



Out of the Ordinary®

 **Investec**



Results presentation

For the year ended 31 March 2014

Specialist Banking / Asset Management / Wealth & Investment

Out of the Ordinary®



The year in review





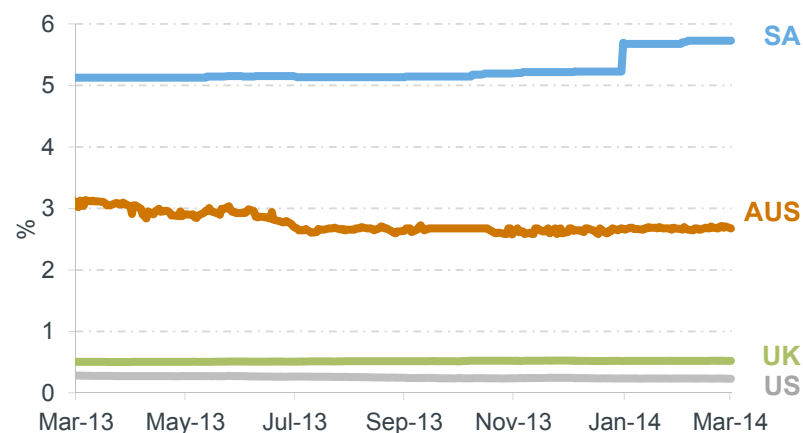
Improving operating environment

Results impacted by strength of sterling against other operating currencies

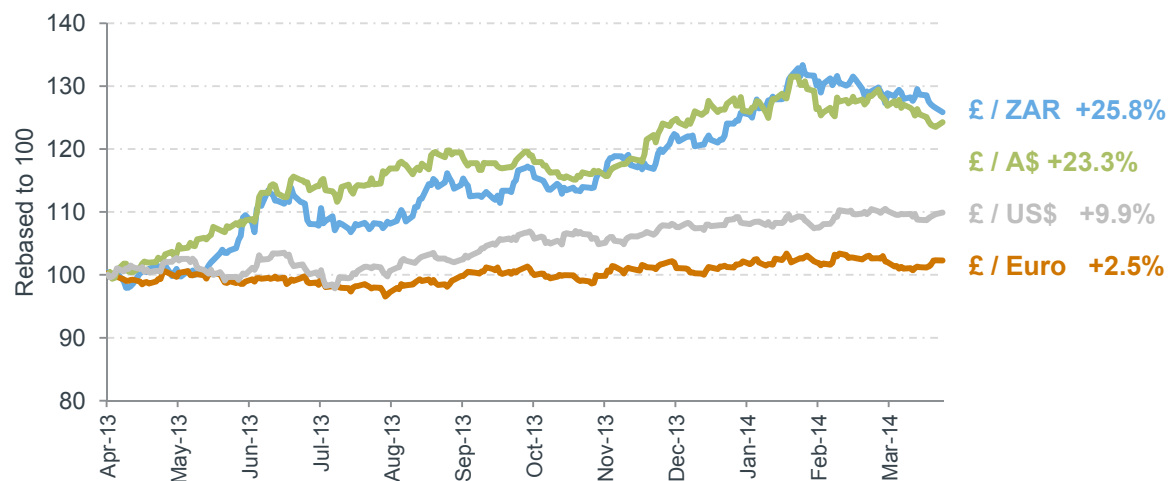
Equity markets



Interest rates



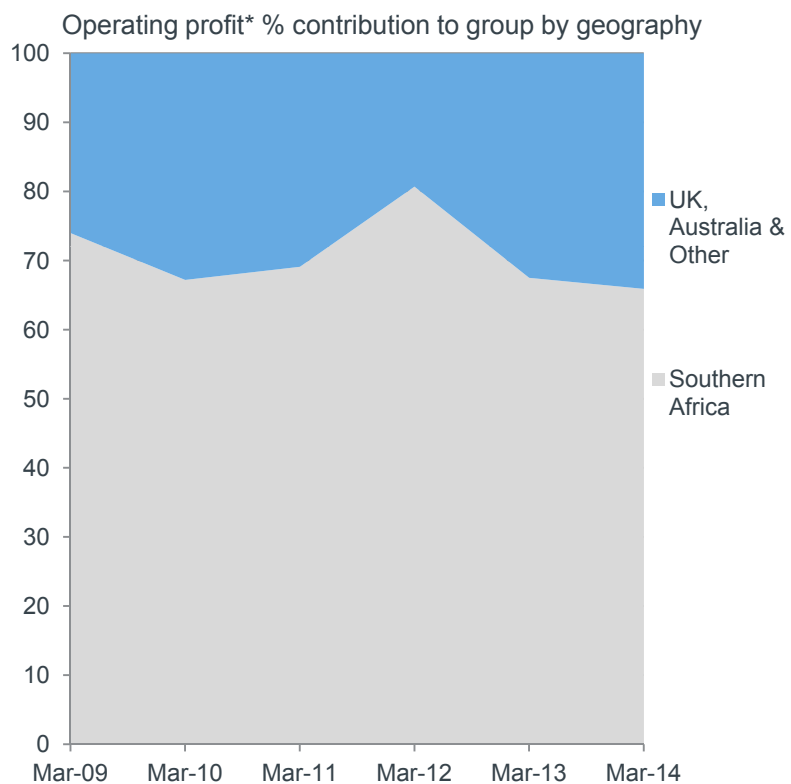
Exchange rates



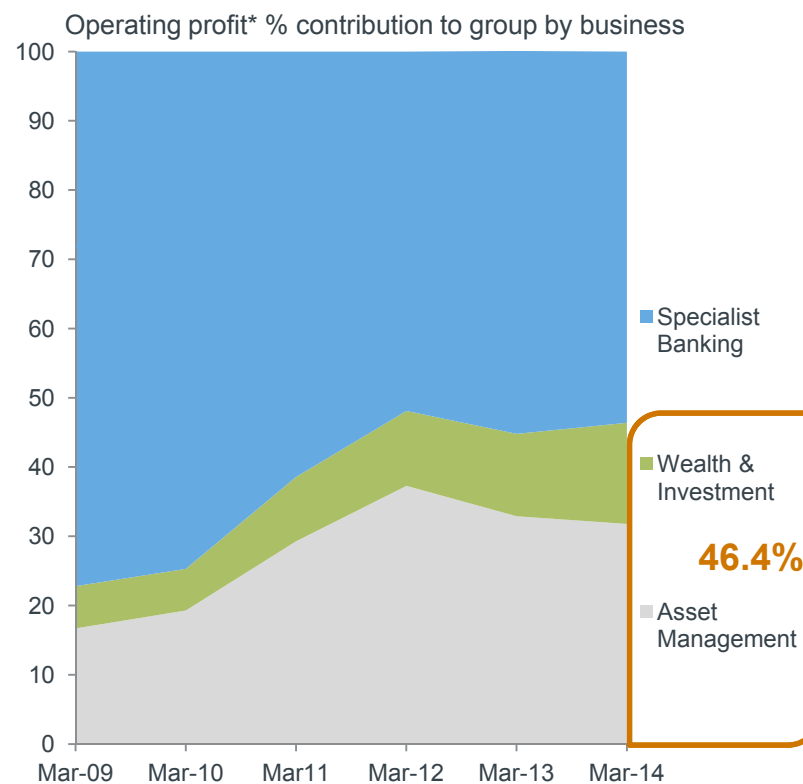


Diversified business model

Geographic diversity



Revenue diversity

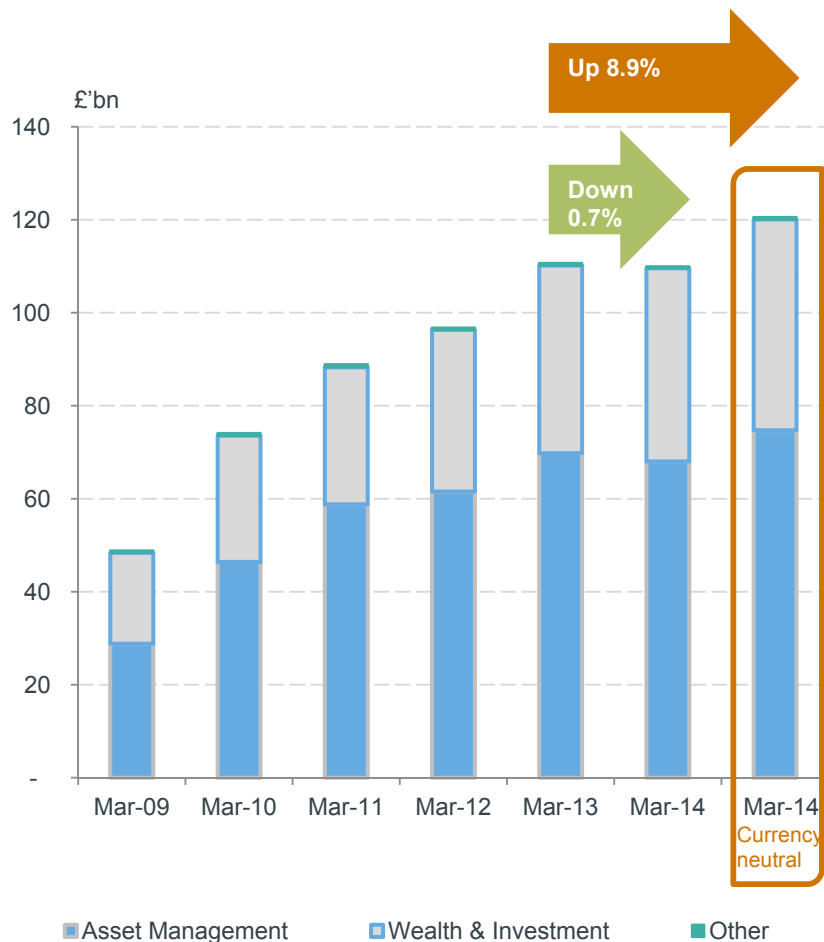


*Before tax, goodwill, acquired intangibles, non-operating items and after other non-controlling interests

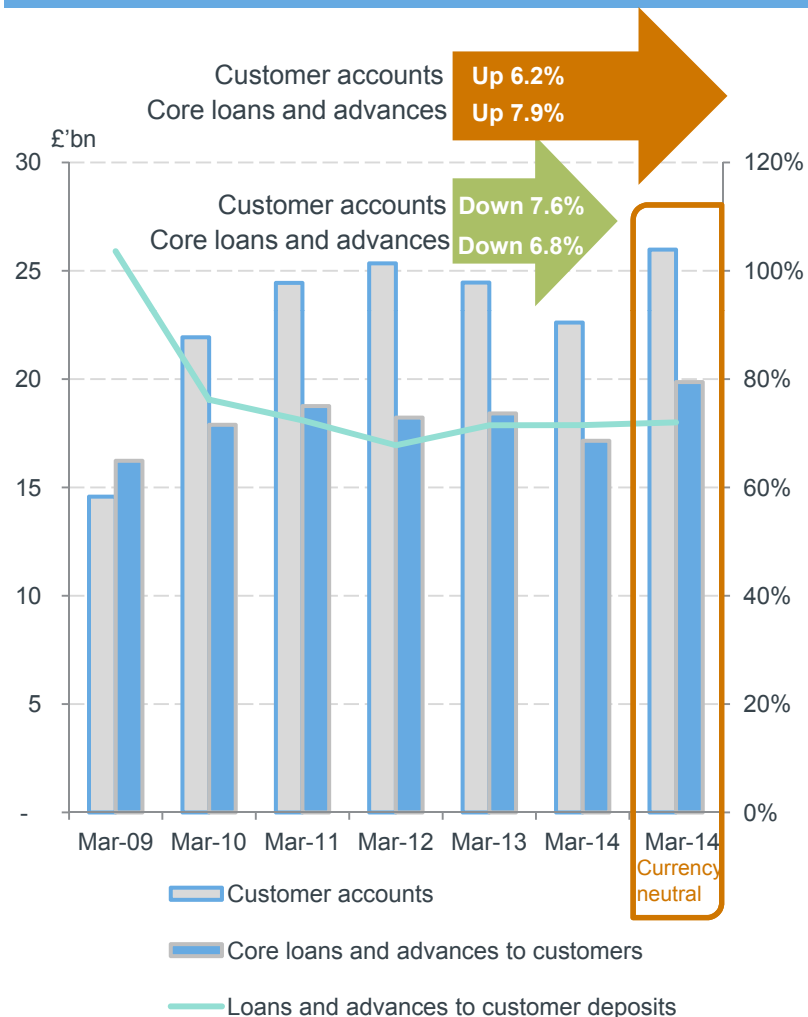


Continued growth in key earnings drivers

Third party assets under management



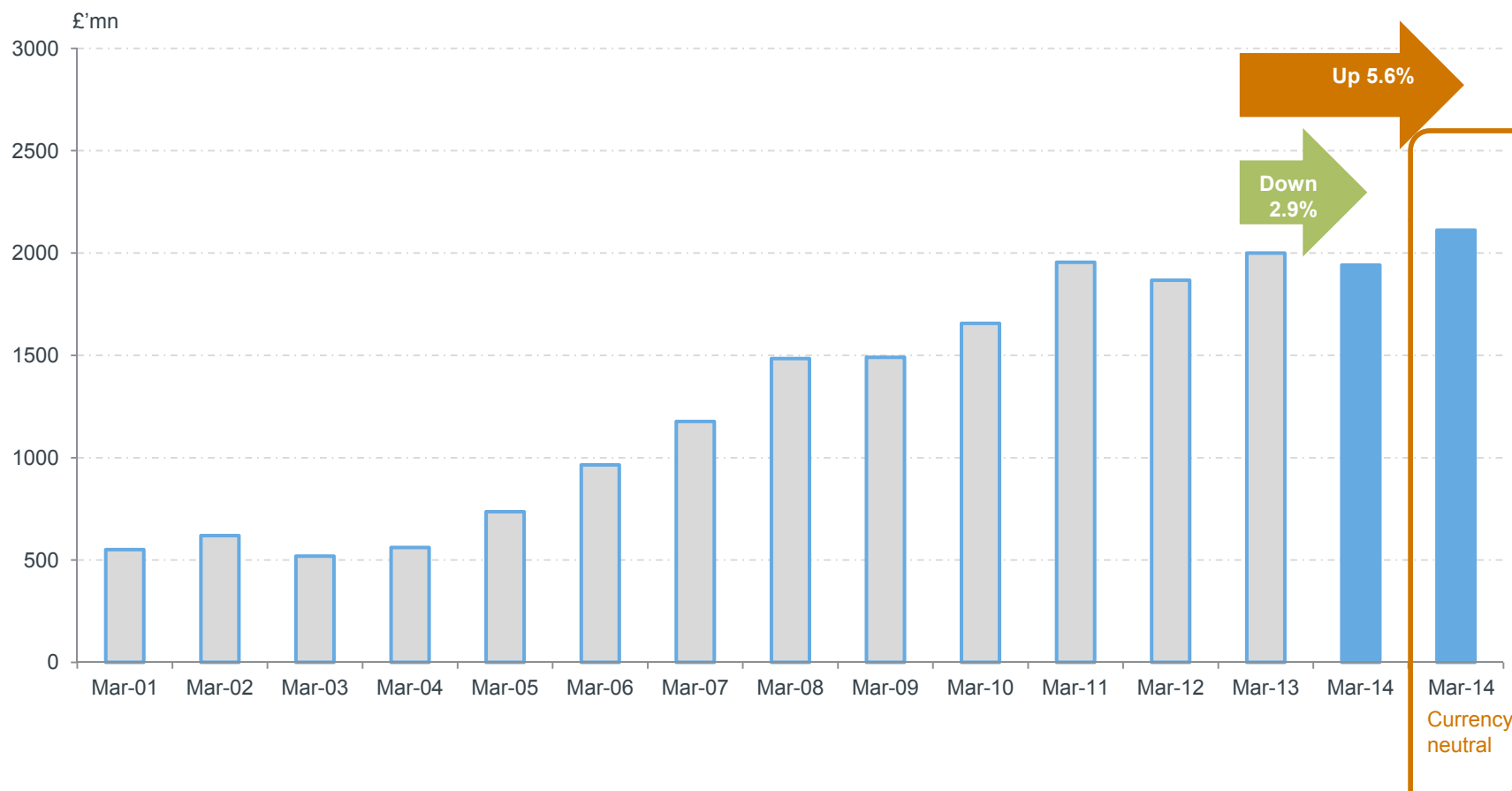
Customer accounts (deposits) and loans





Supporting continued growth in revenue

Total operating income

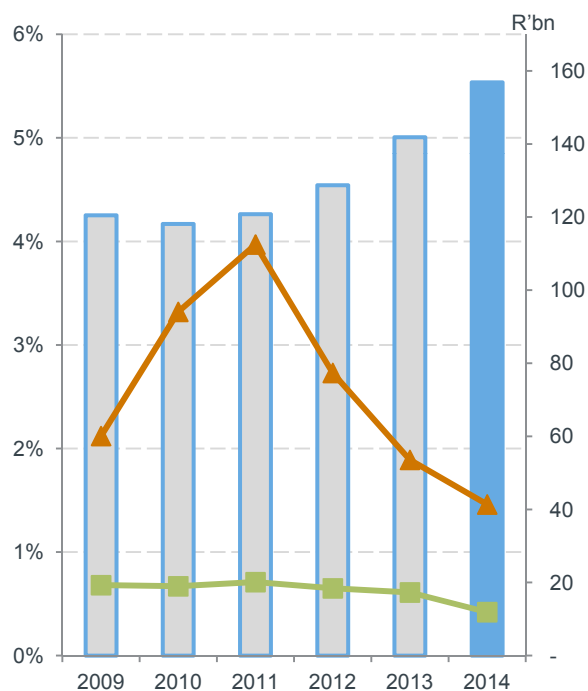




Impairments down

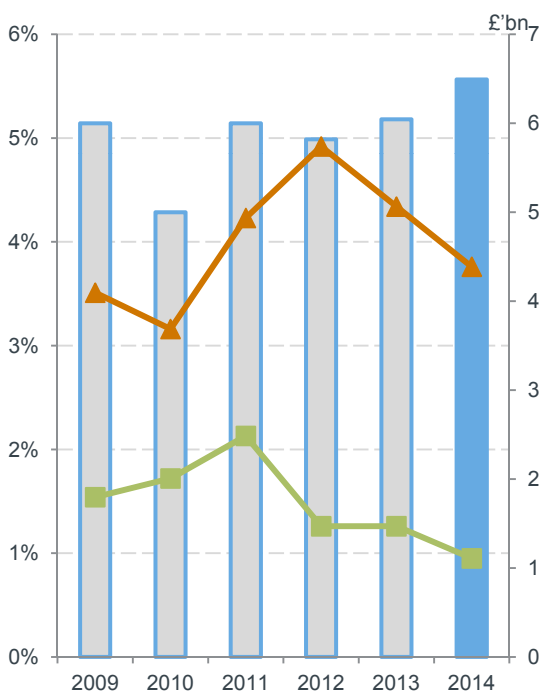
South Africa

- SA impairments down 23.6% in Rands



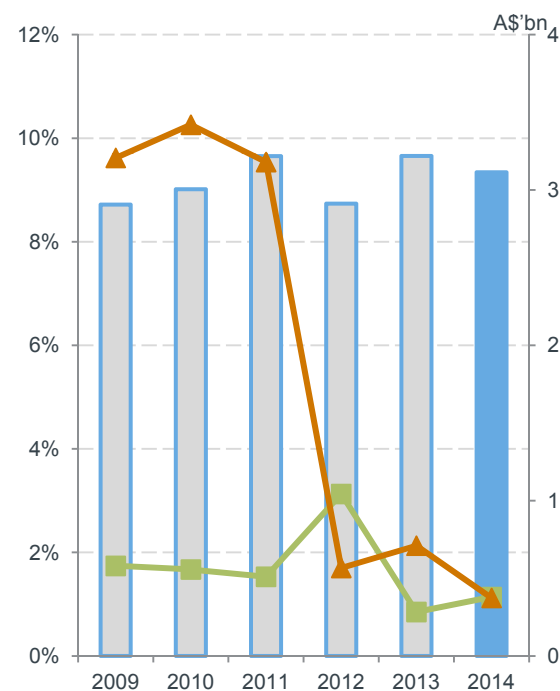
UK & Europe (ex Kensington)

- UK impairments down 17.1% (Including Kensington down 38.8%)



Australia

- Australian impairments increased

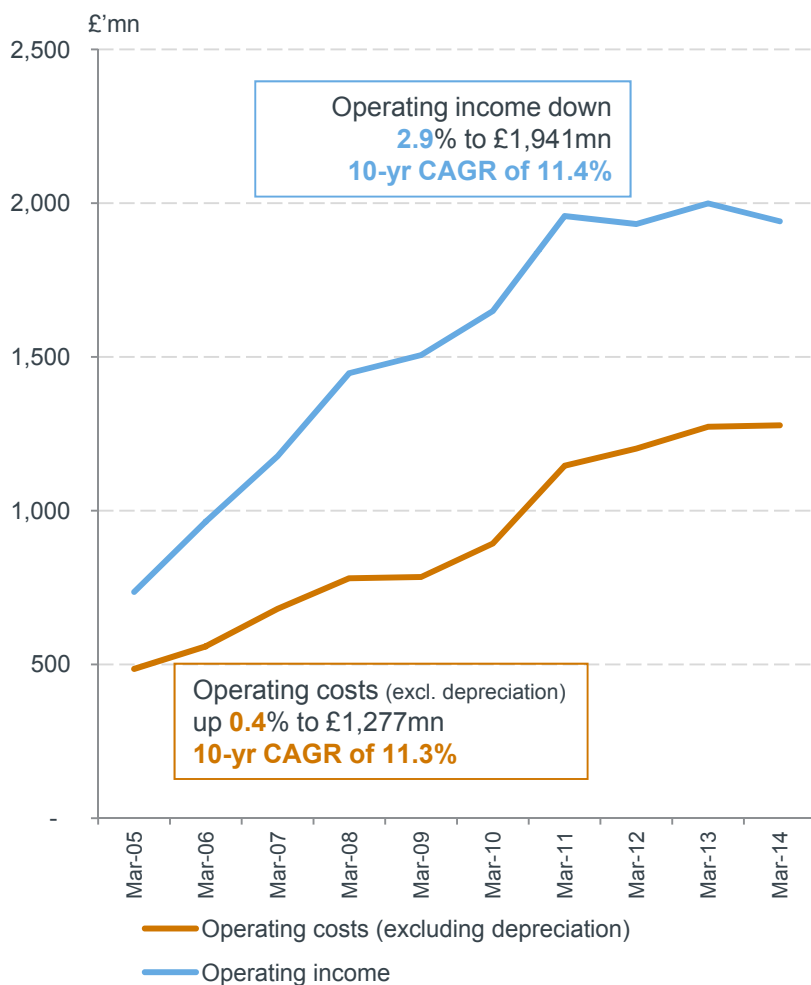


■ Credit loss ratio (LHS)
 ■ Net core loans (RHS)
 ▲ Net defaults as a % of core advances (LHS)



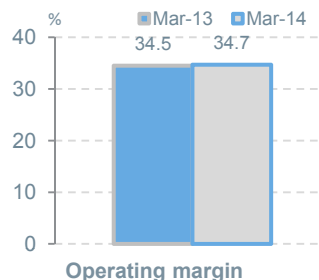
Fixed costs marginally up

Narrowing jaws ratio



Cost to income / Operating margin

Asset Management

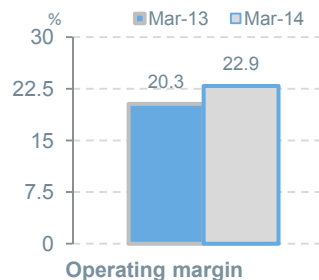


Operating costs
Δ 1.3%

Operating income
Δ 1.7%

- Headcount up 200 people to support growth
- Investment in distribution platforms

Wealth & Investment

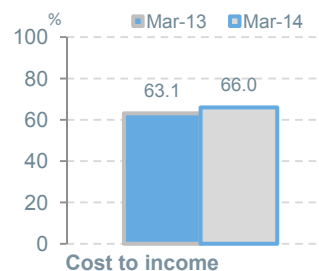


Operating costs
Δ 11.9%

Operating income
Δ 15.7%

- Headcount up 51 people
- Investment in IT, online infrastructure and experienced portfolio managers

Specialist Bank



Operating costs
▽ 2.9%

Operating income
▽ 7.8%

- Headcount down 144 people
- Costs up in line with inflation (in home currencies) and as a consequence of reshaping



Resulting in an improved group performance

Negatively impacted by the Rand

	Mar-14	Mar-13	% change	% change on currency neutral basis ^{^^}
Operating profit* before tax (£'000)	451 817	426 278	6.0%	20.3%
Attributable earnings** ^ (£'000)	327 824	309 310	6.0%	20.5%
Adjusted EPS ^{^^} (pence)	38.0	36.1	5.3%	19.7%
DPS (pence)	19.0	18.0	5.6%	NA
Net asset value per share (pence)	375.7	384.2	(2.2%)	9.1%
Total shareholders' equity (£'mn)	4 013	3 942	1.8%	12.2%
Customer accounts (deposits) (£'bn)	22.6	24.5	(7.6%)	6.2%
Net core loans and advances to customers (£'bn)	17.2	18.4	(6.8%)	7.9%

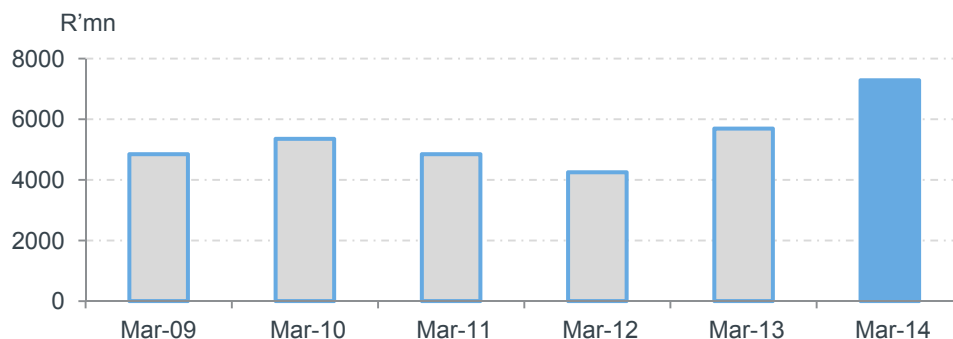
*Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests; **Before goodwill, acquired intangibles, non-operating items and after non-controlling interests; ^ After deducting preference dividends; ^^Amounts represented on a currency neutral basis assume that the closing and average exchange rates of the group's relevant exchange rates relative to Pounds Sterling remain the same as at 31 March 2014 when compared to 31 March 2013



Strong Rand performance – up 28%

	Mar-14	Mar-13	% change
Operating profit* before taxation (R'mn)	7 328	5 725	28.0%
Adjusted attributable earnings**^ (R'mn)	5 313	4 227	25.7%
Adjusted EPS* (cents)	616	494	24.7%
DPS (cents)	327	256	27.7%
Net asset value per share (cents)	6 597	5 362	23.0%

Strong recovery in Rand earnings post crisis



*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



Progress made on our financial targets

	Target	Mar-14	Mar-13
ROE	12-16% over a rolling 5-yr period	10.1%	9.4%
Tangible ROE		12.3%	11.7%
Adjusted* EPS growth	Target: 10% > UKRPI	5.3%	16.4%
		19.7% Currency neutral	
Cost to income	Target: < 65%	67.5%	65.7%
Dividend cover (times)	Target: 1.7-3.5 times	2.0x	2.0x

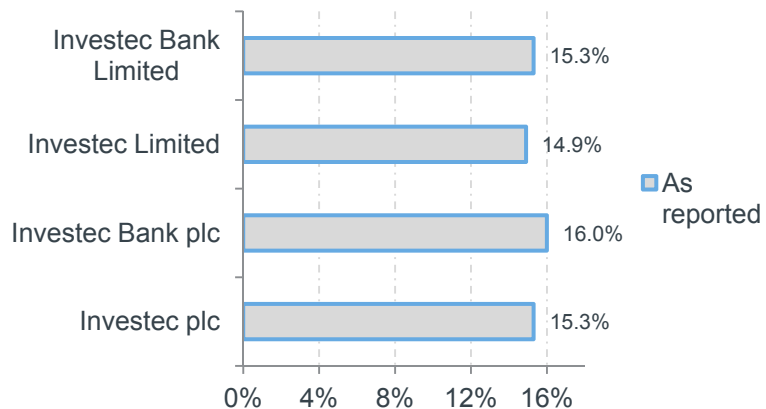
Note: These are medium to long-term targets which we aim to achieve through varying market conditions

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

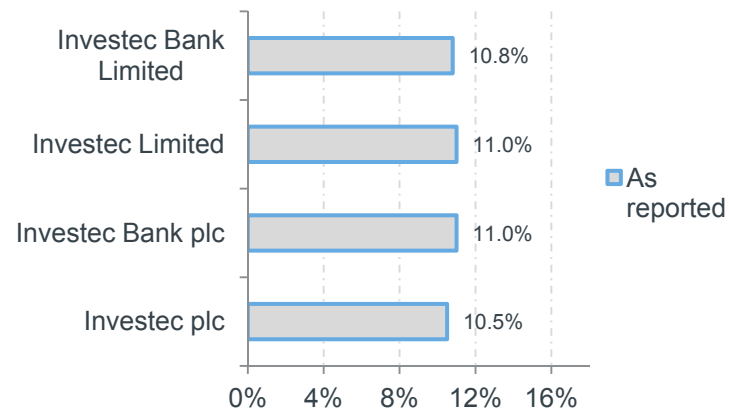


Stable capital position

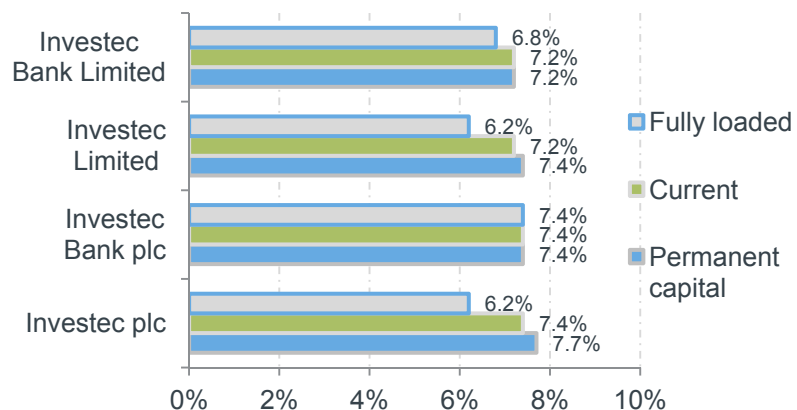
Capital adequacy



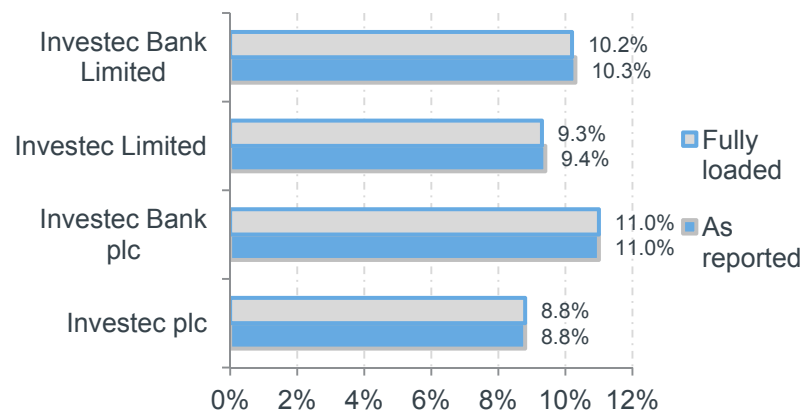
Tier 1



Leverage ratios



Common equity tier 1



Note: Please refer to the 2014 Analyst Book for detailed definitions and explanations

Out of the Ordinary®



Divisional highlights





Asset management - overview

Overview of performance

- Sale of 15% stake in the business to management was successfully completed in July 2013
- Benefited from higher average assets under management and net inflows of £2.6bn
- Competitive long term investment performance across investment capabilities
- Assets under management at £68.0bn

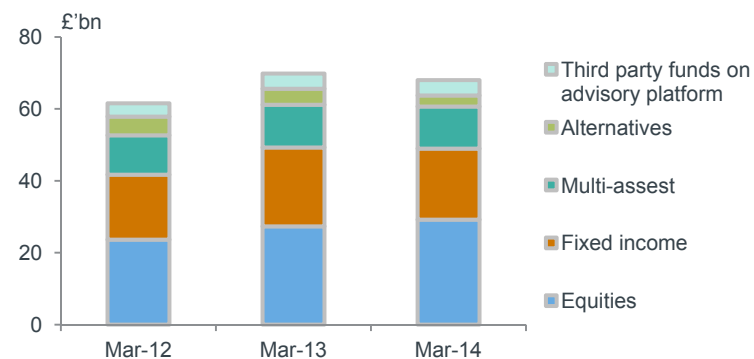
Financial summary

	Mar-14	Mar-13	% change
Operating profit* (£'mn)	143.8	140.4	2.4%
Operating margin	34.7%	34.5%	
ROE (pre-tax)**	96.7%	95.1%	
ROE tangible (pre-tax)	305.1%	336.1%	
Assets under management (£'bn)	68.0	69.8	(2.6%)

Outlook

- The business remains stable and momentum is positive
- Priorities are to deepen and widen our investment strategies and to focus on further diversifying the client base, including expanding range of private market strategies and increasing market penetration in Asia, Europe and the Americas

Assets under management by asset class



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

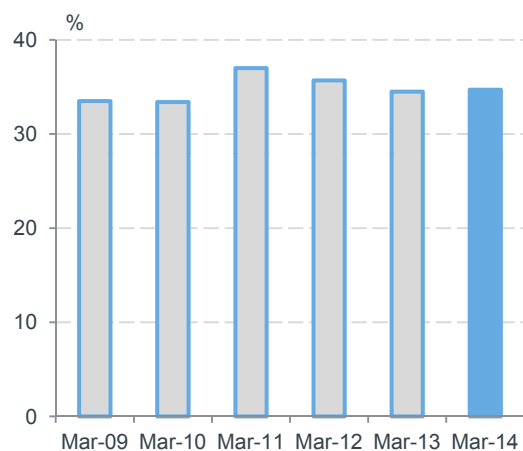
**Return on adjusted shareholders' equity (including goodwill)



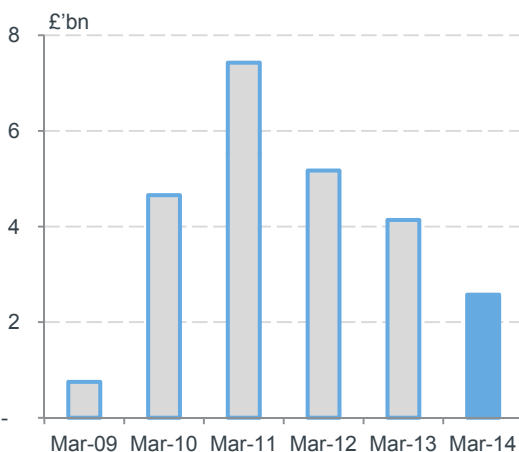
Asset Management – key drivers

Key drivers (besides market levels)

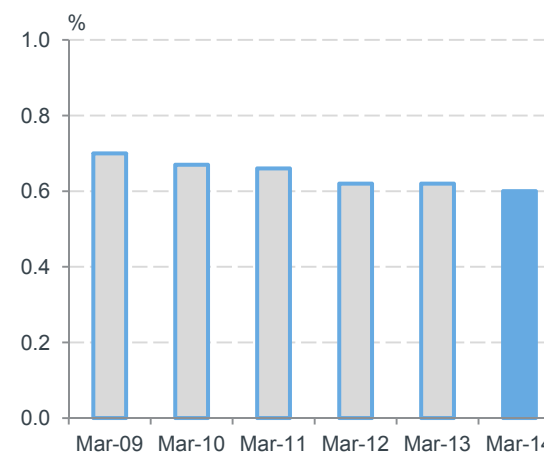
Operating margin



Net inflows



Average income as a % of AUM



Recognition





Wealth & Investment - overview

Overview of performance

- Benefited from higher average funds under management
- Net inflows of £1.4bn and improved operating margins
- UK business has successfully expanded its operation across the region, investing in infrastructure and talent
- SA business benefitted from a seamless offering to both Wealth & Investment and Private Banking clients, and made progress in leveraging off the global investment platform

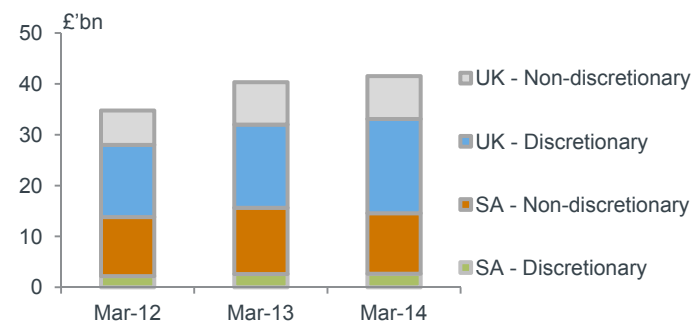
Financial summary

	Mar-14	Mar-13	% change
Operating profit* (£'mn)	66.1	50.7	30.5%
Operating margin	22.9%	20.3%	
ROE (pre-tax)**	18.2%	15.8%	
ROE tangible (pre-tax)	130.0%	104.9%	
Total FUM (£'bn)	41.5	40.4	2.9%

Outlook

- Investments we have made, and continue to make, leave us well placed to build on the current momentum
- Ongoing initiatives in the digital and online channels should support revenue improvements and business efficiencies

Assets under management by asset class



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

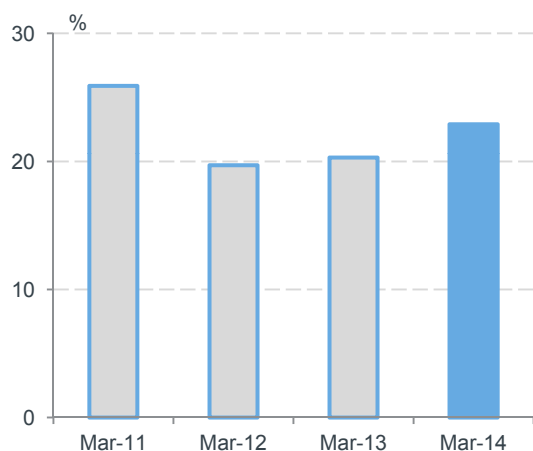
**Return on adjusted shareholders' equity (including goodwill)



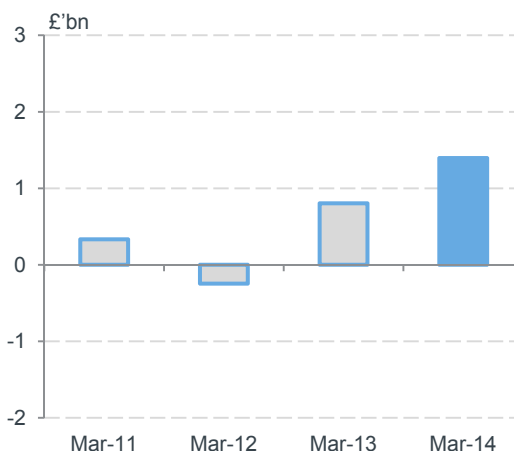
Wealth & Investment – key drivers

Key drivers

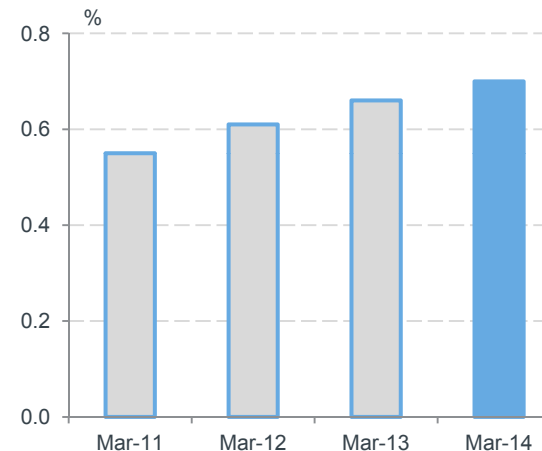
Operating margin



Net inflows



Average income as a % of AUM



Note: Prior to Mar-11 Rensburg Sheppards plc was an associate of Investec and not a 100% owned subsidiary

Recognition



Ranked #1 2013
Top Stockbroker for the
Sophisticated Exec



Discretionary Adviser



Institutional Private Client Asset Manager of the Year
MAGIC CIRCLE AWARDS 2013



Specialist Banking - overview

Overview of performance

- SA grew 29.2% benefitting from an increase in corporate fees and increased income from customer flow. Unlisted private equity performed well and we continue to grow our private banking businesses. The investment and trading property portfolio delivered a sound performance
- The UK grew 30% - principal investments performed well with good growth in the professional and asset finance loan portfolios. Quality of income is improving
- Australia reported a loss impacted by strategic restructuring

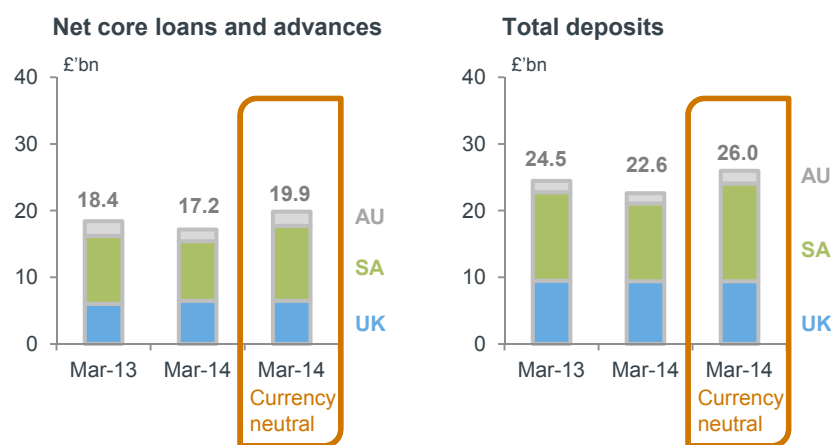
Outlook

- As a result of the reshaping process, the business is well positioned to benefit from any improvement in markets going forward
- Legacy book clearly articulated and monitored
- The ongoing businesses are performing well

Financial summary

	Mar-14	Mar-13	% change
Operating profit* (£'mn)	241.9	235.2	2.8%
Cost to income	66.0%	63.1%	
ROE (pre-tax)**	8.7%	7.9%	
ROE tangible (pre-tax)	9.1%	8.4%	

Loans and deposits



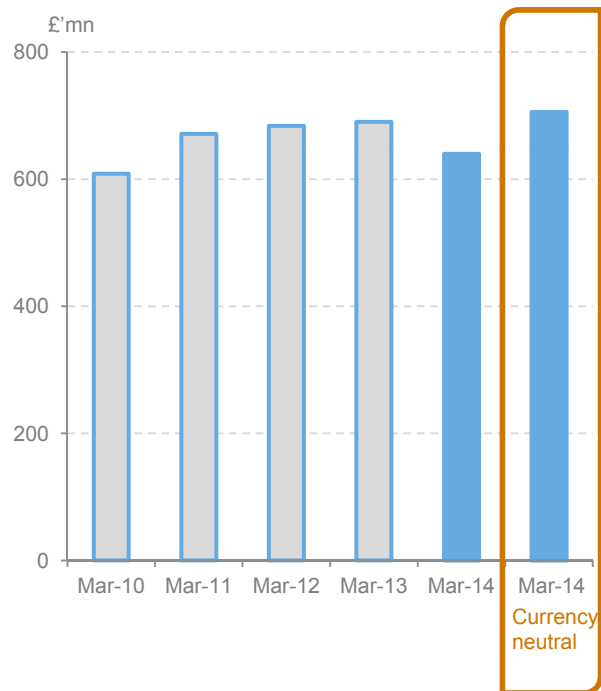
*Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests

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

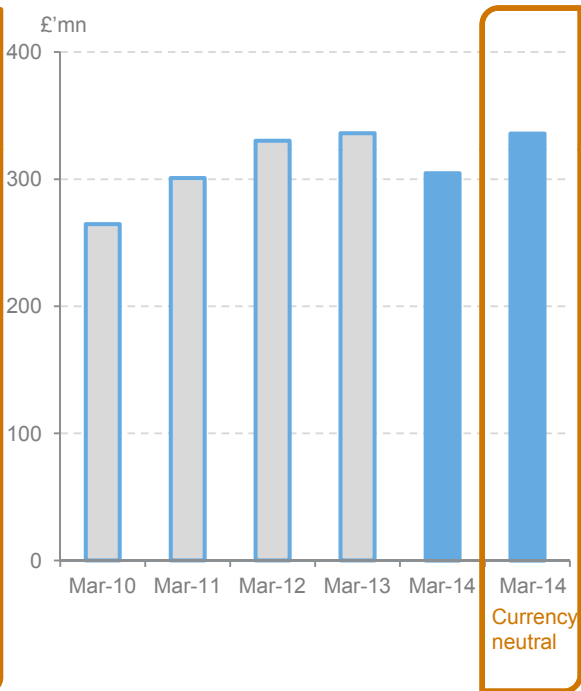


Specialist Banking – mix of income

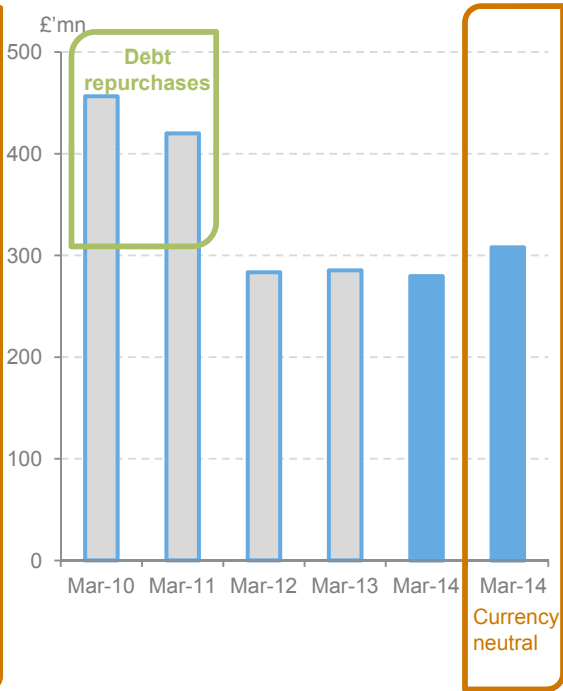
Net interest income



Net fees and commissions



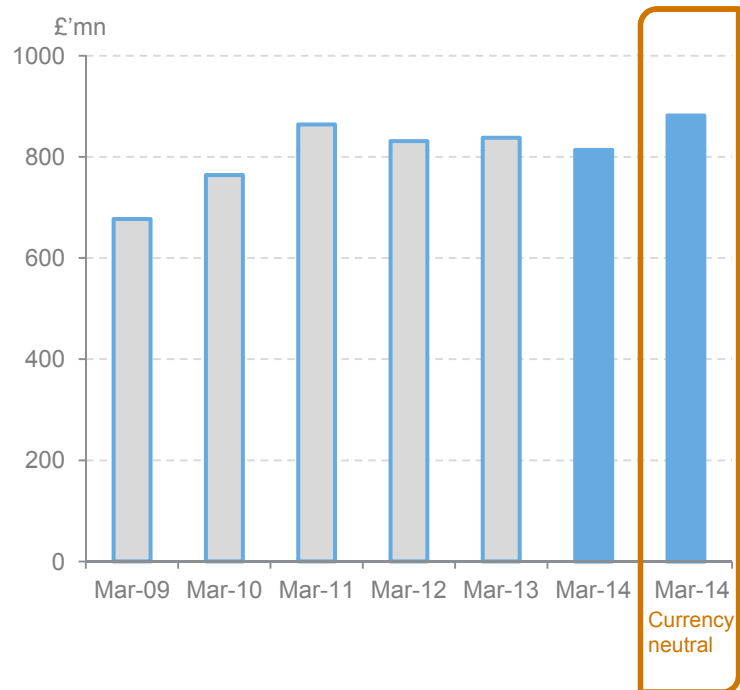
Investment and trading income



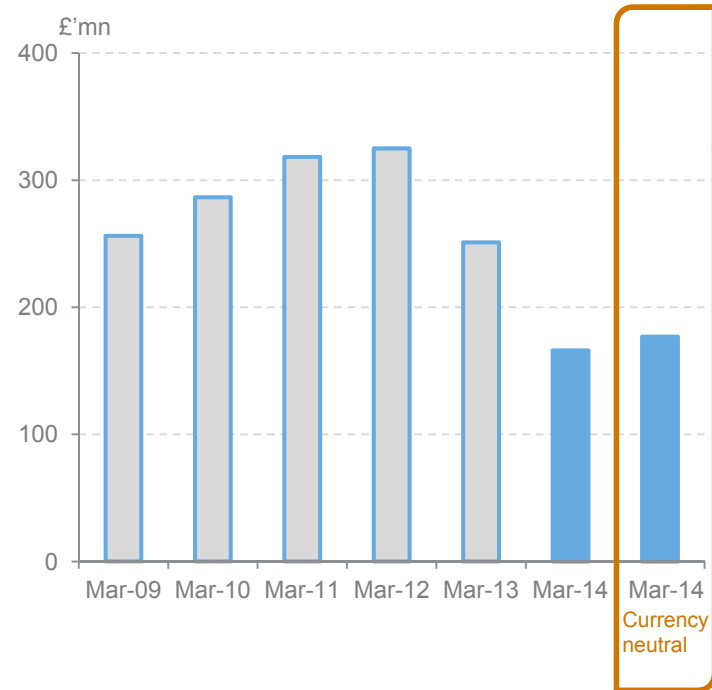


Specialist Banking – costs and impairments

Costs



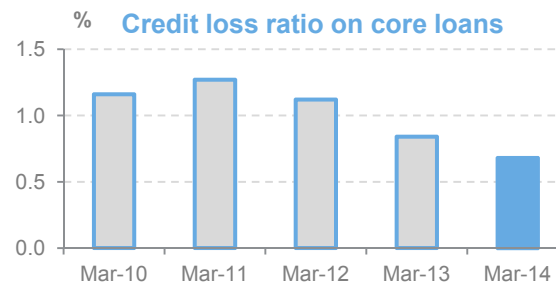
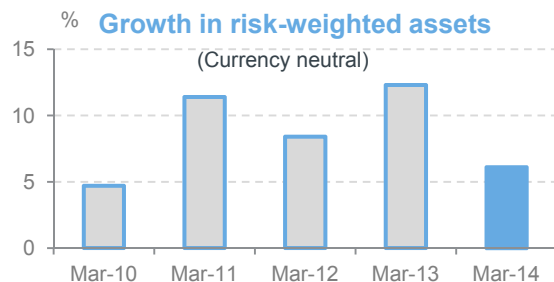
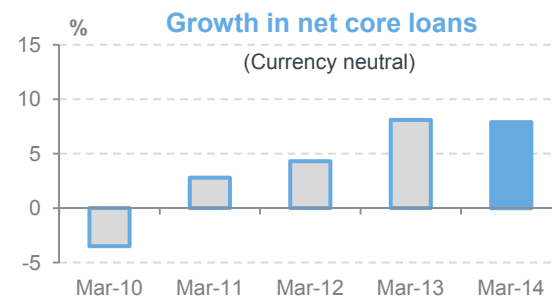
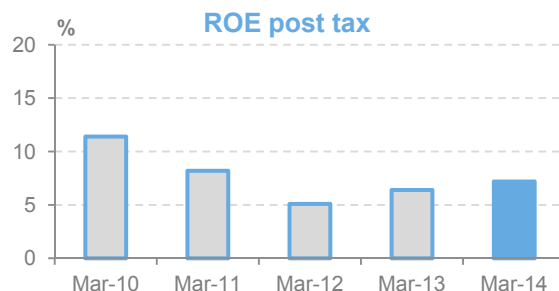
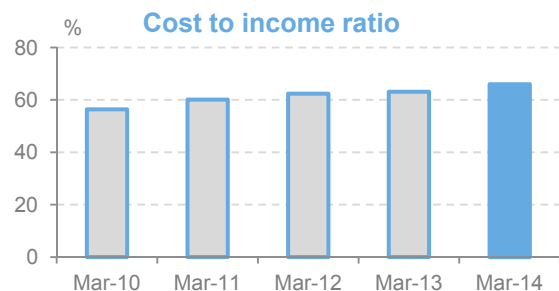
Impairments





Specialist Banking – key drivers

Key drivers



Recognition



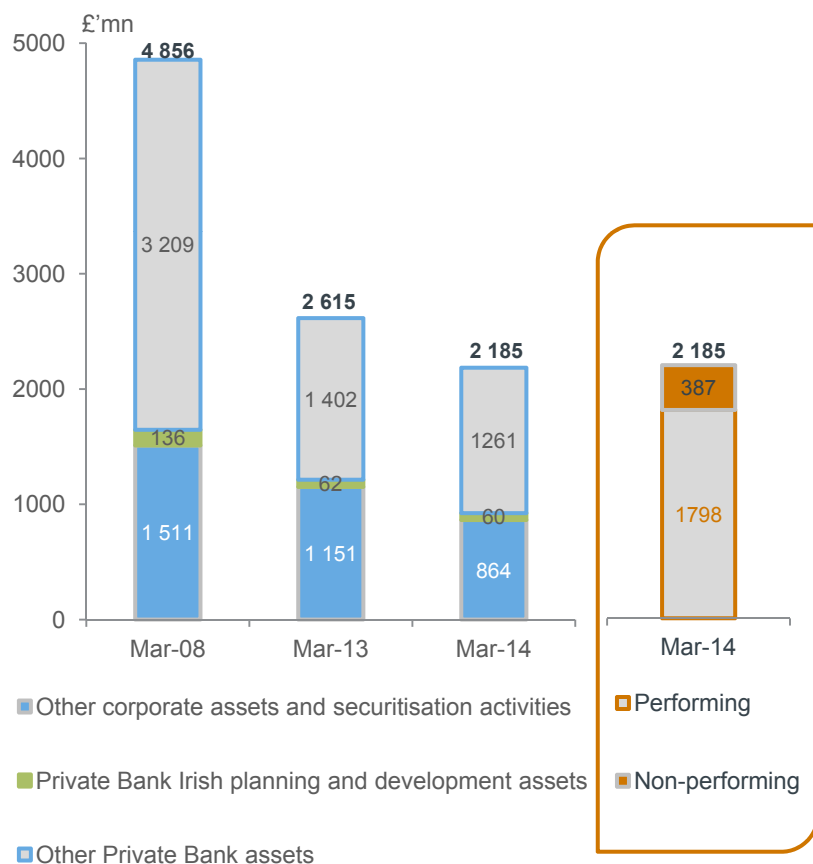
DealMakers
1st for sponsors by deal value
2nd for sponsors by deal flow
2nd in investment advisers



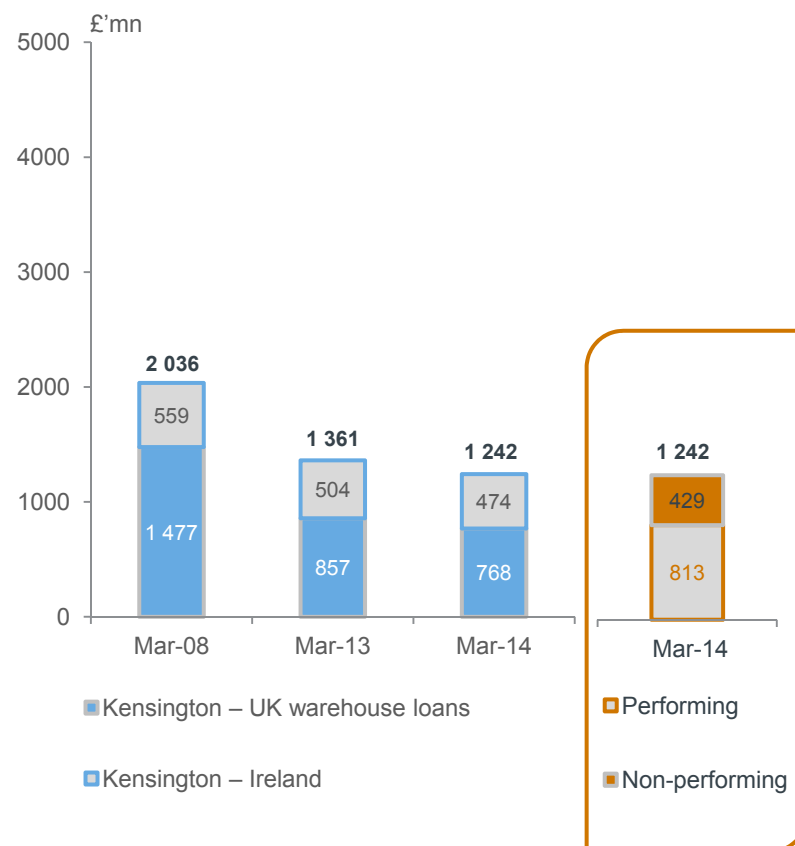
Specialist Banking

Dealing with the UK Legacy Business

Total net assets: Investec originated



Total net assets: Kensington originated





Specialist Banking

UK Legacy Business – Legacy vs Ongoing

31 Mar 2014

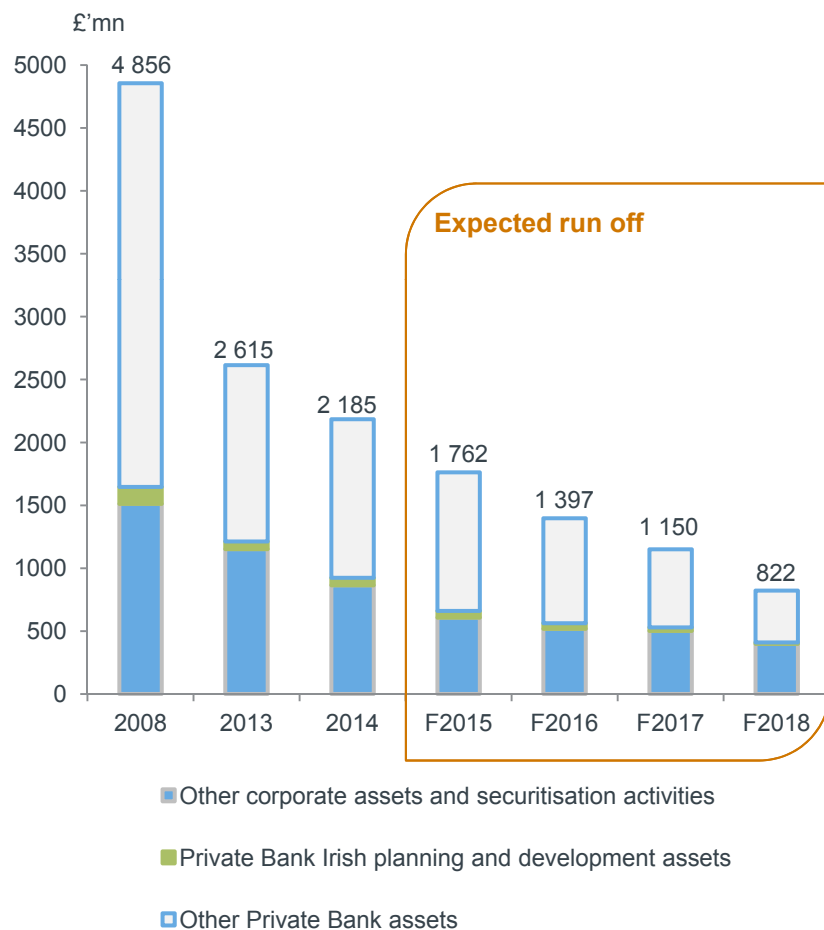
31 Mar 2014 £'mn	Ongoing	Legacy	Total
Total income	560.3	35.7	596.0
Total impairments	(11.2)	(93.6)	(104.8)
Total expenses	(389.0)	(44.3)	(433.3)
Depreciation on operating leased assets	(5.4)	(0.6)	(6.0)
Net profit before tax	154.7	(102.8)	51.9
Taxation (using total effective tax rate for UK at 18.8%)	(29.1)	19.3	(9.8)
Net profit after tax	125.6	(83.5)	42.1
Non-controlling interests	2.7	-	2.7
Attributable earnings before preference dividends	128.3	(83.5)	44.8
Average shareholders' equity (£'mn)	681	354	1 035
Post-tax return on equity (before preference dividends)	18.8%	(23.6%)	4.3%
Cost to income ratio	70.1%	126.2%	73.4%



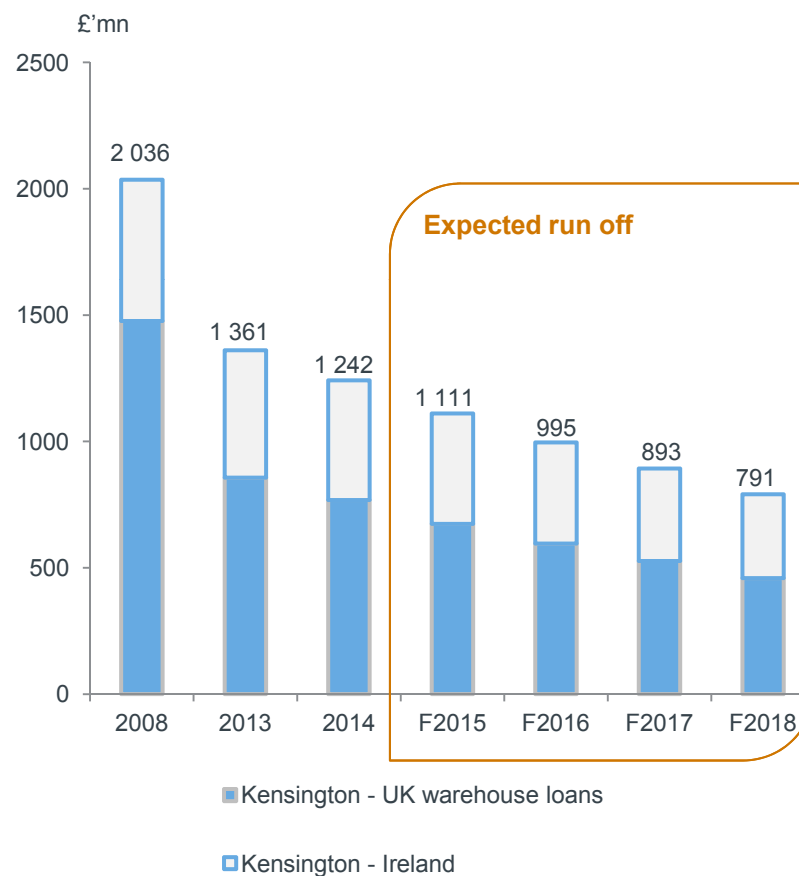
Specialist Banking

UK Legacy Business – Expected run off rate

Total net loans: Investec originated



Total net loans: Kensington originated



Out of the Ordinary®



Strategy and positioning





Reflecting on our strategic priorities from a year ago



The current strategic focus is to ...

- Maintain momentum in Asset Management ✓
- Internationalise the Wealth & Investment business ✓
- Simplify the Specialist Banking business model ✓
- Leverage extensive client base through greater utilisation of products and services across the group ✓
- Continue to attract new clients, extending the depth and breadth of the franchise ✓



Simplifying Specialist Banking

We have done a lot to simplify and de-clutter

UK

- Reduced or closed non-core businesses
- Sold the Trust businesses
- Sold Lease Direct Finance
- Integrated Investment Banking and Securities into ICIB
- Commenced process for sale of Kensington business

Australia

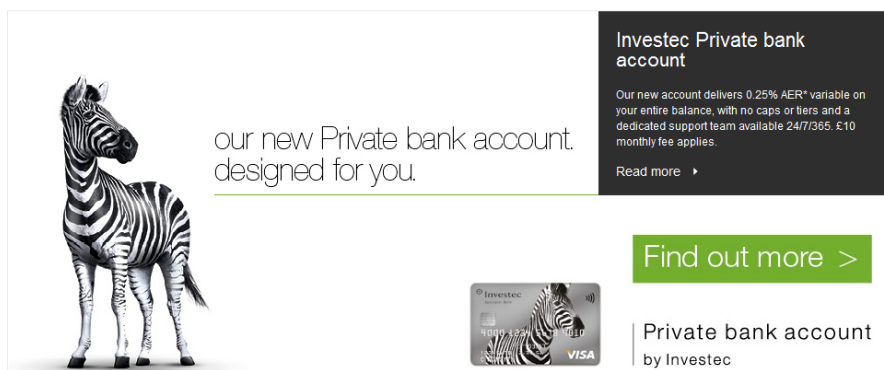
- Sale of the Professional Finance and Asset Finance and Leasing businesses (subject to regulatory approval)
 - “Investec Australia Limited” will operate as a non-bank financial services company with no deposit taking and will no longer be supervised by APRA
 - It will have a simplified cost base and two focus areas:
 - Corporate services (providing advice, capital and hedging to clients) and
 - Funds management (principally Property and Aviation)
-



Driving future performance in Specialist Banking

Growing the UK Private Banking capability

- Developed a transactional capability:
 - Private Bank Account launched Feb-2014 focused on professionals earning £50k plus and SA clients
 - Voyage Account launched focused on HNW and HNI



our new Private bank account.
designed for you.

Investec Private bank account

Our new account delivers 0.25% AER* variable on your entire balance, with no caps or tiers and a dedicated support team available 24/7/365. £10 monthly fee applies.

[Read more >](#)

[Find out more >](#)

Private bank account
by Investec



an extraordinary private bank account

- ✓ 1.51% AER* variable interest rate – no caps or tiers
- ✓ Bank of England base rate +6.5% variable arranged overdraft rate – no arrangement, usage or renewal fees
- ✓ Lifestyle management and concierge service – international and commission-free
- ✓ Comprehensive global travel insurance – for you and yours (subject to eligibility)
- ✓ Unlimited access to over 600 airport lounges worldwide
- ✓ Exclusively available to individuals with an annual income of £150,000 or more

Representative example (based on an arranged overdraft limit of £5,000): 5.95% EAR (variable)

[Apply now >](#)

- Continue to grow Specialised Lending to HNW clients and niche business in Property Lending
- Leverage the strong link with Wealth & Investment



Driving future performance in Specialist Banking

Growing the franchise businesses in UK CIB

For example:

Small ticket asset finance

- Portfolio has grown from about £20mn in 2006 to some £665mn in 2014
- 56,075 clients compared to 7,600 in 2007



Treasury Products and SED

- Total FX Active Clients have grown from 0 in 2008 to 1,362 in Mar-2014
- Total FX volume has grown from 0 in 2008 to £10.6bn in Mar-2014

Aviation Finance

- Active existing relationship with 30 airline clients globally
- Over 150 collaborative and strategic airline relationships
- Number of funds established – most recent in Jan-2014



African and Middle Eastern Business Jet
Financier 2012, 2013, 2014

Infrastructure Finance

- Recognised as top player in Europe
- Voted number two bank in America's advisory mandates to bidders in competition (PFI, Feb-2014)





Driving future performance in Specialist Banking

By growing the business organically

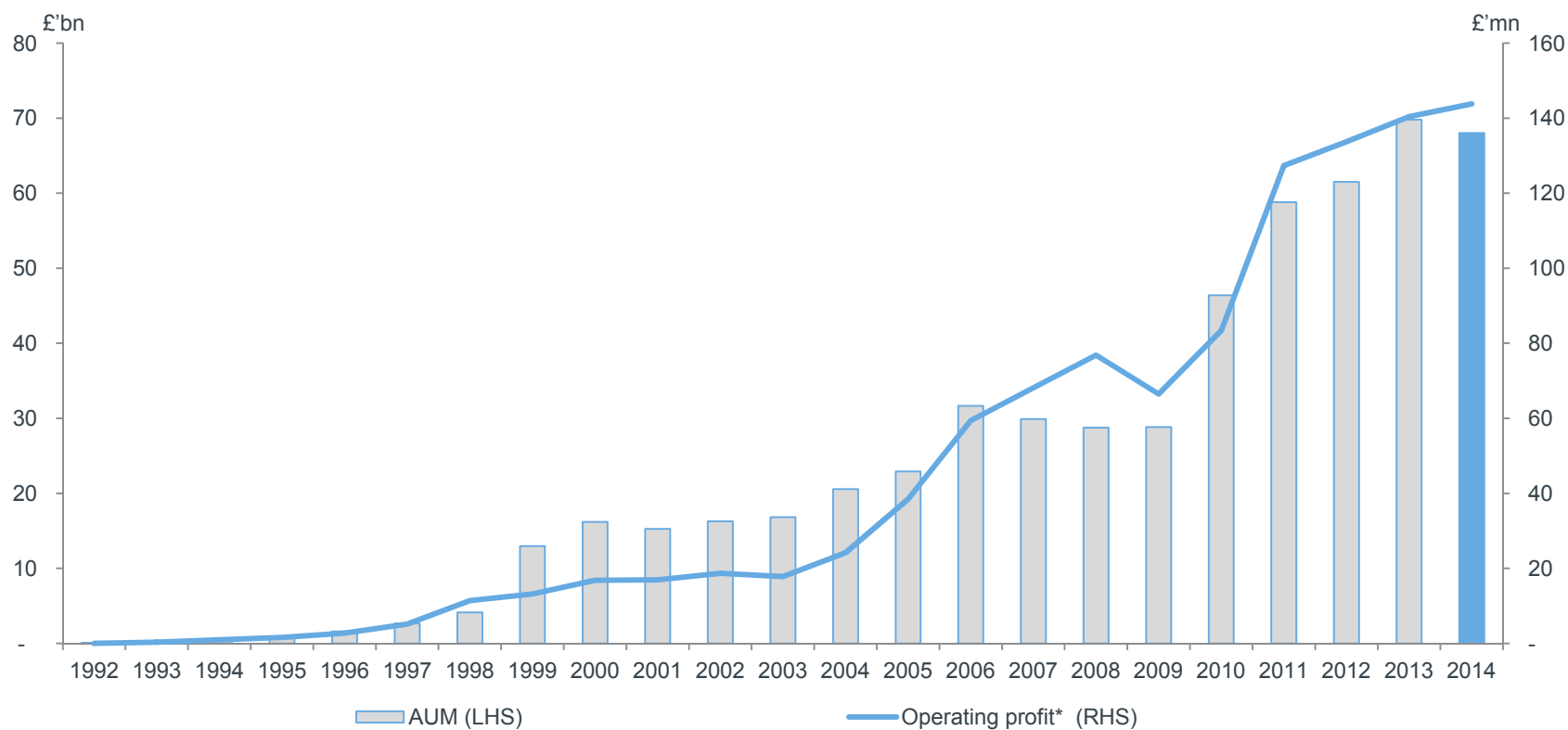
- The **SA Specialist Banking businesses** will continue to build the franchise in core client segments
 - Focusing on cross-selling across different client bases
 - Continuing to provide services between Private Bank and Wealth & Investment
 - More focused approach to servicing the corporate market
 - Continuing to roll out our Africa strategy
- The future performance of the Specialist Banking business will not only be driven by managing down the legacy portfolios but more importantly through **growing the business organically together** with **efficiency** and **balance sheet optimisation**



Driving future performance in Asset Management

By continuing to build organically

- Market cycles and price movements can affect this business in the short-term
- We are continually investing and building for the next phase of growth in line with a clear long-term strategy
- Our stable and experienced management team remain focused on investment performance for a growing client base



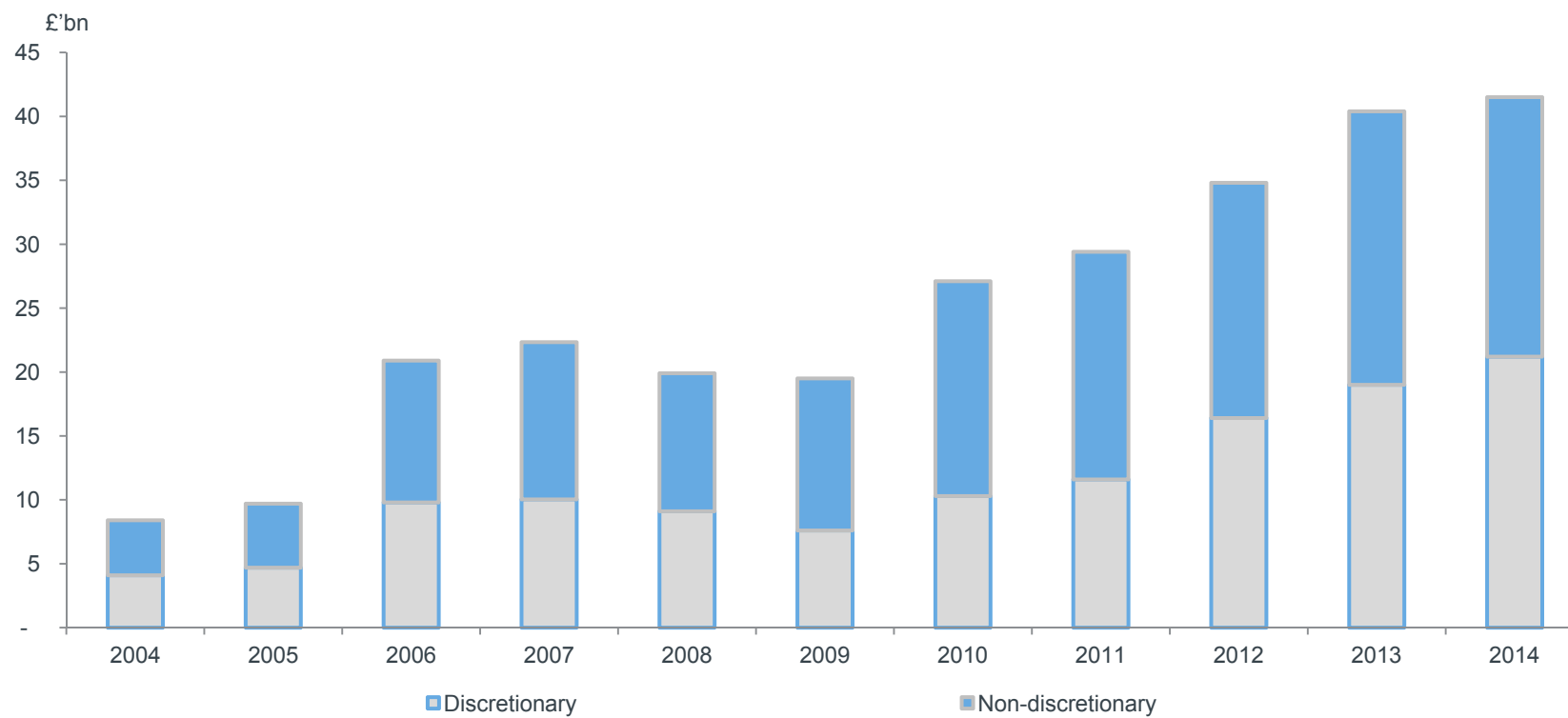
*Before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests



Driving future performance in Wealth & Investment

By continuing to build critical mass in future growth areas

- Servicing our clients is fundamental to this business
- Developing our offshore offering and Private Office service to higher net worth clients
- Continue to leverage the group's private client platform and the group's global investment platform

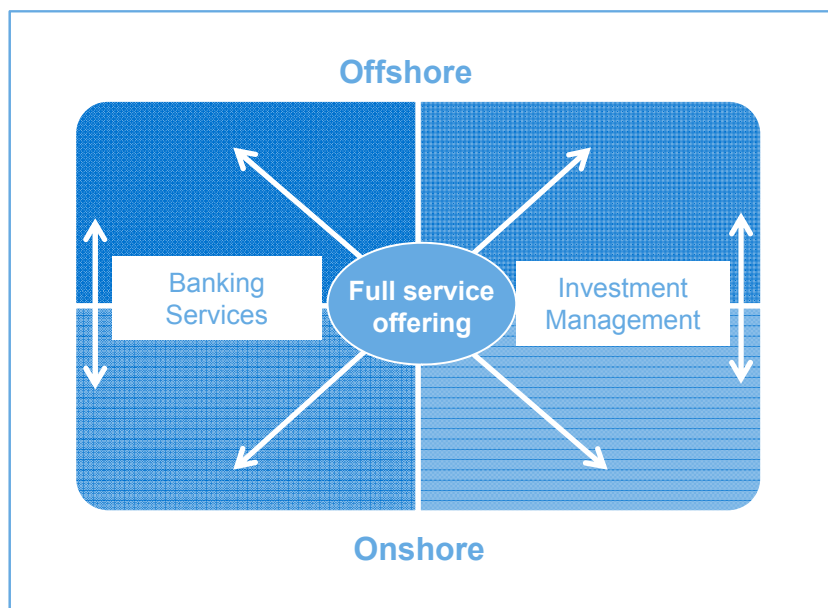




Integrated solution for our private clients

Through a strong digital platform

- Providing a full service offering aimed at maximising the creation and preservation of our clients' wealth by:
 - Integrating our Private Banking and Wealth & Investment offerings to ensure clients have a consistent and seamless Investec experience
 - Client centric as opposed to product centric
 - Streamlined account maintenance process
- Enables us to cross sell (between Private Bank and Wealth & Investment), acquire new clients and retain existing clients



Out of the Ordinary®



Closing





We continue to maintain a balanced business model

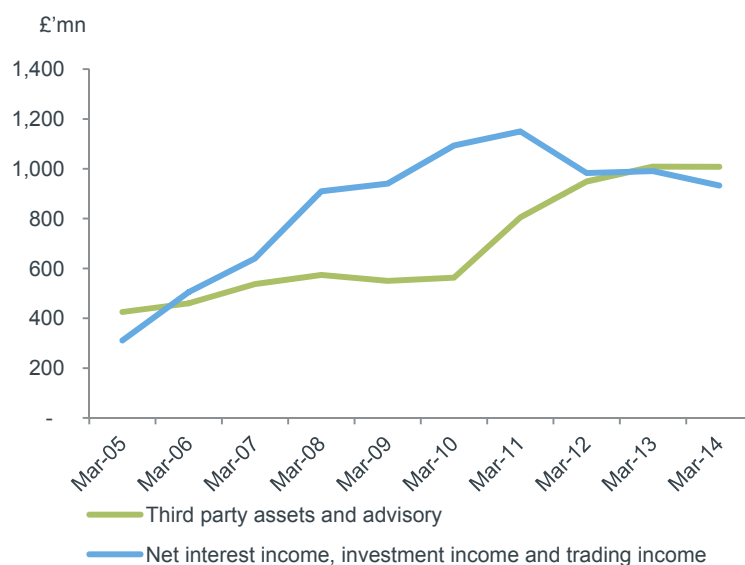
BUSINESS MODEL

Third party assets and advisory
£1 008mn

Net annuity fees and commissions of £720mn
(37% of total)

Other fees and other income of £288mn
(15% of total)

Capital Light 52%
(2008: 40%)



Net interest, investment and trading income
£933mn

Net interest income of £652mn
(34% of total)

Investment income of £166mn
(8% of total)

Trading income of £115mn
(6% of total)

48% Capital intensive
(2008: 60%)



Building a CLIENT franchise business

CLIENT FRANCHISE BUSINESSES

- Private Banking
- Corporate Banking and Advisory
- Wealth & Investment
- Asset Management



SPECIALIST ACTIVITIES

- Aircraft Finance
- Asset Finance
- Project Finance
- Resource Finance
- Private Equity
- Property

- Supporting our entrepreneurial endeavours and providing appropriate **RETURNS** to shareholders

By building very **STRONG RELATIONSHIPS** with our core client base so we can offer them a broad spectrum of services and products



In summary ...

- We are building Investec into a **high quality client driven** organisation that is **relevant** in its core markets
- We have navigated very troubled waters that have reminded us about **who we are** and **what we stand for**
- Our focus over the next year will be to **execute our key strategic initiatives** so that Investec going forward will be recognised as an **agile innovative service driven** organisation providing
 - Great products and services to our clients
 - Above average returns to our shareholders, and
 - Significant contributor to the growth and development of our people, our communities and broader society



Outlook

- **Economic conditions** in the developed world have continued to improve
 - The **UK** economy has gained momentum which is evident in the increased activity levels experienced by our businesses
- The **South African economy** is going through a period of weakness.
 - However, we are still seeing encouraging levels of activity across our client base
- The **significant restructuring** effort that has taken place over the past year, together with the **strategic initiatives** currently underway should enable us to benefit from the upturn in global economic conditions and generate appropriate returns for our shareholders