

Out of the Ordinary™



## Investor pre-close briefing

20 March 2015



## Proviso

- Please note that matters discussed in today's presentation may contain forward looking statements which are subject to various risks and uncertainties and other factors, including, but not limited to:
  - the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS
  - domestic and global economic and business conditions
  - market related risks
- A number of these factors are beyond the group's control
- These factors may cause the group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed or implied
- Any forward looking statements made are based on the knowledge of the group at 20 Mar 2015

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## Operational review





- Proviso: unless otherwise stated, figures and trends discussed in the operational review relate to the eleven month period to 28 Feb 2015 and compare 1H2015 vs 2H2015
- References to operating profit relate to adjusted\* operating profit. Trends within the divisional sections relate to adjusted operating profit
- Investec will release its results for the year ended 31 Mar 2015 on 21 May 2015

\*Adjusted operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to other non-controlling interests and before non-controlling interests relating to Asset Management



## Overview of the year ending 31 Mar 2015

- Wealth & Investment and Asset Management are expected to report results ahead of the prior year. Both divisions have benefited from higher levels of average funds under management supported by net inflows of £2.6bn and £2.4bn, respectively
- The Specialist Banking business is expected to report results ahead of the prior year:
  - The South African Specialist Banking business is expected to report results substantially ahead of the prior year in Rands
  - The UK Specialist Banking business is expected to report results behind the prior year



## Overview of the year ending 31 Mar 2015

- Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 11% over the period
- Adjusted operating profit\* is expected to be ahead of the prior year in Pounds Sterling; a solid increase in Rands
- Revenue (net of depreciation on operating leased assets) is expected to be marginally lower than the prior year. However, after adjusting for strategic disposals<sup>^</sup>, revenue is expected to be marginally ahead of the prior year
- Recurring income as a percentage of total operating income has increased and is expected to be approximately 76% (2014: 71%)
- Expenses are expected to be lower than the prior year. However, after adjusting for strategic disposals<sup>^</sup>, expenses are expected to be in line with the prior year

\*Adjusted operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to other non-controlling interests and before non-controlling interests relating to Asset Management

<sup>^</sup> Refers to the sale of Investec Bank (Australia) Limited (effective 31 July 2014); the "Start Transaction" (effective 4 December 2014); the "Kensington Transaction" (effective 30 January 2015).



## Overview of the year ending 31 Mar 2015

- For the period 31 Mar 2014 to 28 Feb 2015:
  - Third party assets under management increased 12% to £123.4bn
  - Customer accounts (deposits):
    - Flat at £22.6bn
    - Adjusting for strategic disposals^ – an increase of 7%
  - Core loans and advances:
    - Decreased 1% to £16.9bn
    - Adjusting for strategic disposals^ – an increase of 13%

^ Refers to the sale of Investec Bank (Australia) Limited (effective 31 July 2014); the "Start Transaction" (effective 4 December 2014); the "Kensington Transaction" (effective 30 January 2015).



## Balance sheet soundness

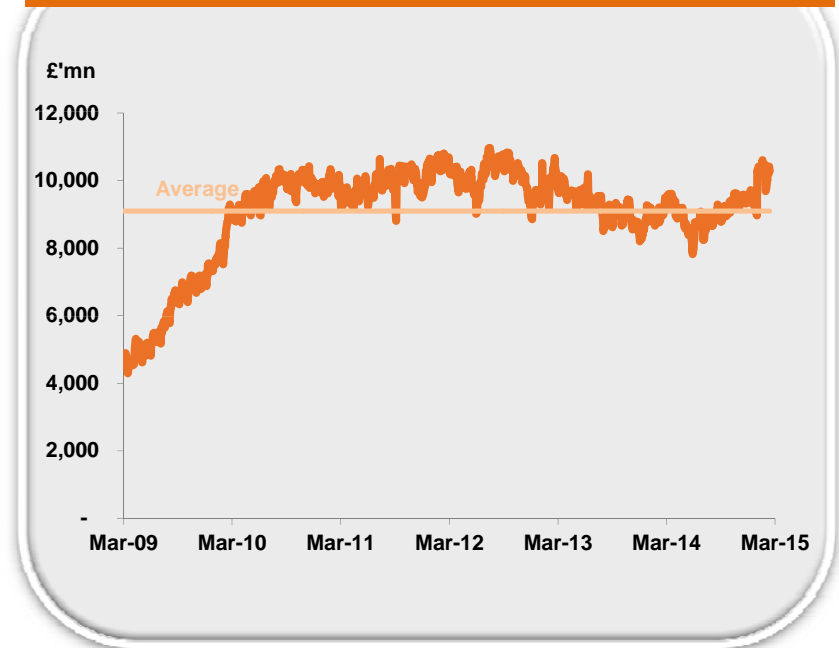
### Liquidity and funding

- We have surplus liquidity in the UK following the sale of assets - and we will seek to decrease these balances over the next few months
- The cost of funds has decreased during the year in the UK business and has increased moderately in South Africa
- Advances as a percentage of customer deposits at 28 Feb 2015 was 73.1% (31 Mar 2014: 72.0%)

### Capital

- Our CET1 ratio is expected to be slightly below the 2016 target of 10%
- Our leverage ratios are sound and remain well above our target of 6% on an estimated Basel 3 fully loaded basis

### Cash and near cash



Min* £'bn	Max* £'bn	Ave* £'bn
7.8	10.6	9.2

### Current total £10.3bn

Ltd £5.0bn (R92.2bn); plc £5.3bn

\*Since 1 Apr 2014

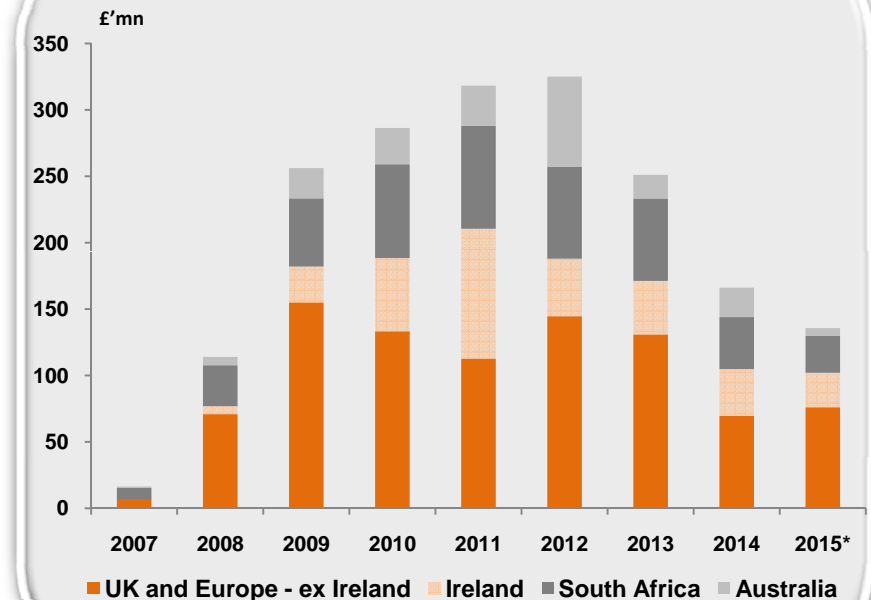




## Impairment trends

- The total income statement impairment charge is expected to be approximately 17% lower than the prior year
- South Africa has seen a normalisation in trend, whilst impairments on the UK legacy portfolio remain elevated
- We expect the credit loss ratio on total average core loans and advances to be approximately 0.65% to 0.70% (Mar 2014: 0.68%; Sep 2014: 0.70%)

## Impairment analysis



Trends reflected in graph are for the year to 31 Mar

\*Expected.

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## Divisional review

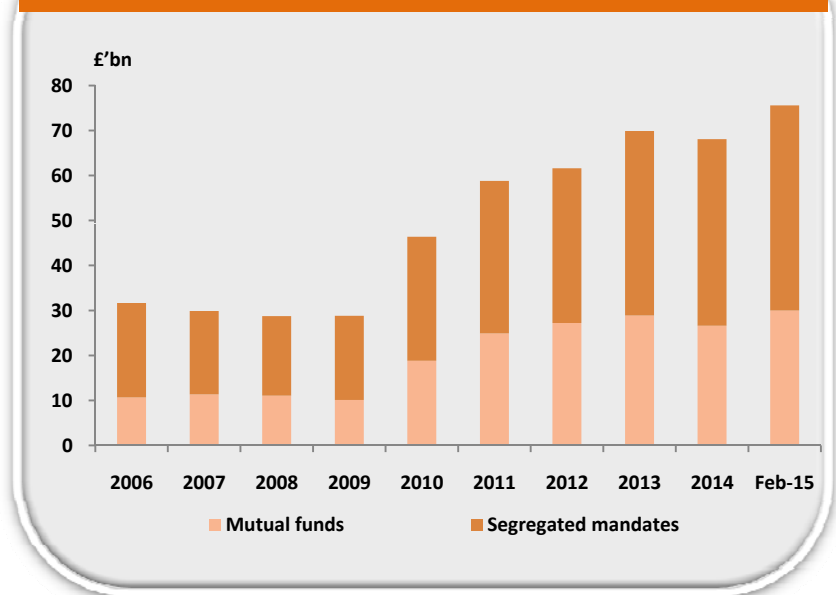




## Asset Management

- Net flows exceeded £2.4bn to end of Feb 2015
- Earnings are growing albeit at a modest rate

### Assets under management: Since 31 Mar 2014: up 11% to £75.7bn



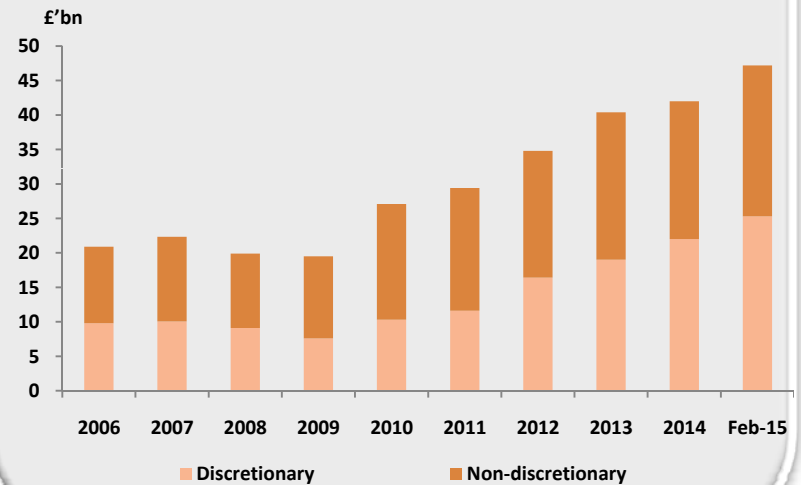
Trends reflected in graph are as at 31 Mar, unless otherwise indicated.



## Wealth & Investment

- Performing ahead of the prior year
  - Higher average funds under management
  - Net inflows of £2.6bn to end of Feb 2015
- Operating margins continue to improve
- Expansion of UK business continues - select investment in senior professionals
- South African business has benefited from integrated offering to private clients - One Place

### Funds under management: Since 31 Mar 2014: up 14% to £47.2bn



Trends reflected in graph are as at 31 Mar, unless otherwise indicated.



## Specialist Banking

- The Specialist Bank is performing ahead of the prior year

### Net interest margin

- Loan growth of 13% (ex sales)
- Relatively stable lending margins
- Cost of funds has reduced in the UK
- Remain very liquid

SA ↑

UK ↑

In home currency

### Investment and trading income

- Good performance from the South African portfolios; sound performance from the UK unlisted investment portfolios offset by a negative performance from the Hong Kong portfolio
- Marginally lower customer flow trading income

SA ↑

UK ↓

In home currency

### Net fees and commissions

- Private client transactional and professional finance activities performing well
- Good performance from the UK corporate finance, corporate treasury and prime broking businesses
- UK corporate fees are expected to be higher than the prior year and South Africa is expected to be in line with prior year

SA ↑

UK ↑

In home currency

### Costs

- South Africa is expected to report an increase in fixed costs in line with inflation
- Total costs in the UK are expected to be slightly higher than the prior year

SA ↑

UK ↑

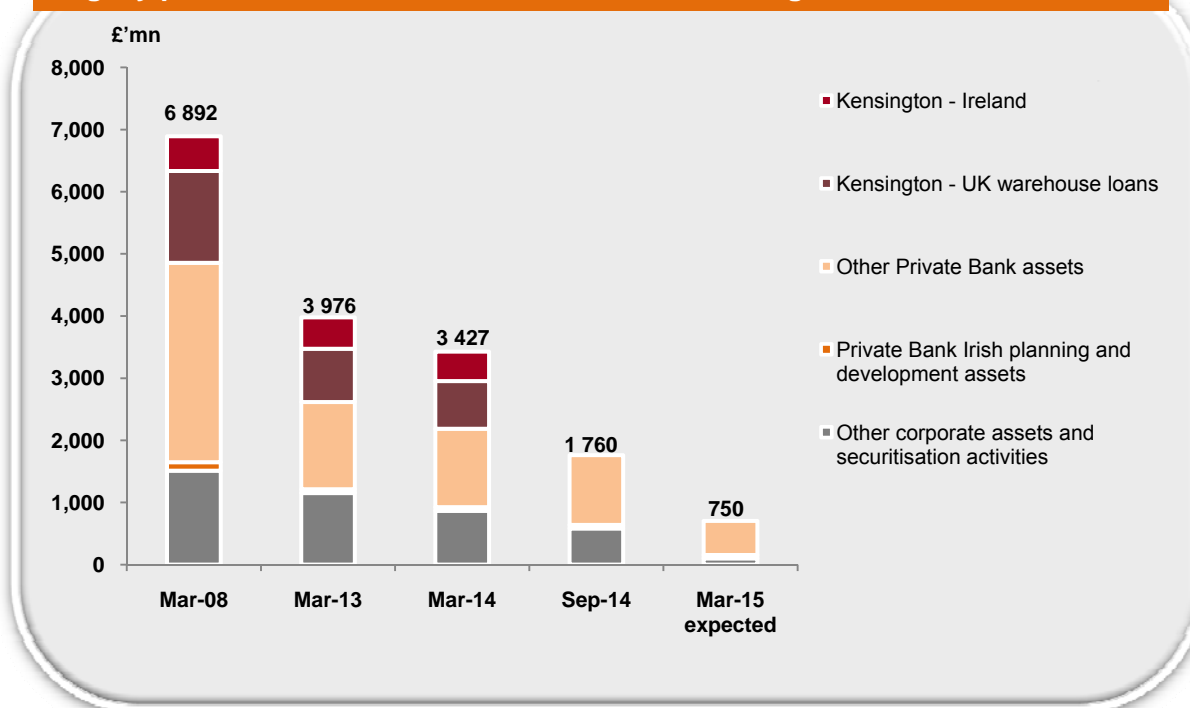
In home currency



## Specialist Banking – additional information on the UK business

- The **Ongoing UK business** is expected to report results slightly behind the prior year as a result of a weak performance from the Hong Kong investment portfolio
- As indicated in November 2014, the group has accelerated the clearance of the **legacy portfolio**, which has resulted in an increase in impairments on these assets
- As a result, the Legacy business is expected to report a moderately larger loss than the prior year

Legacy portfolio total net loans: Investec and Kensington



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## Additional aspects





## Other information

- Effective tax rate: expected to be approximately **19%**
- Net loss after tax arising on deconsolidation of subsidiaries sold: approximately **£42mn**
- Other non-operating items largely in line with 1H2015
- Net non-controlling interests of approximately **£32mn** (profits attributable) relating to the Asset Management business, FX hedge accounting and the consolidation of the Property Fund
- Weighted number of shares in issue for the year ending 31 Mar 2015 is expected to be approximately **863mn**





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## Conclusion





## Conclusion

- The group's strategic disposals have all completed successfully
- The simplification achieved as a result of these disposals will provide stakeholders with a clearer view of the business's key underlying drivers going forward
- Focus remains on clearing legacy assets and growing our core client franchise businesses alongside our specialist activities
- The balanced business model which we have created over the last few years has led to a material improvement in our revenue mix resulting in a more defensive business which is well positioned for future growth and development

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20 March 2015



## Contact details

For further information please refer to the Investor Relations section of [www.investec.com](http://www.investec.com)

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## Appendices





## Operating environment

	28 Feb 2015	30 Sep 2014	31 Mar 2014	% move since Mar 2014
JSE ALSI	53,344	49,336	47,771	11.7%
FTSE ALSI	3,744	3,534	3,556	5.3%
SA Prime	9.25%	9.25%	9.00%	(0.25%)
UK Clearing Banks	0.50%	0.50%	0.50%	-

Year to date	28 Feb 2015		30 Sep 2014		31 Mar 2014	
Currency per £1.00	Close	Ave	Close	Ave	Close	Ave
South African Rand	17.99	17.79	18.33	17.86	17.56	16.12
Australian Dollar	1.98	1.84	1.85	1.81	1.80	1.72
Euro	1.38	1.27	1.28	1.24	1.21	1.19
US Dollar	1.55	1.63	1.62	1.68	1.67	1.59

Source: Datastream



## Adjusted\* operating profit:

For the six months ended 30 Sep 2014

£'000	UK & Other	Australia	UK and Other Total	Southern Africa	Total group
Asset Management	37,684	-	37,684	38,996	76,680
Wealth & Investment	26,912	-	26,912	11,126	38,038
Specialist Banking	17,959	(4,988)	12,971	113,080	126,051
<b>Total group</b>	<b>82,555</b>	<b>(4,988)</b>	<b>77,567</b>	<b>163,202</b>	<b>240,769</b>
Non-controlling interest: equity					(957)
<b>Operating profit before tax</b>					<b>239,812</b>

\*Adjusted operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to other non-controlling interests but before non-controlling interests relating to Asset Management



## Adjusted\* operating profit:

For the year ended 31 Mar 2014^

£'000	UK & Other	Australia	UK and Other Total	Southern Africa	Total group
Asset Management	67,585	-	67,585	76,234	143,819
Wealth & Investment	46,065	-	46,065	20,034	66,099
Specialist Banking	53,461	(13,856)	39,605	201,153	240,758
<b>Total group</b>	<b>167,111</b>	<b>(13,856)</b>	<b>153,255</b>	<b>297,421</b>	<b>450,676</b>
Non-controlling interest: equity					10,849
<b>Operating profit before tax</b>					<b>461,525</b>

\*Adjusted operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to other non-controlling interests but before non-controlling interests relating to Asset Management

^Restated





## Investec Asset Management: Assets under management\*

£'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
UK and other	<b>48,844</b>	<b>46,175</b>	<b>42,006</b>	<b>40,266</b>	<b>16.3%</b>
- Mutual funds	18,949	17,372	15,386	15,541	23.2%
- Segregated mandates	29,895	28,803	26,620	24,725	12.3%
Southern Africa	<b>26,837</b>	<b>25,563</b>	<b>26,011</b>	<b>25,966</b>	<b>3.2%</b>
- Mutual funds	11,137	10,507	11,180	11,070	(0.4%)
- Segregated mandates	15,700	15,056	14,831	14,896	5.9%
<b>Total AUM*</b>	<b>75,681</b>	<b>71,738</b>	<b>68,017</b>	<b>66,232</b>	<b>11.3%</b>

Home currency R'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
<b>Southern Africa</b>	<b>482,798</b>	<b>468,569</b>	<b>456,753</b>	<b>422,986</b>	<b>5.7%</b>
- Mutual funds	200,355	192,593	196,321	180,330	2.1%
- Segregated mandates	282,443	275,976	260,432	242,656	8.5%
<b>Rates: R: £</b>	<b>17.99</b>	<b>18.33</b>	<b>17.56</b>	<b>16.29</b>	

\*All AUM are on a managed basis



## Investec Wealth & Investment SA: Funds under management

R'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
Discretionary	59,286	53,093	46,961	44,979	26.2%
Non-discretionary	251,848	231,588	208,959	195,250	20.5%
<b>Total</b>	<b>311,134</b>	<b>284,681</b>	<b>255,920</b>	<b>240,229</b>	<b>21.6%</b>

£'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
Discretionary	3,295	2,897	2,674	2,761	23.2%
Non-discretionary	13,999	12,634	11,900	11,986	17.6%
<b>Total</b>	<b>17,294</b>	<b>15,531</b>	<b>14,574</b>	<b>14,747</b>	<b>18.7%</b>
<b>Rates: R: £</b>	<b>17.99</b>	<b>18.33</b>	<b>17.56</b>	<b>16.29</b>	



## Investec Wealth & Investment Non-SA: Funds under management

£'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
Total IWI and Europe					
- Discretionary	21,965	19,985	18,889	17,529	16.3%
- Non-discretionary and other	7,941	8,171	8,061	7,799	(1.5%)
<b>Total</b>	<b>29,906</b>	<b>28,156</b>	<b>26,950</b>	<b>25,328</b>	<b>11.0%</b>

## Investec Wealth & Investment total: Funds under management

£'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
Southern Africa	17,294	15,531	14,574	14,747	18.7%
Non-SA	29,906	28,156	26,950	25,328	11.0%
<b>Total</b>	<b>47,200</b>	<b>43,687</b>	<b>41,524</b>	<b>40,075</b>	<b>13.7%</b>



## Total group core loans

£'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
UK and Europe	6,901	6,634	6,492	6,235	6.3%
Southern Africa	10,004	9,303	8,935	9,227	12.0%
Australia	29*	44*	1,730*	1,929	(98.3%)
<b>Total core loans</b>	<b>16,934</b>	<b>15,981</b>	<b>17,157</b>	<b>17,391</b>	<b>(1.3%)</b>

Home currency 'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
Southern Africa	R179,972	R170,524	R156,899	R150,308	14.7%
Australia	A\$57*	A\$81*	A\$3,114*	A\$3,339	(98.2%)
<b>Rates: R: £</b>	<b>17.99</b>	<b>18.33</b>	<b>17.56</b>	<b>16.29</b>	
<b>Rates: AUD: £</b>	<b>1.98</b>	<b>1.85</b>	<b>1.80</b>	<b>1.73</b>	

\*Sale of Investec Bank (Australia) Limited effective on 31 July 2014



## Total group customer deposits

£'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
UK and Europe	10,414	10,382	9,407	9,309	10.7%
Southern Africa	12,175	11,871	11,671	12,312	4.3%
Australia	- *	- *	1,532*	1,610	n/a
<b>Total deposits</b>	<b>22,539</b>	<b>22,253</b>	<b>22,610</b>	<b>23,231</b>	<b>(0.1%)</b>

Home currency 'million	28 Feb 2015	30 Sep 2014	31 Mar 2014	30 Sep 2013	% change YTD vs Mar 2014
Southern Africa	R219,028	R217,595	R204,943	R200,579	6.9%
Australia	- *	- *	A\$2,758*	A\$2,787	n/a
<b>Rates: R: £</b>	<b>17.99</b>	<b>18.33</b>	<b>17.56</b>	<b>16.29</b>	
<b>Rates: AUD: £</b>	<b>1.98</b>	<b>1.85</b>	<b>1.80</b>	<b>1.73</b>	

\*Sale of Investec Bank (Australia) Limited effective on 31 July 2014