

Out of the Ordinary®



2016



**Investor pre-close briefing
18 March 2016**

Specialist Banking

Asset Management

Wealth & Investment



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 18 Mar 2016

Operational review



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- Proviso: unless otherwise stated, figures and trends discussed in the operational review relate to the eleven month period to 29 Feb 2016 and compare 1H2016 vs 2H2016
 - 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 2016 on 19 May 2016

*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 operating environment

- The second half of the group's financial year has seen increased macro uncertainty in our key operating geographies
- Currency and equity market weakness and volatility over recent months have impacted our overall results, particularly our Wealth & Investment and Asset Management businesses
- Net new fund inflows and reasonable levels of activity in our banking businesses have supported a sound operational performance



Overview of the year ending 31 Mar 2016

- The Specialist Banking business is expected to report results ahead of the prior year:
 - The UK Specialist Banking business is expected to report results substantially higher than the prior year
 - The South African Specialist Banking business is expected to report results comfortably ahead of the prior year, in Rands
- Wealth & Investment is expected to report results marginally ahead of the prior year, whilst Asset Management is expected to report results behind the prior year. Both divisions have continued to experience net inflows of £1.2bn and £3.2bn respectively



Overview of the year ending 31 March 2016

- Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 17% over the period
- Adjusted operating profit* is expected to be marginally ahead of the prior year in Pounds Sterling; a solid increase in neutral currency^
- Revenue (net of depreciation on operating leased assets) is expected to be slightly lower than the prior year in Pounds Sterling; ahead in neutral currency^
- Recurring income as a percentage of total operating income is expected to be approximately 71% (2015: 74%)
- Expenses are expected to be lower than the prior year; higher in neutral currency^

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^Calculation assumes R:£ average exchange rate remains the same for the year to 31 March 2016 when compared to the prior year.



Overview of the year ending 31 March 2016

- For the period 31 Mar 2015 to 29 Feb 2016:
 - Third party assets under management decreased 6% to £116.2bn
 - flat on a neutral currency[^] basis
 - Customer accounts (deposits) increased 2% to £23.0bn
 - an increase of 14% on a neutral currency[^] basis
 - Core loans and advances increased 4% to £17.9bn
 - an increase of 17% on a neutral currency[^] basis

[^]Calculation assumes R:£ closing exchange rate remains the same as at 29 Feb 2016 when compared to 31 Mar 2015.

Balance sheet soundness

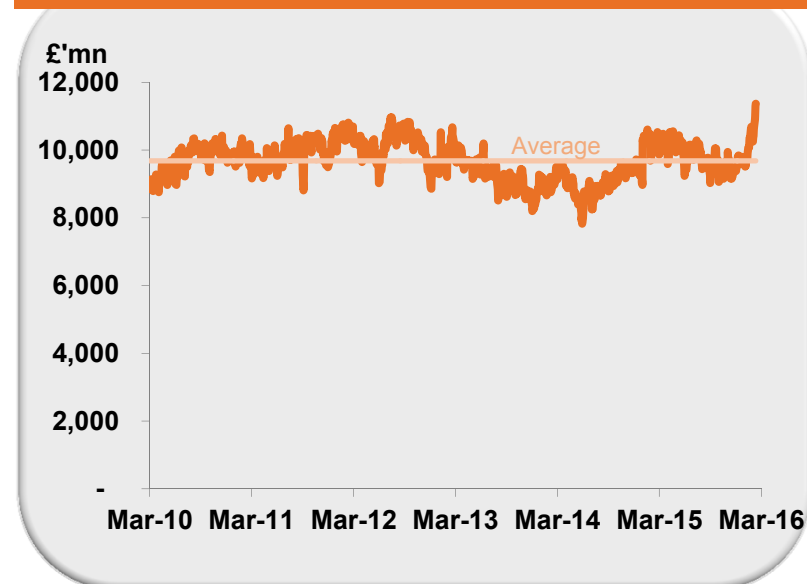
Liquidity and funding

- The group remains very liquid
- We have continued to see good progress from Investec Cash Investments in South Africa leading to higher cash balances
- The cost of funds has remained broadly stable
- Advances as a percentage of customer deposits at 29 Feb 2016 was 76% (Mar 2015: 74%)

Capital

- Our CET1 ratio is expected to be below the 2016 target of 10% as a consequence of strong growth in credit risk weighted assets
- 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
9.0	11.3	9.9

Current total £11.3bn

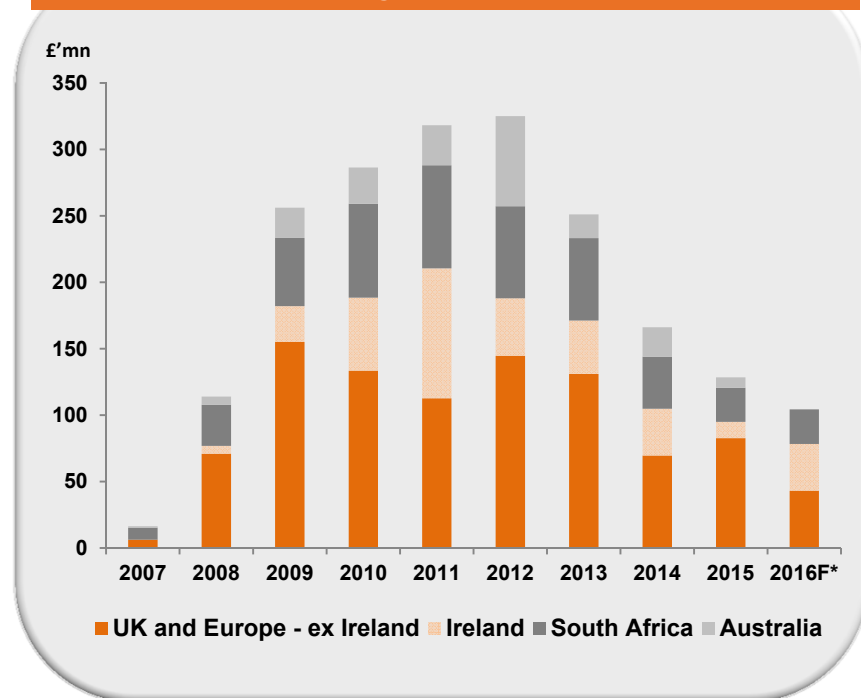
Ltd £6.2bn (R135.4bn); plc £5.1bn

*Since 1 Apr 2015

Impairment trends

- The total income statement impairment charge is expected to be approximately 20% lower than the prior year
- Impairments on the UK legacy portfolio continue to decline
- Impairments in South Africa are expected to be ahead of the prior year although the credit loss ratio remains at the lower end of our long term range
- We expect the total credit loss ratio on average core loans and advances to be approximately 0.57% to 0.62% (Mar 2015: 0.68%)

Impairment analysis



Trends reflected in graph are for the year to 31 Mar, unless otherwise indicated.

^Where a negative number represents a recovery.

*Expected.

Australian numbers included in UK and Other as from March 2016.

Loan book growth

UK and Other

Loan book at Feb 2016: £7 959mn	£'mn
Total growth from Mar 15 to Feb 16 (rounded to closest million)	900
Mortgage loans to private clients and lending to HNW clients	200
Senior secured corporate loans	220
Fund finance (short-term tenors to asset managers and private equity funds)	220
Asset finance (well diversified; small ticket size)	90
Project finance (financing of infrastructure assets; well diversified)	130
Other (various areas)	40

- Credit loss ratio on ongoing book less than 30bps
- Corporate book of c£3.7bn – well diversified across sectors

Southern Africa

Loan book at Feb 2016: R219bn	R'bn
Total growth from Mar 15 to Feb 16 (rounded to closest billion)	37
Mortgage loans to private clients and lending to HNW clients	22
Senior secured corporate loans	10
Income producing – commercial property loans to private clients	2
Project finance (financing of infrastructure assets; well diversified)	1
Other (various areas)	2

- Credit loss ratio remains within our long term range of 30-40bps
- Corporate book of cR72bn – well diversified across sectors

Divisional review



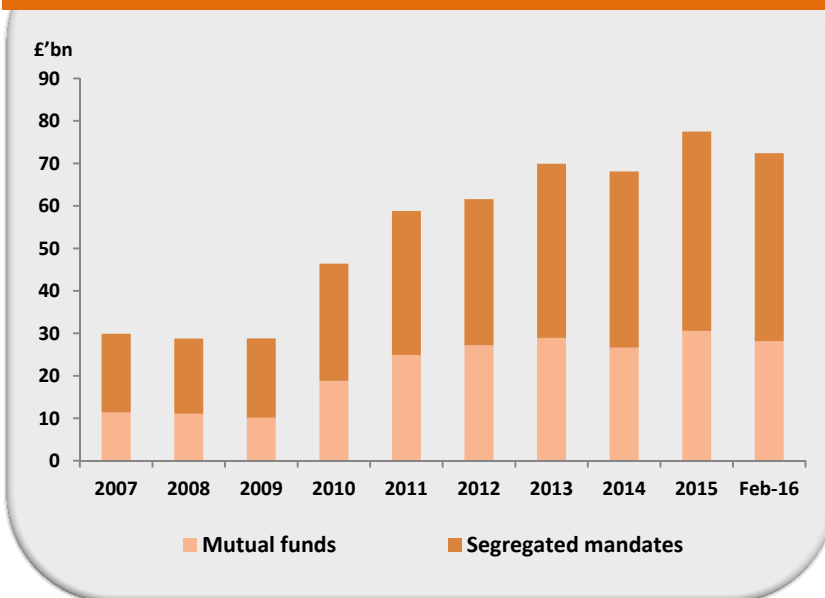
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Asset Management

- Positive net inflows of £3.2bn to end of Feb 2016
- Earnings negatively impacted by market and currency movements
- The UK & International business is expected to report results ahead of the prior year in spite of its substantial emerging markets component
- Momentum in South Africa has improved during the second half in terms of performance, flows and earnings
- Stable, experienced staff complement and competitive investment performance

Assets under management:
Since 31 Mar 2015: down 7% to £72.4bn
- flat on a neutral currency[^] basis



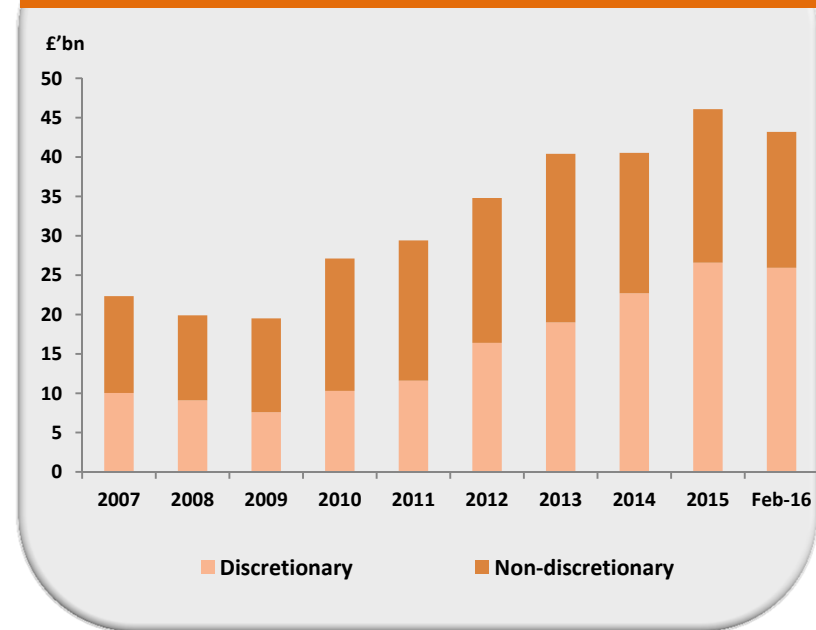
Trends reflected in graph are as at 31 Mar, unless otherwise indicated.

[^]Calculation assumes R:£ closing exchange rate remains the same as at 29 Feb 2016 when compared to 31 Mar 2015.

Wealth & Investment

- Solid net inflows of £1.2bn to end of Feb 2016
- Funds under management negatively impacted by weaker equity markets
- Overall performance of the global business expected to be marginally head of the prior year
- Investment expenditure on growth initiatives (digital offering, select investment in senior professionals) continues
- Good performance from the South African business in Rand, supported by net inflows

Funds under management:
Since 31 Mar 2015: down 6% to £43.2bn
- flat on a neutral currency[^] basis



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

[^]Calculation assumes R:£ closing exchange rate remains the same as at 29 Feb 2016 when compared to 31 Mar 2015.

Specialist Banking – Ongoing business

- The Ongoing Specialist Bank is performing ahead of the prior year

Net interest margin

- Net interest increase in the ongoing UK and South African businesses supported by book growth of 17% in neutral currency

SA ↑

UK & Other ↑

In home currency

Investment and trading income

- Investment income ahead of the prior year:
 - Normalised performance from Hong Kong portfolio
 - Higher earnings from UK fixed income portfolio
 - Sound performance from South African portfolio – however, no 2H16 accrual from Investec Equity Partners (will be equity accounted for in future)
- Customer flow trading income increased

SA

↓

UK & Other ↑

In home currency

Net fees and commissions

- Good performance from the South African corporate treasury and structuring businesses, property fund and Blue Strata acquisition (rebranded Investec Import Solutions)
- UK corporate fees impacted by slower deal activity off the back of volatile markets and a strong prior year

SA ↑

UK & Other ↓

In home currency

Costs

- South Africa is expected to report an increase in fixed costs due to an increase in headcount and acquisition of Investec Import Solutions
- Costs in the UK ongoing business have increased marginally due to investment in the Private Banking business

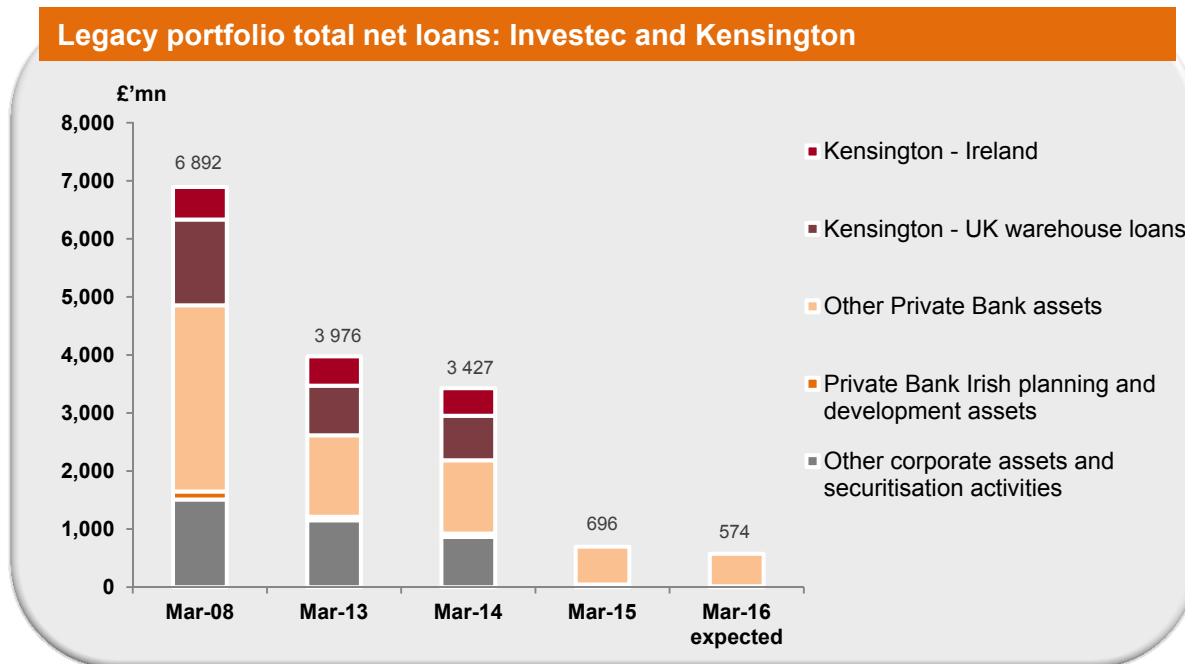
SA ↑

UK & Other ↑

In home currency

Specialist Banking – UK legacy business

- The **Legacy business** is expected to report a smaller loss than the prior year as a result of an overall reduction in both impairments and costs
- Impairments marginally ahead of 1H2016 due to accelerated clearance of the Irish planning portfolio



Additional aspects



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Other information

- Effective tax rate: expected to be approximately **19% - 20%**
- Net non-controlling interests of approximately **£43mn** (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 2016 is expected to be approximately **870mn**

Conclusion



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Conclusion

- We are positive about our current positioning and believe we are winning market share as evidenced by the neutral currency growth in our key earnings drivers
- We have a solid client franchise and continue to make progress in the roll out of our digital strategy
- Our diversified and balanced business model supports a stable recurring income base and earnings through varying market conditions
- We will continue to focus on execution of our strategic initiatives but at the same time ensure that we maintain momentum and focus in our core business units, always mindful of the more challenging macro environment and uncertainty in the jurisdictions in which we operate

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Contact details

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Appendices



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Operating environment

	29 Feb 2016	30 Sep 2015	31 Mar 2015	% move since Mar 2015
JSE ALSI	49,415	50,089	52,182	(5.3%)
FTSE ALSI	3,346	3,336	3,664	(8.7%)
SA Prime	10.25%	9.50%	9.25%	0.75%
UK Clearing Banks	0.50%	0.50%	0.50%	-

Year to date	29 Feb 2016		30 Sep 2015		31 Mar 2015	
Currency per £1.00	Close	Ave	Close	Ave	Close	Ave
South African Rand	22.10	20.61	20.95	19.33	17.97	17.82
Australian Dollar	1.95	2.05	2.15	2.05	1.95	1.85
Euro	1.28	1.38	1.35	1.39	1.38	1.28
US Dollar	1.39	1.51	1.51	1.54	1.49	1.62

Source: Datastream

Adjusted* operating profit:

For the six months ended 30 Sep 2015

£'000	UK & Other	Southern Africa	Total group
Asset Management	40,127	30,427	70,554
Wealth & Investment	25,896	11,954	37,850
Specialist Banking	63,263	130,389	193,652
Specialist Banking - Ongoing	98,786		
Specialist Banking - Legacy business	(35,523)		
Specialist Banking - businesses sold	-		
	129,286	172,770	302,056
Group costs	(17,036)	(5,580)	(22,616)
Total group	112,250	167,190	279,440
Non-controlling interest: equity			10,518
Operating profit before tax			289,958

*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

Adjusted* operating profit:

For the year ended 31 Mar 2015

£'000	UK & Other	Southern Africa	Total group
Asset Management	75,491	73,484	148,975
Wealth & Investment	56,871	21,910	78,781
Specialist Banking	41,795	262,918	304,713
Specialist Banking - Ongoing	129,341		
Specialist Banking - Legacy business	(107,669)		
Specialist Banking - businesses sold	20,123		
	174,157	358,312	532,469
Group costs	(30,048)	(9,264)	(39,312)
Total group	144,109	349,048	493,157
Non-controlling interest: equity			11,701
Operating profit before tax			504,858

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Investec Asset Management: Assets under management*

£'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
UK and international	49,449	47,327	50,622	46,175	(2.3%)
- Mutual funds	17,620	18,102	19,398	17,372	(9.2%)
- Segregated mandates	31,829	29,225	31,224	28,803	1.9%
Southern Africa	22,946	22,793	26,888	25,563	(14.7%)
- Mutual funds	10,523	9,943	11,179	10,507	(5.9%)
- Segregated mandates	12,423	12,850	15,709	15,056	(20.9%)
Total AUM*	72,395	70,120	77,510	71,738	(6.6%)

Home currency R'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
Southern Africa	507,060	477,514	483,177	468,569	5.9%
- Mutual funds	232,540	208,306	200,887	192,593	15.8%
- Segregated mandates	274,520	269,208	282,290	275,976	(2.8%)
Rates: R:£	22.10	20.95	17.97	18.33	

*All AUM are on a managed basis

Investec Wealth & Investment total: Funds under management

£'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
UK and Other	29,162	28,451	29,562	27,443	(1.4%)
Southern Africa	14,024	14,899	16,514	15,149	(15.1%)
Total	43,186	43,350	46,076	42,592	(6.3%)

Investec Wealth & Investment total UK and Other: Funds under management

£'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
Discretionary	21,364	20,864	21,602	19,246	(1.1%)
Non-discretionary and other	7,798	7,587	7,960	8,197	(2.0%)
Total	29,162	28,451	29,562	27,443	(1.4%)

Investec Wealth & Investment SA: Funds under management

R'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
Discretionary	100,950	94,883	89,382	81,798	12.9%
Non-discretionary	208,958	217,243	207,379	195,890	0.8%
Total	309,908	312,126	296,761	277,688	4.4%

£'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
Discretionary	4,568	4,529	4,974	4,462	(8.2%)
Non-discretionary	9,456	10,370	11,540	10,687	(18.1%)
Total	14,024	14,899	16,514	15,149	(15.1%)
Rates: R:£	22.10	20.95	17.97	18.33	

Total group core loans

£'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
UK and Other	7,959	7,210	7,061	6,678	12.7%
Southern Africa	9,911	9,520	10,128	9,303	(2.1%)
Total core loans	17,870	16,730	17,189	15,981	3.9%

Home currency 'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
Southern Africa	219,011	R199,444	R182,058	R170,521	20.3%
Rates: R:£	22.10	20.95	17.97	18.33	

Total group customer deposits

£'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
UK and Other	10,475	9,719	10,298	10,382	1.7%
Southern Africa	12,540	11,940	12,317	11,871	1.8%
Total customer deposits	23,015	21,659	22,615	22,253	1.8%

Home currency R'million	29 Feb 2016	30 Sep 2015	31 Mar 2015	30 Sep 2014	% change YTD vs Mar 2015
Southern Africa	277,107	R250,143	R221,377	R217,55	25.2%
Rates: R:£	22.10	20.95	17.97	18.33	