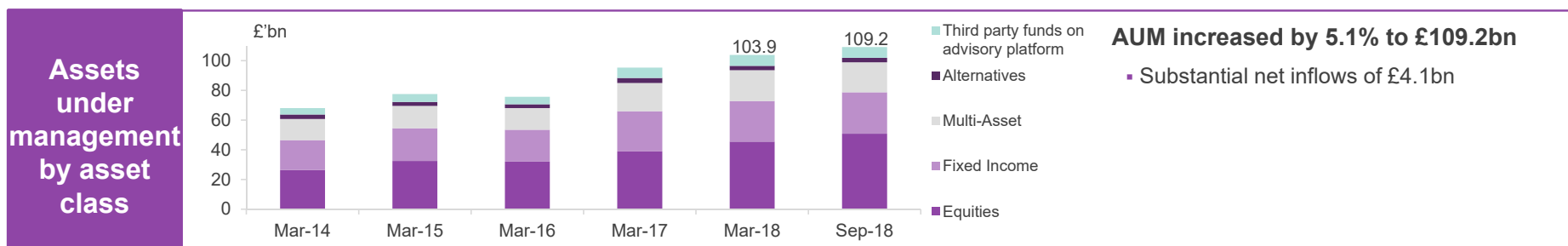
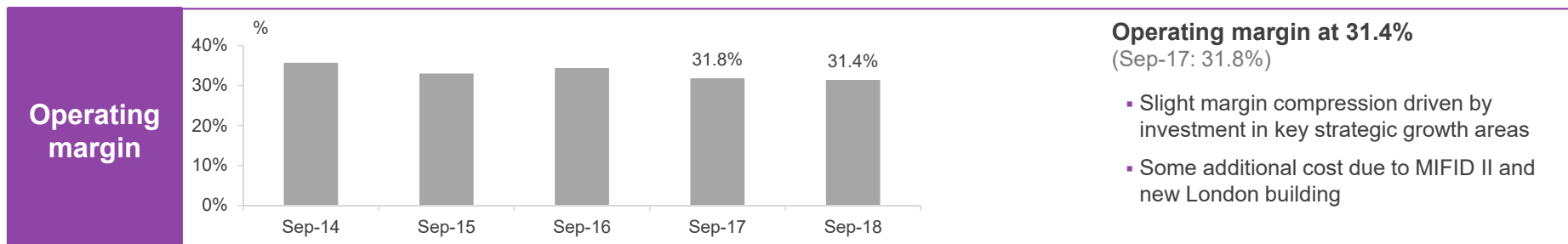
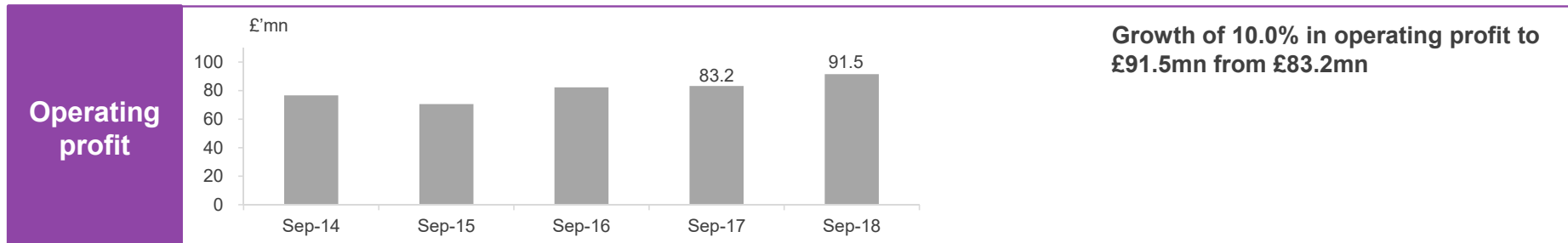
Divisional review





Asset Management - overview

Momentum remains positive



Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests.



Asset Management – strategic priorities

Long-term focus for sustainable growth

Strategic priorities

- Concentrate effort on our existing offering where we have differentiated strategies and performance
- Scale through our global distribution model – in institutional and advisor channels
- Capture the next wave of flows – North America institutional re-balancing and the growth opportunity in Asia, while remaining competitive in all our markets
- Continue to deepen and strengthen investment and client capabilities for long-term

Client relevance and shareholder value



Wealth & Investment - overview

Strong platform for growth

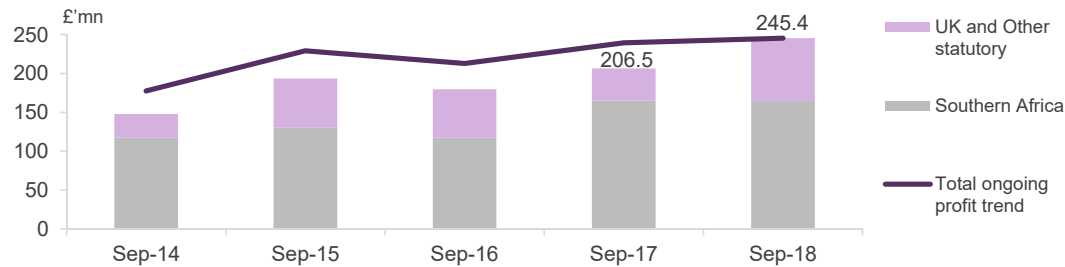


Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests.



Specialist Banking – global overview

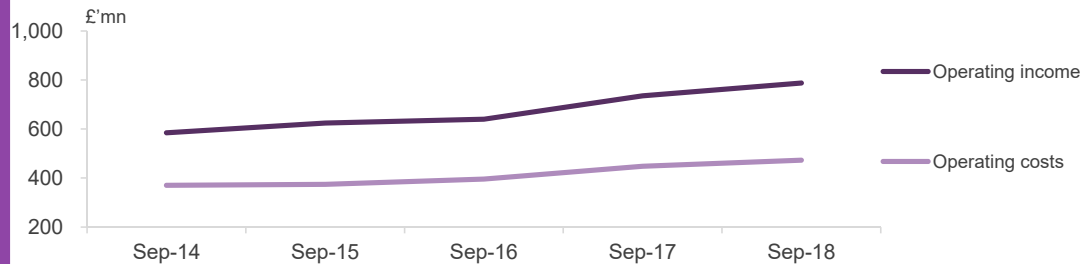
Operating profit



Operating profit up 18.8% to £245.4mn from £206.5mn

- UK up 96% driven by an improving cost to income ratio and a significant decrease in impairments
- SA up 4.2% in Rands with growth in net interest income partially offset by subdued client activity levels

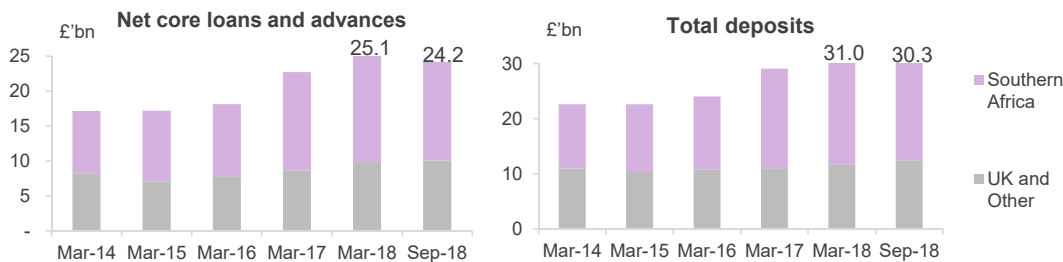
Jaws ratio



Cost to income of 60.2%
(Sep-17: 61.0%)

- Operating income up 7.1%
- Operating costs up 5.6%

Customer accounts and loans



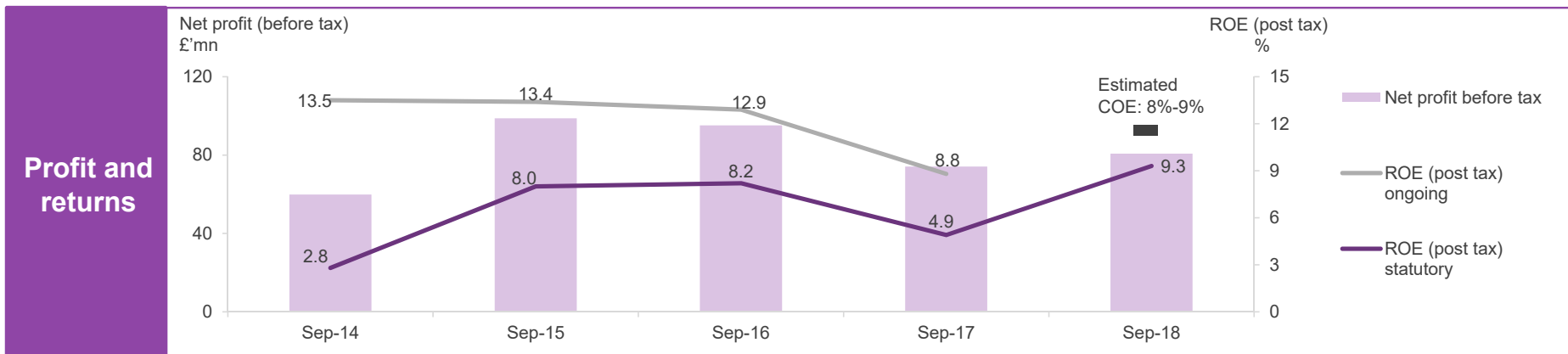
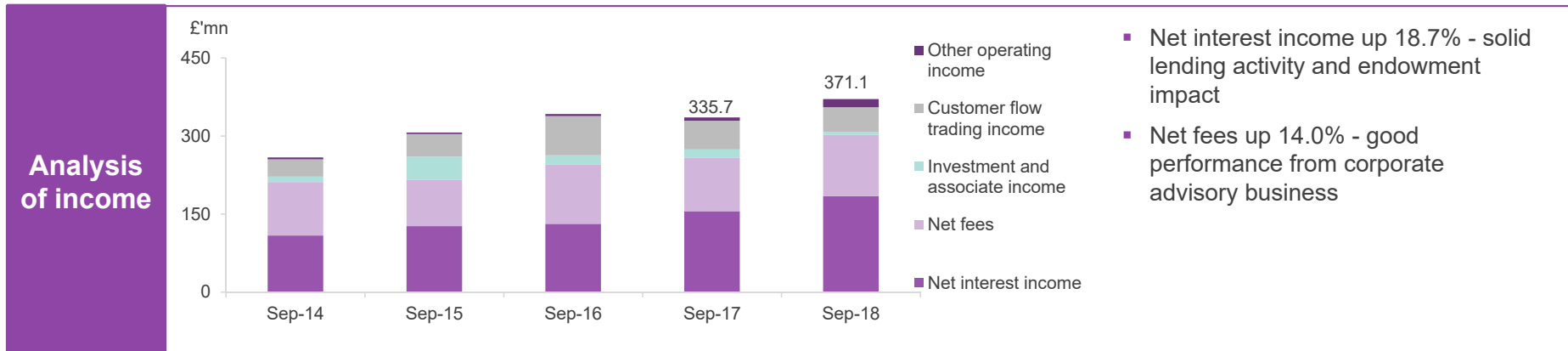
Growth in core drivers

- Core loans and advances down 3.7% (up 2.4% in neutral currency)
- Customer accounts (deposits) down 2.1% (up 4.3% in neutral currency)



Specialist Banking UK and Other - overview

Solid performance



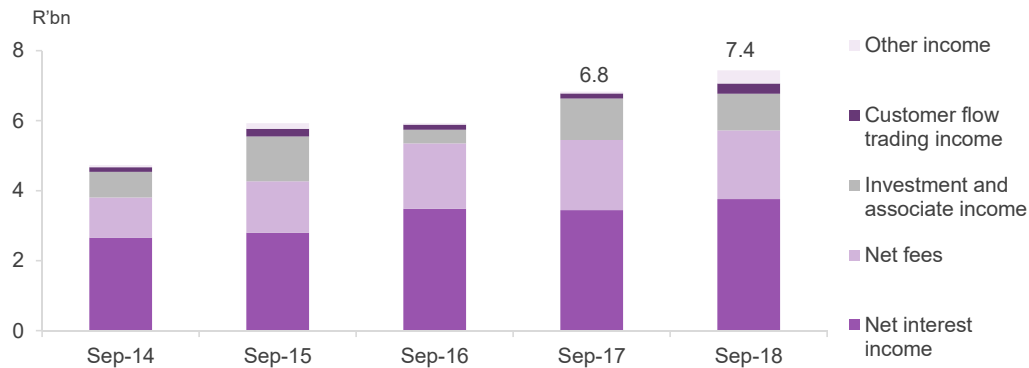
Trends in the above graphs reflect the Ongoing Specialist Banking business. September 2018 reflects the statutory results (Ongoing is no longer separately disclosed)



Specialist Banking SA - overview

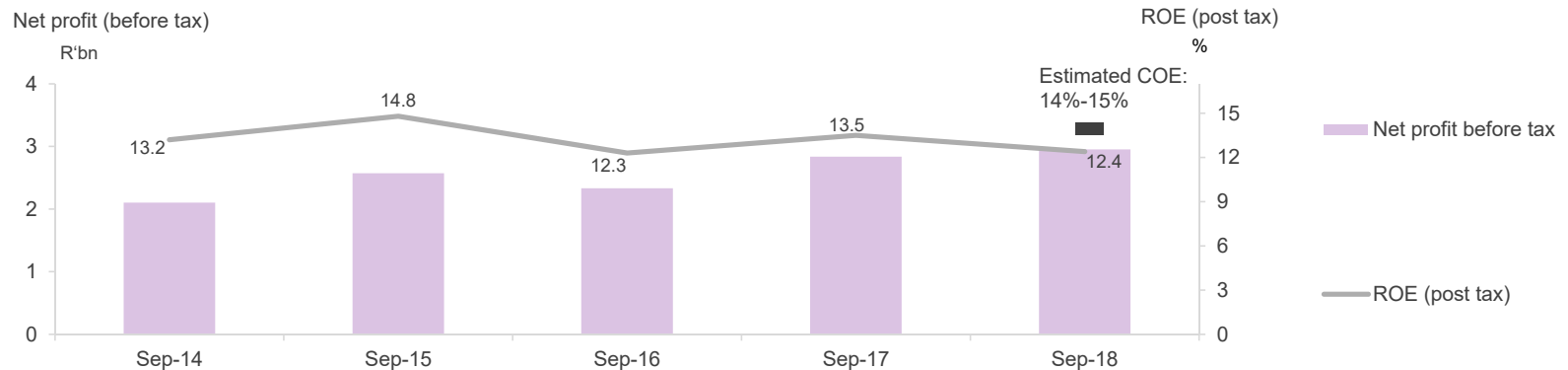
Reasonable performance against challenging backdrop

Analysis of income



- Subdued activity against a challenging backdrop
- Reflected in softer loan book growth, client flow trading and weaker investment income
- We did however, report growth in net interest income supported by margins and lending activity

Profit and returns





Investec (Bank and Wealth) – strategic priorities

Strategic focus to increase ROE in excess of CoE through...

Target ROE : 11% to 15%

Strategic priorities

- Target market client acquisition and deepening existing client relationships
- Establishing a high-tech and high-touch domestically relevant UK Private Bank
- Investing in our technology platforms
- Improving the jaws ratio
- Increasing capital light activities
- Managing our capital base

Simplify, focus, disciplined growth

Conclusion





Committed to stakeholder value

- Simplify, focus and grow, with discipline
- Post demerger release two independent businesses poised for long-term growth and value creation

End

