

Out of the Ordinary®



## Year-end results

17 May 2018

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Specialist Banking | Asset Management | Wealth & Investment

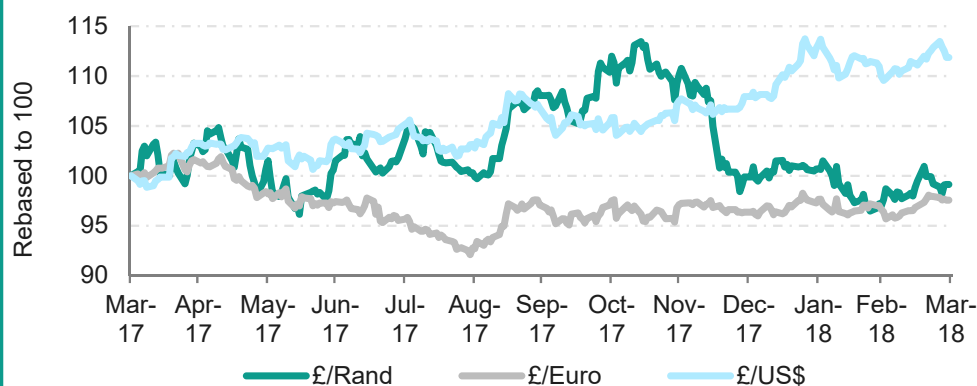
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# Mixed operating environment

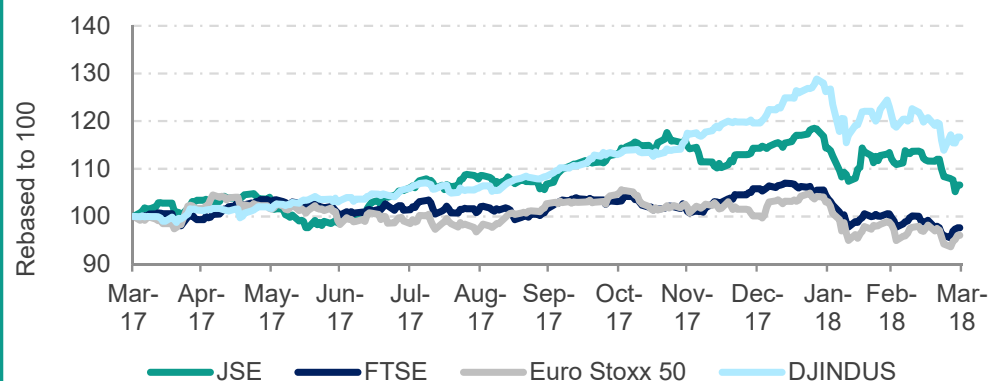
## Persistent economic uncertainty in key regions

### Exchange rates



- Brexit and political uncertainty has continued to impact corporate and consumer confidence in the UK
- The SA economy has been weak although the outlook improved post the change of ruling party leadership in Dec-17

### Equity markets



- The UK stock market remained relatively flat
- The SA stock market has had a moderate increase



## Highlights for the year

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### Satisfactory overall performance

- Reasonable growth in key earnings drivers and a solid recurring income base

### Solid client activity levels

- Sound levels of corporate and private client activity driving strong loan book growth over the year

### Substantial net inflows

- Asset Management and Wealth & Investment benefitted from higher **funds under management** and combined net inflows of £7.3bn

### Investing for growth

- Further progress made to position the group for **future growth** and ensuring it remains competitive and relevant in core markets



## Resilient statutory performance

Statutory results		Mar-18	Mar-17	% change	% change on neutral currency basis^^
	Operating profit* (£'mn)	607.5	599.1	1.4%	(3.5%)
	Effective tax rate (%)	9.6%	18.5%		
	Adjusted earning per share^ (pence)	53.2	48.3	10.1%	4.1%
	Total dividend per share (pence)	24.0	23.0	4.3%	

- Average Rand:Pound Sterling appreciation of 6.6% has had a positive impact on results
- Satisfactory 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

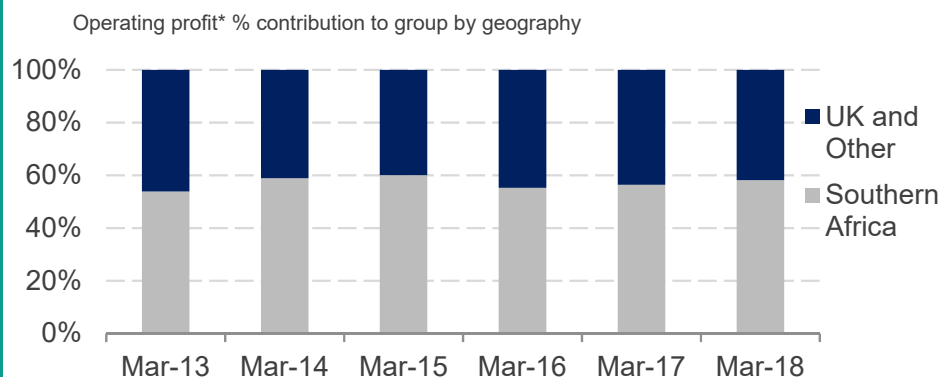
^^Amounts represented on a currency neutral basis assume that the closing and average exchange rates of the group's relevant exchange rates relative to Pounds Sterling remain the same as at 31 March 2018 when compared to 31 March 2017



Unless otherwise stated, all information on this slide relates to the ongoing business

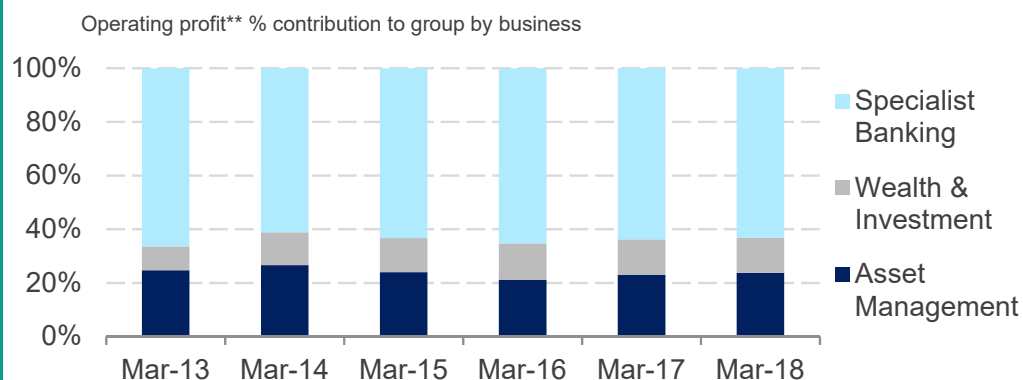
## Diversified business model

### Geographic diversity



- Flat performance from combined UK and Other business up 1.2% in Pounds
- Combined SA business up 3.3% in Rands

### Business diversity



- Consistent contribution to the group's results from the asset and wealth management businesses of 36.9% (Mar-17: 36.2%)

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

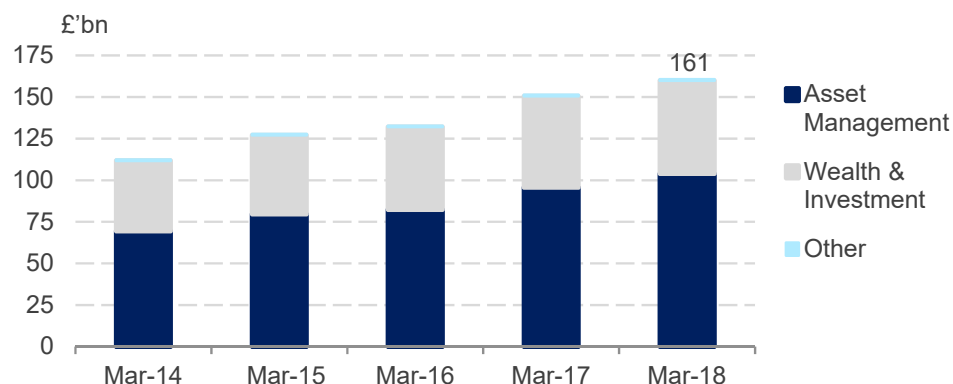
\*Before tax, goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests



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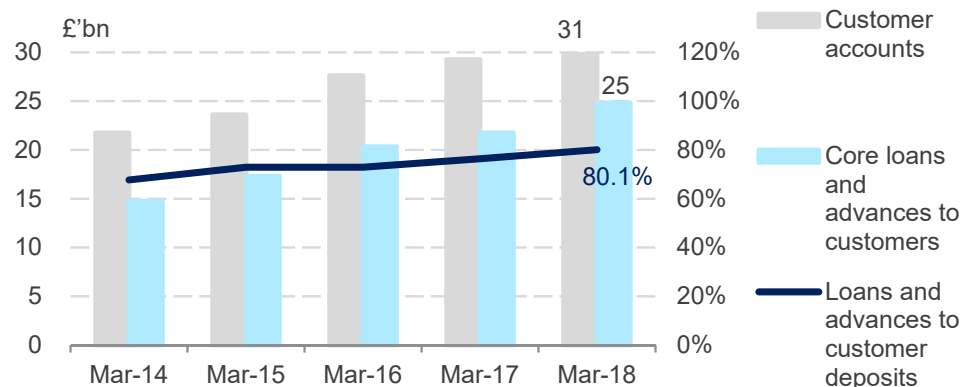
## Solid growth in key earnings drivers

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



- Third party assets under management up 6.5% to £160.6bn - (up 6.2% on a currency neutral basis)

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



- Customer accounts increased 6.5% to £31.0bn – (up 5.9% on a currency neutral basis)
- Core loans and advances increased 11.6% to £24.8bn – (up 11.0% on a currency neutral basis)

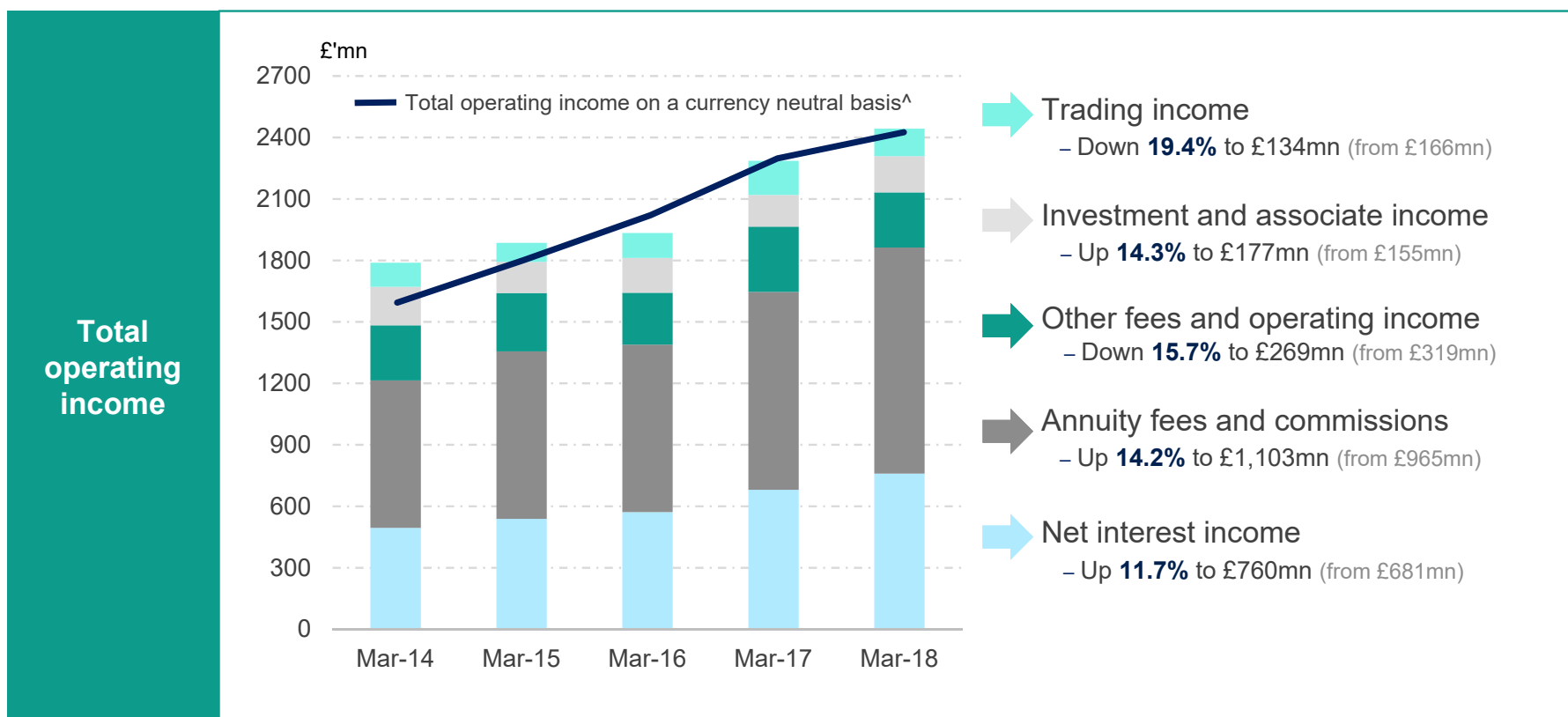
<sup>^</sup>The trend in this graph is done on a currency neutral basis using the closing Rand:Pound exchange rate applicable at 31 March 2018



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## Supporting growth in operating income

Total operating income up **6.9%** to £2,443mn (from £2,286mn)



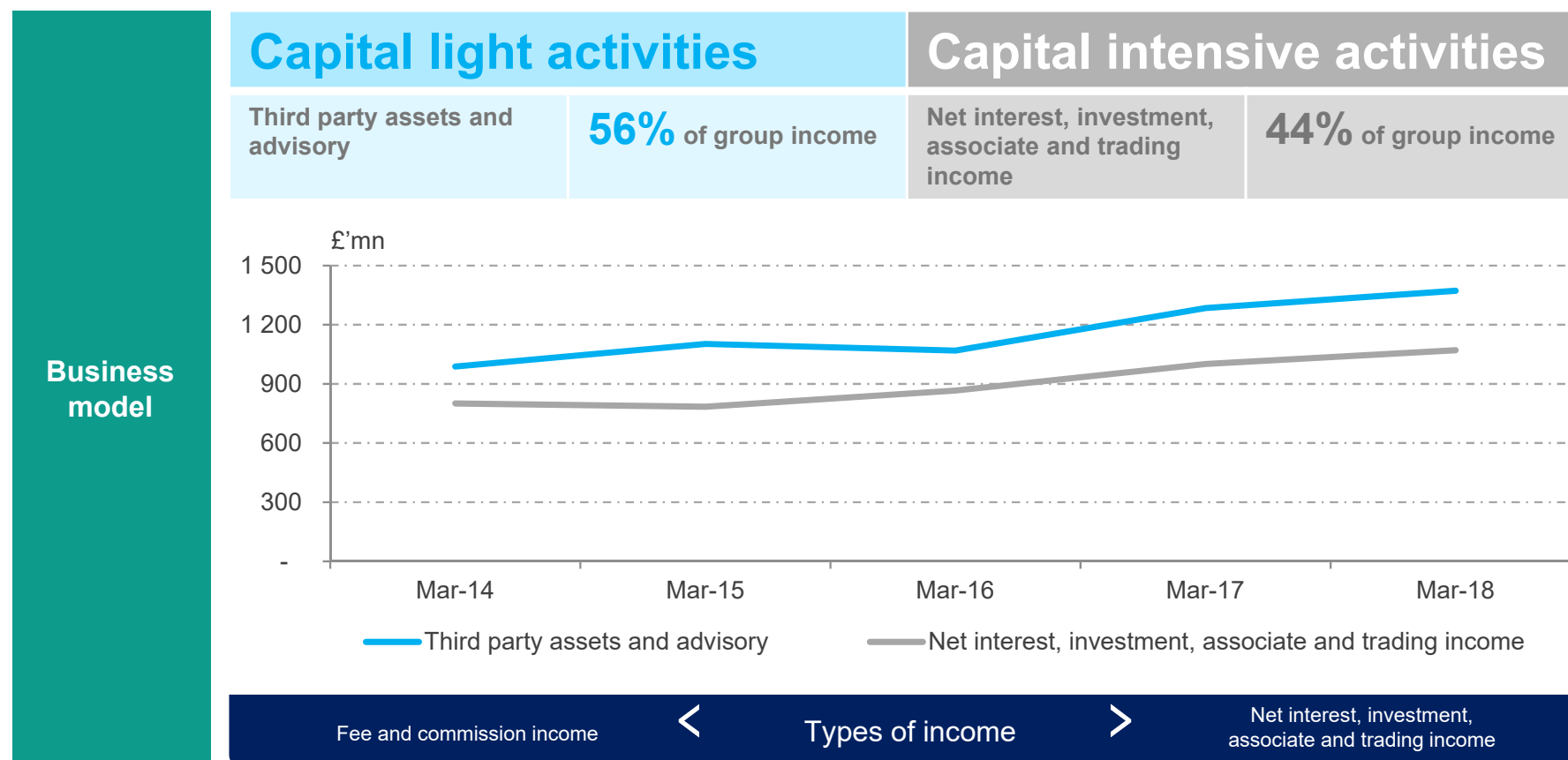
<sup>^</sup>The trend for this line is done on a currency neutral basis using the average Rand:Pound exchange rate applicable at 31 March 2018



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# Maintained a balanced business model

Balanced between capital light and capital intensive activities

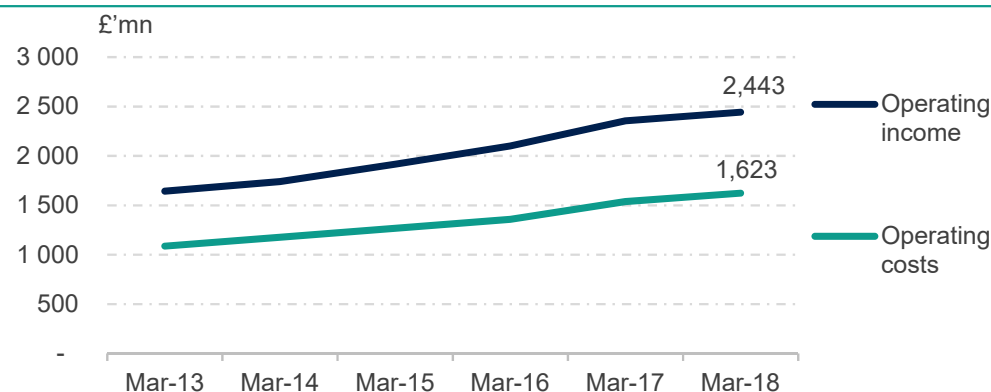




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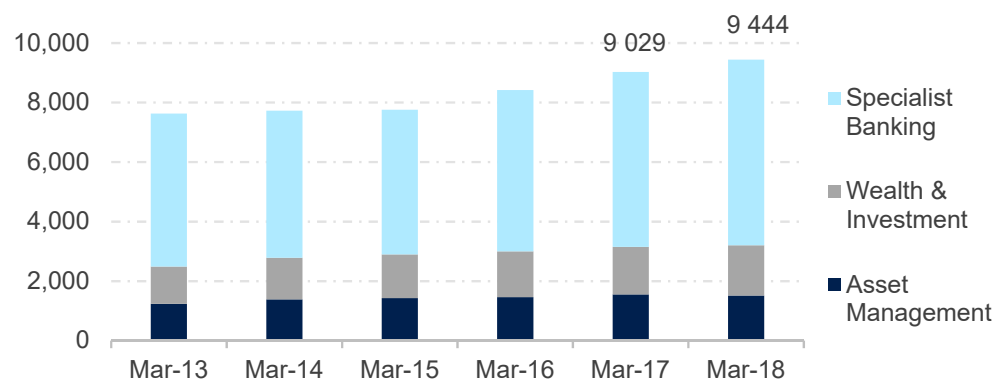
## Costs up due to planned strategic investment

### Jaws ratio for the group\*



- Cost to income increased slightly to 66.5% from 65.8%
- Operating costs up 8.0% to £1,623mn reflecting continued investment in IT, digital initiatives and headcount

### Total permanent employees



- Total headcount up 4.6%, mainly in Wealth & Investment and Specialist Banking in line with growth aspirations

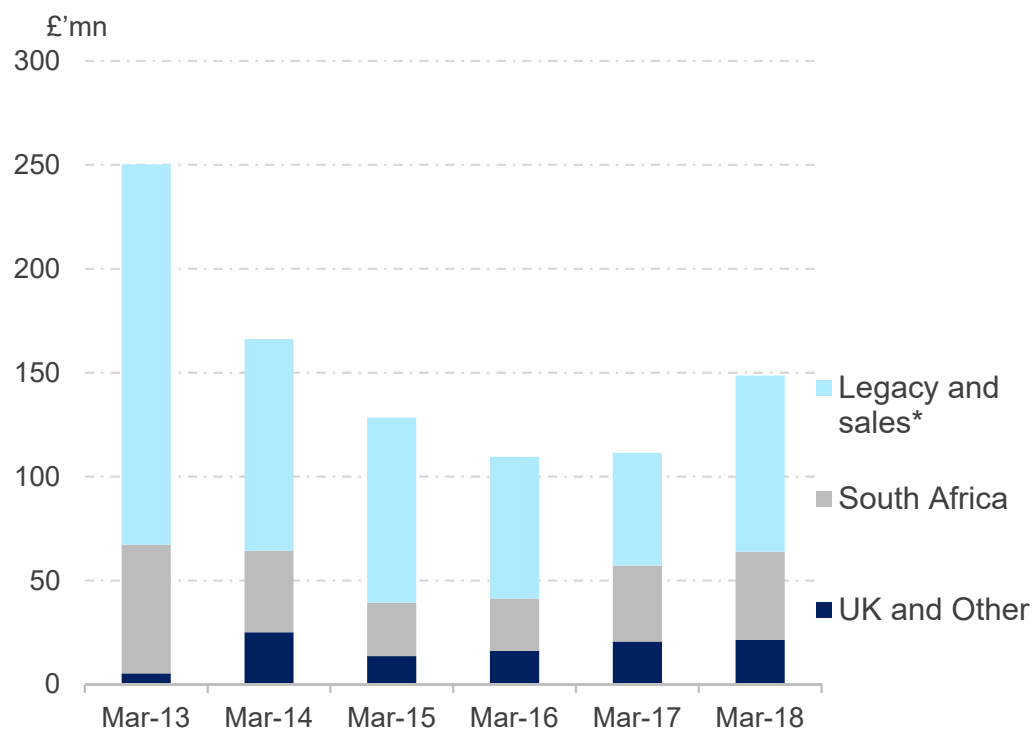
\*The trend in this graph is done on a currency neutral basis using the average Rand: Pound exchange rate applicable at 31 March 2018



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## Increase in impairments

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



- Impairments on loans and advances increased to £148.6mn (Mar-17: £111.5mn)
- Statutory credit loss ratio of 0.61% (Mar-17: 0.54%)
- Ongoing credit loss ratio remains at the lower end of its long term average at 0.26% (Mar-17: 0.29%)
- Impairments on the legacy business of £84.7mn reflecting an acceleration in anticipated exits

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



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## Resulting in a satisfactory ongoing performance

	Mar-18	Mar-17	% change
Operating profit* before tax (£'mn)	701.0	663.7	5.6%
Attributable earnings**^ (£'mn)	566.2	487.1	16.2%
Adjusted EPS**^ (pence)	61.3	54.1	13.3%
Customer accounts (deposits) (£'bn)	31.0	29.1	6.5%
Net core loans and advances to customers (£'bn)	24.8	22.2	11.6%
Third party assets under management (R'bn)	160.6	150.7	6.5%

\*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



## Progress on financial targets

		Ongoing		Statutory	
		Mar-18	Mar-17	Mar-18	Mar-17
Summary of financial targets	<b>Target</b>				
	<b>ROE (post tax)</b>	12%-16% over a rolling 5-year period			
	<b>Adjusted* EPS growth</b>	Target: 10% > UKPRI			
	<b>Cost to income</b>	Target: < 65%			
	<b>Dividend cover (times)</b>	Target: 1.7 – 3.5 times			
		<b>14.1%</b>	14.2%	<b>12.1%</b>	12.5%
		<b>13.3%</b>	11.3%	<b>10.1%</b>	16.9%
		<b>66.5%</b>	65.8%	<b>66.9%</b>	66.3%
		<b>na</b>	na	<b>2.2x</b>	2.1x

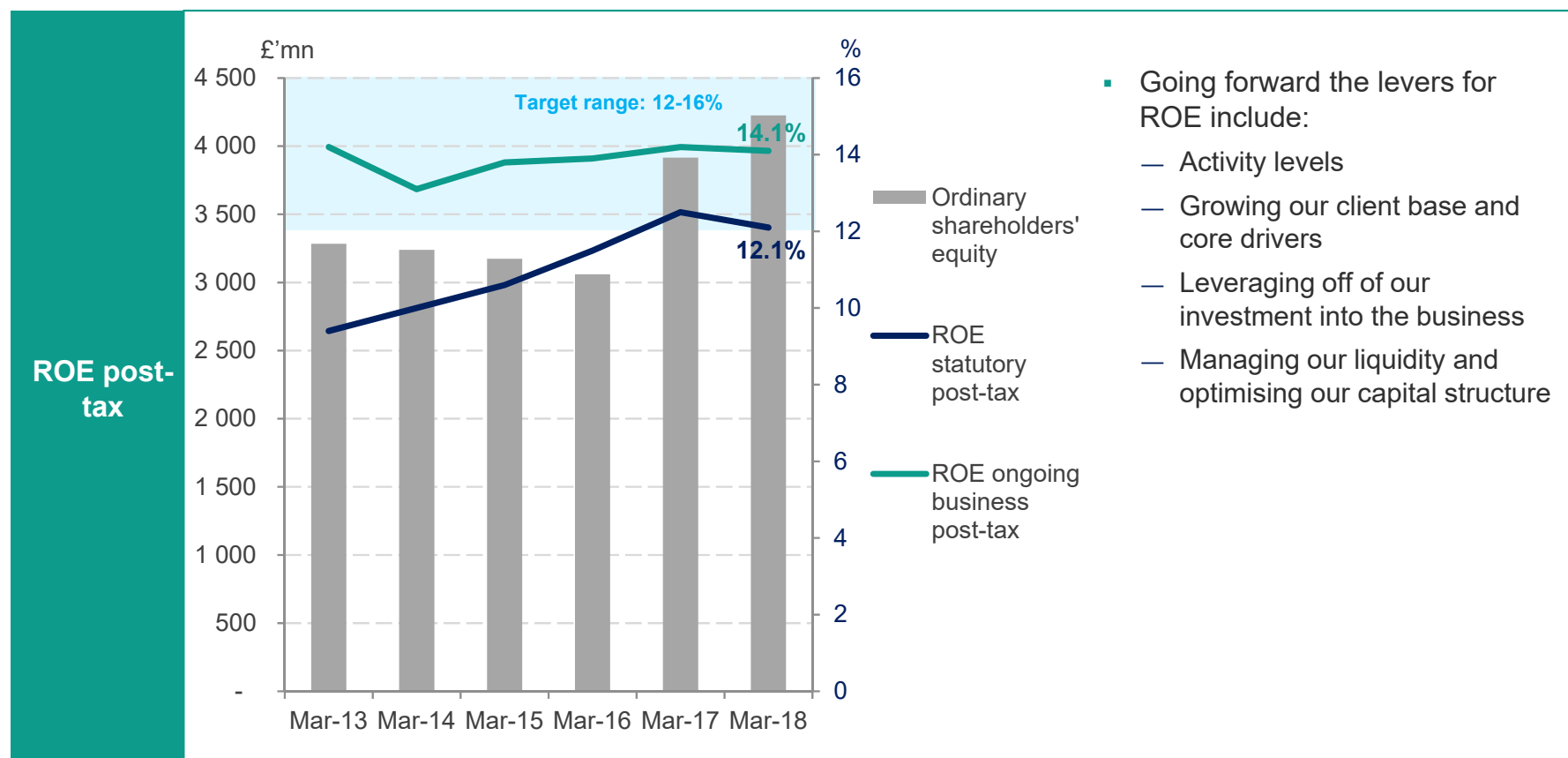
Note: These are medium to long-term targets which we aim to achieve through varying market conditions

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



## Ongoing ROE within range

Statutory ROE in lower end of range





# Sound balance sheet

## Capital and Liquidity

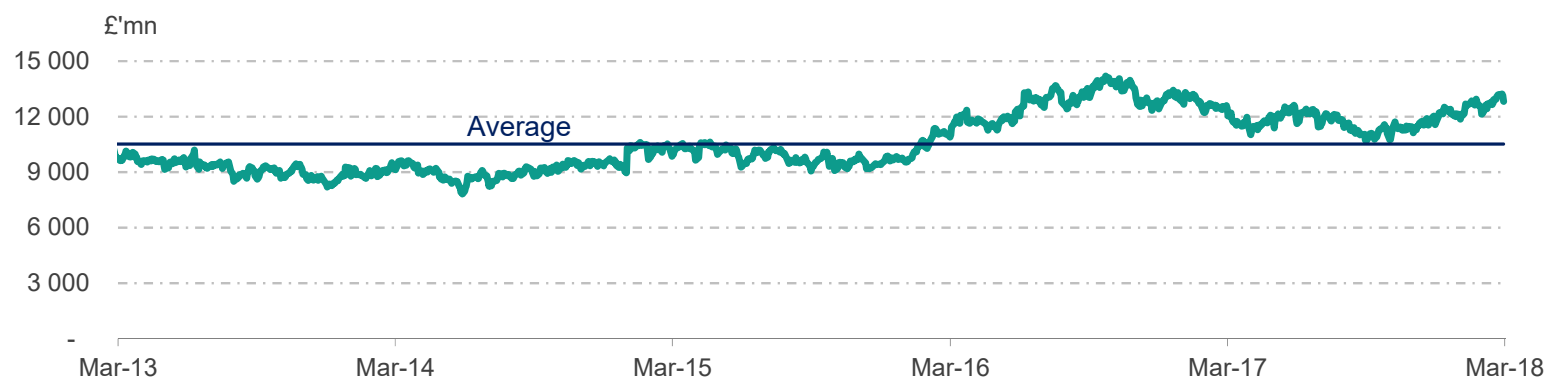
### Capital

- Healthy capital ratios in excess of regulatory requirements
- We are above the common equity tier 1 ratio target of >10% and total capital ratios are within our target range of 14%-17%
- Leverage ratios are sound and remain comfortably ahead of our 6% target on an estimated Basel 3 fully loaded basis

### Liquidity

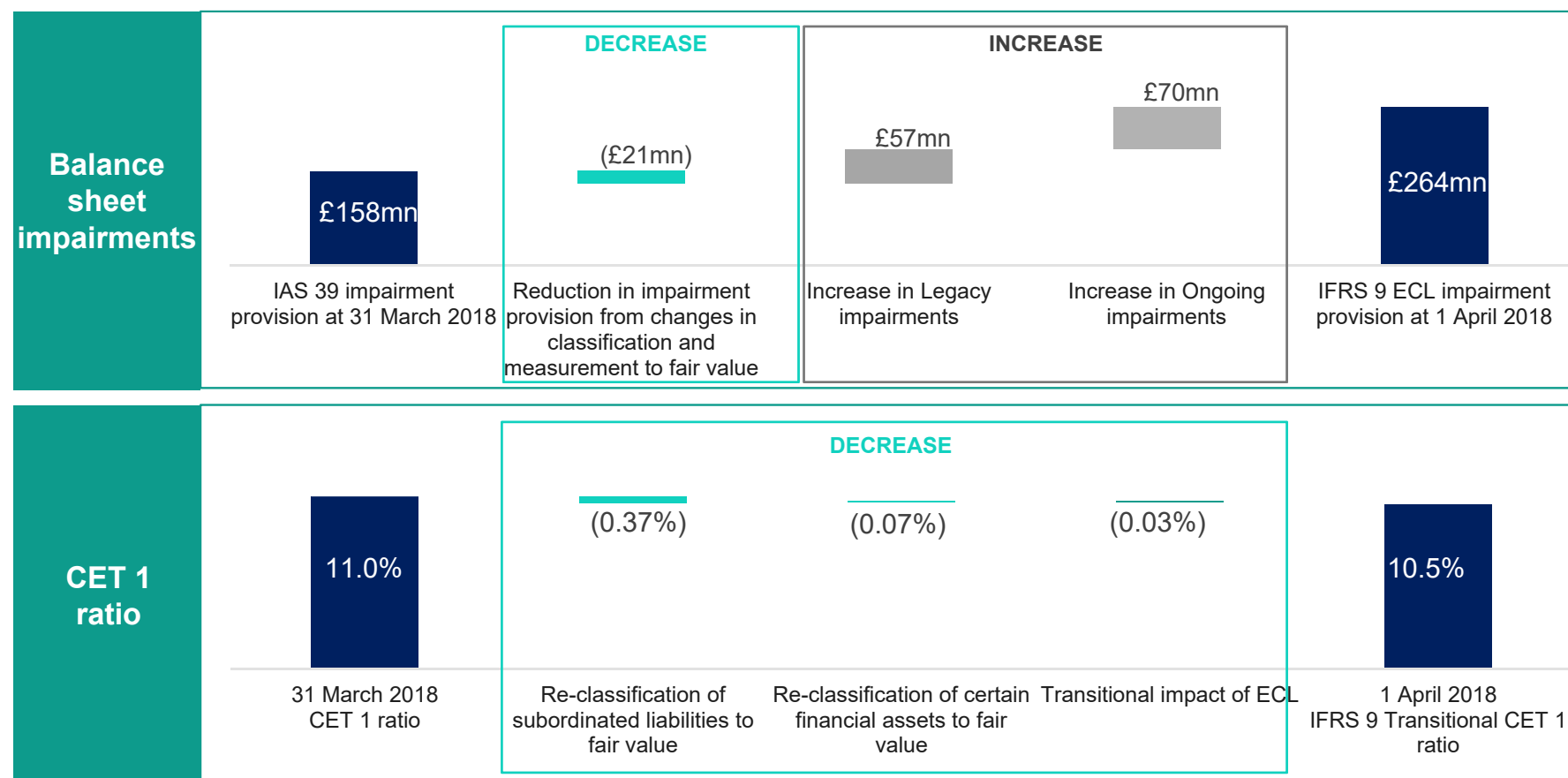
- High level of readily available, highly liquid assets
- Advances as a percentage of customer deposits of 81.0% (Mar-17: 76.4%)

## Cash and near cash





## IFRS 9 – impact on Investec plc





# IFRS 9 – impact on Investec Limited

Balance sheet impairments	R1.5bn	DECREASE (R154mn)	INCREASE R811mn	R2.2bn
	IAS 39 impairment provision at 31 March 2018	Reduction in impairment provision from changes in classification and measurement to fair value	Increase in stage 1, 2 and 3 impairments	IFRS 9 ECL impairment provision at 1 April 2018
CET 1 ratio	10.2%	DECREASE (0.16%)	(0.04%)	10.0%
	31 March 2018 CET 1 ratio	Re-classification of certain financial assets to fair value	Transitional impact of ECL	1 April 2018 IFRS 9 Transitional CET 1 ratio

*Out of the Ordinary®*



# Business review



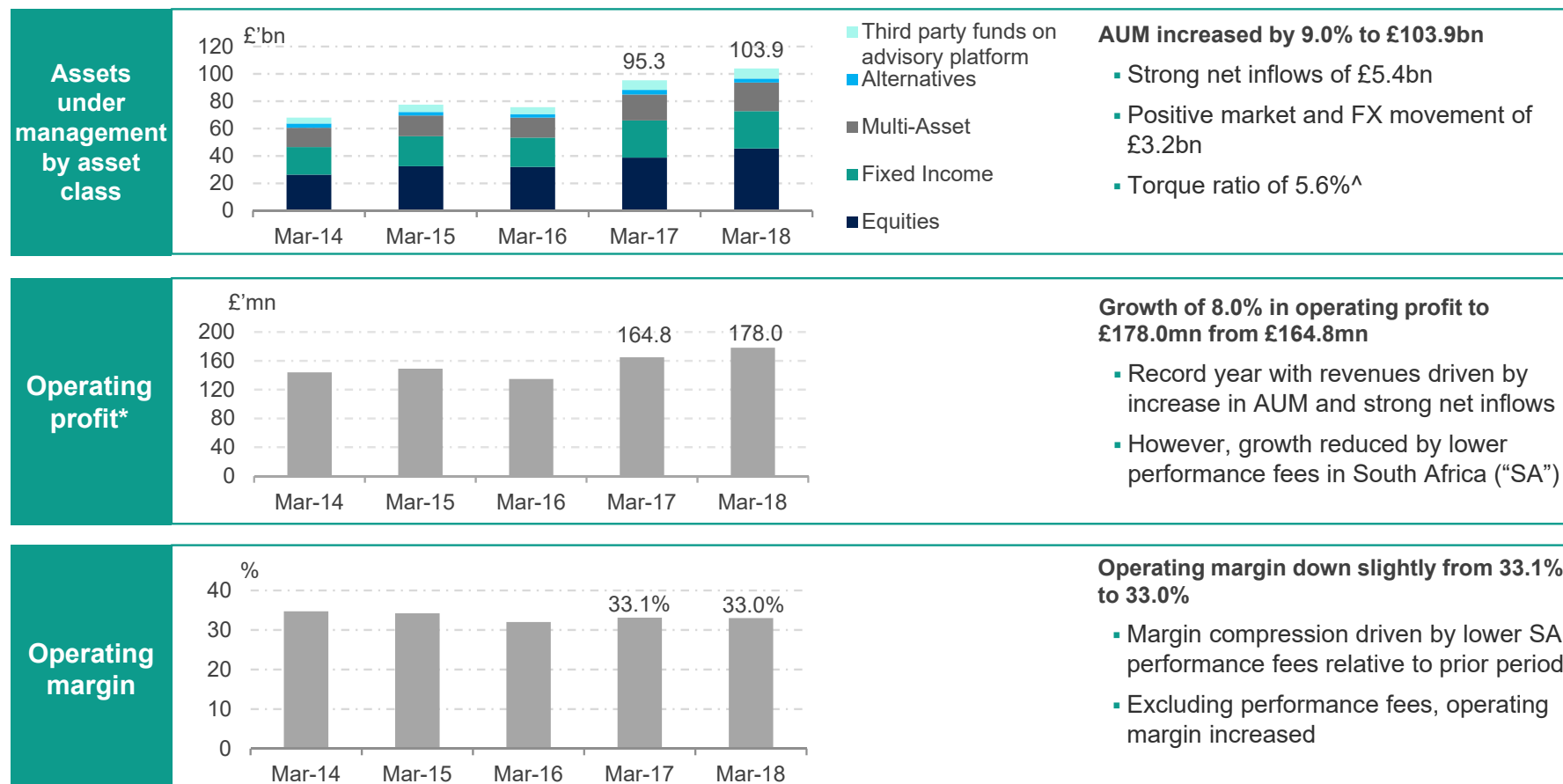
Specialist Banking | Asset Management | Wealth & Investment

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# Asset Management - overview

## Momentum remains positive



^Torque ratio defined as 12 month net flows divided by opening assets under management

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

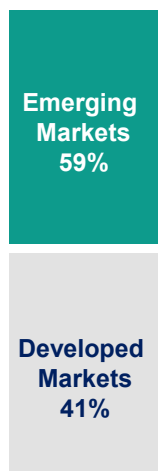


# Asset Management – outlook

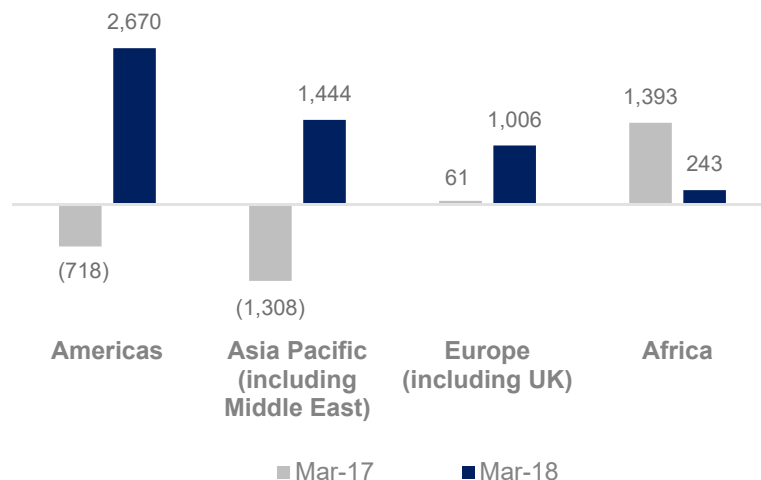
Strong platform with positive momentum

## Positioning

AUM by strategy type\*



Net flows by geography (£'mn)



## Outlook

- The long-term growth fundamentals in the asset management industry remain strong
- However, challenges include the risk of a market correction, growing regulatory scrutiny, technological advances and the need to justify value for money
- We have built a sustainable, competitive long-term business committed to active investment management
- We have positive business momentum, with a smooth leadership transition well underway

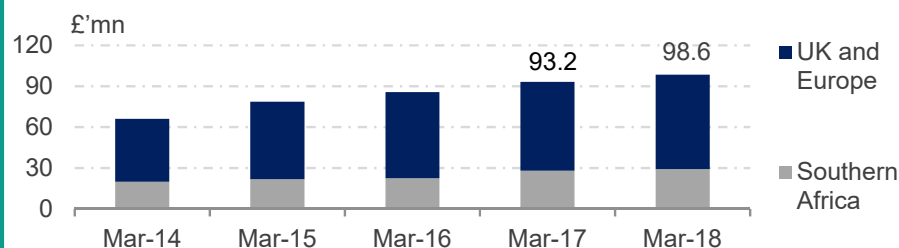
\*AUM by strategy type as at 31 March 2018, South Africa included within Emerging Markets



# Wealth & Investment - overview

## Strong platform for growth

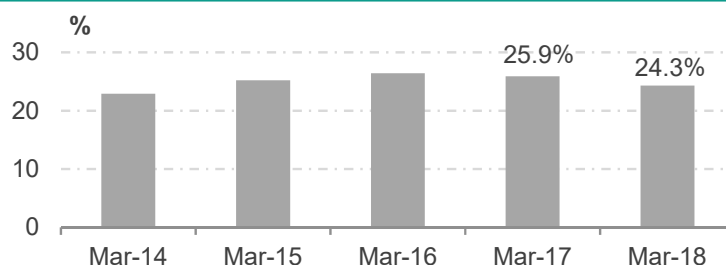
### Operating profit\*



**Total operating profit up 5.7% to £98.6mn from £93.2mn**

- SA down 2.1% in Rands - increase in annuity fees earned offset by lower brokerage volumes
- UK up 6.3% - solid net inflows, growth in average FUM and higher market indices

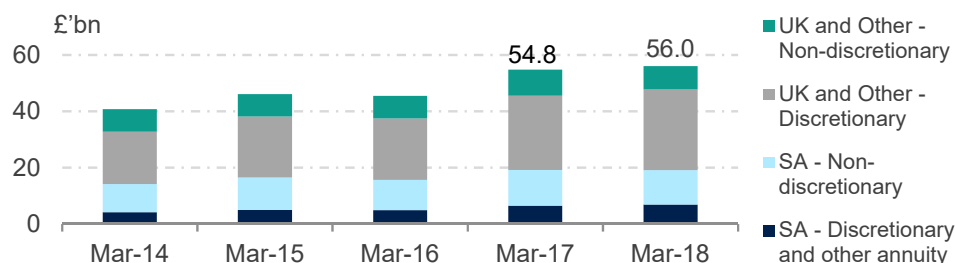
### Operating margin



**Operating margin down from 25.9% to 24.3%**

- Operating income up 12.3%
- Operating costs up 14.6%
- Continued investment in the business – digital, IT and headcount

### Assets under management by type



**Growth in FUM of 2.3% from £54.8bn to £56.0bn**

- Solid net inflows of £2.0bn

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



# Wealth & Investment – outlook

## Positioning



### UK and Other

- Brand well recognised
- Established platforms in the UK, Switzerland, Ireland, Guernsey and Hong Kong
- One of the UK's leading private client investment managers
- Proven ability to attract and recruit investment managers
- Newly launched digital investment offering, Click & Invest

### SA and Mauritius

- Strong brand and positioning
- Largest player in the SA market
- Developing a capability in Mauritius

## Outlook

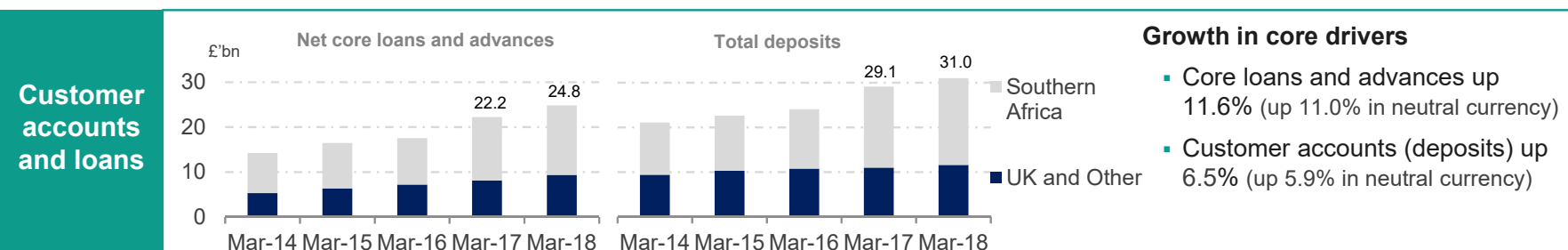
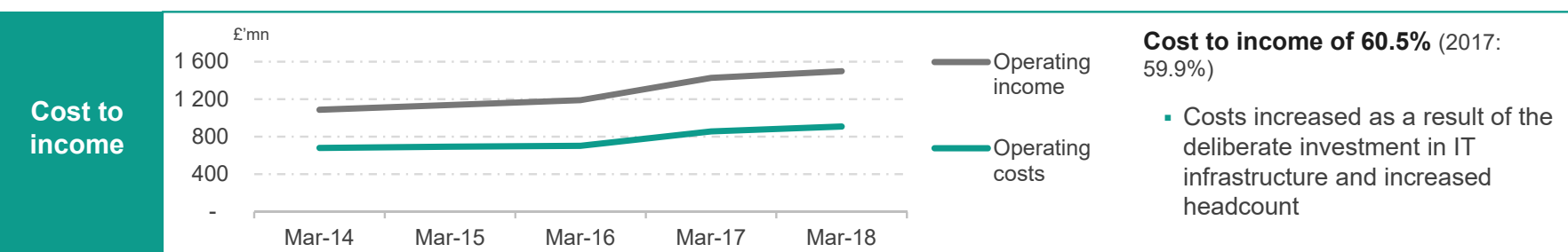
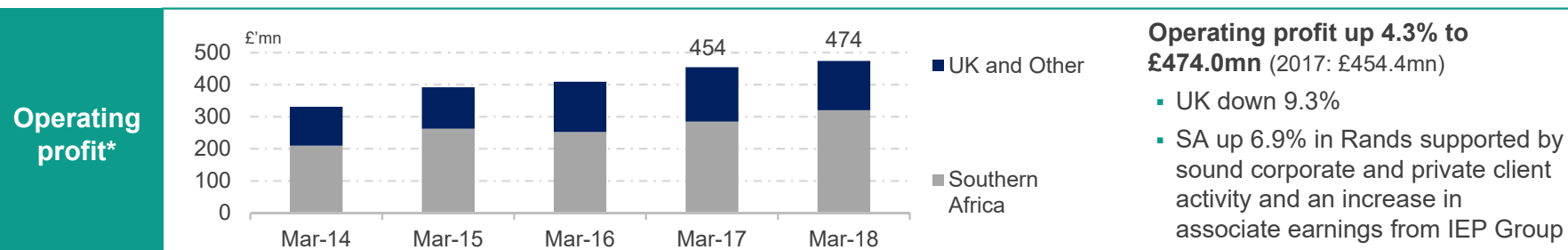
- Some political and economic uncertainty remains, particularly with regards to Brexit
- Nevertheless, we are well positioned for the future given:
  - Our global investment strategy and asset allocation processes
  - The strength of our core businesses
  - Our continued investment for the future



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# Specialist Banking – global overview

## Stable performance



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

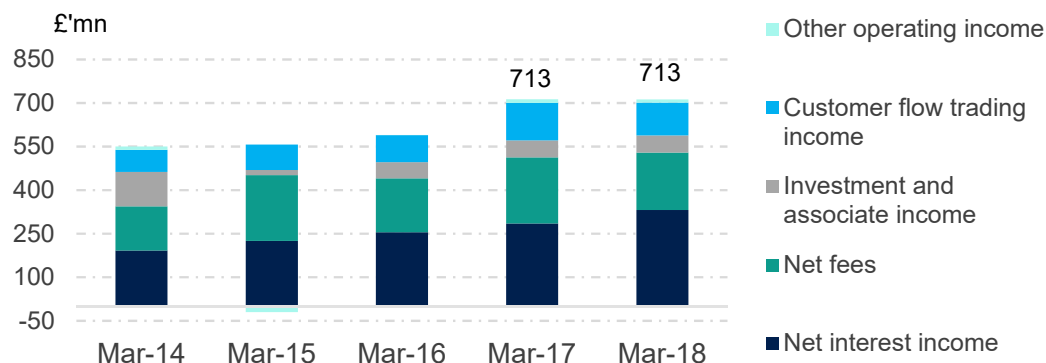


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# Specialist Banking UK and Other Ongoing

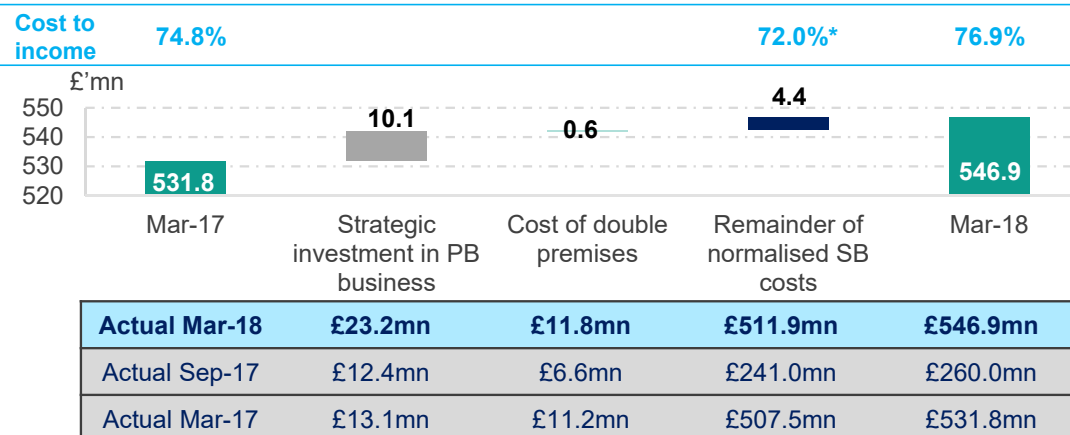
## Overview of performance

### Analysis of income



- Net interest income up 16.3% with good book growth and lower cost of funding
- Net fees down 13.2% due to less M&A and advisory activity
- Trading income down from a high base in the prior year

### Analysis of costs



- Costs largely impacted by investment for future growth in the PB business
- Majority of additional PB investment spend is in FY18 base
- Double premises costs now in the base

\*Adjusted to exclude the investment into the PB business and double premises costs

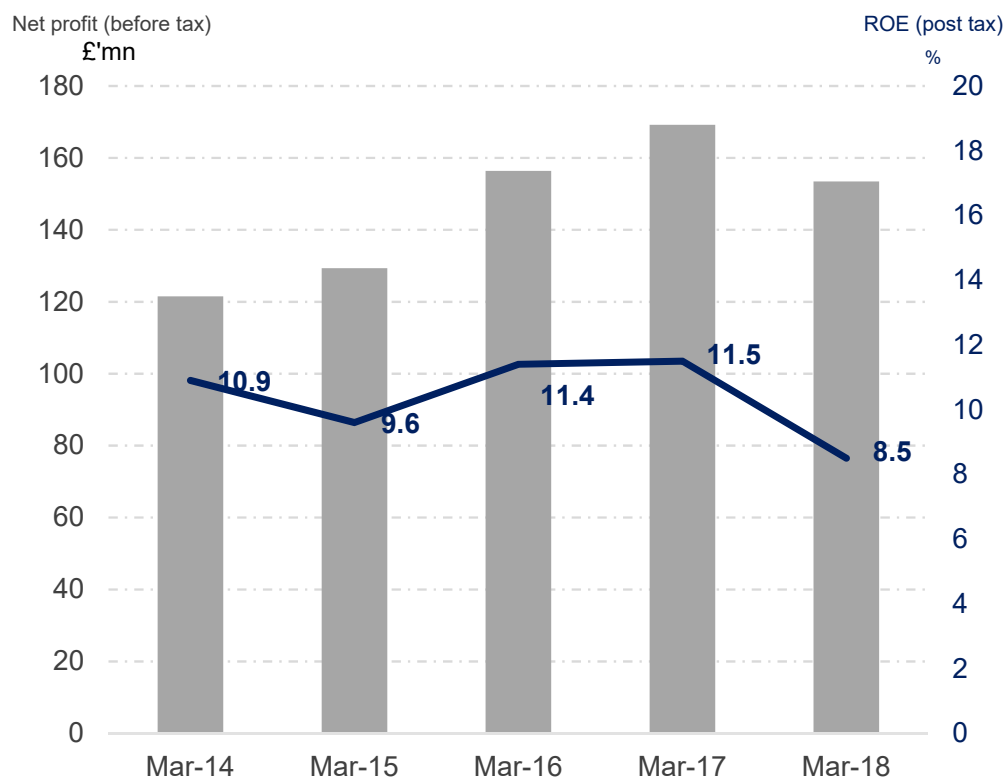


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# Specialist Banking UK and Other Ongoing

## Returns and outlook

### Profit and returns



### Outlook

- We expect the UK Specialist Bank to continue generating a sustainable level of recurring income
- However, the uncertain political and economic backdrop could impact activity levels
- The acceleration in the run down of the legacy portfolio, together with the completion of the majority of the investment into the private bank and double premises cost, gives us a clear runway to grow our key franchise businesses



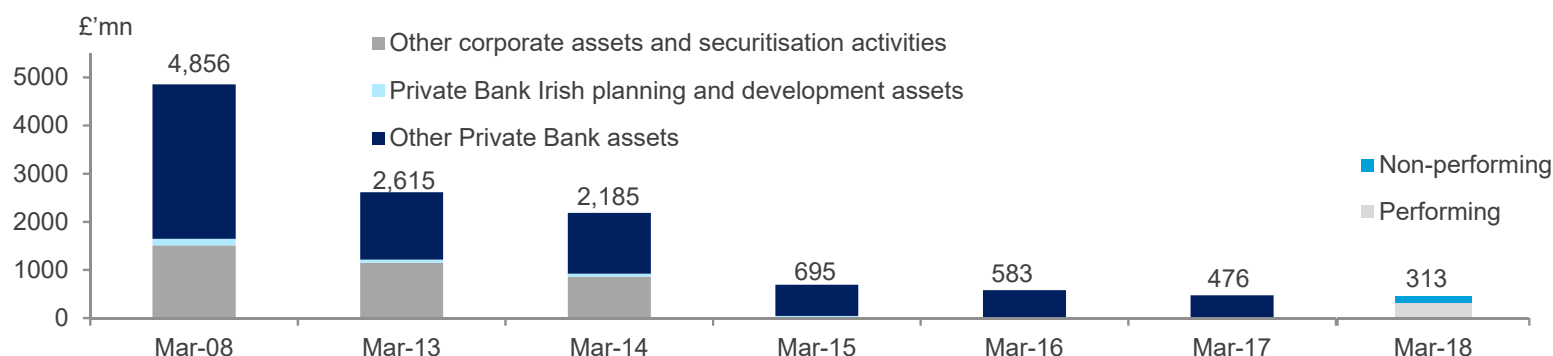
## Specialist Banking – UK legacy

### Loss on legacy assets

£'mn	Mar-18	Mar-17
Total income	0.7	0.3
Total impairments	(84.7)	(54.3)
Total expenses	(9.5)	(10.6)
<b>Net loss before tax</b>	<b>(93.5)</b>	<b>(64.6)</b>

- The legacy portfolio has continued to be actively managed down to £313mn (Mar-17: £476mn)
- Largely through assets sales, redemptions and write-offs

### Run-off of legacy assets



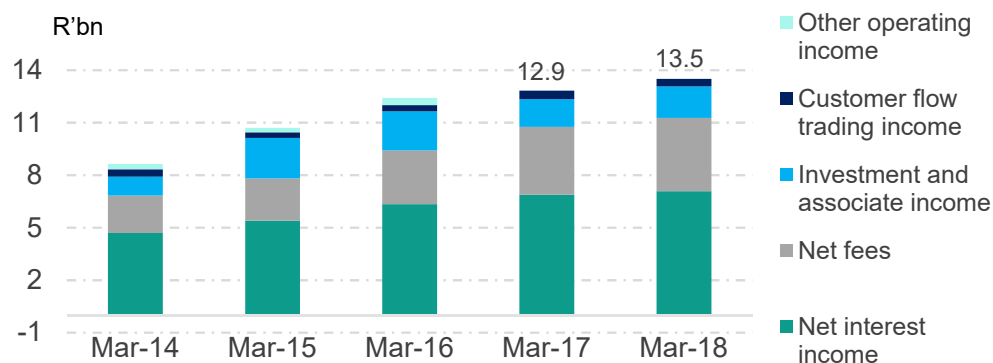


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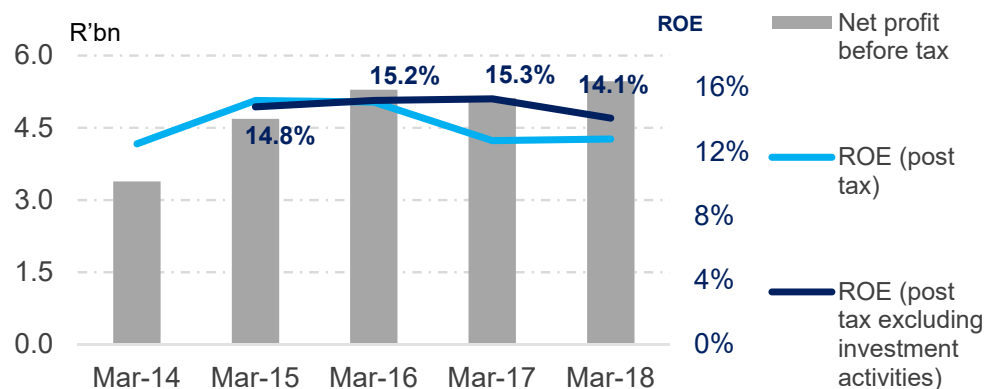
# Specialist Banking SA

## Income, returns and outlook

### Analysis of income



### Profit and returns



### Outlook

- Resilient performance with a combined book growth of 8.7% resulting in a strong increase in our net interest and annuity income
- We remain cautiously optimistic given the challenging political environment in the past year
- The uplift in business confidence and reasonable client activity should support continued positive momentum

Out of the Ordinary®



# Strategic priorities for FY2019

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Specialist Banking | Asset Management | Wealth & Investment



## Asset Management – strategy

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

### Strategic priorities

- Continue to improve our investment performance
- Maintain strong momentum in the Advisor business globally
- Grow our presence in large markets, especially North America
- Continue to scale our Multi-Asset and Quality capabilities
- Evolve all our investment capabilities for the future
- Build a compelling foundation for Alternatives

**Performance and clients are our top priority.  
We are building an intergenerational and long-term business.**



# Wealth & Investment – strategic review

## Investing for long-term sustainability

### Strategic priorities

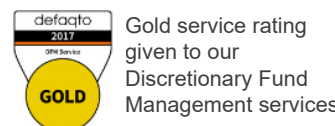
- Digitalisation
  - Focus on investing in and developing our digital channel including enhancements to our core service
- Maintaining the highest standards of client service
  - Coordinating and leveraging capabilities across businesses to enhance our services for clients
- Providing a global investment offering
  - Identifying opportunities and building skills in alternative investment, fiduciary and tax
- Efficiency
  - Continually improving business processes

### Independent recognition



Defaqto 2017 – Five-star ratings awarded to both our bespoke and managed portfolio services.

MyPrivateBanking  
research  
Joint 1<sup>st</sup> Robo-Advisor  
for Click & Invest



Asset Risk Consultants (ARC)  
3D Award given for our commitment to transparency, engagement and integrity



# Specialist Banking – strategic review

## Specialist Bank UK and Other Ongoing

### Strategic priorities

- Broaden client base by building franchise while deepening client relationships
- Establishing a high-tech and high-touch domestically relevant bank to growth-orientated businesses
- Private Bank shift in focus from platform development to client acquisition
- Improve coordination across business units and geographies
- Focus on increasing capital light activities
- Focus on operational efficiency

### Independent recognition



Best Current Account for High Earners  
Winner - 2017/18 Personal Finance Awards



Best Service from an Asset Based Finance Provider (Business Moneyfacts)



Investec Structured Products  
Best Distributor UK/Ireland  
2015/2016/2017

Private Equity Wire  
Global Awards 2017  
Best Debt Provider  
of the year



Fund financier of the year,  
Europe



Best current account for high earners





# Specialist Banking – strategic review

## Specialist Bank SA

### Strategic priorities

- Identify new sources of revenue across our existing client base
- Management of our liquidity ratios with an emphasis on retail funding initiatives
- Management of our capital to optimise returns
- Investment in our technology platforms, including digitalisation of products and services
- Launch of Investec for Business designed to deliver an integrated service offering to mid-market corporates

### Independent recognition

**FT FINANCIAL TIMES**

**BEST DIGITAL BANK AWARD 2017**  
GLOBAL FINANCE  
Best Digital Bank in South Africa  
Most Innovative Digital Bank in Africa

**EUROMONEY PRIVATE BANKING SURVEY 2017**  
2016  
2015  
2014  
2013

**PLUM The Banker GLOBAL PRIVATE BANKING AWARDS 2017**  
EXCELLENCE IN WEALTH MANAGEMENT  
AWARDS 2016  
AWARDS 2015  
AWARDS 2014  
AWARDS 2013

**DealMakers**  
1<sup>st</sup> M&A Investment Advisor by Deal Flow  
2<sup>nd</sup> M&A Sponsor by Deal Flow  
3<sup>rd</sup> General Corporate Finance Investment Advisor by Deal Flow  
3<sup>rd</sup> General Corporate Finance Sponsor by Deal Flow

**intellidex**  
Researching Capital Markets & Financial Services  
Investec Private Bank wins **People's Choice award** for the 5<sup>th</sup> time

**MyPrivateBanking research**  
Joint 1<sup>st</sup> **Robo-Advisor** for Click & Invest  
Joint 2<sup>nd</sup> for One Place Mobile App



## Outlook

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- The group has achieved a satisfactory operating performance, supported by sound growth in key earnings drivers, solid levels of client activity and a robust recurring income base
- Whilst the complexities of Brexit continue to cause uncertainty in the UK economy, the final quarter of the 2018 financial year has started to see an uplift in the South African economic outlook
- The group's continued investment in infrastructure, digital platforms and people, positions it well for future growth
- We remain committed to delivering shareholder value and have the right people and skills to take advantage of opportunities in our core markets, whilst providing exceptional service to our clients

Out of the Ordinary®



Closing:  
38 years of building a  
quality business



Specialist Banking | Asset Management | Wealth & Investment

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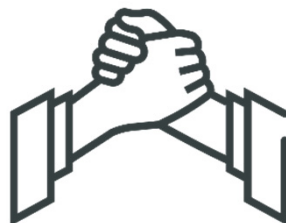
## Our aim has always been to build a sustainable business

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Building all areas of CAPITAL simultaneously:



**FINANCIAL**



**CLIENT**



**HUMAN**



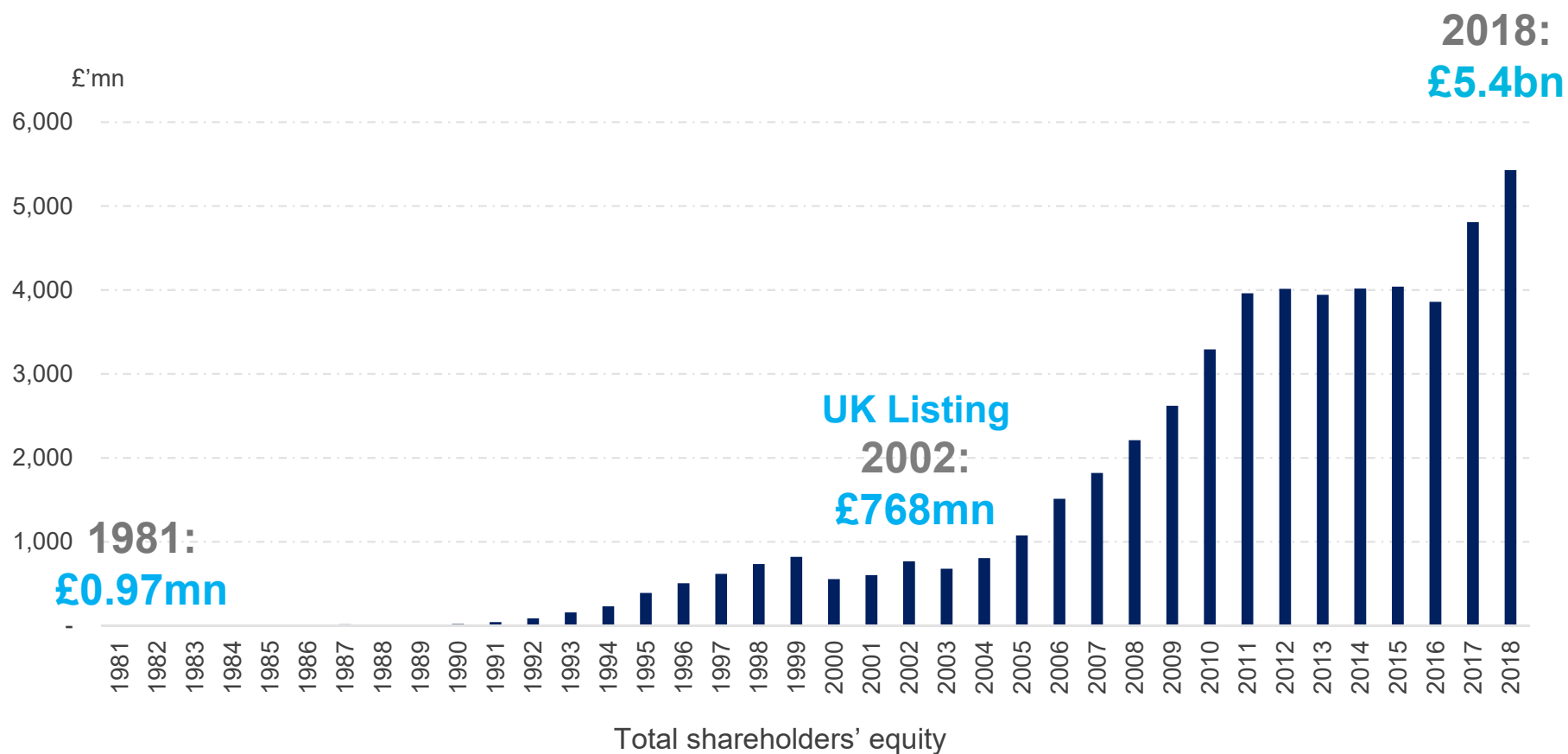
**SOCIAL &  
ENVIRONMENTAL**

... to ensure we have the resilience to support us through varying cycles



FINANCIAL

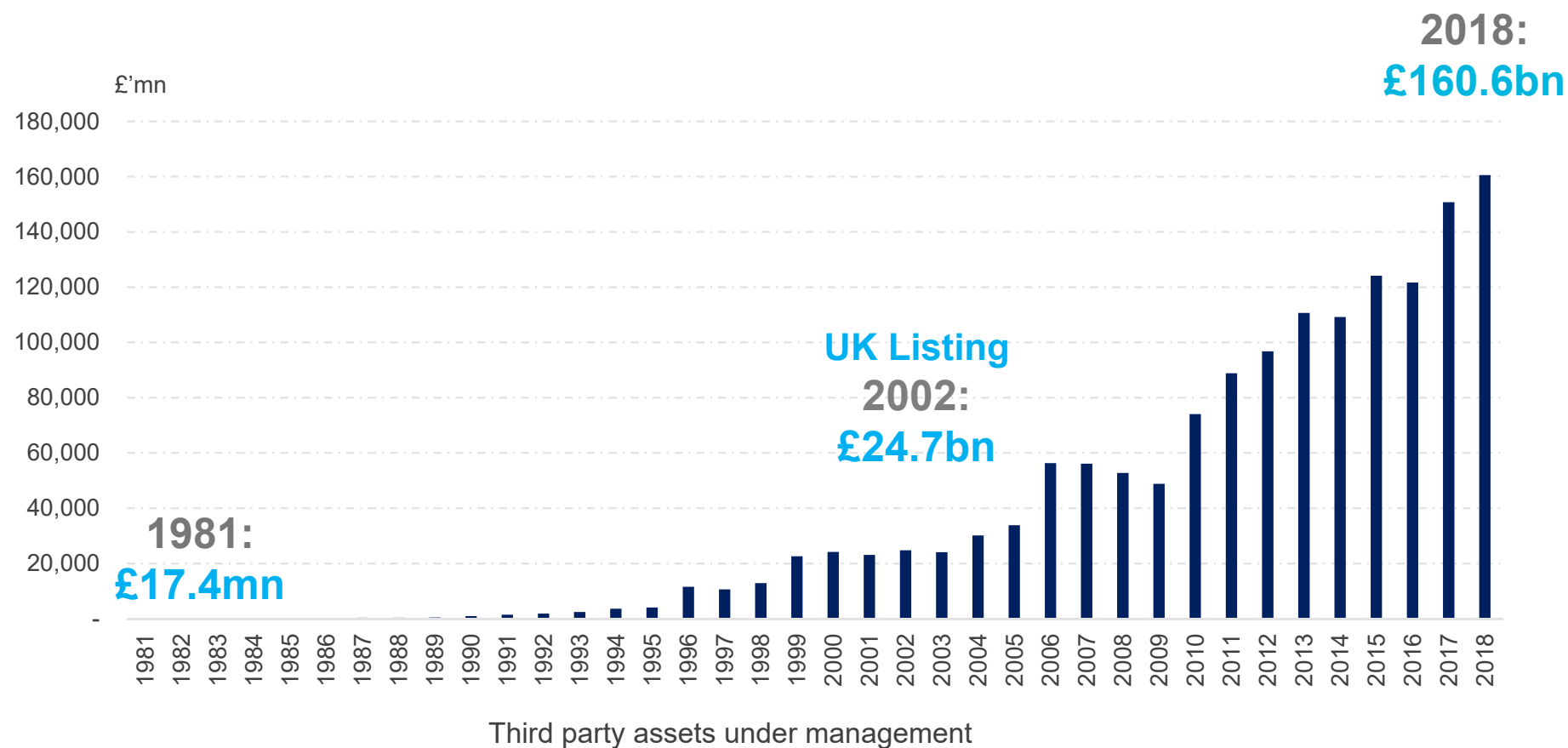
## Building capital





FINANCIAL

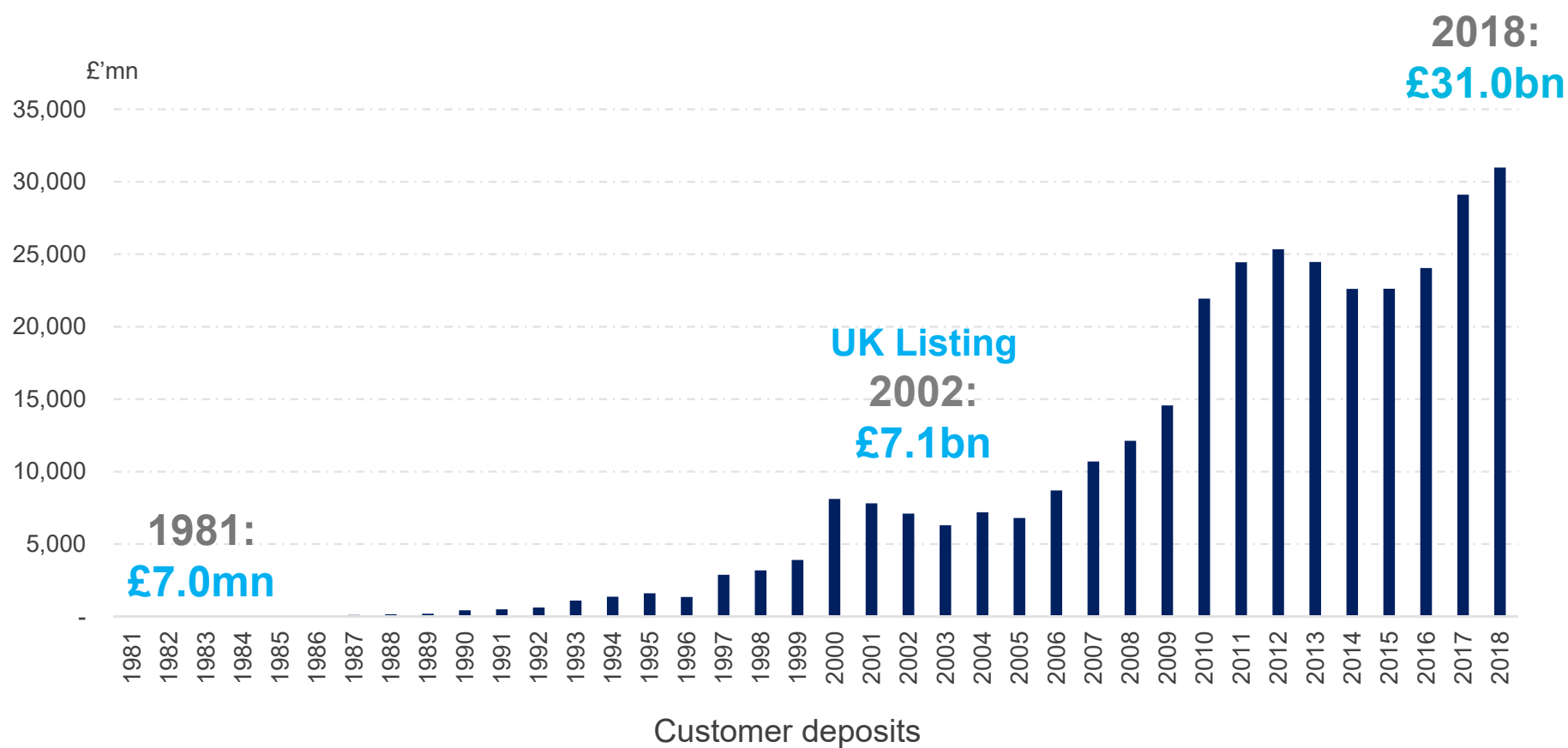
## Growing funds under management





FINANCIAL

## Growing customer deposits





FINANCIAL

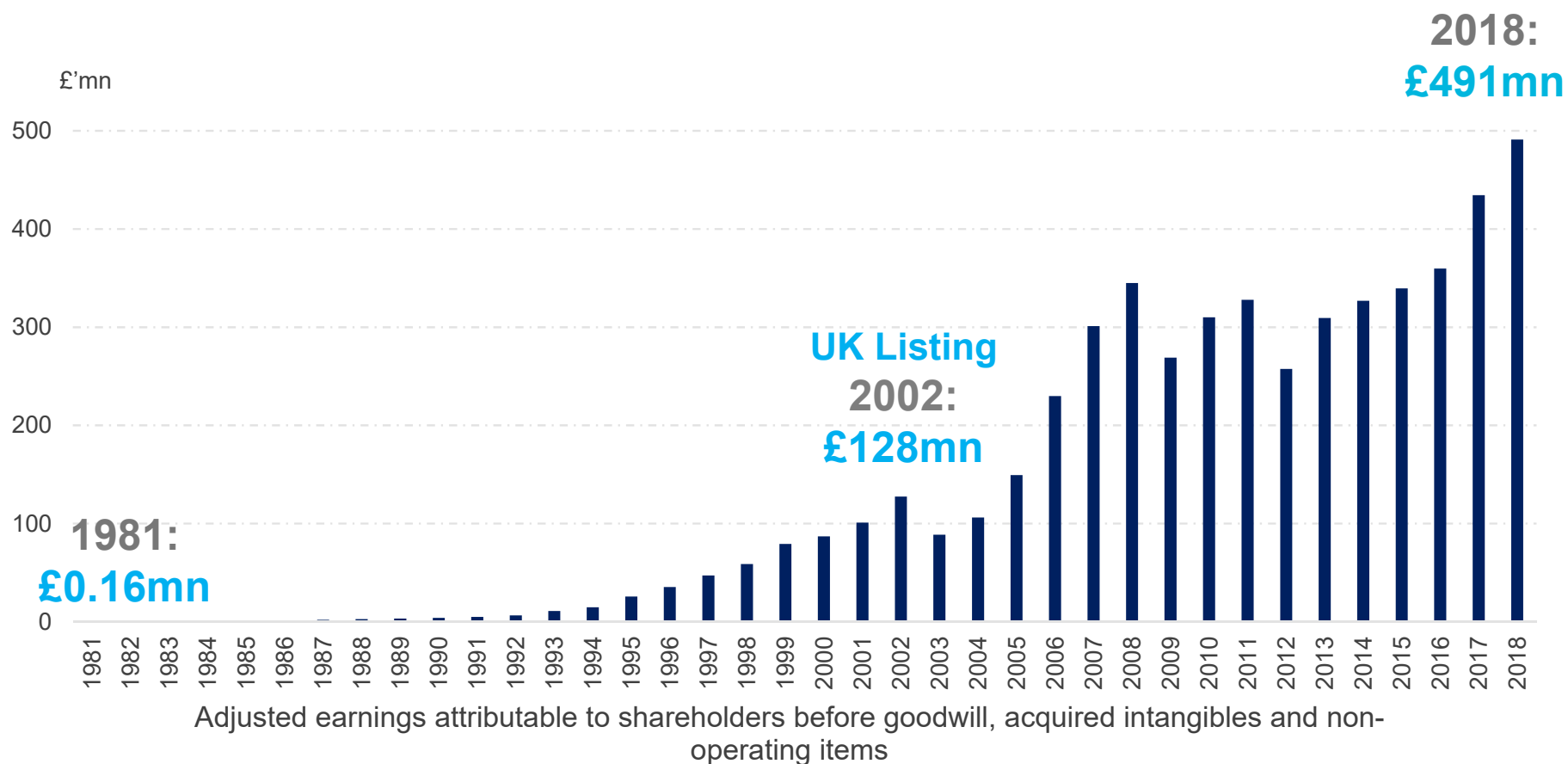
## Growing core loans and advances





FINANCIAL

## Growing earnings through the cycles

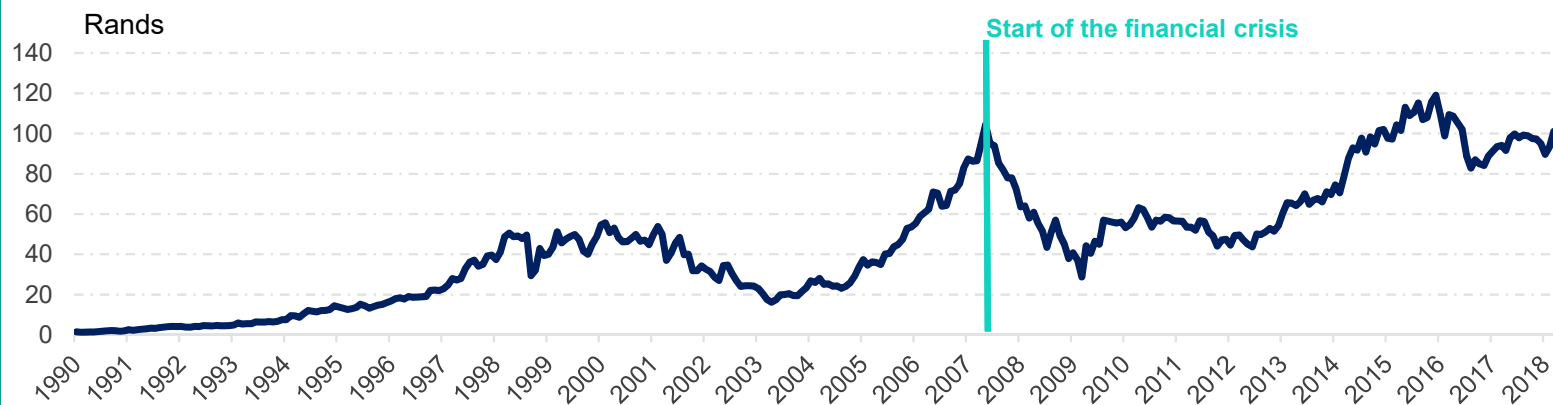




## FINANCIAL

## Share price

**Investec  
Limited**



**Investec  
plc**





CLIENT

## Building wealth FOR our clients...

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### 1984:

- “Pursuant to the strategic objective of **building committed relationships with clients over time**, a separate function, Corporate Banking Relations was established.”

### 1985:

- “Investec believes it should concentrate on **knowing its clients** and their requirements.
- This involvement and commitment allows the Bank to maintain a quality of service and flexibility designed to protect both its clients and itself.
- Investec recognises the **value of its relationship with clients** over time.
- Investec maintains a policy of **building committed long-term relationships**, internally and externally.”



CLIENT

... and WITH our clients

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**TODAY** the focus remains the same ...

- ***“We have a client focused approach.***
  - *Our clients are our business.*
  - *We are not all things to all people: we serve select market niches where we can compete effectively.*
  - *Our distinction lies in our ability to be nimble, flexible and innovative, and to give clients a high level of service.”*
  
- **To work with our clients to build their wealth while at the same time creating value for our stakeholders**



CLIENT

## Establishing our brand ...



New corporate identity design, 1982

### VEHICLE FINANCE FOR DENTISTS



- Available (subject to status) for new or used vehicles
- No deposit required
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- Maximum term 5 years
- APR from 10.9%
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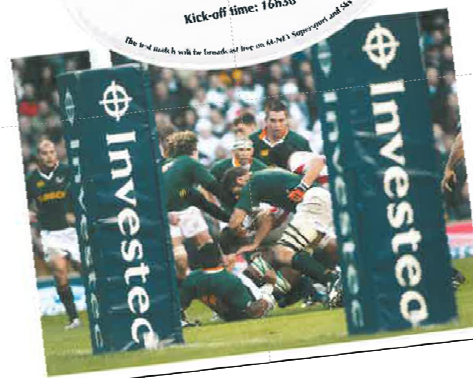
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5 December 1998

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Kick-off time: 16h30

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**Sunday Times**  
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HUMAN

# Investing in talent and leadership



**AFLI** AFRICAN LEADERSHIP INSTITUTE

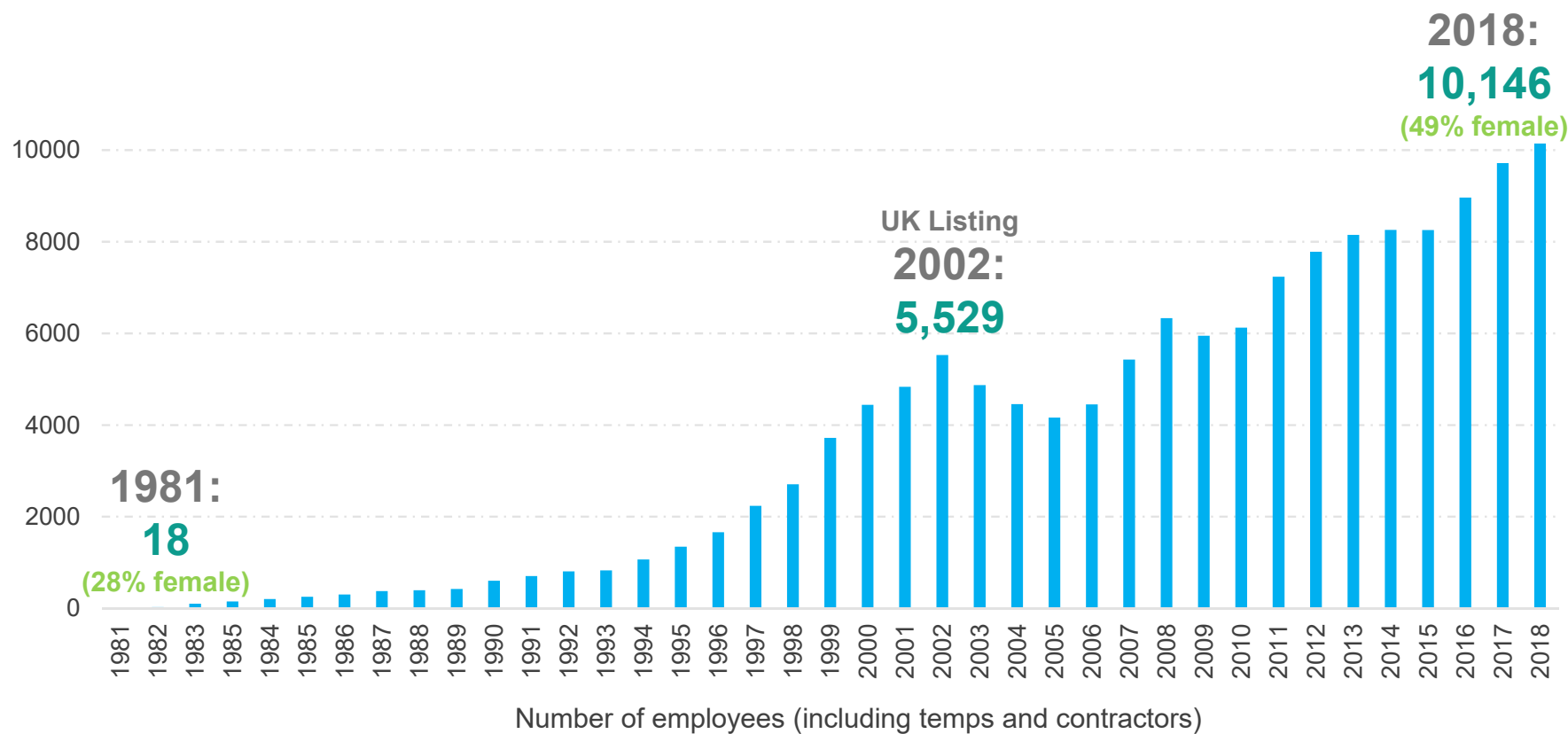
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**HARVARD**  
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## SOCIAL & ENVIRONMENTAL

# We have always cared ...

## ... about unselfishly contributing to the world around us

INVESTEC BANK LIMITED: Annual Report 1996

### SOCIAL UPLIFTMENT AND EDUCATION

Investec subscribes to the socio-economic imperative of greater economic participation for all members of South Africa's population and therefore engages in a number of proactive programmes aimed at comprehensive economic upliftment.

Investec's initiatives in the targeted area of economic upliftment continue to revolve around the three prongs of education, affirmative action and economic development funding.

INVESTEC BANK LIMITED: Annual Report 2001

### Entrepreneurial investment: The Business Place

"NAMAC will be proud to be a contributor to this ground-breaking initiative where the private sector [Investec] becomes involved on a national scale in SMME support. It would be true to remark that NAMAC was somewhat overwhelmed by the achievements, and were not aware of the scale and effort of private sector involvement in one centre." - National Manufacturing Advisory Centre report on The Business Place.

### Staff Participation

INVESTEC'S CULTURE OF 'GENEROSITY OF SPIRIT' IS LIVED THROUGHOUT OUR CORPORATE SOCIAL INVESTMENT PROGRAMMES.





**SOCIAL &  
ENVIRONMENTAL**

**Focusing on education and entrepreneurship...**

**... to create economic participants**

**Promaths**

**Promaths**  
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**arrival**  
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It's your destiny to be extraordinary.  
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**ENNOVATE**  
Growth through global exposure  
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**Beyond Business**

54 Investec Touch



SOCIAL &  
ENVIRONMENTAL

## Transforming our communities ...

... through skills, youth employment and caring for the environment

Bringing water to rural South Africa



innovation: africa

Promoting skills and youth employment



Supporting the economy of wildlife





## Reflecting back on 38 years...

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- We have spent more than 38 years **building a quality franchise** that has the **will to survive and thrive** through all conditions
- Our people have a **depth of wisdom, professional ability** and individual brilliance. They operate within a **strong cultural context** where effective performance is the driving force
- We leave a business that is **conscious**, not only of our duty to clients and shareholders, but also to the individuals within the business and the broader communities we serve
- We are therefore proud and happy to **hand over a solid, sustainable, caring organisation** to the next generation of leaders, knowing that they are well-equipped to take the group to the next level



Thank you

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“Success is not final, failure is not final: it is the courage to continue that counts.”

Winston Churchill