



Out of the Ordinary®

 Investec



## Investor pre-close briefing

19 September 2014



## 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 19 Sep 2014

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## Operational review





- Proviso: unless otherwise stated, figures and trends discussed in the operational review relate to the five month period to 31 Aug 2014 and compare 1H2015 vs 1H2014
- 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 six months to 30 Sep 2014 on 20 Nov 2014

\*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 six months to 30 Sep 2014

- Over the past year we have focused on **simplifying and reshaping our specialist banking business** with a view to improving returns and have successfully restructured and/or sold certain businesses
- Sale of the **Australian Professional Finance and Asset Finance and Leasing businesses and deposit book** to Bank of Queensland Limited at a premium to tangible net asset value – effective 31 Jul 2014
- On 9 Sep 2014 we announced the sale of our UK **Kensington** business to funds managed by Blackstone Tactical Opportunities Advisors L.L.C and TPG Special Situations Partners – still subject to approval
- On 15 Sep 2014 we announced the sale of the **Start** mortgage business in Ireland to an affiliate of Lone Star – still subject to approval
- These transactions upon completion are expected to:
  - Bolster CET1 capital ratio in Investec plc from 8.8% to c.11.1%
  - Significantly improve leverage ratio in Investec plc from 7.4% to c. 8.9%
  - Reduce legacy assets in the UK by c. £1.5bn
  - Reduce total assets by c. £6bn



## Overview of the six months to 30 Sep 2014

- The Wealth & Investment division's results are expected to increase substantially and Asset Management is 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 £0.8bn and £2.7bn, 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 slightly behind the prior year



## Overview of the six months to 30 Sep 2014

- Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 19% over the period
- Adjusted operating profit\* is expected to be ahead of the prior year in Pounds Sterling; a substantial increase in Rands
- Revenue (net of depreciation on operating leased assets) is expected to be marginally ahead of the prior year
- Recurring income as a percentage of total operating income is expected to be c. 74% (2013: 72%)
- Expenses are expected to be marginally higher than 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



## Overview of the six months to 30 Sep 2014

- For the period 31 Mar 2014 to 31 Aug 2014:
  - Third party assets under management increased 9% to £119.6bn
  - Customer accounts (deposits):
    - decreased 3% to £21.8bn
    - Adjusting for the sale of IBAL – an increase of 4%
  - Core loans and advances:
    - decreased 3% to £16.6bn
    - Adjusting for the sale of IBAL – an increase of 7%





## Balance sheet soundness

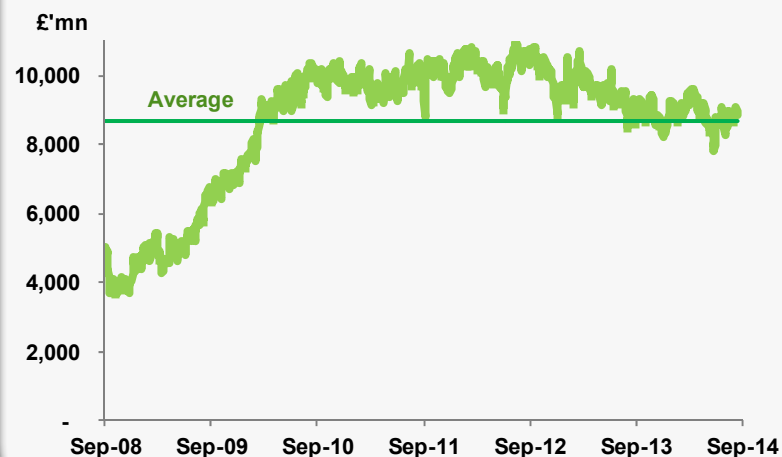
### Liquidity and funding

- We have continued to diversify and lengthen our funding sources
- The cost of funds has declined in our UK business and remained relatively stable in South Africa
- Advances as a percentage of customer deposits at 31 Aug 2014 is at 74.2% (31 Mar 2014: 72.0%)

### Capital

- All ratios are expected to be within the group's target total capital adequacy range
- Our CET1 ratio is expected to be slightly below the 2016 target of 10%
- Our leverage ratios are sound and remain well above 6% on an estimated Basel 3 fully loaded basis

### Cash and near cash



Min* £'bn	Max* £'bn	Ave* £'bn
7.8	9.6	8.8

### Current total £8.7bn

Ltd £4.6bn (R81.0bn); plc £4.1bn

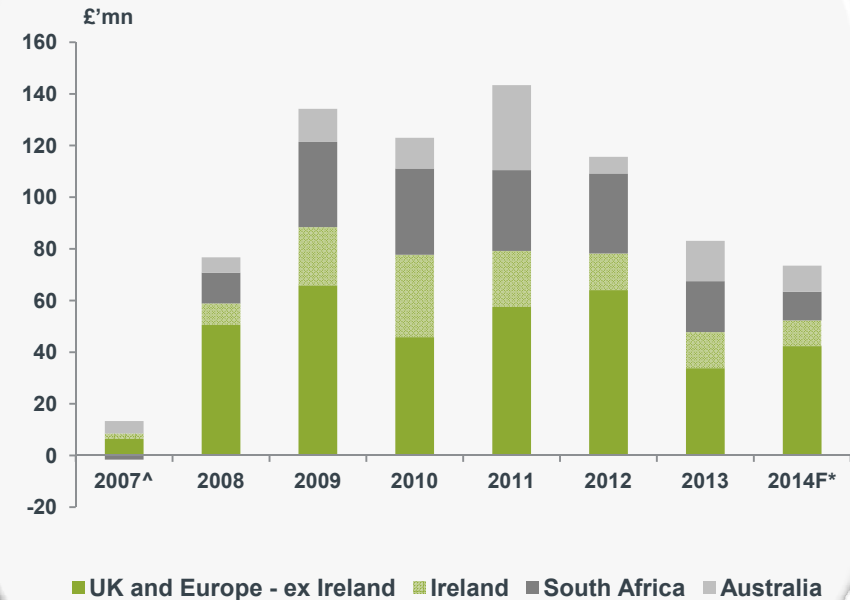
\*Since 31 Mar 2014



## Impairment trends

- The total income statement impairment charge is expected to be approximately 12% 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 0.71% (Mar 2014: 0.68%; Sep 2013: 0.71%)
- Excluding Australia the credit loss ratio is expected to be approximately 0.62% (Mar 2014: 0.62%; Sep 2013: 0.61%)

## Impairment analysis



Trends reflected in graph are for the six months to 30 Sep, unless otherwise indicated.

^Where a negative number represents a recovery.

\*Expected.

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## Divisional review

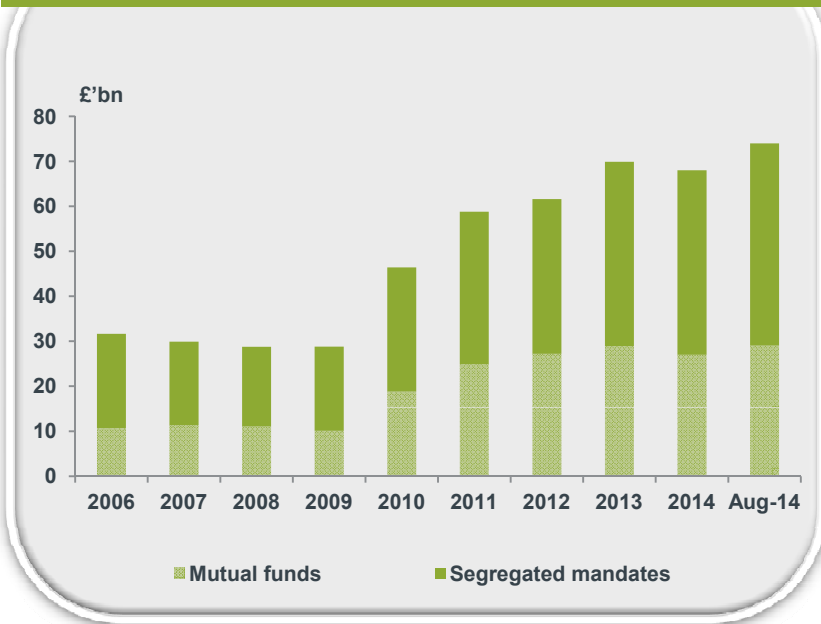




## Asset Management

- Competitive long-term investment performance
- Net flows exceeded £2.5bn to end of August 2014
- Financial performance should be ahead of 1H2014

**Assets under management:**  
Since 31 Mar 2014: up 9% to £74.0bn



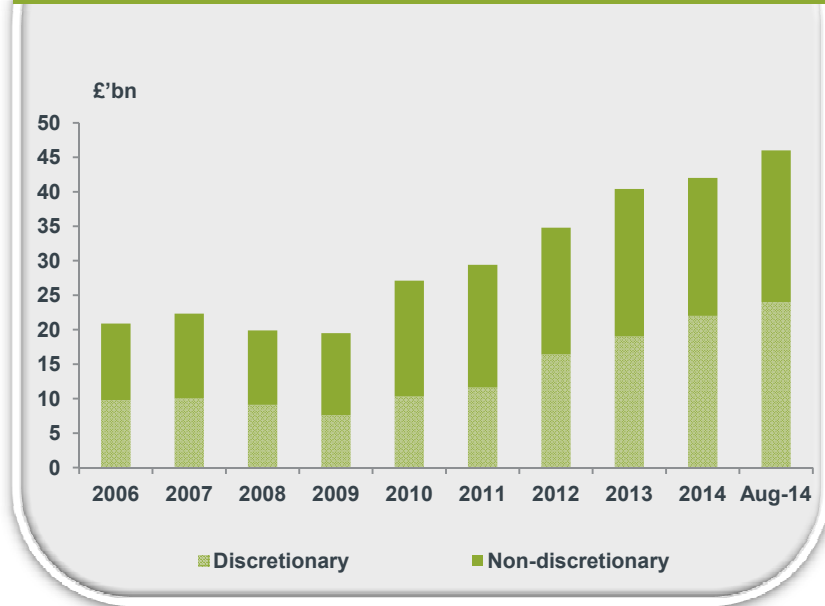
Trends reflected in graph are as at 31 Mar, unless otherwise indicated.



## Wealth & Investment

- Performing well ahead of the prior year
  - Higher average funds under management
  - Net inflows of £0.8bn to end of Aug 2014
- Operating margins continue to improve
- Expansion of UK business (Glasgow and Edinburgh) and select investment in senior professionals
- South African business has benefitted from integrated offering to private clients - One Place

### Funds under management: Since 31 Mar 2014: up 9% to £45.2bn



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 7%
- Relatively stable lending margins
- Cost of funds has reduced in the UK
- Remain very liquid

SA ↑

UK ↑

In home currency

### Investment and trading income

- Sound performance from the South African and UK unlisted investment portfolios, partially offset by a weaker 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 business
- 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
- Fixed costs in the UK are expected to be slightly higher than the prior year

SA ↑

UK ↑

In home currency

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## Additional aspects





## Other information

- Effective tax rate: expected to be approximately **19% - 20%**
- **Net gain on sale of subsidiaries: £Nil**
- **Goodwill write-offs: £45mn**
- **Tax expense on non-operational items: £33mn**
- **Net non-controlling interests of approximately £11mn** (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 six months to 30 Sep 2014 is expected to be approximately **857mn**



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## Conclusion





## Conclusion

- We have now completed the bulk of the restructuring and reshaping of the group.
- This significantly simplifies our day to day operational activities and strengthens our financial capability.
- Whilst there are still some legacy assets remaining, the actions we have taken to simplify our business has allowed the focus to shift to growing and building our franchise in our core areas of activity and improving returns to shareholders.



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19 September 2014



## Contact details

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

Or contact the Investor Relations team:

- Telephone:
  - UK: +44 (0) 207 597 5546
  - SA: +27 (0) 11 286 7070
- E-mail: [investorrelations@investec.com](mailto:investorrelations@investec.com)

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## Appendices





## Operating environment

	31 Aug 2014	31 Mar 2014	30 Sep 2013	% move since Mar 2014
JSE ALSI	50,959	47,771	44,032	6.7%
FTSE ALSI	3,640	3,556	3,444	2.4%
Australian All Ord	5,625	5,403	5,218	4.1%
SA Prime	9.25%	9.00%	8.50%	0.25%
UK Clearing Banks	0.50%	0.50%	0.50%	-
RBA cash rate target	2.50%	2.50%	2.50%	-

Year to date	31 Aug 2014		31 Mar 2014		30 Sep 2013	
Currency per £1.00	Close	Ave	Close	Ave	Close	Ave
South African Rand	17.67	17.88	17.56	16.12	16.29	15.03
Australian Dollar	1.78	1.81	1.80	1.72	1.73	1.63
Euro	1.26	1.24	1.21	1.19	1.20	1.17
US Dollar	1.66	1.69	1.67	1.59	1.62	1.54

Source: Datastream



## Adjusted\* operating profit:

For the year ended 31 Mar 2014

£'000	UK & Europe	Southern Africa	Australia	Total group
Asset Management	67,585	76,234	-	143,819
Wealth & Investment	46,065	20,034	-	66,099
Specialist Banking	54,602	201,153	(13,856)	241,899
<b>Total group</b>	<b>168,252</b>	<b>297,421</b>	<b>(13,856)</b>	<b>451,817</b>
Non-controlling interest: equity				10,849
<b>Operating profit before tax</b>				<b>462,666</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 six months ended 30 Sep 2013

£'000	UK & Europe	Southern Africa	Australia	Total group
Asset Management	33,446	38,494	-	71,940
Wealth & Investment	20,690	10,151	-	30,841
Specialist Banking	26,881	107,081	(13,925)	120,037
<b>Total group</b>	<b>81,017</b>	<b>155,726</b>	<b>(13,925)</b>	<b>222,818</b>
Non-controlling interest: equity				(1,493)
<b>Operating profit before tax</b>				<b>221,325</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





## Investec Asset Management: Assets under management\*

£'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
UK and international	47,601	42,006	40,266	41,569	13.3%
- Mutual funds	17,578	15,386	15,541	17,004	14.2%
- Segregated mandates	30,023	26,620	24,725	24,565	12.8%
Southern Africa	26,372	26,011	25,966	28,253	1.4%
- Mutual funds	10,953	11,180	11,070	11,847	-2.0%
- Segregated mandates	15,419	14,831	14,896	16,406	4.0%
<b>Total AUM*</b>	<b>73,973</b>	<b>68,017</b>	<b>66,232</b>	<b>69,822</b>	<b>8.8%</b>

Home currency R'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
<b>Southern Africa</b>	<b>465,993</b>	<b>456,753</b>	<b>422,986</b>	<b>394,412</b>	<b>2.0%</b>
- Mutual funds	193,539	196,321	180,330	165,384	-1.4%
- Segregated mandates	272,454	260,432	242,656	229,028	4.6%
<b>Rates: R: £</b>	<b>17.67</b>	<b>17.56</b>	<b>16.29</b>	<b>13.96</b>	

\*All AUM are on a managed basis



## Investec Wealth & Investment SA: Funds under management

R'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
Discretionary	52,867	46,961	44,979	36,352	12.6%
Non-discretionary	228,414	208,959	195,250	181,668	9.3%
<b>Total</b>	<b>281,281</b>	<b>255,920</b>	<b>240,229</b>	<b>218,020</b>	<b>9.9%</b>

£'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
Discretionary	2,992	2,674	2,761	2,604	11.9%
Non-discretionary	12,927	11,900	11,986	13,013	8.6%
<b>Total</b>	<b>15,919</b>	<b>14,574</b>	<b>14,747</b>	<b>15,617</b>	<b>9.2%</b>
<b>Rates: R: £</b>	<b>17.67</b>	<b>17.56</b>	<b>16.29</b>	<b>13.96</b>	



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

£'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
Total IWI and Europe					
- Discretionary	20,580	18,889	17,149	16,806	9.0%
- Non-discretionary and other	8,735	8,061	8,179	7,927	8.4%
<b>Total</b>	<b>29,315</b>	<b>26,950</b>	<b>25,328</b>	<b>24,733</b>	<b>8.8%</b>

## Investec Wealth & Investment total: Funds under management

£'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
Southern Africa	15,919	14,574	14,747	15,617	9.2%
Non-SA	29,315	26,950	25,328	24,733	8.8%
<b>Total</b>	<b>45,234</b>	<b>41,524</b>	<b>40,075</b>	<b>40,350</b>	<b>8.9%</b>



## Total group core loans

£'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
UK and Europe	7,127	6,492	6,235	6,045	9.8%
Southern Africa	9,442	8,935	9,227	10,165	5.7%
Australia	50*	1,730	1,929	2,205	-97.1%
<b>Total core loans</b>	<b>16,619</b>	<b>17,157</b>	<b>17,391</b>	<b>18,415</b>	<b>-3.1%</b>

Home currency 'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
Southern Africa	R166,840	R156,899	R150,308	R141,903	6.3%
Australia	A\$89*	A\$3,114	A\$3,341	A\$3,219	-97.1%
<b>Rates: R: £</b>	<b>17.67</b>	<b>17.56</b>	<b>16.29</b>	<b>13.96</b>	
<b>Rates: AUD: £</b>	<b>1.78</b>	<b>1.80</b>	<b>1.73</b>	<b>1.46</b>	

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



## Total group customer deposits

£'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
UK and Europe	9,826	9,407	9,309	9,561	4.5%
Southern Africa	12,006	11,671	12,312	13,278	2.9%
Australia	- *	1,532	1,610	1,693	-
<b>Total deposits</b>	<b>21,832</b>	<b>22,610</b>	<b>23,231</b>	<b>24,532</b>	<b>-3.4%</b>

Home currency 'million	31 Aug 2014	31 Mar 2014	30 Sep 2013	31 Mar 2013	% change YTD vs Mar 2014
Southern Africa	R212,146	R204,943	R200,579	R185,361	3.5%
Australia	- *	A\$2,758	A\$2,787	A\$2,472	-
<b>Rates: R: £</b>	<b>17.67</b>	<b>17.56</b>	<b>16.29</b>	<b>13.96</b>	
<b>Rates: AUD: £</b>	<b>1.78</b>	<b>1.80</b>	<b>1.73</b>	<b>1.46</b>	

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