



2016



**RESULTS PRESENTATION**  
For the year to 31 March 2016

Specialist Banking

Asset Management

Wealth & Investment

## Highlights for the year

### Enhanced our client offering

- We deepened our core franchise and grew the client base

### Decent levels of activity

- We experienced strong loan and deposit growth across our specialisations

### Solid net inflows

- There were strong net inflows into the Asset Management and Wealth & Investment businesses

### Positioned for future success

- Internally, we made progress on a number of fronts to position the group for future success

## As a result ...

### Statutory operating profit showed steady growth

#### Snapshot of statutory results

	Mar-16	Mar-15	% change	% change on neutral currency basis
Operating profit* (£'mn)	505.6	493.2	2.5%	13.5%
Adjusted earning per share^ (pence)	41.3	39.4	4.8%	15.7%
Total dividend per share (pence)	21.0	20.0	5.0%	na

- Statutory results showed **steady growth**, despite average Rand depreciation of 16.3%
- 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

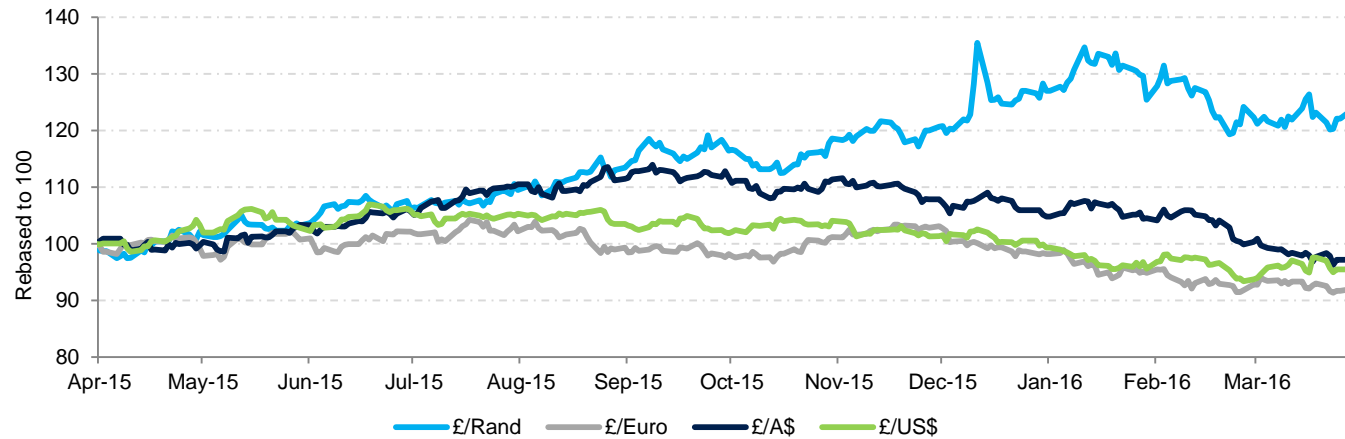
\*Before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests

^Before goodwill, acquired intangibles and non-operating items

# Difficult operating environment

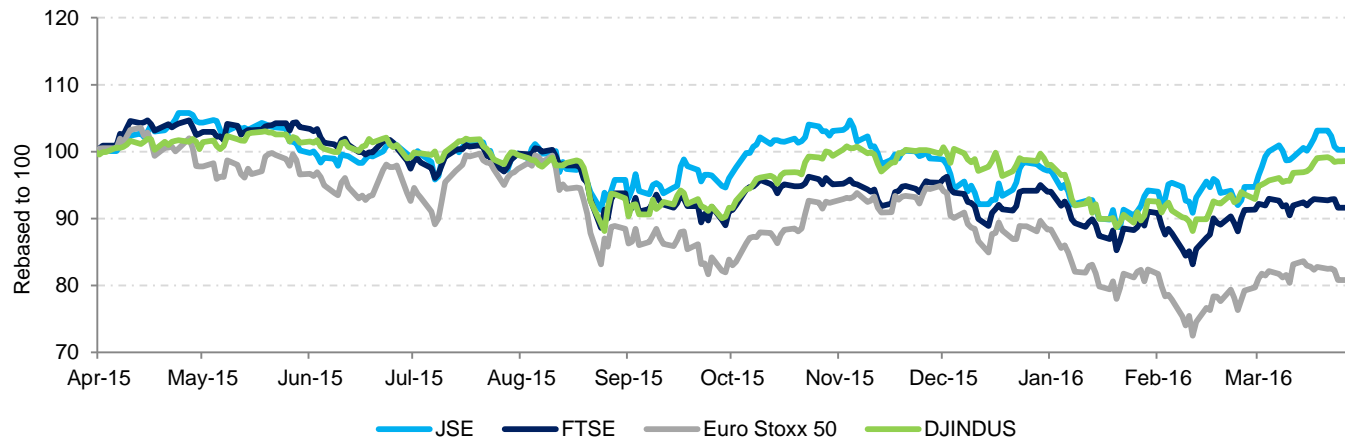
Results impacted by macro uncertainty and volatility

## Exchange rates



	Closing rate % change		Average rate % change	
	Since Mar-15	Since Sep-15	Since Mar-15	Since Sep-15
£ / Euro	-7.9%	-7.1%	7.1%	-3.5%
£ / A\$	-2.6%	-13.4%	11.0%	-0.2%
£ / ZAR	17.6%	0.9%	16.3%	7.2%
£ / US\$	-3.2%	-4.9%	-6.5%	-4.3%

## Equity markets

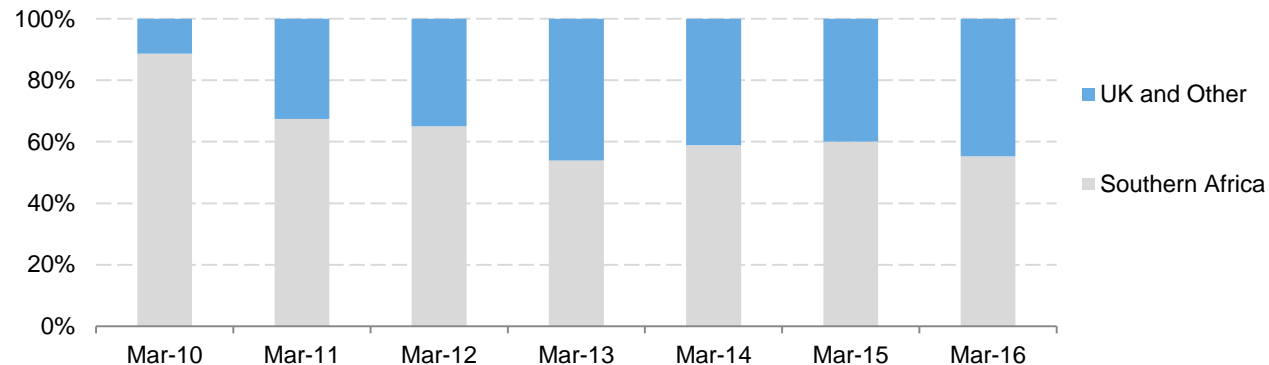


	Closing rate % change	
	Since Mar-15	Since Sep-15
Euro	-18.7%	-3.1%
JSE	0.6%	4.3%
DJIND	-0.3%	8.6%
FTSE	-7.0%	1.8%

# Diversified business model

## Geographic diversity

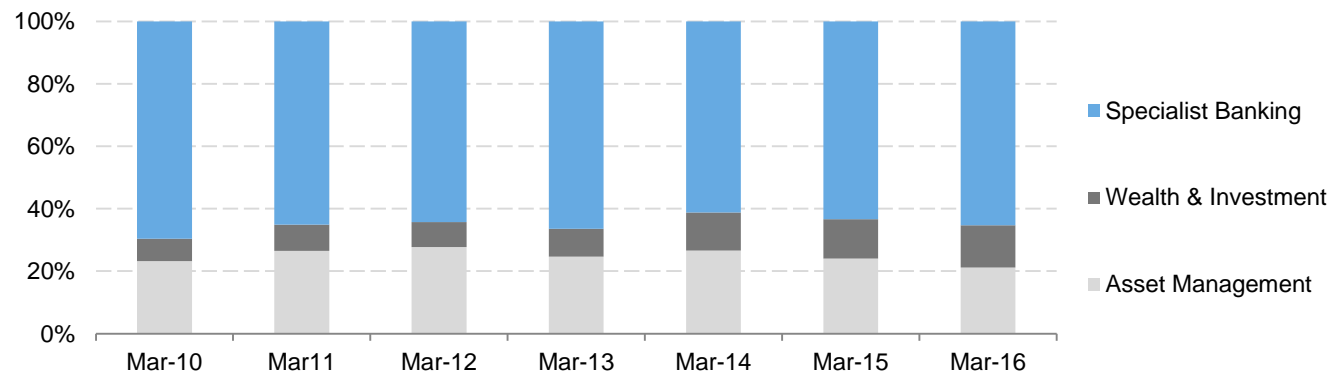
Operating profit\* % contribution to group by geography



- Increased contribution from UK and Other businesses
  - Combined UK and Other business up 12.8% in Pounds
  - Combined SA business up 8.0% in Rands despite difficult operating environment

## Business diversity

Operating profit\* % contribution to group by business

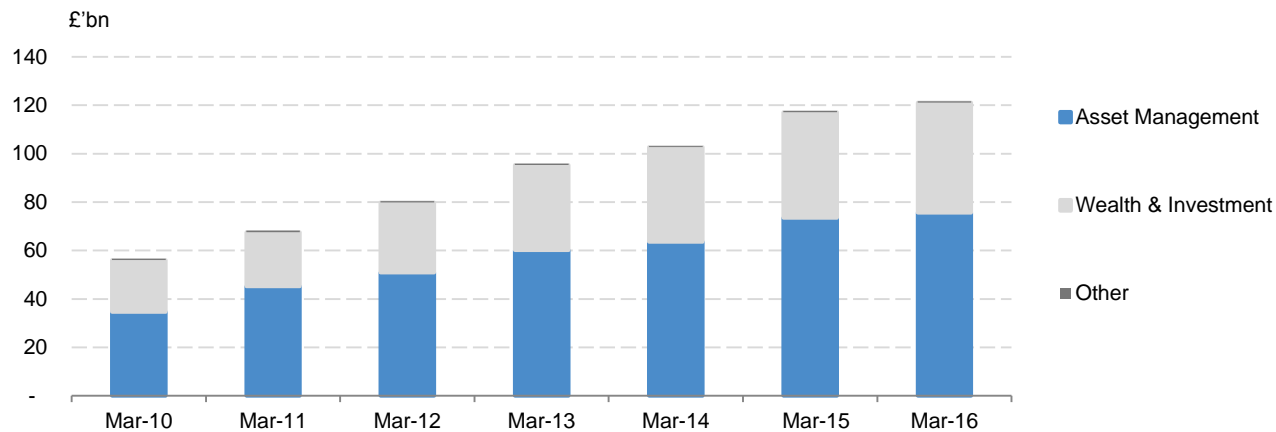


- Consistent contribution from all businesses
  - The asset and wealth management businesses contributed 35.0% to the group's results

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

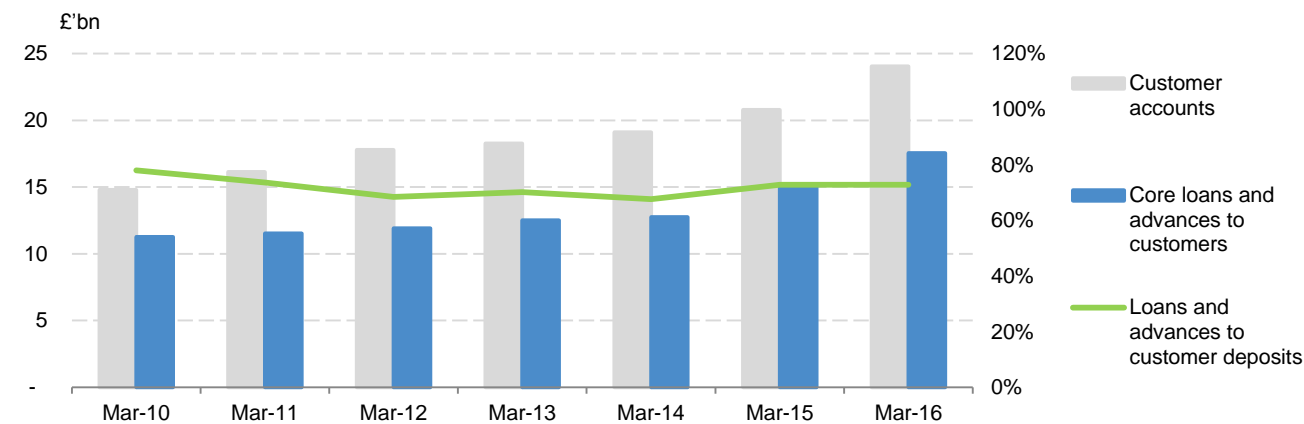
# Continued growth in key earnings drivers

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



- Third party assets under management of £121.7bn:
  - Up 3.8% on a currency neutral basis

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

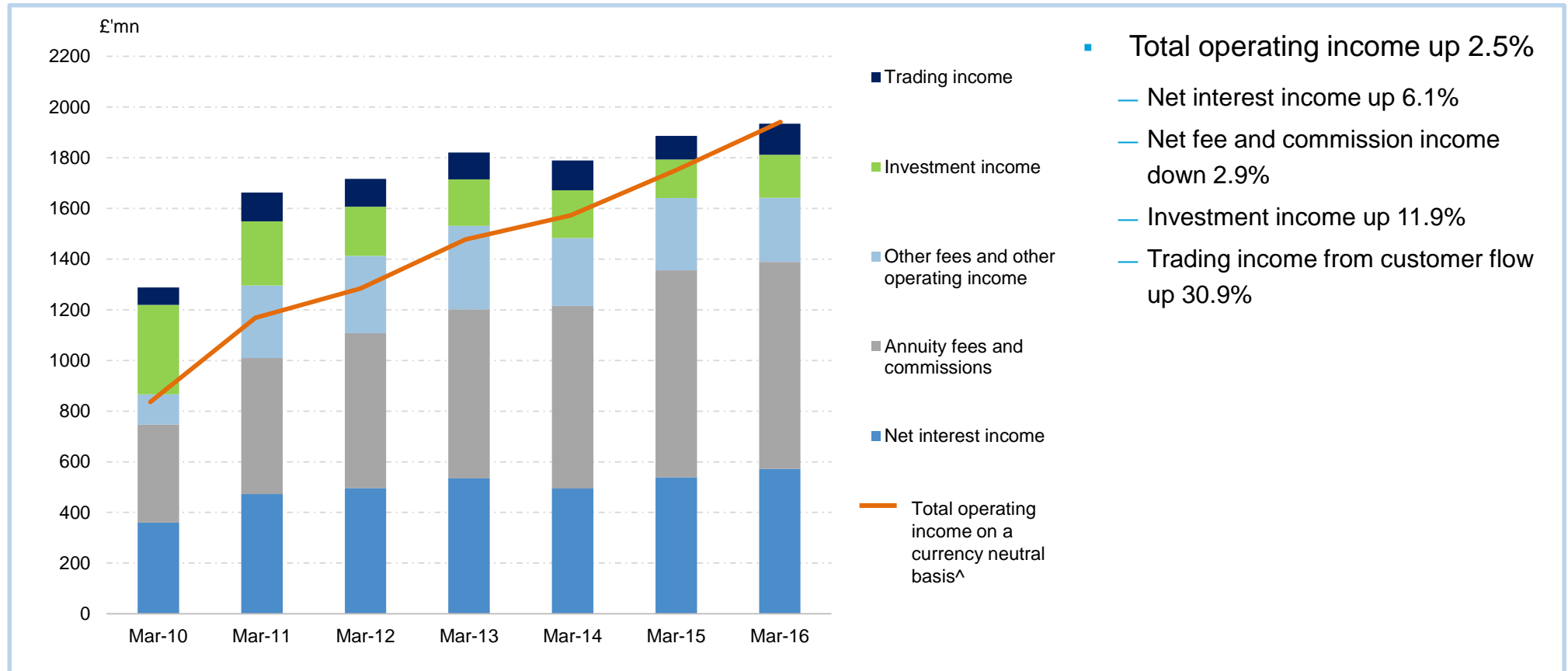


- Customer accounts of £24.0bn:
  - Up 16.6% on a currency neutral basis
- Core loans and advances of £17.5bn:
  - Up 17.3% on a currency neutral basis

<sup>^</sup>The trend in this graph is done on a currency neutral basis using the Rand:Pound exchange rate applicable at 31 March 2016

# Supporting growth in operating income

## Total operating income

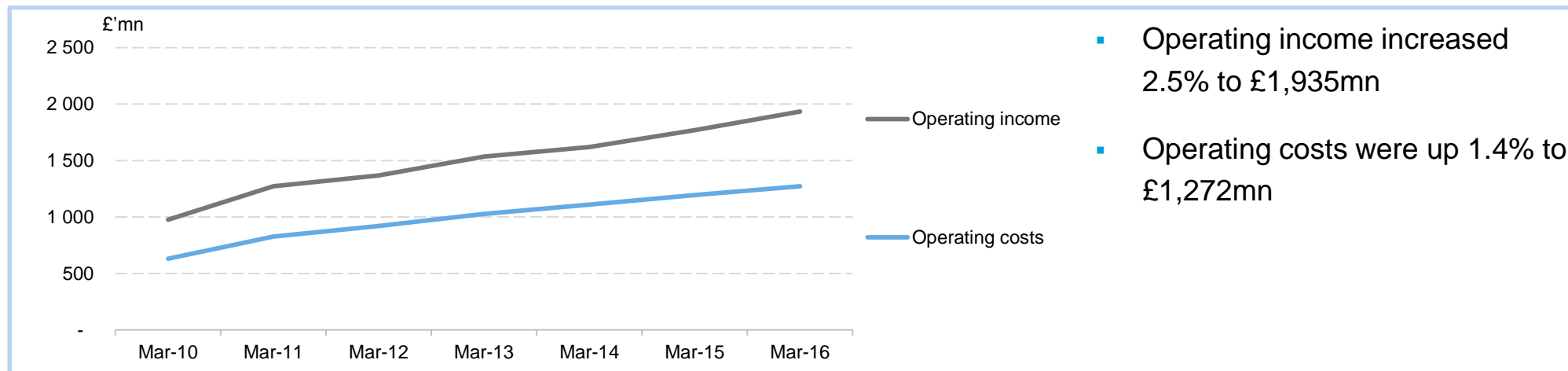


^The trend for this line is done on a currency neutral basis using the Rand:Pound exchange rate applicable at 31 March 2016

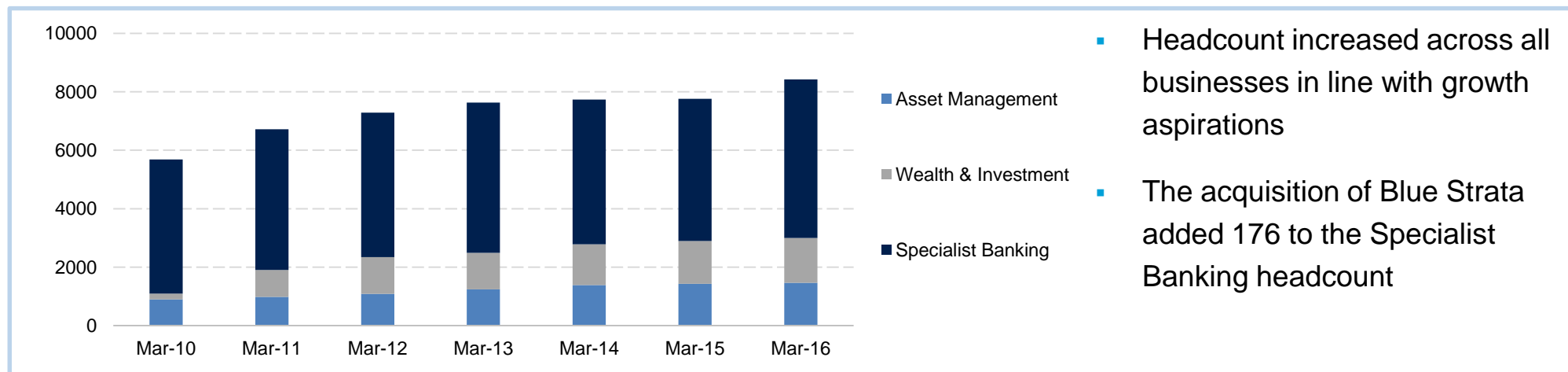
# Fixed costs marginally up

Cost to income down to 65.8% from 66.5% last year

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



## Total permanent employees

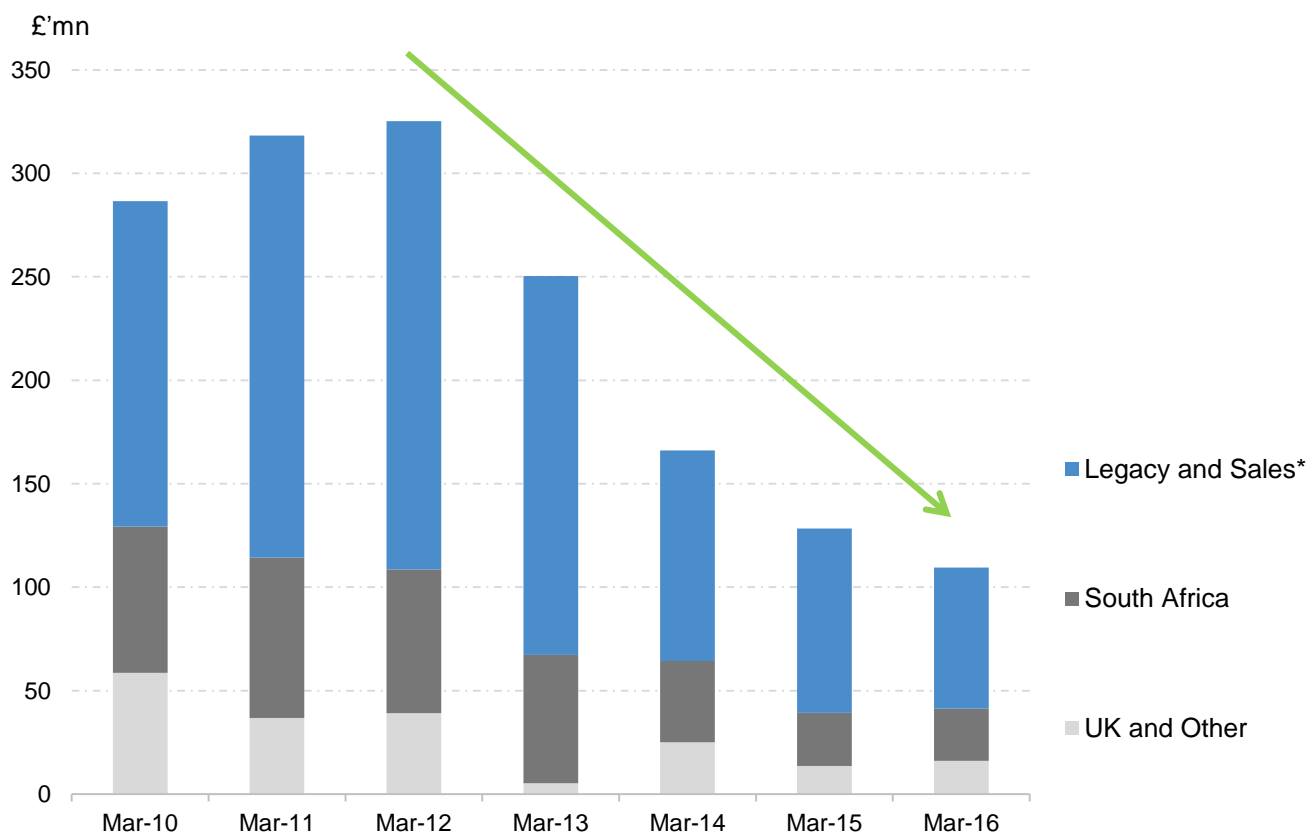


<sup>^</sup>The trend in this graph is done on a currency neutral basis using the Rand:Pound exchange rate applicable at 31 March 2016



# Total impairments continued to decline

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



- Total impairments on loans and advances decreased to £109.5mn (2015: £128.4mn)

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

## Resulting in a solid group performance

POUND EARNINGS	Mar-16	Mar-15	% change	% change currency neutral basis
Operating profit* before tax (£'mn)	583.9	580.7	0.6%	9.9%
Attributable earnings**^ (£'mn)	423.1	409.9	3.2%	12.4%
Adjusted EPS**^ (pence)	48.6	47.5	2.3%	11.4%
Total shareholders' equity (£'mn)	3 859	4 040	(4.5%)	4.4%
Customer accounts (deposits) (£'bn)	24.0	22.6	6.3%	16.6%
Net core loans and advances to customers (£'bn)	17.5	16.5	6.3%	17.3%

RAND EARNINGS	Mar-16	Mar-15	% change
Operating profit* before tax (R'mn)	12 114	10 374	16.8%
Adjusted attributable earnings**^ (R'mn)	8 773	7 325	19.8%
Adjusted EPS**^ (cents)	1 008	849	18.7%

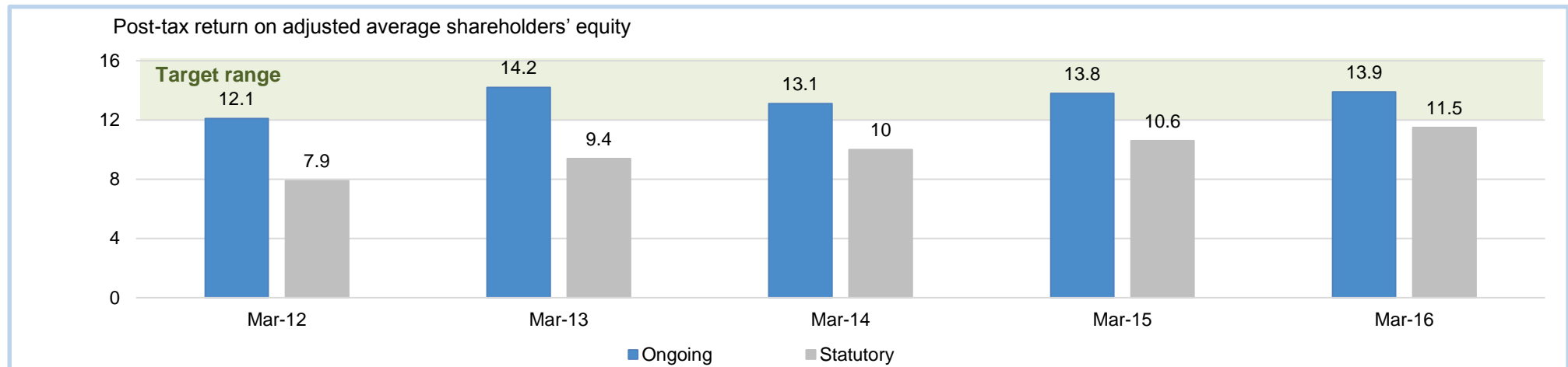
\*Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests; \*\*Before goodwill, acquired intangibles, non-operating items and after non-controlling interests; ^ After deducting preference dividends; ^^Amounts represented on a currency neutral basis assume 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 2016 when compared to 31 March 2015

# Progress made on our financial targets

## Summary of financial targets

	Target	Ongoing		Statutory	
		Mar-16	Mar-15	Mar-16	Mar-15
ROE (post tax)	12%-16% over a rolling 5-yr period	13.9%	13.8%	11.5%	10.6%
Adjusted* EPS growth	Target: 10% > UKPRI	2.3%	10.2%	4.8%	4.0%
Cost to income	Target: < 65%	65.8%	66.5%	66.4%	67.6%
Dividend cover (times)	Target: 1.7 – 3.5 times	na	na	2.0x	2.0x

## Returns steadily improving

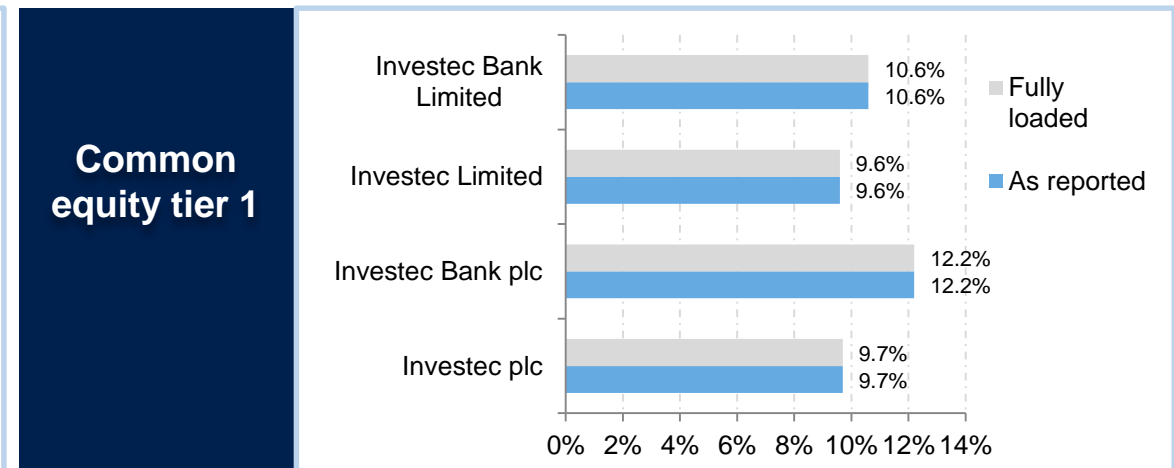
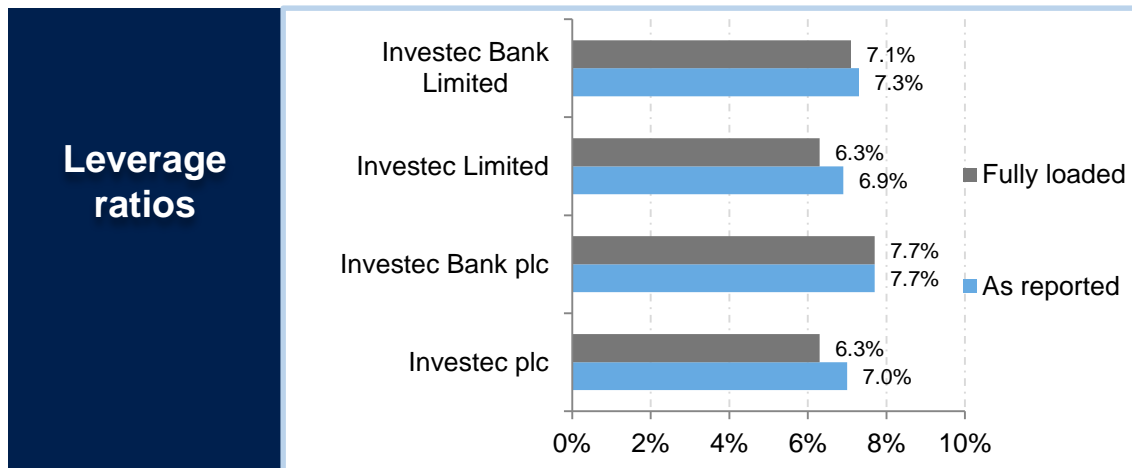
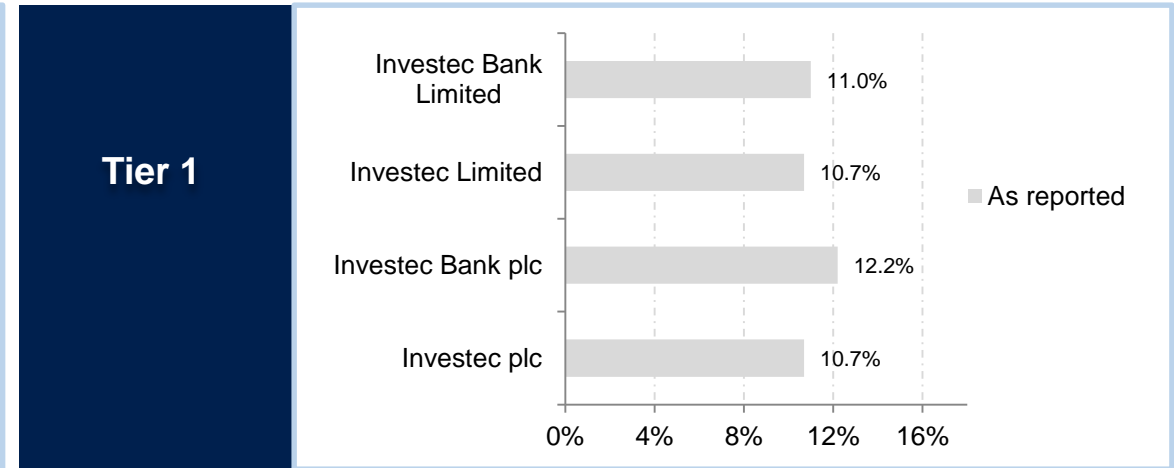
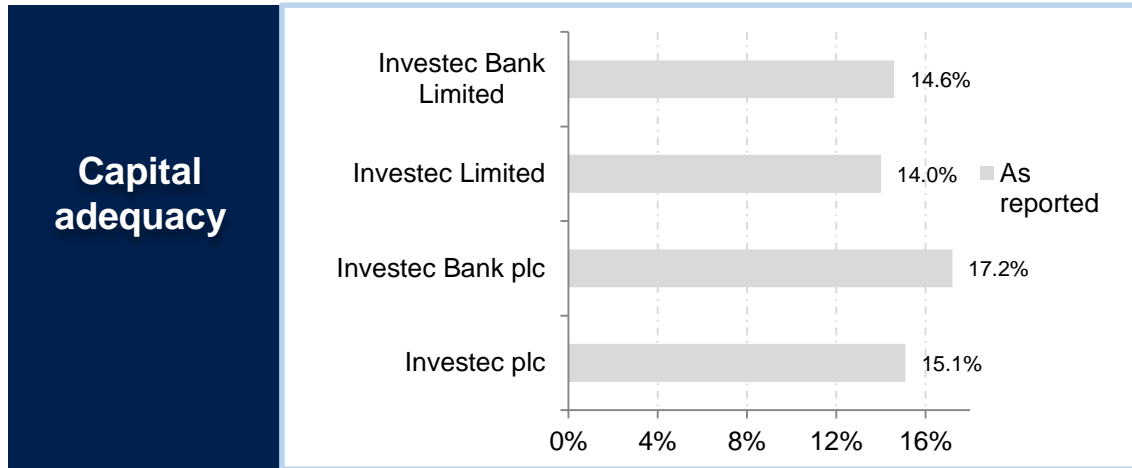


Note: These are medium to long-term targets which we aim to achieve through varying market conditions

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

# Stable capital position

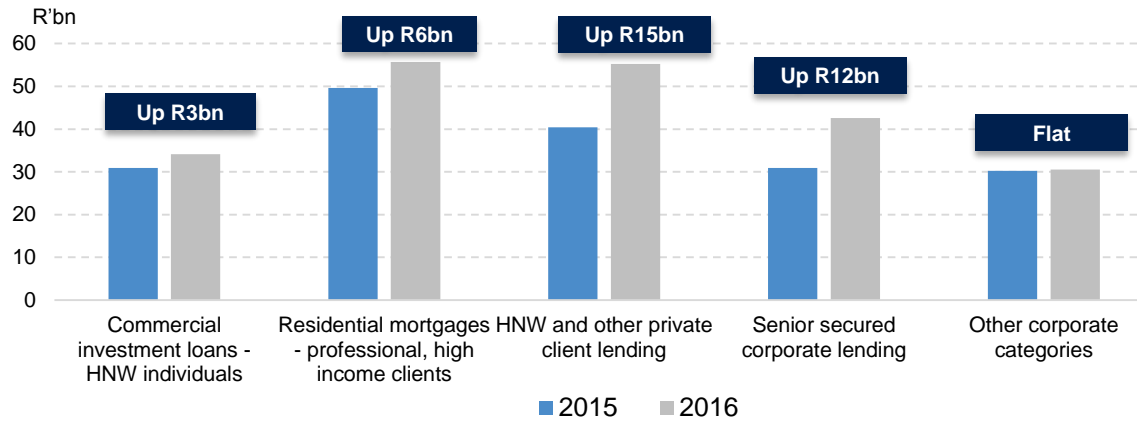
As at 31 March 2016



Note: Please refer to the 2016 Analyst Book for detailed definitions and explanations

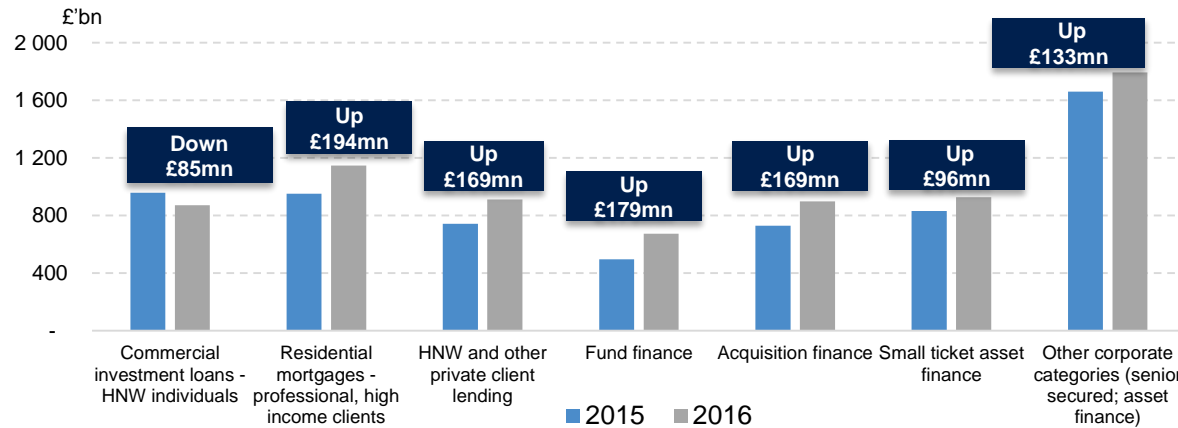
# Capital impacted by strong growth in credit risk-weighted assets

## Southern Africa



- Core loans up 19.7% (R36bn) to R218bn
- Sound risk metrics:
  - Credit loss ratio: 0.26%
  - Net defaults (before collateral) as a % of book: 1.05%
- Private Client lending comprises 67% of the book
- The Corporate Client book is well diversified across sectors
- Mining and Resources – 2% of total book (R3.6bn)
- Agriculture – 1% of total book (R2.3bn)

## UK and Other



- Core loans up 13.5% (£855mn) to £7.2bn
- Sound risk metrics:
  - Credit loss ratio: 0.26%
  - Net defaults (before collateral) as a % of book: 0.39%
- Private Client lending comprises 45% of the book
- The Corporate Client book is well diversified across sectors
- Mining and Resources - 2% of total book (£140mn)

# Business review

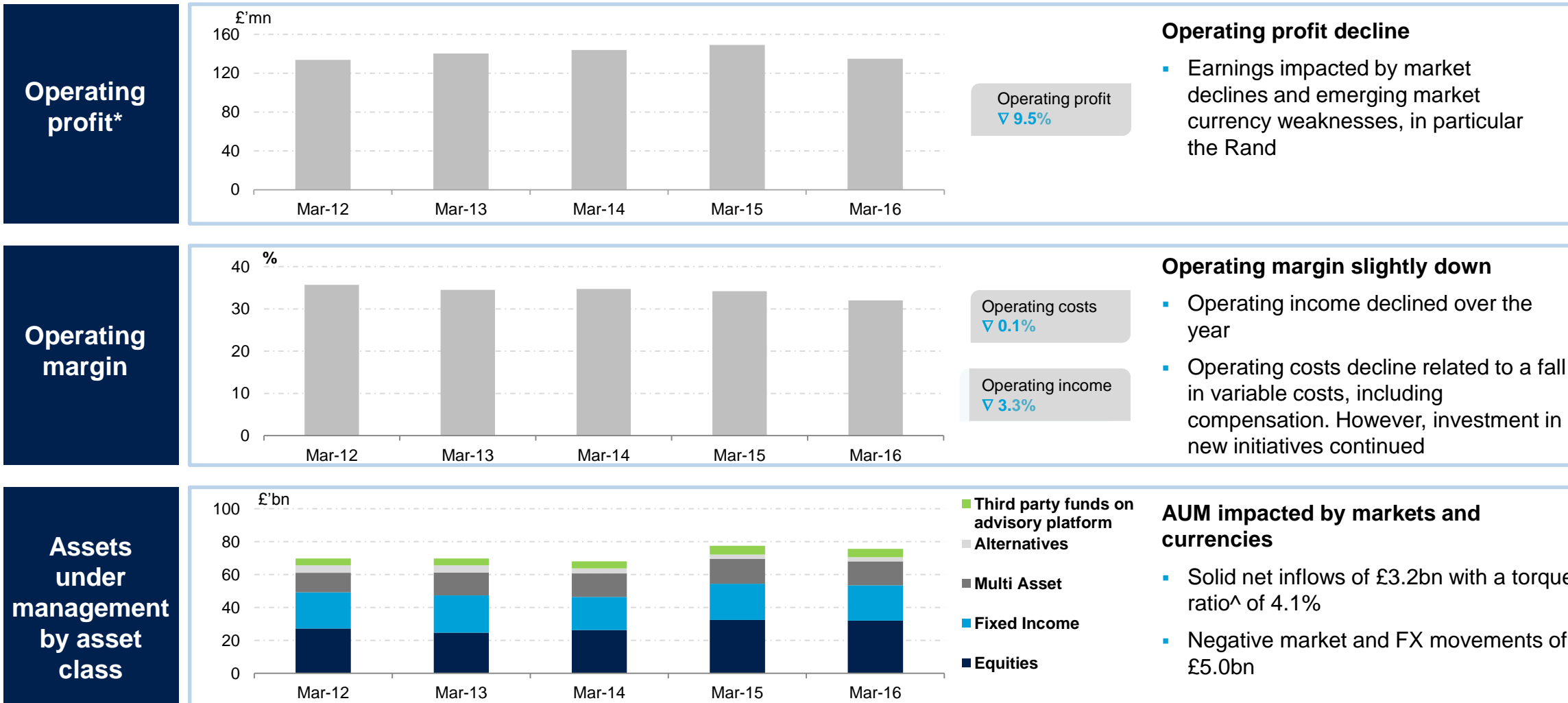


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 **Investec**

# Asset Management - overview

After 25 successful years, momentum remains positive



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

<sup>^</sup>Torque ratio defined as 12 month net flows divided by opening assets under management

# Asset Management – strategic review

Focus on clients, people and long-term growth

## Strategic priorities

- Clients will always come first
- Scale Multi Asset and Global Equities
- Go on the front foot in South Africa and capture the significant opportunities in the Americas, Europe and Asia Pacific regions
- In addition to our current Institutional success, grow in the Advisor channel
- Continue to nurture a limited number of long-term growth initiatives
- Invest in, motivate and lead our people

## Independent recognition

*Professional Pensions  
Investment Awards:  
Emerging Markets Debt  
Manager of the Year  
2015*

PRIVATE EQUITY | AFRICA  
GP & Advisor  
Awards 2015  
★★★  
WINNER



Raging Bull Awards 2016  
  
of honouring South Africa's top  
unit trust funds and managers

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



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

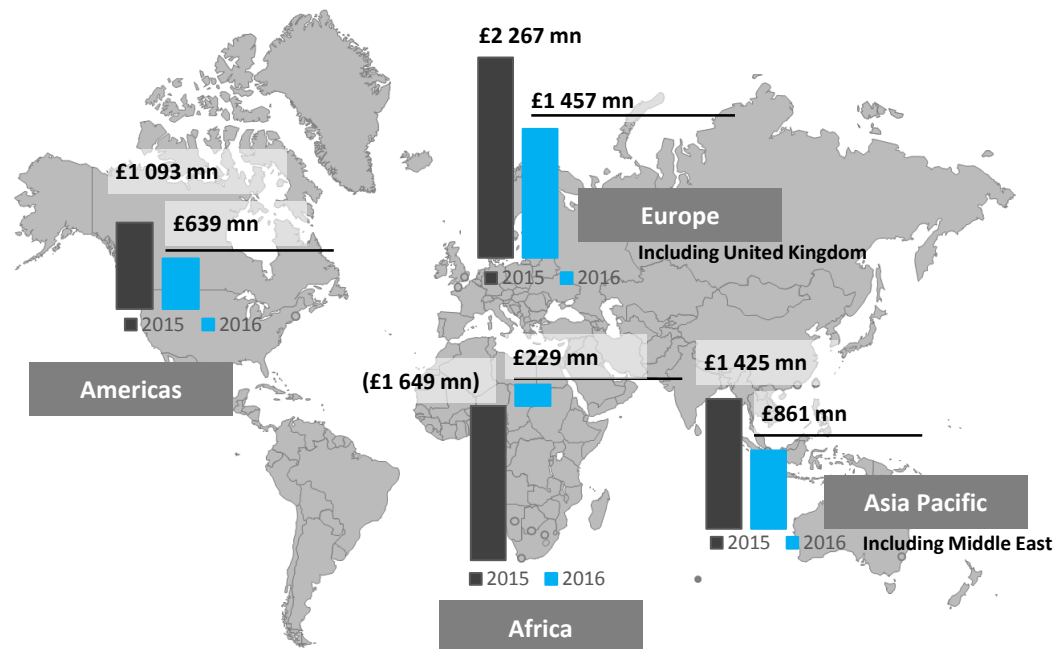


# Asset Management – outlook and opportunities

## AUM Exposure by Asset Exposure\*



## Net Flows in FY2016



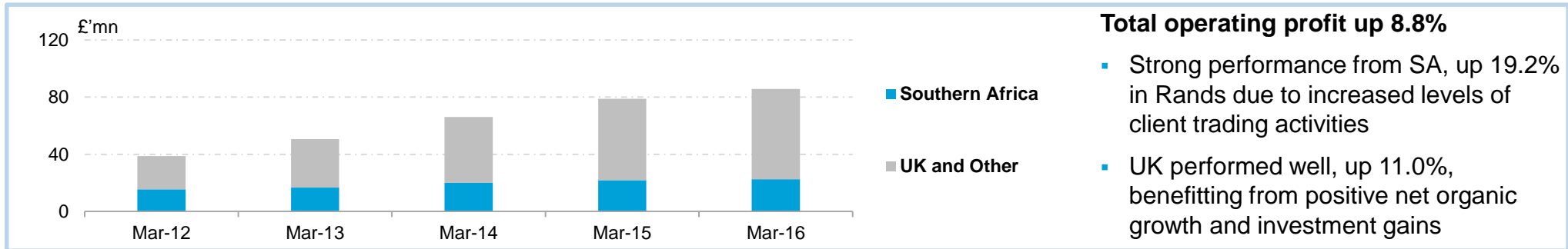
- Positive momentum but strategically exposed to emerging markets
- Cautious on the outlook for financial asset prices
- Increased regulatory initiatives globally, requiring attention and investment
- Clear strategic priorities to capture and manage growth (see previous page)
- After 25 successful years, we have confidence in sustaining the long-term future of the business

\*AUM exposure as at 31 March 2016, South Africa is included within Emerging Markets on an asset exposure basis

# Wealth & Investment - overview

Solid overall performance

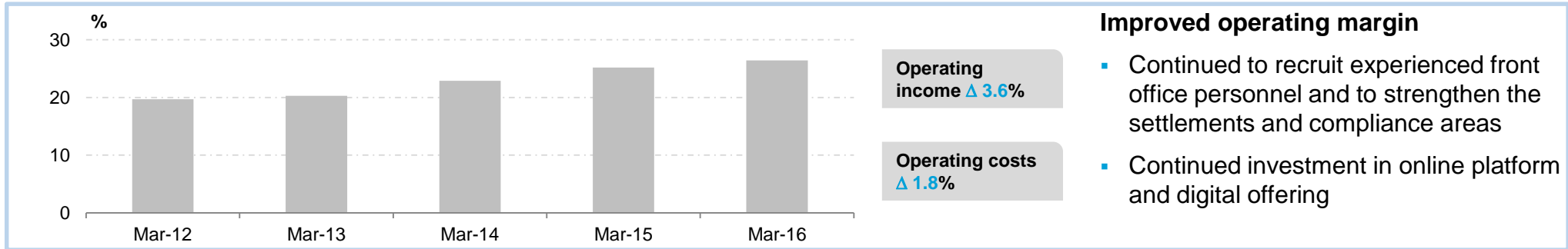
## Operating profit\*



### Total operating profit up 8.8%

- Strong performance from SA, up 19.2% in Rands due to increased levels of client trading activities
- UK performed well, up 11.0%, benefiting from positive net organic growth and investment gains

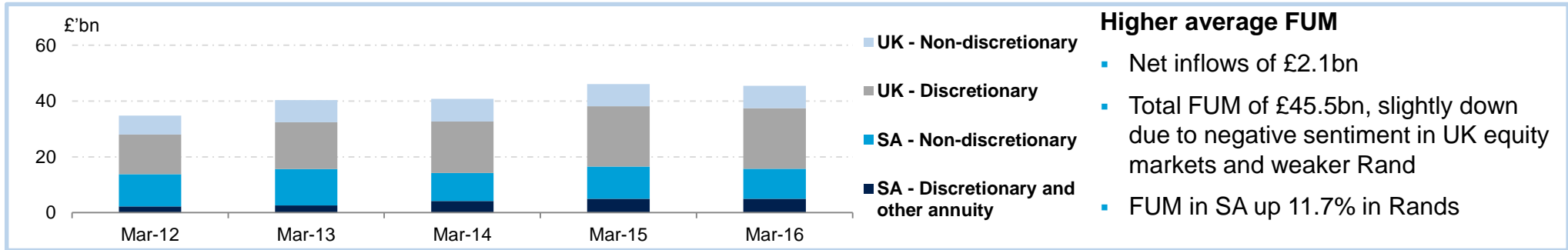
## Operating margin



### Improved operating margin

- Continued to recruit experienced front office personnel and to strengthen the settlements and compliance areas
- Continued investment in online platform and digital offering

## Funds under management



### Higher average FUM

- Net inflows of £2.1bn
- Total FUM of £45.5bn, slightly down due to negative sentiment in UK equity markets and weaker Rand
- FUM in SA up 11.7% in Rands

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

# Wealth & Investment – strategic review

## Investing for long-term sustainability

### Strategic priorities

#### SA

- Continue to increase annuity revenue
- Internationalising the investment offering
  - Established a wealth presence in Mauritius
  - Partnered with the Carlyle Group to offer our HNW clients private equity to enhance and diversify their offshore assets
- Leveraging the One Place philosophy
  - Offering clients local and offshore banking and investment services
- Investec Philanthropy Services in SA
  - Recently launched in 2016 to offer philanthropy services to individuals, families, businesses and non-profit organisations
- Continue to develop our online platform
  - Rollout of online portfolio management to the bank's high income clients

#### UK and other

- Continue to develop our online platform
  - Launch of Click & Invest in Sept 2016
- Private Office - connected offering for HNW clients whose needs differ from our primary target - both UK and further afield
- Private client strategy – collaboration with PB
- Investment in Financial Planning
- Remain an active participant in the consolidation cycle
- Leveraging international capabilities
  - In Ireland, Guernsey, Switzerland and Hong Kong

### 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

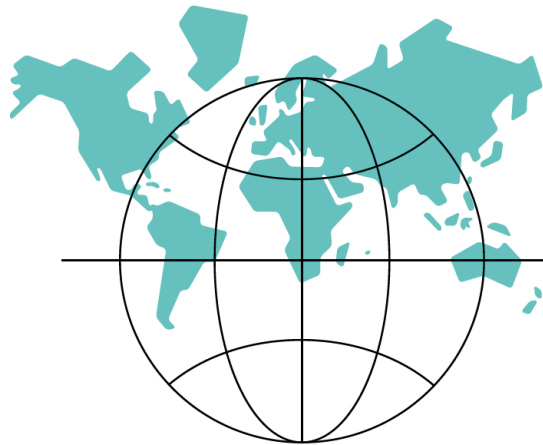
Winner of City Of London Wealth Manager Award – for Wealth Manager of the Year 2015

# Wealth & Investment – outlook and opportunities

## 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 get clarity around Brexit

## Positioning



### UK and Europe

- Brand well established
- Established platforms in the UK, Switzerland, Republic of Ireland and Guernsey
- One of the leading private client investment managers
- Proven ability to attract and recruit investment managers

### South Africa and Mauritius

- Strong brand and positioning
- Largest player in the market
- Newly launched capability in Mauritius

### Asia

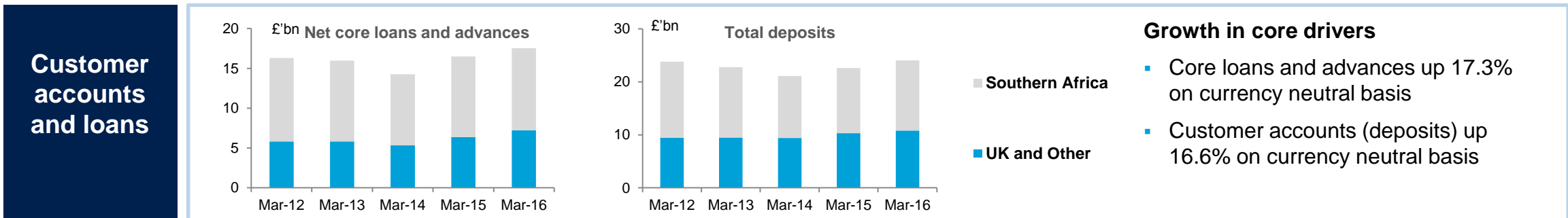
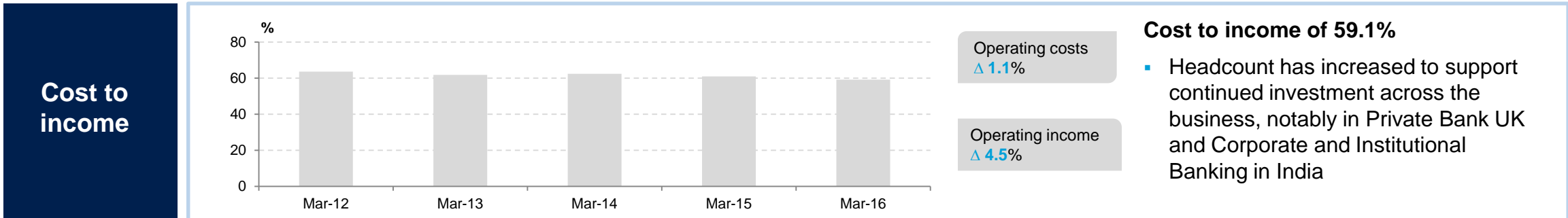
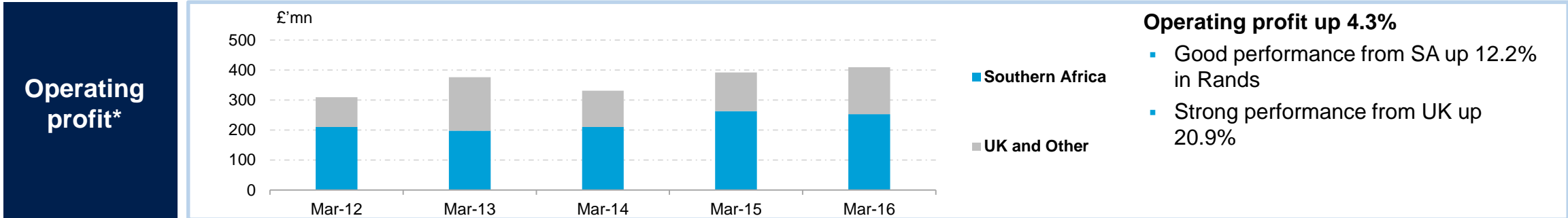
- Developing capability in Hong Kong

## Opportunities

- Servicing our clients is fundamental to this business
- We are continually looking for ways to enhance our range of services for the benefit of clients
- We also have a strategy to internationalise within jurisdictions where the group already has an established business
- 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

# Specialist Banking - overview

## Stable performance



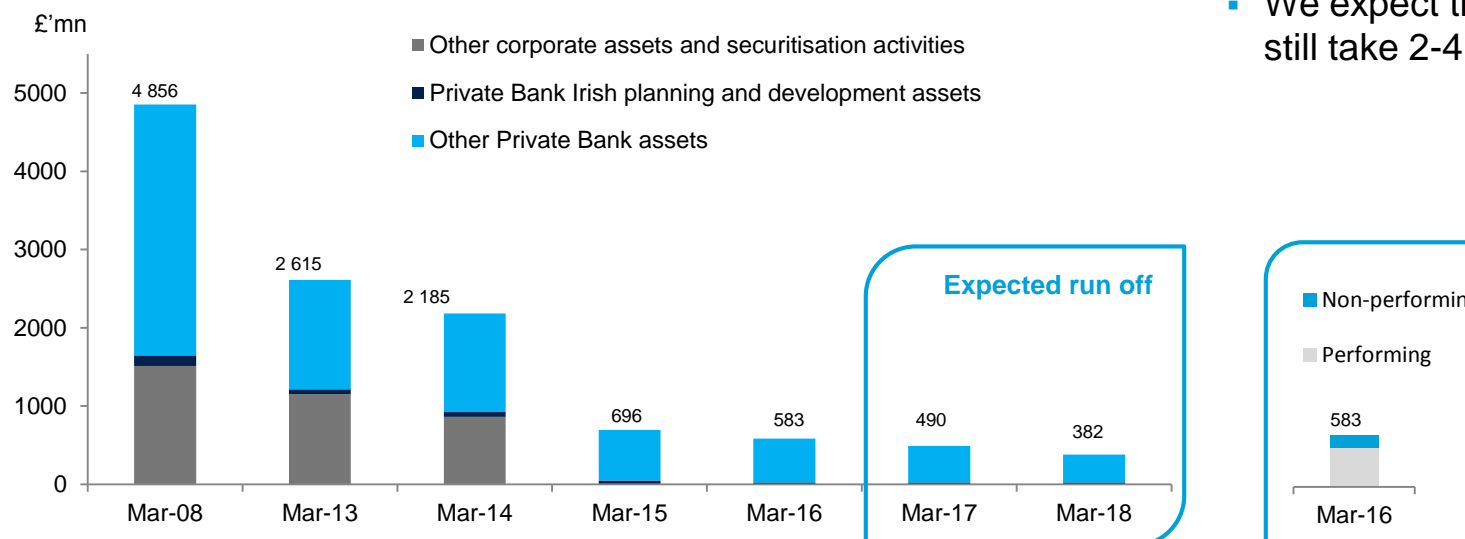
\*Before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests

# Specialist Banking

## Continued to reduce the UK Legacy Business exposures

**Total net assets:  
Investec originated**

£'mn	Mar-16	Mar-15
Total income	4.7	(2.6)
Total impairments	(68.1)	(83.5)
Total expenses	(14.9)	(21.6)
<b>Net loss before tax</b>	<b>(78.3)</b>	<b>(107.7)</b>

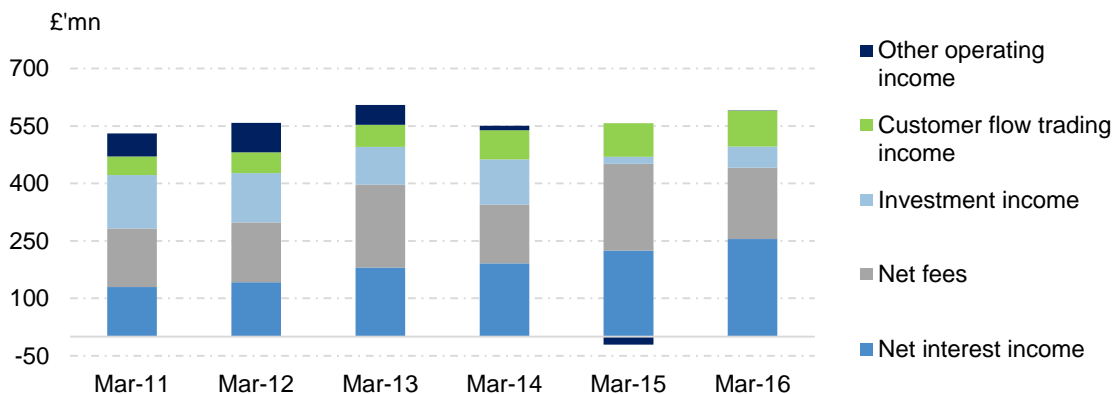


- The legacy portfolio has continued to be actively managed down to £583mn from £696mn (Mar-15)
- Largely through redemptions and write-offs
- The remaining portfolio will continue to be managed down as we see opportunities
- We expect the remaining legacy book will still take 2-4 years to wind down

# Specialist Banking – positioning

## Specialist Bank UK and Other Ongoing

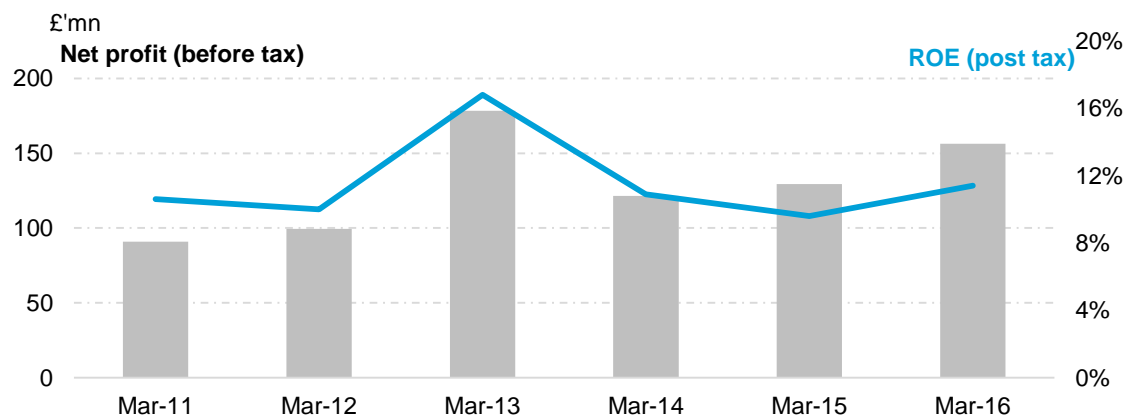
### Analysis of income



### Positioning

- Domestically relevant and internationally networked
- Built a solid HNW franchise
- Very strong in mid-cap with a full service offering
- Good corporate finance business
- Strong corporate treasury business
- Sound niches in specialisations:
  - Fund finance
  - Asset finance
  - Aircraft finance
  - Power and infrastructure finance

### Profit and returns



# Specialist Banking – strategy and outlook

## Specialist Bank UK and Other Ongoing

### Strategic priorities and opportunities

- Opportunity to build out the client franchise businesses in the UK through:
  - Shifting from a product based model in private banking to a client centric model
  - Focusing on high net worth and active entrepreneurs
  - Collaborating between private banking and wealth and investments businesses
  - Deepening our franchise in the mid corporate and entrepreneurial market
  - Integrating the various niche offerings
  - The digitization strategy

### Outlook

- The environment remains volatile for both macro economic and political reasons
- In the event of a Brexit or failure of economic policy, we would expect to see a significant slowdown in activity

### Independent recognition

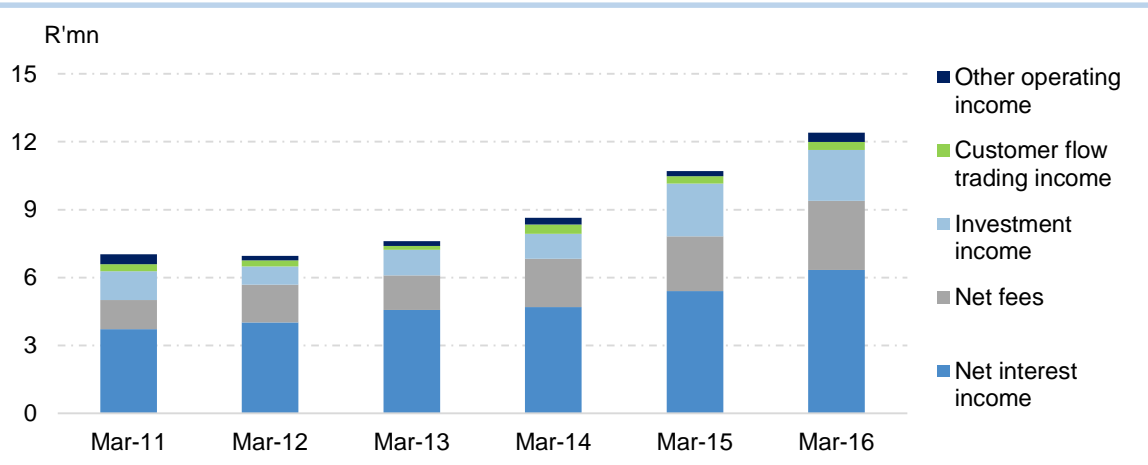




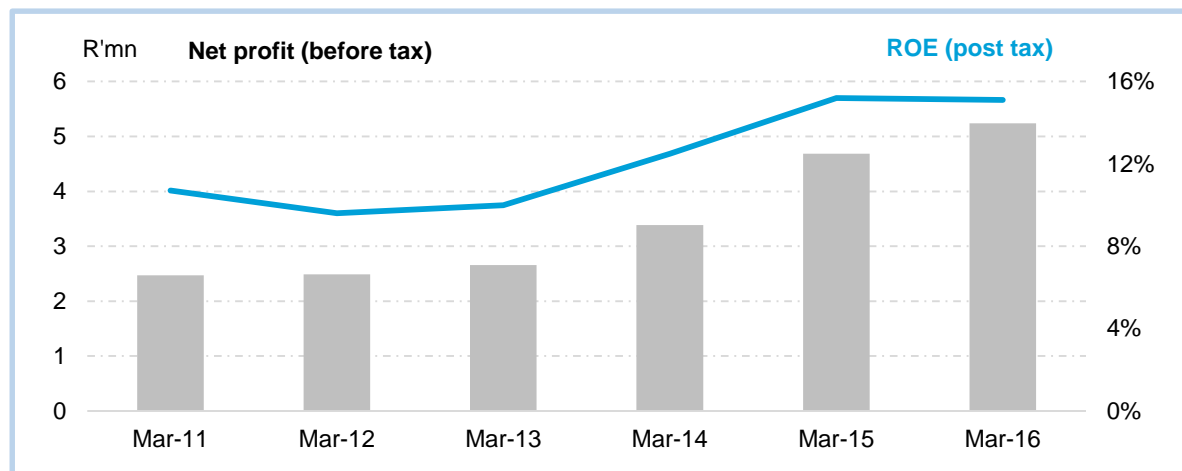
# Specialist Banking – positioning

## Specialist Bank SA Ongoing

### Analysis of income



### Profit and returns



### Positioning

- We have a high quality specialist banking solution to corporate, institutional and private clients with leading positions in selected areas
  - Leading Private Bank over many years
  - Leading Corporate Advisory house
  - Highly regarded Corporate and Institutional Bank
  - Leading Property business
- Provide high touch personalized service with the ability to execute quickly
- Ability to leverage international, cross-border platforms
- Strong ability to originate, manufacture and distribute

# Specialist Banking – strategy and outlook

## Specialist Bank SA Ongoing

### Strategic priorities and 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
  - Diversify revenue streams in the corporate and institutional market
  - Build sustainability through a diversified portfolio of businesses

### Outlook

- Despite the current structural challenges in the SA economy and political instability, corporate activity continues to present opportunities
- We have a strong financial sector and active private sector which should continue to support momentum

### Independent recognition



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



Airfinance Journal 2015  
Africa Deal of the year

- 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.*



Best Distributor, Africa 2016

# Took advantage of investment opportunities

## Created Investec Equity Partners

### Summary

- In South Africa a **new investment vehicle**, Investec Equity Partners (IEP), has been created in which Investec holds a 45% stake alongside other strategic investors who will hold the remaining 55%
- The portfolio investments were transferred from Investec to IEP on 11 January 2016
- IEP is a **diversified investment holding company** which owns controlling and strategic scalable interests in a number of select industries, with a focus on industrial companies
- The strategy is to **develop key industry clusters** that combine complimentary businesses and extract synergies whilst building significant scale
- IEP's partnership with **highly networked strategic investors** together with quality unique assets and access to substantial equity and debt capital has the ability to significantly grow and create shareholder value

### Financial info

- IEP's financial year end is 31 December
- No accrual of income for last quarter of Investec results
- Carrying value on balance sheet (associate) of R5.1bn
- Receipt of cash on transaction of R2.5bn
- IEP has access to approximately R10bn of additional equity and debt capital to fund growth

# The result is that we maintained a balanced business model

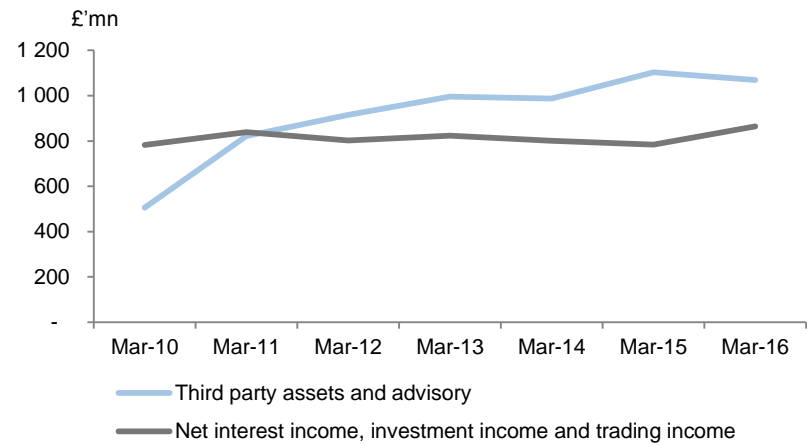
Balanced between capital light and capital intensive activities

## Business model

**Third party assets and advisory**  
£1070mn

**Net annuity fees and commissions of £817mn**  
(42% of total)

**Other fees and other income of £253mn**  
(13% of total)



**Net interest, investment and trading income**  
£864mn

**Net interest income of £572mn**  
(30% of total)

**Investment and trading income of £292mn**  
(15% of total)

**Capital light activities**

**Contribute 55% 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 45% to group income**



# Strategic review and focus for 2017



*Out of the Ordinary<sup>®</sup>*

 **Investec**

# Strategic review of 2016

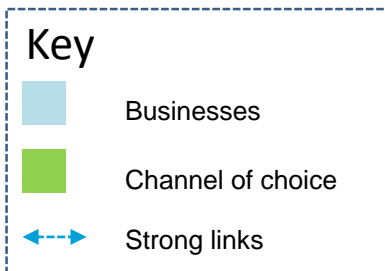
Objective	Review	Comment
<ul style="list-style-type: none"> <li>▪ From a business perspective we focused on growth</li> </ul>		Operating profit up 9.9% on currency neutral basis
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>— Focus on investment performance in the Asset Management business</li> </ul> </li> </ul>	√	90% outperformance over a 10-year period
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>— Building and leveraging our Wealth &amp; Investment business</li> </ul> </li> </ul>	√	Established a presence in Asia, Switzerland and Mauritius
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>— Grow the Specialist Banking business by building the private client and corporate and institutional client franchise businesses</li> </ul> </li> </ul>	√	Strong growth in core drivers
<ul style="list-style-type: none"> <li>▪ Taking advantage of investment opportunities</li> </ul>	√	Created Investec Equity Partners
<ul style="list-style-type: none"> <li>▪ Positioning for a new generation of leadership</li> </ul>	√	Announced several management appointments in Nov results
<ul style="list-style-type: none"> <li>▪ Digitisation strategy</li> </ul>	√	Several new services launched

## Key strategic focus for 2017

- From a business perspective we continue with our strategic priorities
- Over and above this, we have a very deliberate and focused **CLIENT STRATEGY**
  - Part of this is the Digital Strategy
  - The rest is how we position ourselves within each business in our chosen markets and with our niched client base

# Integrated client strategy

## Natural linkages between private client and corporate banking businesses





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## The digitization strategy integrates services across business and geography

← Focused on collaborating, merging and aligning to create one digital solution for clients →

2014	2015		2016
<ul style="list-style-type: none"> <li>SA and UK transactional banking capability off same platform</li> <li>Consolidated view of PB, W&amp;I, IAM, Corporate accounts</li> <li><b>1mn logins per month on online platform</b> – up 20% yoy</li> <li><b>400k logins to Investec App</b> every month – up 50% yoy</li> </ul>		<b>One Place – global platform</b>	<ul style="list-style-type: none"> <li>Launched <b>Digital Briefcase</b> - self-service documents (Visa letters, stamped bank statements)</li> <li><b>Redesign complete</b> and launched</li> <li>Inclusion of Channel Islands; Mauritius, Switzerland in progress</li> <li>Developing One Place for IFA's</li> </ul>
<ul style="list-style-type: none"> <li>Ability to add services from any other institution</li> <li>Launched Banking Analysis tools in 2014</li> <li>Now available to UK clients</li> <li><b>24 000 clients actively</b> using the personal portfolio</li> </ul>		<b>Personal Portfolio</b>	<ul style="list-style-type: none"> <li><b>Launching Investments</b> - consolidated view of all investments (not just Investec's)</li> </ul>
<ul style="list-style-type: none"> <li>Launched in 2014 with a minimum of R250k</li> <li>Targeted at PB and IWI clients</li> <li>Promoted to a further <b>90,000 clients</b> towards the end of 2015</li> </ul>		<b>SA Online Portfolio Manager</b>	
		<b>UK Online Portfolio Manager</b>	<ul style="list-style-type: none"> <li><b>Launching Click &amp; Invest</b> - complete digital offering providing advice online</li> <li>Targeted at public</li> <li>£10,000 min investment</li> </ul>

- With over 1.4 mn touch points every month, we are delivering on our promise of a **High Tough & High Tech** engagement model
- This is a journey in which we 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

# Closing



*Out of the Ordinary<sup>®</sup>*

 **Investec**

- We have strong businesses and are well positioned for **sustained growth**
- We are **leveraging** our unique client profile to provide the best and most **integrated solution** supported by our comprehensive **digital offering**
- We have **domestically relevant businesses** in our key geographies that are also internationally networked
- The balance between our client franchise offering and our specialist niches are complimented by an **opportunistic capability** that enables us to switch between markets and take advantage of opportunities as they arise
- Our **unique culture** attracts diverse talent and allows innovation to thrive
- We have a **depth of leadership** and **strong management** teams who are focused on driving growth

- We are positioned to maintain sustainable growth in our principal markets as the businesses develop with a strong client and operational focus
- The macro environment remains volatile due to uncertainty in global markets, the pending EU membership referendum in the UK, and economic, political and social challenges in SA
- Current levels of activity are, nevertheless, supporting group performance and we remain committed to providing shareholder value and exceptional client experience.