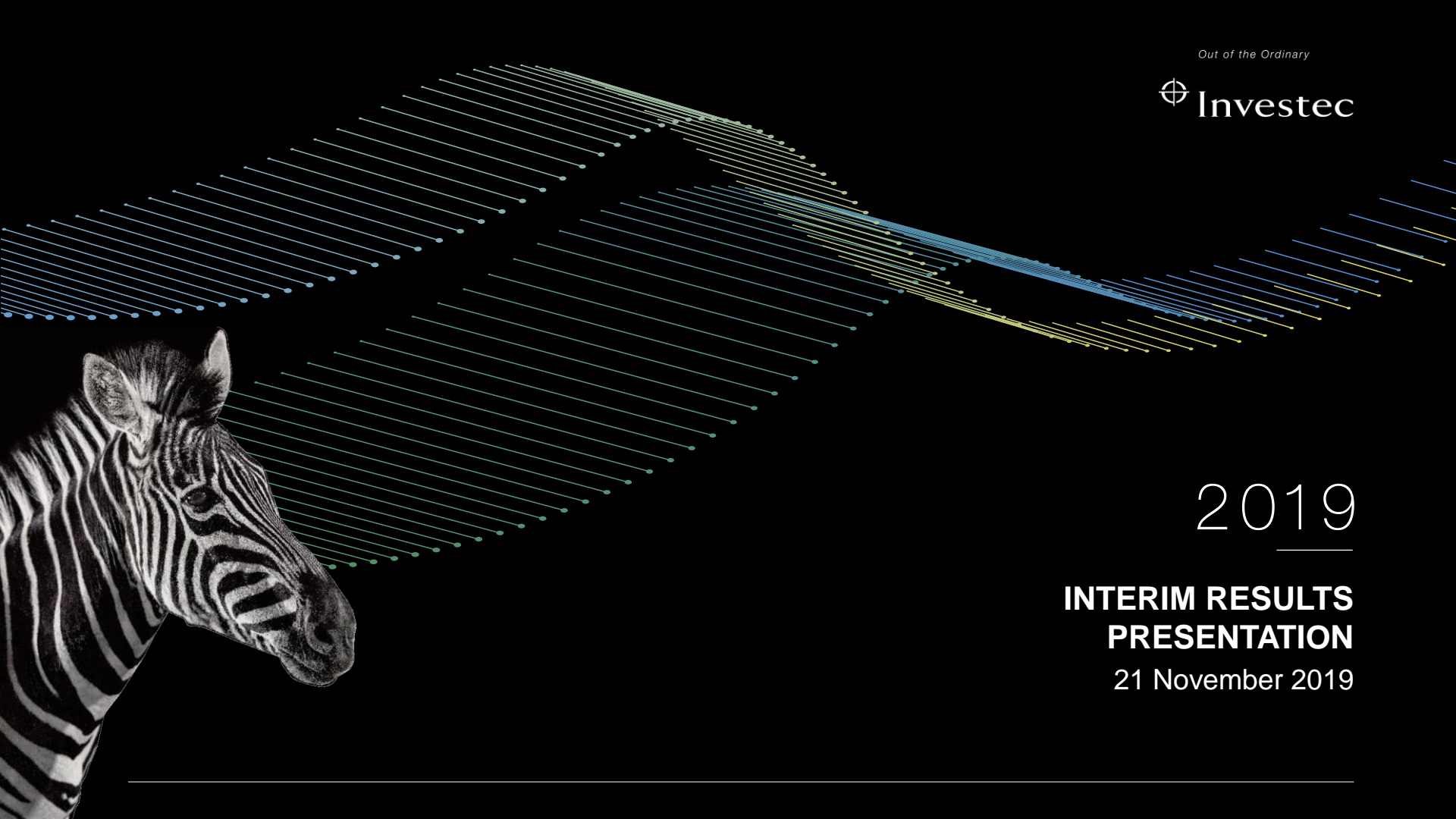


*Out of the Ordinary*



2019

**INTERIM RESULTS  
PRESENTATION**

21 November 2019

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# Proviso

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- 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:
    - changes in the political and/or economic environment that would materially affect the Investec group
    - changes in legislation or regulation impacting the Investec group's operations or its accounting policies
    - changes in business conditions that will have a significant impact on the Investec group's operations
    - changes in exchange rates and/or tax rates from the prevailing rates at 30 September 2019
    - changes in the structure of the markets, client demand or the competitive environment
  - A number of these factors are beyond the Investec group's control
  - These factors may cause the Investec 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 20 November 2019
  - Unless otherwise stated, all information in this presentation has been prepared on a statutory basis
-

# Agenda

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## 1. Overview – Fani Titi, Joint Group Chief Executive Officer

2. Financial review – Nishlan Samujh, Group Finance Director

3. Business review

- Bank and Wealth – Fani Titi
- Asset Management – Hendrik du Toit, Joint Group Chief Executive Officer

4. Sustainability – Hendrik du Toit

5. Demerger – Hendrik du Toit

6. Closing and Q&A



# 1

## OVERVIEW

*Out of the Ordinary*

 **Investec**

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Our client franchise businesses have made solid progress as evidenced by strong net inflows and growth in assets under management, loan book and customer deposits.

The challenging environment and continued investment in our platforms as well as a series of strategic actions have impacted our operating results.

Investec is on track to demerge into two independent businesses poised for long-term growth and value creation for all our stakeholders.

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# Six months under review

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## Solid operational performance against challenging backdrop

- Results in line with pre-close trading update
- Adjusted operating profit\* of £373.6mn (1.7% down; in line in neutral currency)
- 4.0% decrease in adjusted EPS to 28.9p
- Basic EPS down 10.5% impacted by strategic actions
- ROE of 13.1%
- Dividend per share: 11.0p (in line with prior period)

## Strong client franchises

- Substantial net inflows (£3.5bn) and growth in AUM^ (up 6.4%) in Asset and Wealth management businesses
- Loan book growth (up 2.0%) supported by lending franchises in the Specialist Bank and deposits up 2.3%

## Performance affected by

- Lower investment banking fees
- Base effects of liability management exercise (UK) and translation gains (SA) in prior period

***Solid performance against challenging market conditions***

Note: Income statement comparatives relate to the restated six month period ended 30 September 2018. Balance sheet comparatives relate to the six month period since 31 March 2019.

\*Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

^Where AUM is third party assets under management.

## Six months under review *(cont.)*

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- **Demerger on track** – Shareholder Circular expected around the end of this month
- **Decisive action taken in Bank and Wealth business**
  - Closure of Click & Invest
  - Closure and rundown of Hong Kong direct investments business
  - Sale of Irish Wealth & Investment business
- **Focused on cost containment**
  - UK Specialist Bank reduced operating costs by £25mn (9.1%)
  - To date, identified Group cost savings (c.£10m), and infrastructure rationalisation opportunities (c.£7.5m) for Bank and Wealth by end FY2021
- **Capital management**
  - Converted to FIRB\* in SA (1 Apr 2019) – 1.1% uplift to Investec Limited CET1 ratio
  - Successful implementation of AIRB\* would result in R3-4bn reduction in required capital (c.1% CET1 ratio uplift)
  - Anticipate c.R2.5bn reduction in required capital from strategies to reduce the equity investment portfolio
  - No further share dilution through issuances to staff incentive schemes

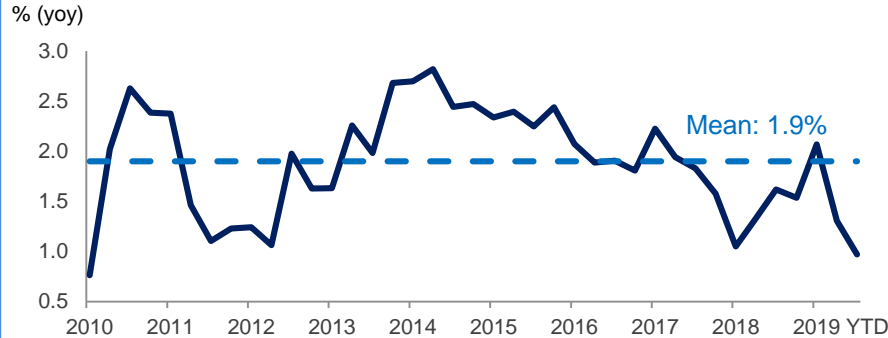
***Simplify, focus and grow with discipline***

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\*Where FIRB is Foundation Internal Ratings-Based approach and AIRB is Advanced Internal Ratings-Based approach.

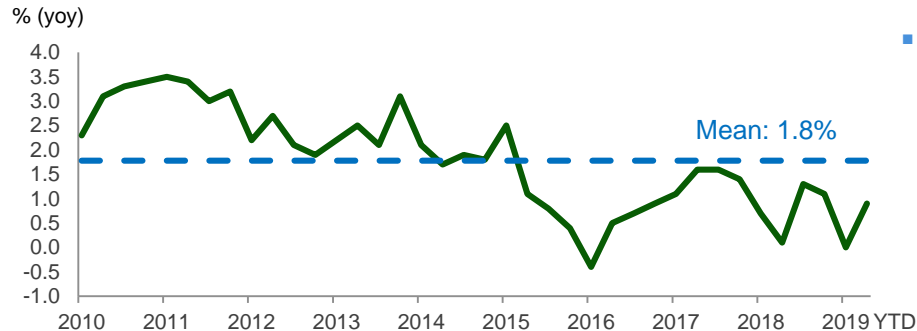
# Backdrop of persistent economic weakness

## UK GDP growth



- UK economic activity has faced both domestic (Brexit) and global headwinds (trade, industrial slowdown).

## SA GDP growth



- South Africa has also faced global headwinds, whilst domestic issues associated with labour strikes, load shedding and concerns over the sovereign rating have weighed on growth.



# Agenda

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1. Overview – Fani Titi

**2. Financial review – Nishlan Samujh**

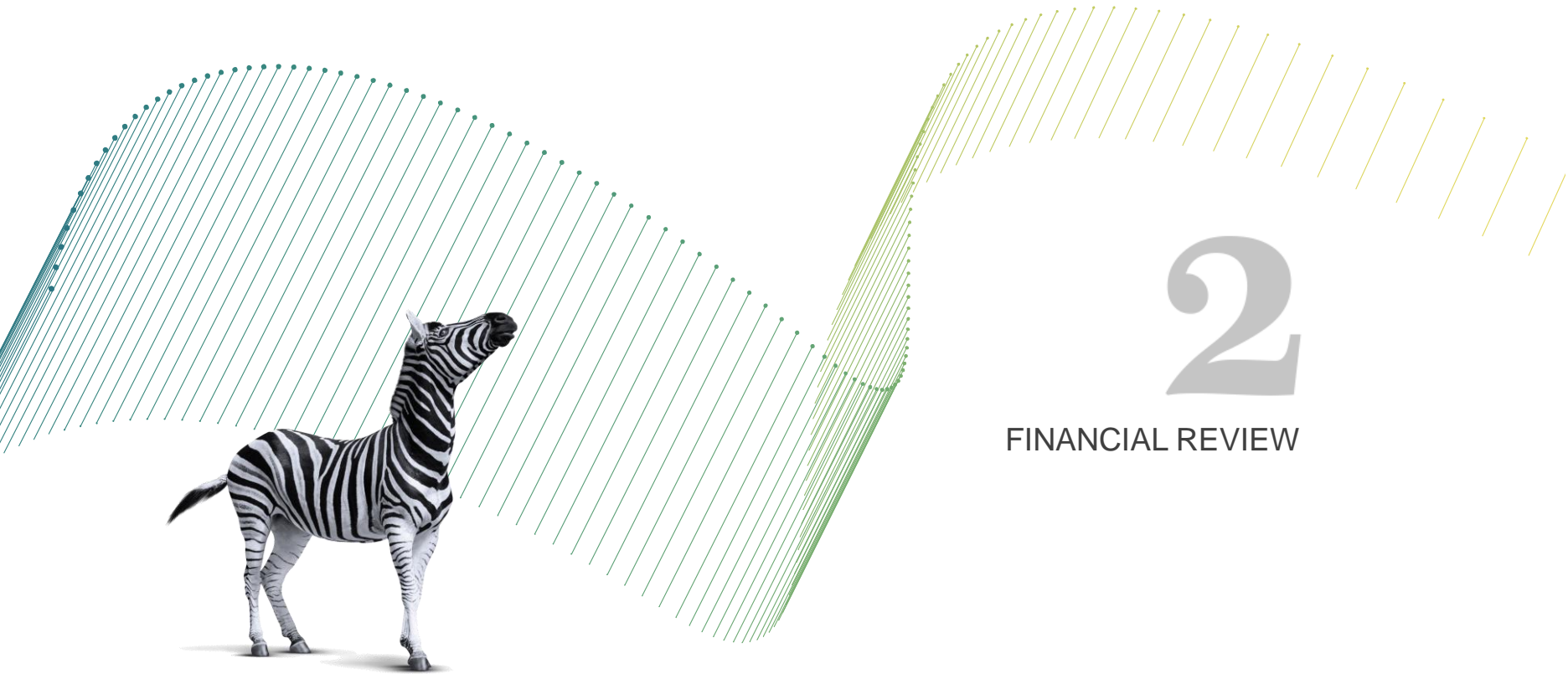
3. Business review

- Bank and Wealth – Fani Titi
- Asset Management – Hendrik du Toit

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# 2

## FINANCIAL REVIEW

*Out of the Ordinary*

# Snapshot of group financial performance

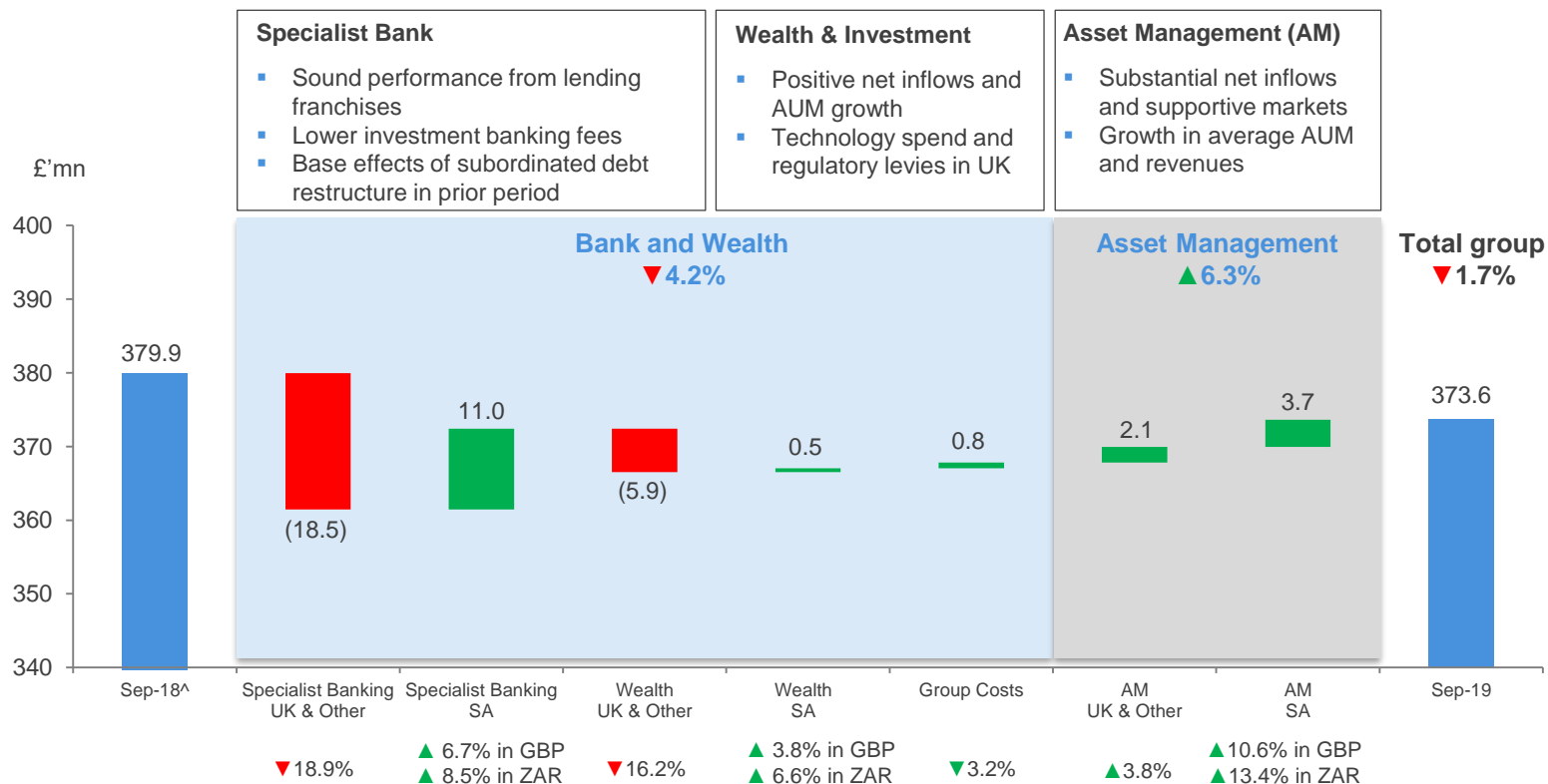
- Adjusted operating profit\* and adjusted EPS\*\* down 1.7% and 4.1% respectively

Key metric	ROE	Cost to income ratio	CET1 ratio	Dividend cover
Group Targets	12% to 16%	< 65%	> 10%	1.7x to 3.5x
Sep-19	13.1%	67.3%	Limited: 11.6% plc: 10.7%	2.6x

\*Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

\*\*Earnings attributable to shareholders adjusted to remove impairment of goodwill, amortisation of acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional tier 1 security holders.

# Divisional adjusted operating profit\* performance

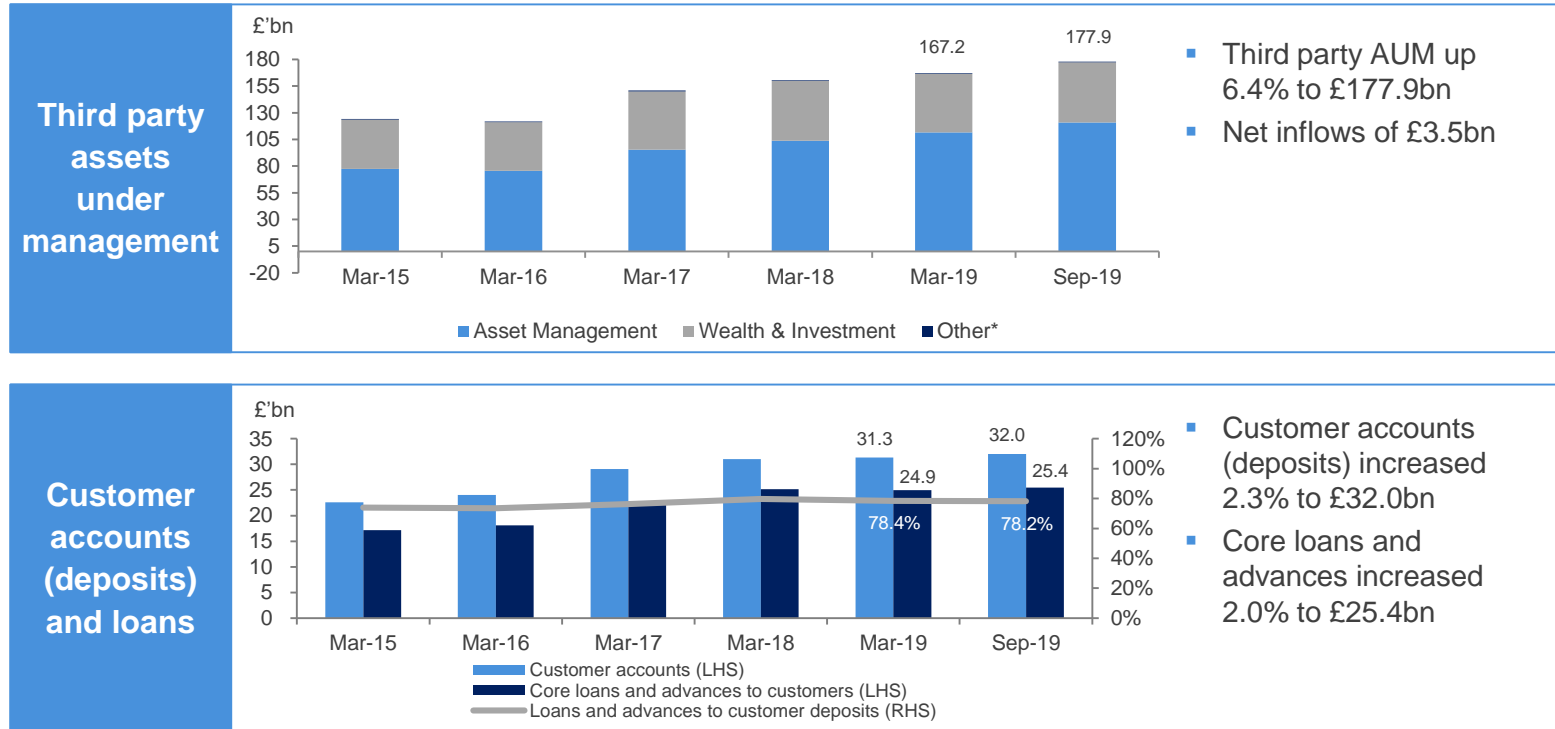


\*Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

^Restated.

# Key earnings drivers

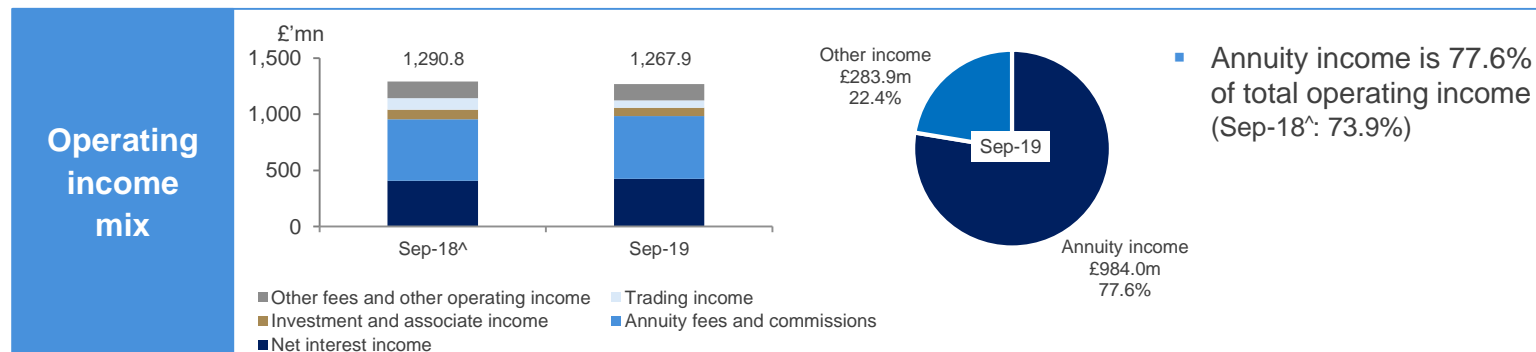
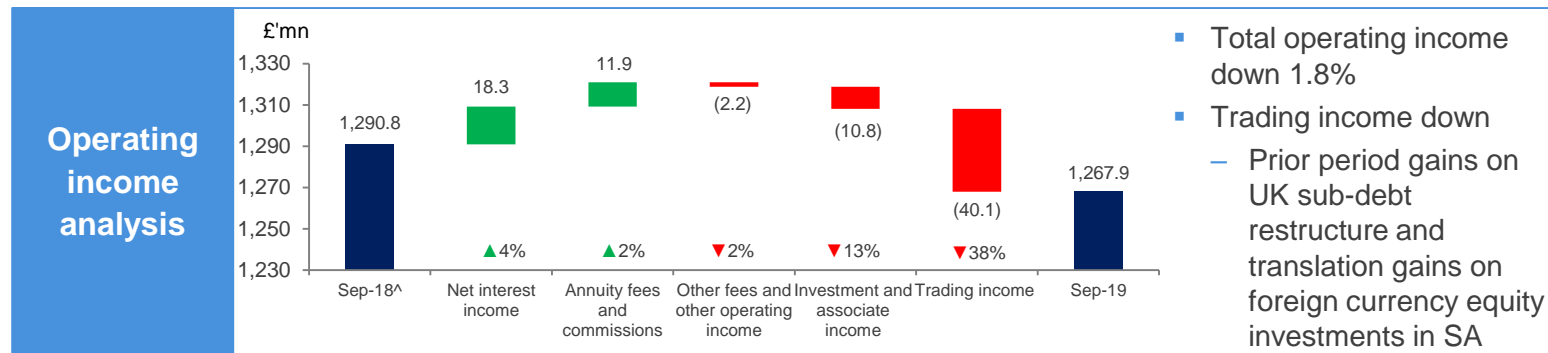
## Growing client base across the businesses



\*Other includes private equity and property assets under management.

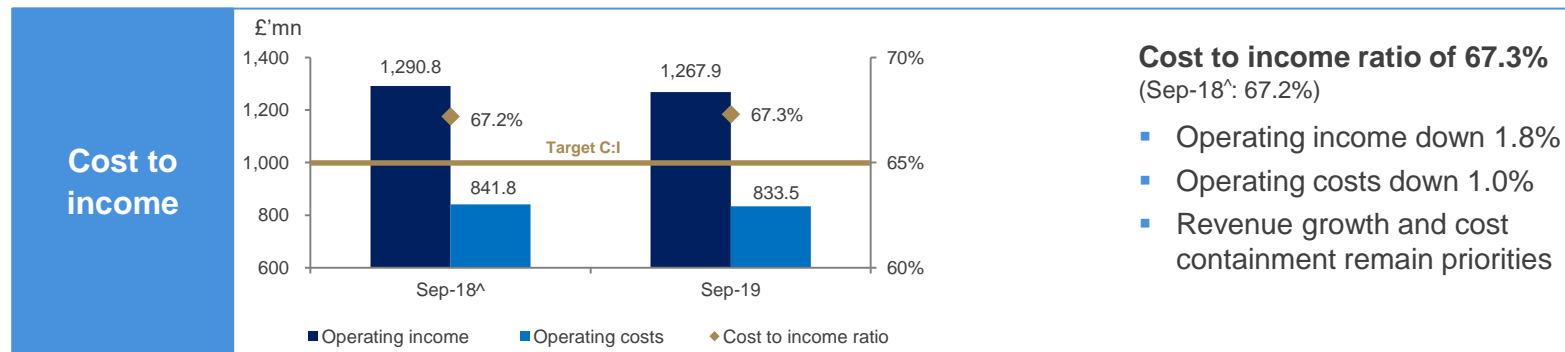
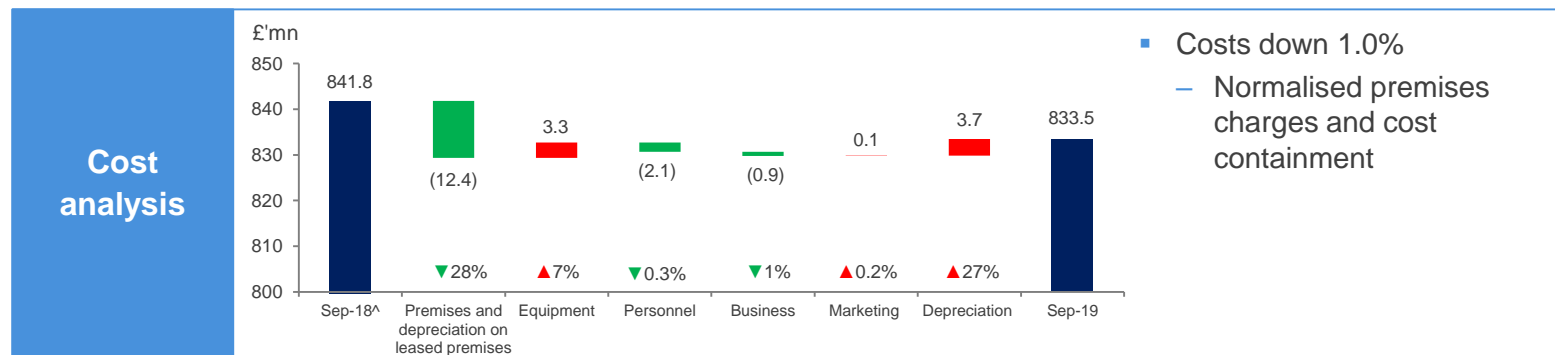
# Operating income

## Solid client franchises



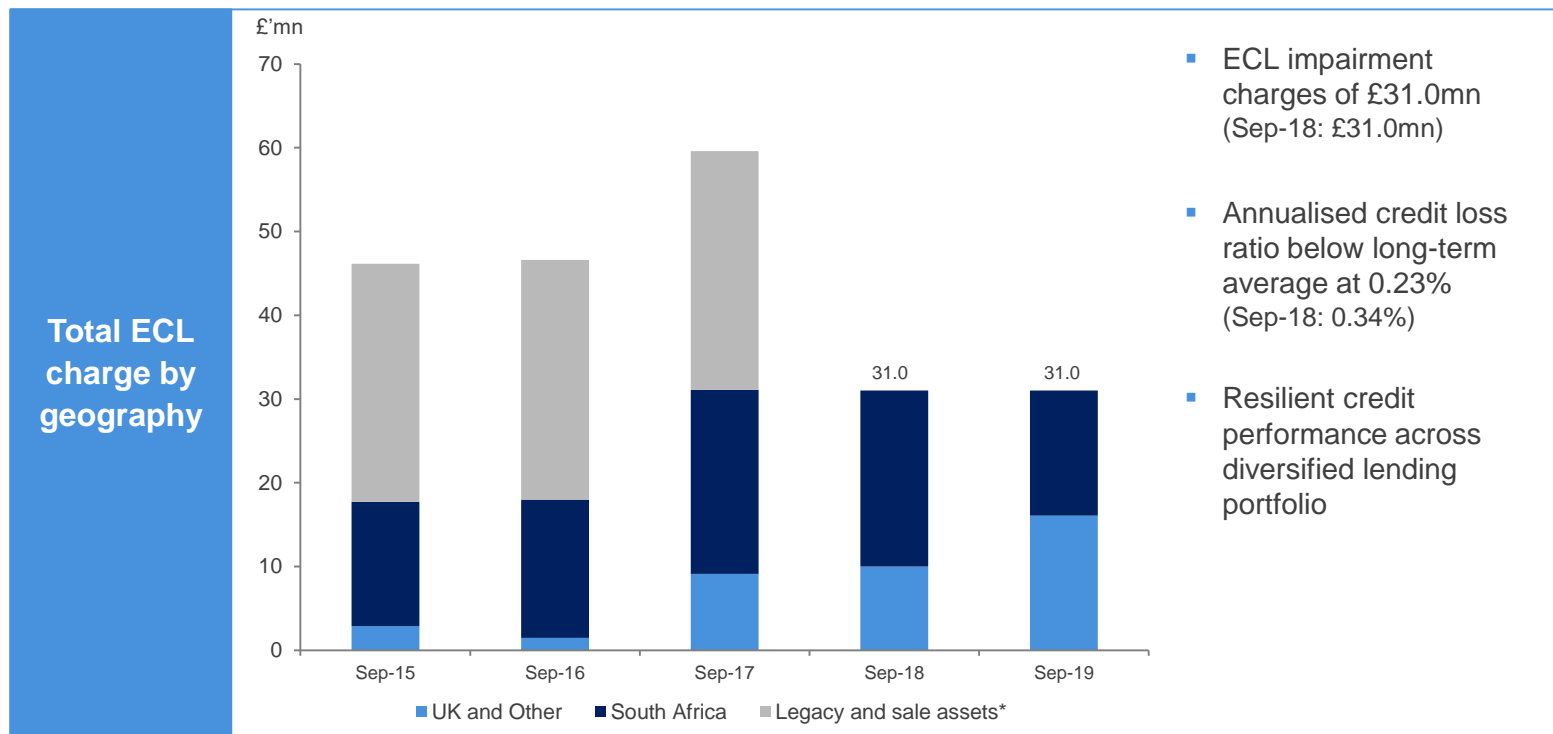
# Operating costs

## Stable cost to income ratio



# ECL<sup>^</sup> charges

## ECL impairment charges in line with prior period

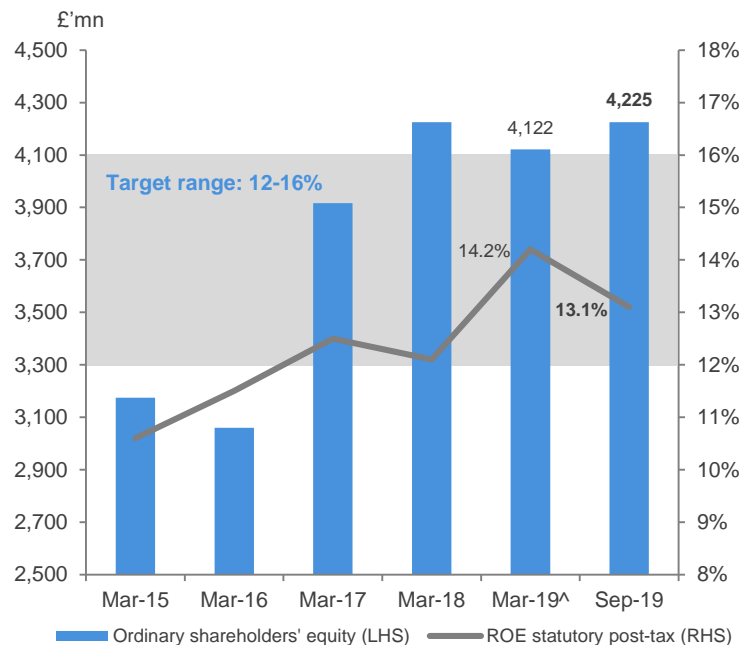


<sup>^</sup>Expected credit loss impairment charges. \*Refers to group assets sold in the 2015 financial year and the UK legacy business. Since the 2019 financial year, the UK legacy business is no longer reported separately.



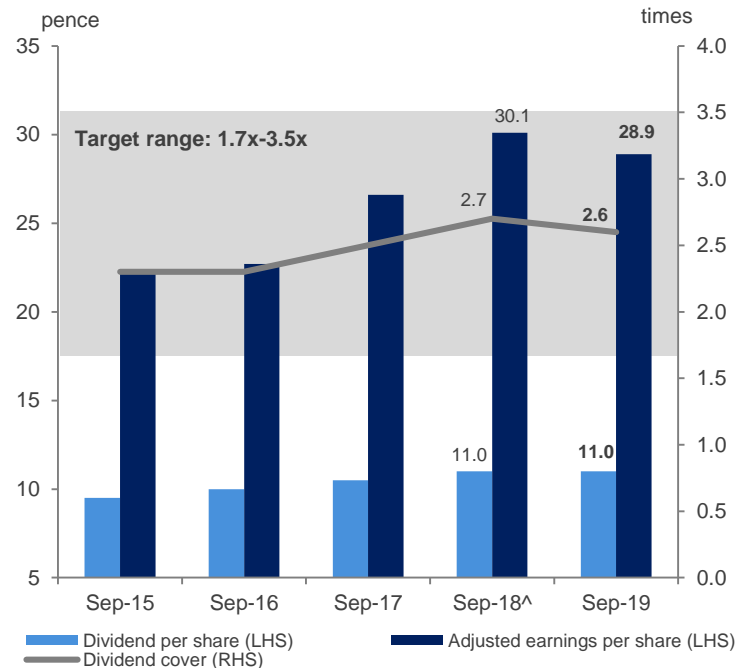
# Group equity returns

## Return on Equity



*Focus on improving ROE in medium-term*

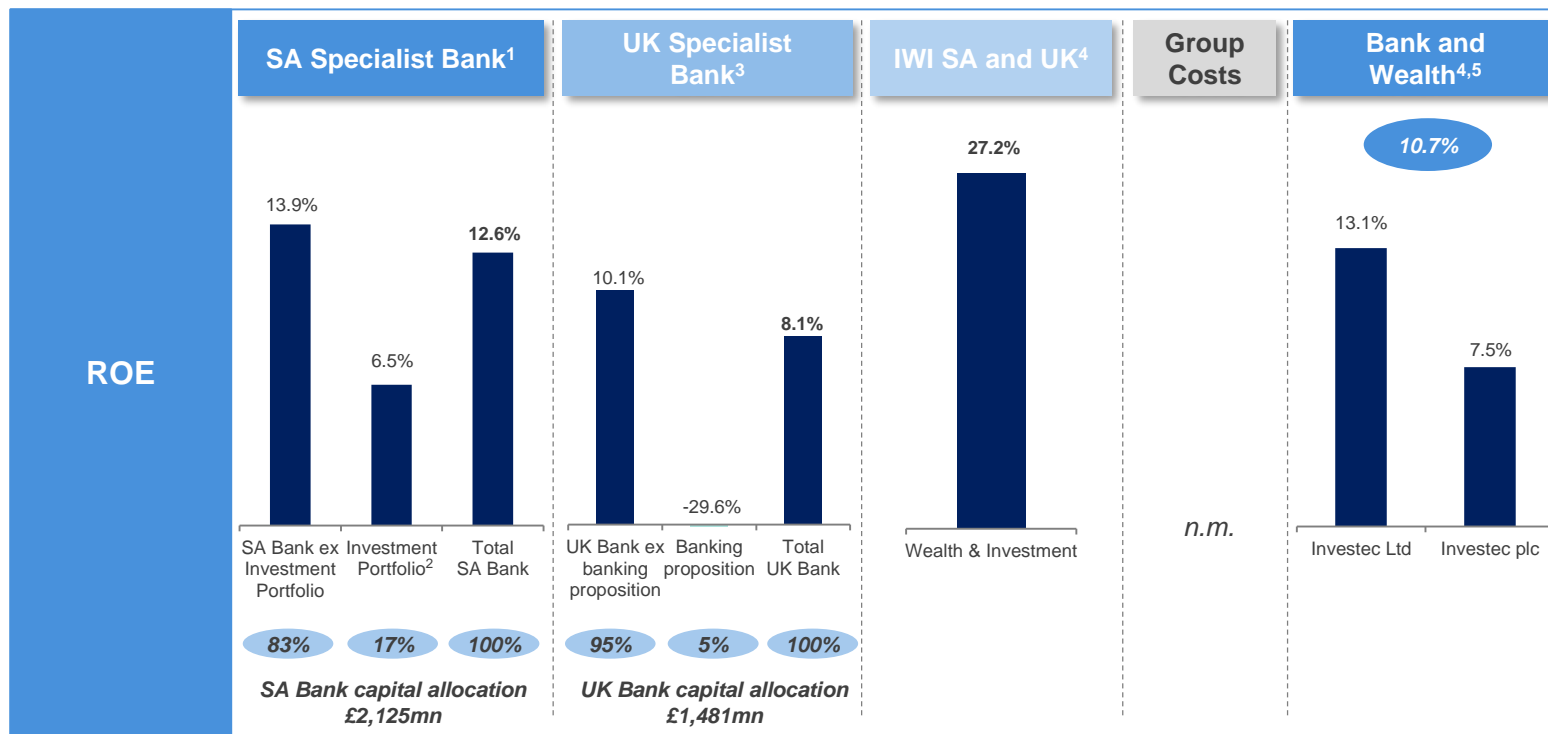
## Dividend and dividend cover



*Average pay out ratio of 40% since 2015*

# Bank and Wealth – return on equity

Committed to FY2022 target of 12% – 16% ROE

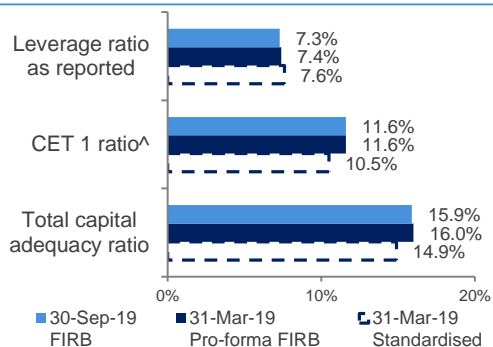


1. Shown on Rand currency basis using SA effective tax rate of 15.7%; 2. Does not include equity investments residing in our franchise client businesses and utilises effective portfolio tax rate; 3. Using UK effective tax rate of 17.1%; 4. Equity reduced by £159.05 million and corresponding reduction on goodwill (associated with the gain on sale of Carr Sheppards and subsequent goodwill recognised on acquisition of Rensburg Sheppards). Applying this adjustment, Bank & Wealth ROE would be 11.2%, with Investec plc ROE at 8.3%. Using the Wealth & Investment tax rate of 24.6%. 5. Using Bank and Wealth tax rate; Investec Limited shown on a Rand basis.

# Balance sheet

## Sound capital position

### Investec Limited



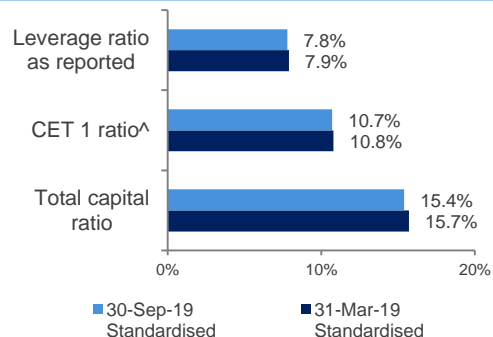
### Group capital summary

- CET 1 ratio above 10% target, total capital ratios within target range of 14%-17%
- Solid leverage ratios, comfortably ahead of 6% target
- FIRB\* approach adopted in SA effective 1 April 2019

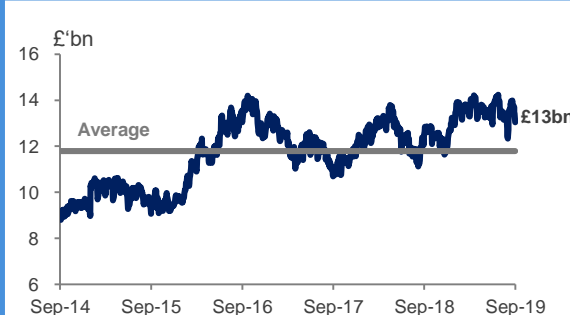
### Group liquidity summary

- High level of readily available, highly liquid assets
- Advances as a percentage of customer deposits of 78.2% (Mar-19: 78.4%)

### Investec plc



### Group cash and near cash



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  5. Demerger – Hendrik du Toit
  6. Closing and Q&A



3

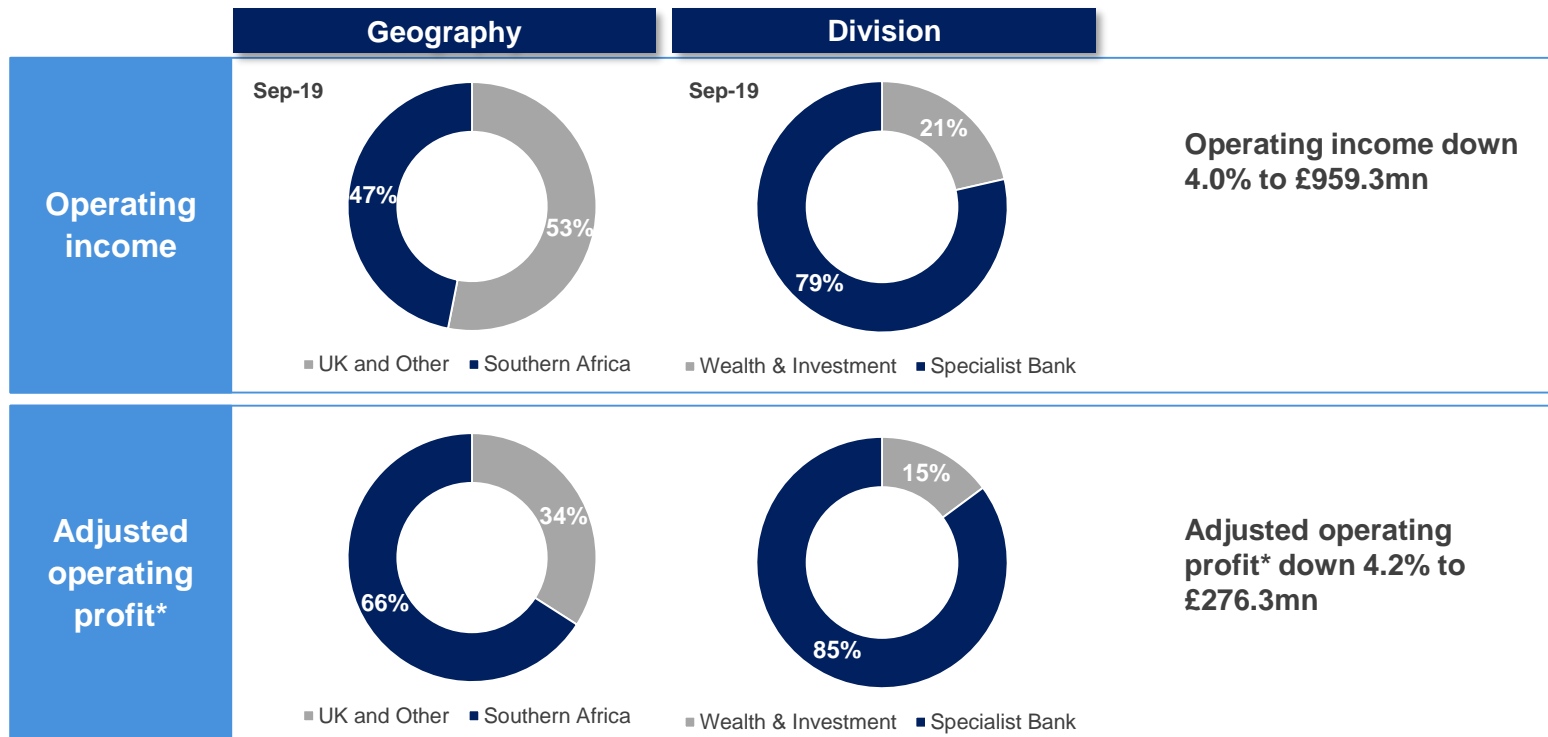
BUSINESS REVIEW

*Out of the Ordinary*

 **Investec**

# Bank and Wealth – overview

## A diversified mix of businesses

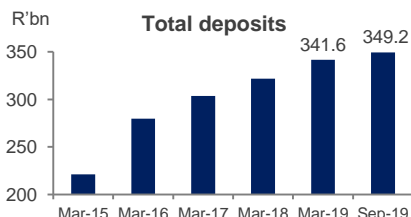
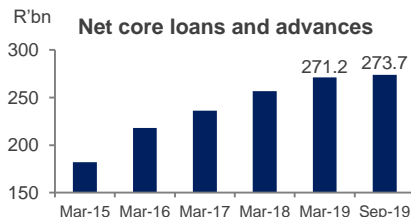


\*Adjusted operating profit by geography is Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests. Adjusted operating profit by division is Operating profit before group costs, goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

# Specialist Banking SA – performance overview

## Resilient performance with costs well contained

### Customer accounts (deposits) and loans

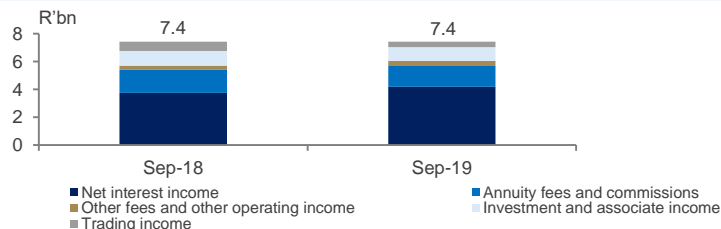


**Core loans up 0.9% to R273.7bn**

- Private client book growth offset by net repayments in corporate book

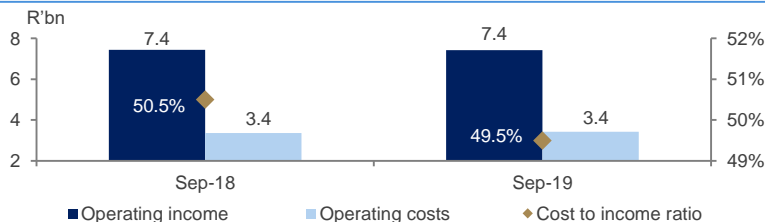
**Deposits up 2.2% to R349.2bn**

### Operating income analysis



- Private client interest and fee income growth
- Prior period large foreign currency translation gains
- Lower associate income

### Cost to income

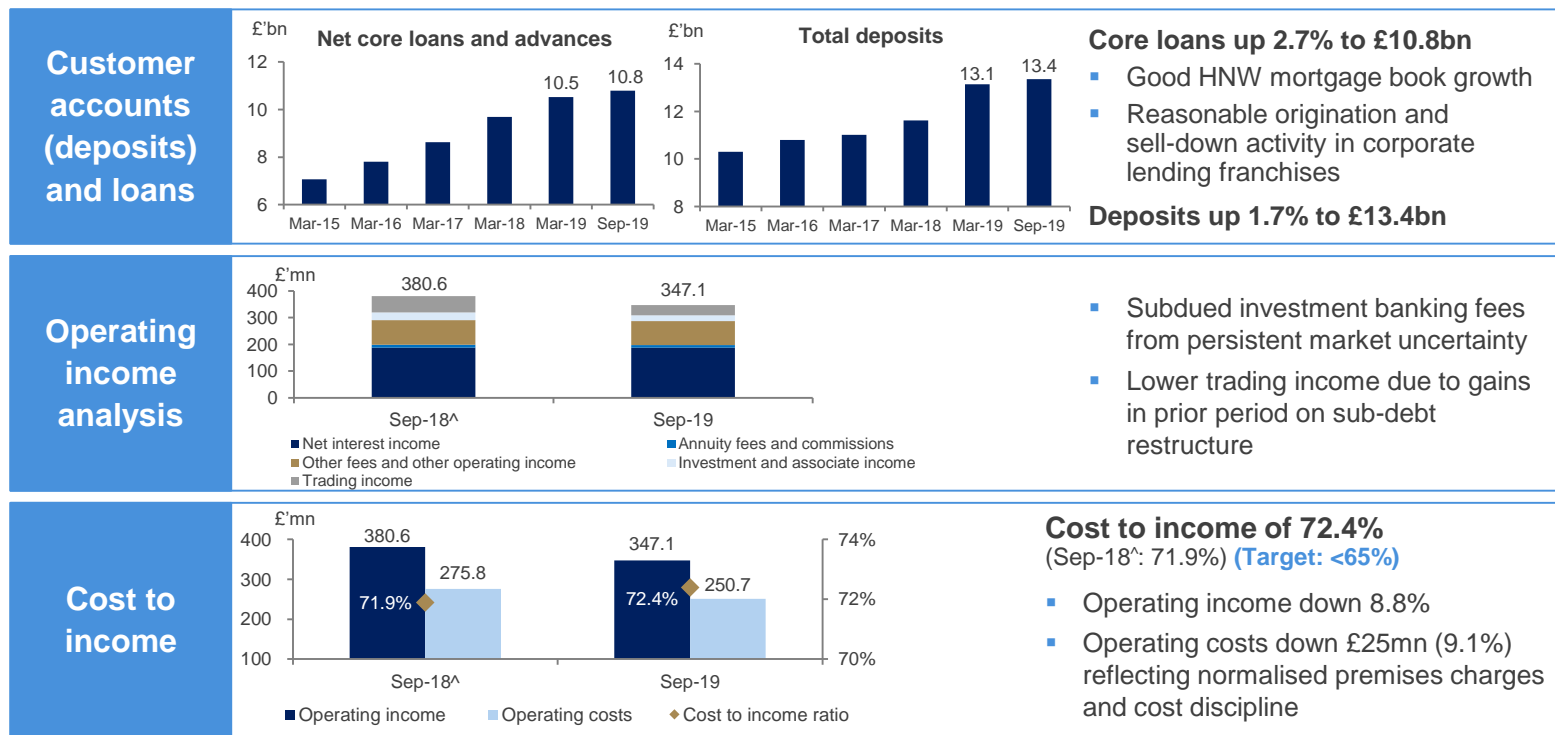


**Cost to income of 49.5%**  
(Sep-18: 50.5%) (Target: 49% to 52%)

- Operating income flat
- Operating costs contained (up 1.6%)

# Specialist Banking UK and Other – performance overview

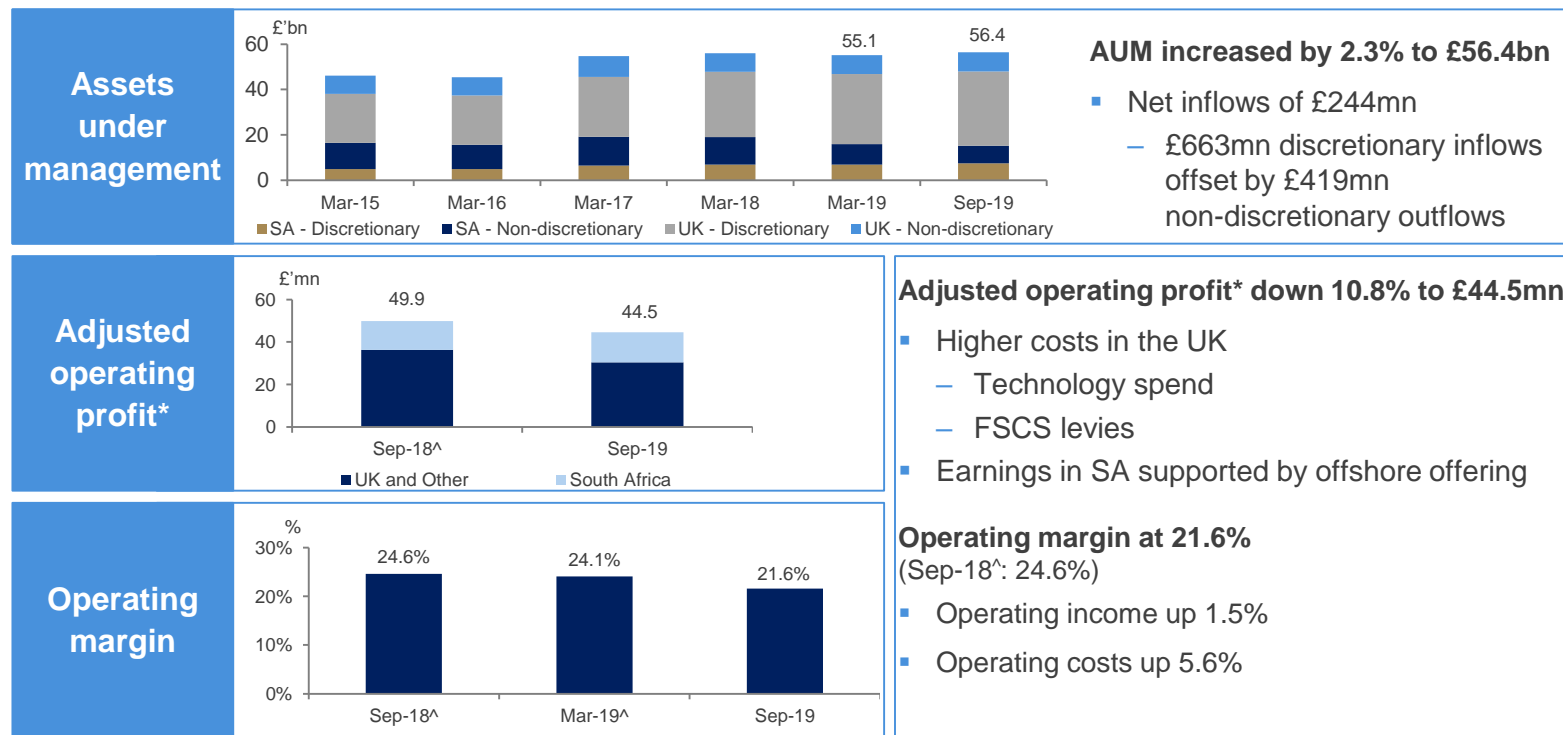
## Lending franchises performed well given macroeconomic environment





# Wealth & Investment – performance overview

## Net inflows and higher AUM supported revenue growth



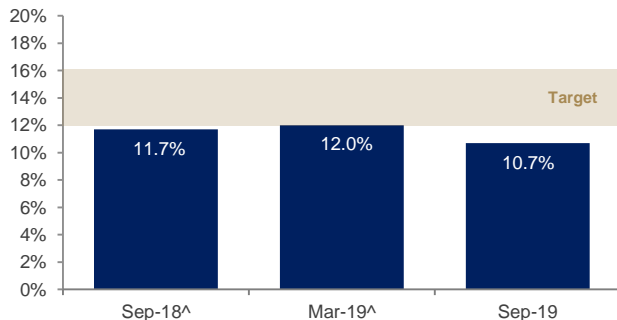
\*Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

^Restated.

# Bank and Wealth – key metrics

## ROE and costs – an area of focus for management

### ROE

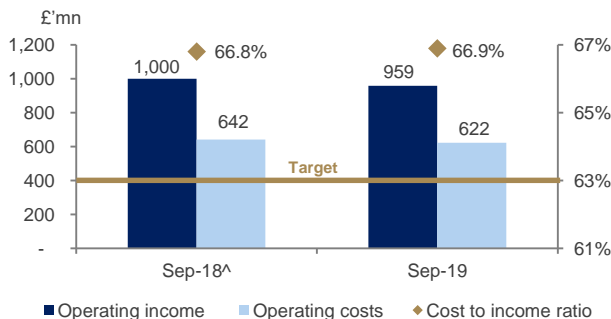


**ROE Target\*:**  
**12% to 16%**

### Drivers for ROE enhancement

- Revenue growth initiatives
- Cost discipline
- Optimising capital allocation
- Greater connectivity across the business

### Cost to income



**Cost to income Target\*:**  
**<63%**

### Ongoing improvement through:

- Leveraging the investment in the business
- Reduction in Group costs
- Shared services: technology, optimising operational platforms

\*Which we aim to deliver on by the 2022 financial year.

<sup>^</sup>Restated.

# Progress on our strategic objectives

Capital Discipline	Growth Initiatives	Cost Management	Connectivity	Digitalisation
<ul style="list-style-type: none"> <li>Reduce SA equity investment portfolio:                             <ul style="list-style-type: none"> <li>Strategies underway</li> <li>c. R2.5bn capital reduction expected</li> </ul> </li> <li>Implemented FIRB: 1.1% uplift to CET1 ratio</li> <li>AIRB application submitted: R3-4bn capital reduction expected</li> </ul>	<ul style="list-style-type: none"> <li>Good traction in UK Private Bank:                             <ul style="list-style-type: none"> <li>Mortgage book up 12.1% since Mar19</li> <li>Client acquisition on track</li> </ul> </li> <li>Launched iX digital platform for corporates</li> <li>Launched Investec Business Online in SA</li> <li>Expansion of Financial Planning and Advice in Wealth business</li> <li>Broaden client base through Young Professionals strategy (SA Private Bank)</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed subscale operations:                             <ul style="list-style-type: none"> <li>Closed Click &amp; Invest</li> <li>Sold Irish Wealth &amp; Investment</li> </ul> </li> <li>Cost containment:                             <ul style="list-style-type: none"> <li>UK Bank costs down £25mn (9%)</li> <li>SA Bank cost growth below inflation</li> <li>Group costs down on prior period</li> </ul> </li> <li>Further c.£10mn reduction in group costs expected by end FY21</li> <li>Infrastructure rationalisation opportunities identified to date (c.£7.5mn)</li> <li>Continue to review cost base</li> </ul>	<ul style="list-style-type: none"> <li>One Place™ (SA Bank and Wealth)</li> <li>Build out of My Investments (SA Bank and Wealth)</li> <li>Launched Investec for Advisers (UK Bank and Wealth)</li> </ul>	<p><b>SA:</b></p> <ul style="list-style-type: none"> <li>Launched Investec for Intermediaries</li> <li>Build out of My Investments platform</li> <li>Launched Investec Business Online</li> </ul> <p><b>UK:</b></p> <ul style="list-style-type: none"> <li>Launched Investec for Advisers</li> <li>Launched iX digital platform</li> <li>Digitalised retail deposits capability with launch of Notice Plus</li> <li>Launch of Investec Open API - bringing Investec into the Open Banking marketplace</li> </ul>

## Bank and Wealth – conclusion

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- Committed to achieving our FY2022 performance targets
- Positioned for long-term sustainable growth
  - Deep and growing client franchises
  - Differentiated propositions to private and corporate clients
  - Well capitalised, lowly leveraged with strong liquidity
  - Generates capital to support growth ambitions and distributions to shareholders

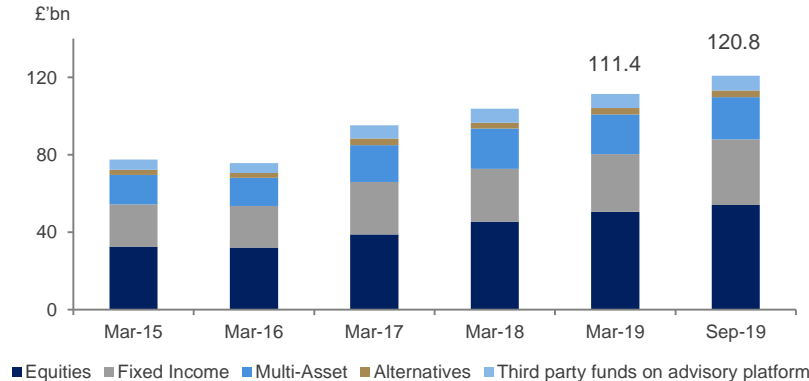
***Simplify, focus and grow with discipline***

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# Asset Management – performance overview

## Momentum remains positive

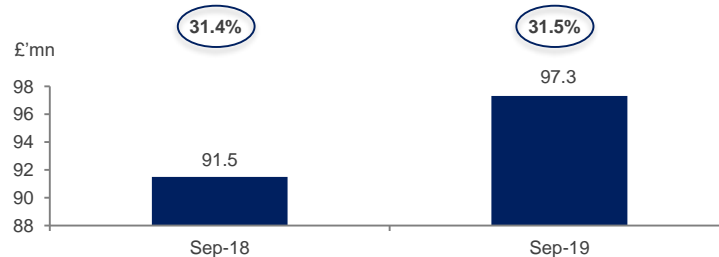
### Assets under management



**AUM increased by 8.4% to £120.8bn**

- £3.2bn net inflows spread across client regions and investment strategies
- Positive market and currency movements

### Adjusted operating profit\* and operating margin



**Operating profit\* growth of 6.3% and 31.5% operating margin**

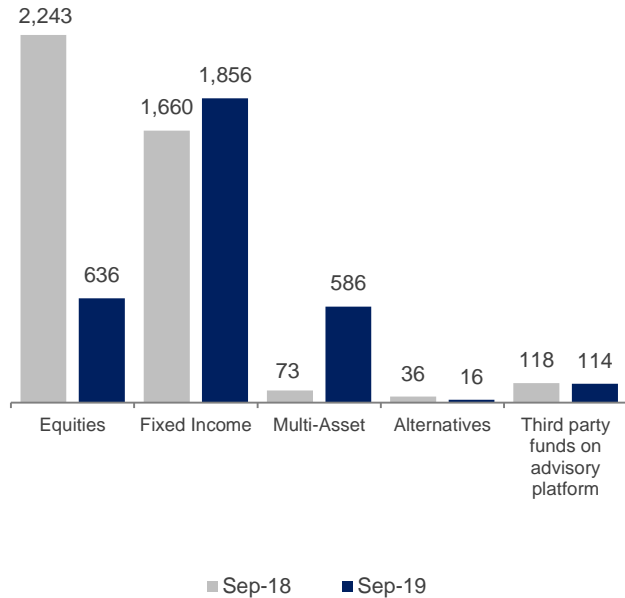
- Revenues supported by higher average AUM
- Operating costs above inflation, primarily due to new London premises costs

\*Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

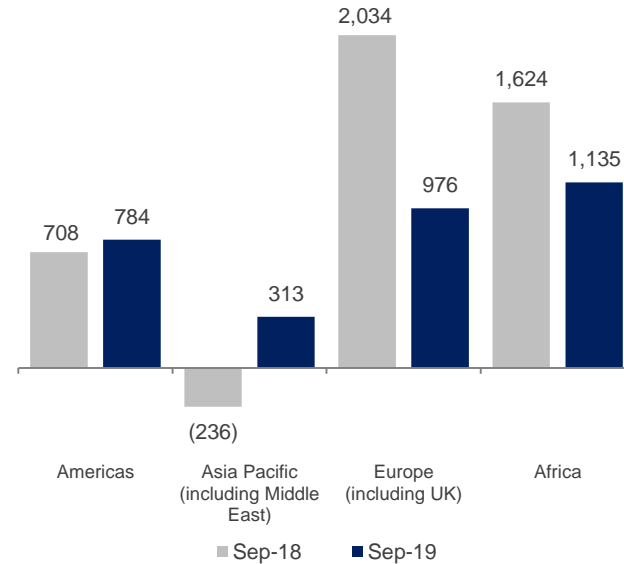
# Asset Management – net flows

## Solid net flow performance

Net flows by asset class (£'mn)



Net flows by geography (£'mn)



## Asset Management – new brand

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# Asset Management – strategic priorities

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## Strategic priorities

- Continue to invest across our investment platform
- Grow Advisor and Institutional business
- Embrace and enhance the Sustainability trend
- Achieve a successful demerger and listing

**Everything we do is for the long term and for our clients**



# Agenda

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4

SUSTAINABILITY

*Out of the Ordinary*

 **Investec**

# Sustainability – the challenge of our generation

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## We measure up, but want to do more

### External Group ESG rankings / ratings received since 1 April 2019



- **8<sup>th</sup>** in the global diversified financial services sector



- **Top 30** in the FTSE JSE responsible investment index



FTSE4Good

- **Included** in the **FTSE UK 100 ESG** Select Index (out of 641 companies in the FTSE All-Share Index)



- **1 of 43** banks and financial services in the STOXX Global ESG Leaders (total of 439 components)



- **Top 6%** scoring AAA in the financial services sector



- **Score B** against an industry average of B-

# Sustainability – the challenge of our generation

## Our actions

**UN CEO Alliance** on  
Global Investment for  
Sustainable  
Development (GISD)



**First bank** in South Africa and 1 of  
the 8 banks in the UK to sign up to  
the Task Force for Climate Related  
Disclosures (TCFD)



### Specific actions in Asset Management

- ESG integration
- Launch of specialist sustainability strategies
- Development of impact strategies



***Dedicated sustainability teams within Bank & Wealth and Asset Management***

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5

DEMERGER

*Out of the Ordinary*

 **Investec**

# Demerger update

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## Demerger benefits

- ✓ Simplifies and focuses the Group
- ✓ Builds on existing linkages between Specialist Banking and Wealth & Investment businesses
- ✓ Focus enables improved cost discipline
- ✓ Enhances Asset Management alignment with stakeholders

## Next steps

- |  |  |
|--|--|
| ▪ Shareholder Circular                   | Published around the end of this month |
| ▪ IAM Capital Markets Day                | 3 December 2019                        |
| ▪ Shareholder vote, demerger and listing | Q1 2020                                |

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6

CLOSING AND Q&A

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# Two independent businesses poised for long-term growth and value creation



Becoming  
**Ninety  
One**