

Out of the Ordinary®



2016



**Investor pre-close briefing
16 September 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 16 Sep 2016

Operational review



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- Proviso: unless otherwise stated, figures and trends discussed in the operational review relate to the five month period to 31 Aug 2016 and compare 1H2017 vs 1H2016
 - 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 ended 30 Sep 2016 on 17 Nov 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 six months ending 30 Sep 2016

- The first half of the group's financial year continued to see high levels of macro uncertainty in our key operating geographies
- The Asset Management and Wealth & Investment divisions are expected to report results comfortably ahead of the prior year. Both divisions have benefitted from higher levels of average funds under management supported by a recovery in equity markets and net inflows
- The Specialist Banking businesses are expected to report results behind the prior year; albeit that both geographies continued to experience reasonable activity levels
 - The UK Specialist Banking business is expected to report results behind the prior year largely due to increased investment spend
 - The South African Specialist Banking business is expected to report results behind the prior year as a consequence of the formation of Investec Equity Partners resulting in a change in accounting policy from fair value to equity accounting



Overview of the six months ending 30 Sep 2016

- Overall group results have been marginally impacted by the depreciation of the average Rand against Sterling exchange rate of approximately 3% over the period
- Adjusted operating profit* is expected to be slightly behind the prior year; albeit well ahead of 2H2016
- Revenue (net of depreciation on operating leased assets) is expected to be ahead of the prior year
- Recurring income as a percentage of total operating income is expected to be in line with the prior year
- Expenses are expected to grow faster than revenue as a consequence of investment into growth initiatives and related infrastructure

*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 ending 30 Sep 2016

- For the period 31 Mar 2016 to 31 Aug 2016:
 - Third party assets under management increased 13.3% to £137.9bn
 - An increase of 10.0% on a currency neutral[^] basis
 - Customer accounts (deposits) increased 12.7% to £27.1bn
 - An increase of 7.2% on a currency neutral[^] basis
 - Core loans and advances increased 10.5% to £20.0bn
 - An increase of 3.8% on a currency neutral[^] basis

[^]Calculation assumes that the group's relevant closing exchange rates as at 31 Aug 2016 are the same as at 31 Mar 2016.

Balance sheet soundness

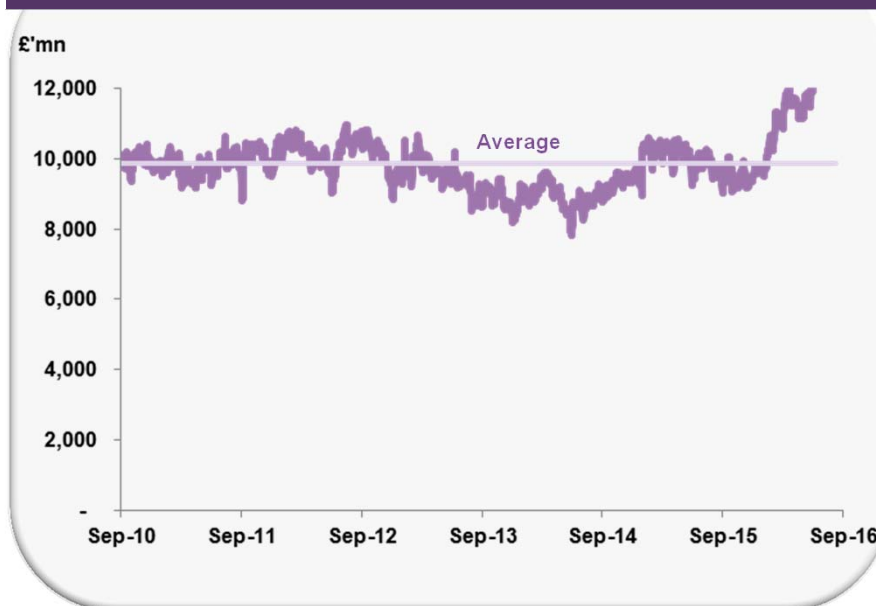
Liquidity and Funding

- The group remains very liquid
- We defensively increased cash balances in anticipation of the EU referendum
- Net interest margins have remained broadly stable
- Advances as a percentage of customer deposits at 31 Aug 2016 was 72% (Mar 2016: 74%)

Capital

- Investec Limited CET1 ratio is expected to remain slightly below the 10% target while Investec plc is expected to be ahead of target
- Our leverage ratios are sound and remain comfortably ahead of our target of 6% on an estimated Basel 3 fully loaded basis

Cash and near cash



Min* £'bn	Max* £'bn	Ave* £'bn
11.1	13.6	12.2

Current total £13.0bn

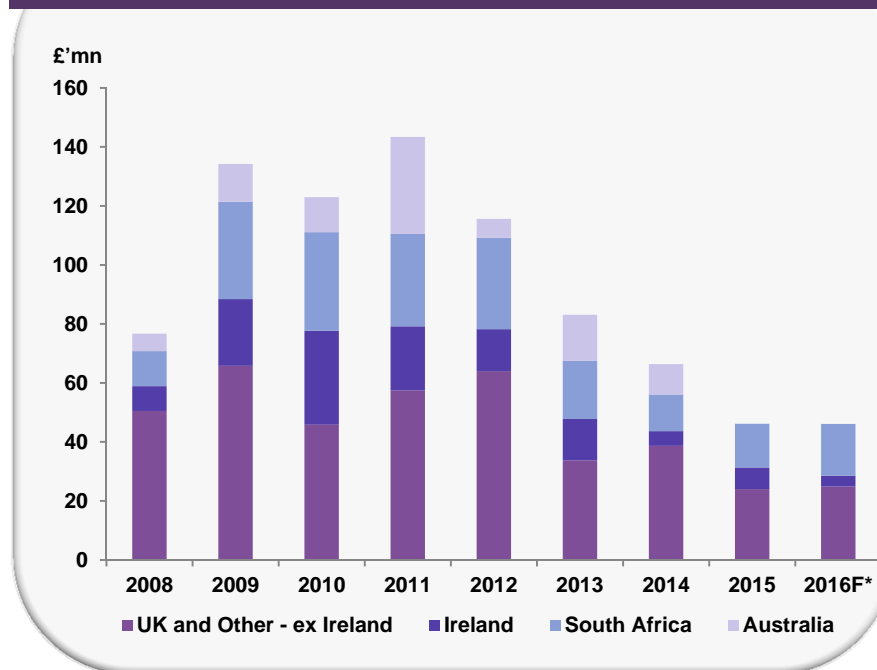
Ltd £6.9bn (R128.0bn); plc £6.1bn

*Since 1 Apr 2016

Impairment trends

- The total income statement impairment charge is expected to be in line with 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 credit loss ratio on total average core loans and advances to be approximately 0.48% to 0.53% (Mar 2016: 0.62%; Sep 2015: 0.54%)

Impairment analysis



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

Australian numbers included in UK and Other as from Sep 2015.

*Expected.

Divisional review



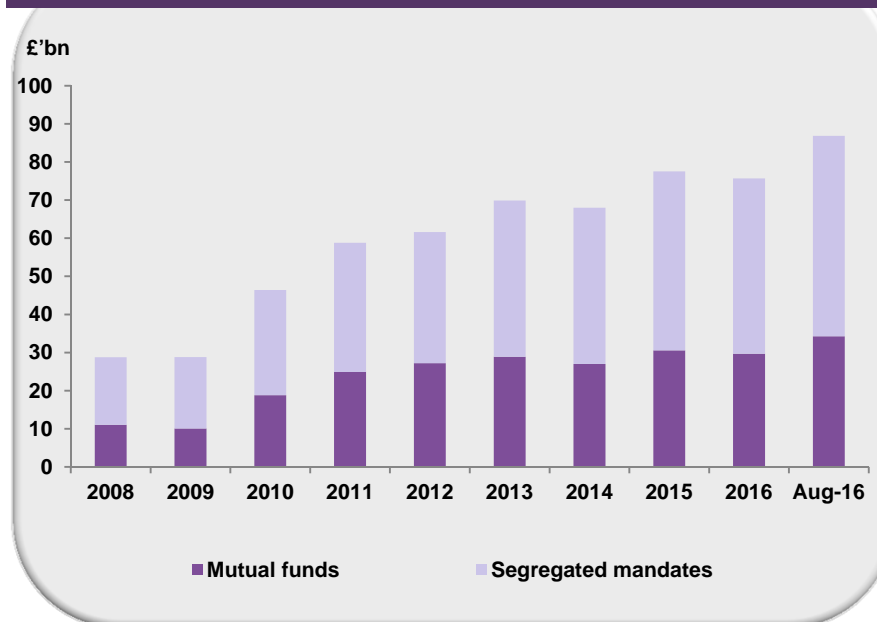
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Asset Management

- Positive net inflows of £1.1bn to end of Aug 2016
- Assets under management and earnings positively impacted by market and currency movements and higher performance fees
- Stable, experienced staff complement and leadership team
- Competitive long-term investment performance

Assets under management: Since 31 Mar 2016: up 14.8% to £86.9bn

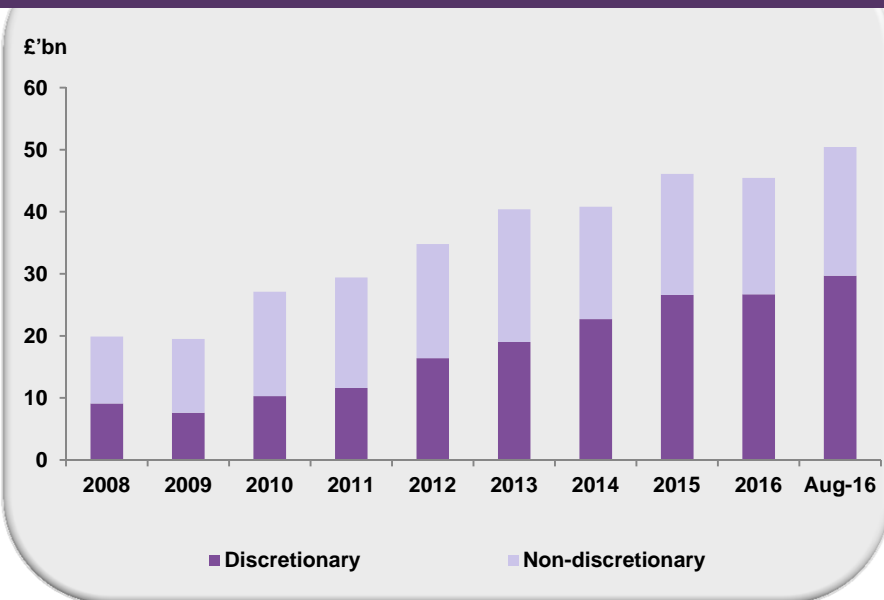


Trends reflected in graph are as at 31 Mar, unless otherwise indicated.

Wealth & Investment

- Performing ahead of the prior year
 - Higher average funds under management
 - Net inflows of £0.5bn to end of Aug 2016
- Investment expenditure on digital offering continues

Funds under management: Since 31 Mar 2016: up 11.0% to £50.4bn



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

Specialist Banking

- Ongoing Specialist Bank results expected to be behind the prior year

Net interest income

- Net interest increase in the South African business driven by strong book growth in FY2016
- Net interest in the UK business negatively impacted by higher redemptions in prior period partially offset by strong book growth in FY2016

SA ↑

UK & Other ↓

In home currency

Investment, trading and other operating income

- Investment income behind the prior year:
 - Weaker performance from Hong Kong portfolio
 - Prior period included gains from UK fixed income portfolio and high realisations from formation of Investec Equity Partners
- Customer flow trading income increased
- Other operating income now includes equity accounted earnings from Investec Equity Partners

SA ↓

UK & Other ↑

In home currency

Net fees and commissions

- Private client transactional and professional finance activities benefitting from growth in client base
- Good performance from the South African corporate and property fund businesses
- Good performance from the UK & Other corporate and advisory businesses

SA ↑

UK & Other ↑

In home currency

Costs

- South Africa is expected to report a decrease in costs as a consequence of non-recurring costs and equity accounting of Investec Equity Partners
- Costs in the UK business have increased largely due to investment in the private bank and corporate platforms, and increased headcount to support growth in the business

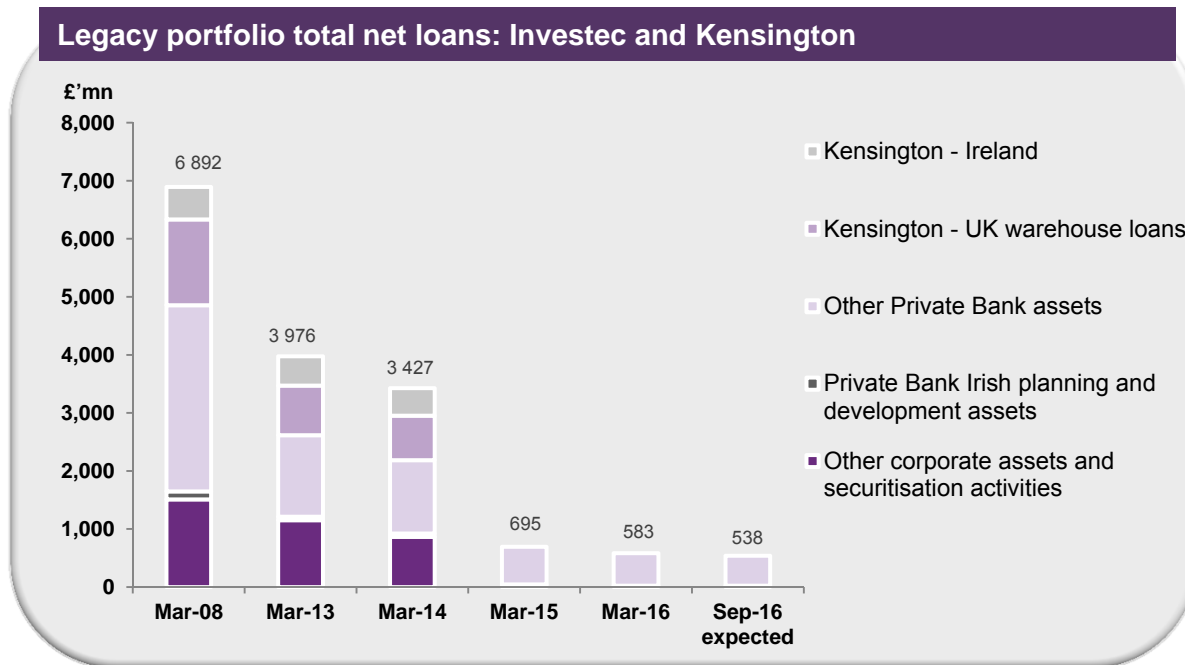
SA ↓

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





Impacts arising from Brexit

- While the referendum result is clear, there remains uncertainty as to how and when this might be implemented
- While we cannot predict the impact of Brexit on levels of economic activity, our diversified business model with multiple income streams should provide resilience as it has done in the past during times of economic uncertainty
- We have significant excess liquidity and sound capital ratios which continue to support our underlying balance sheet fundamentals



Impacts arising from Brexit

- **Taking into account comments provided in previous slides the current impact arising from Brexit on our UK businesses can be summarised as follows:**

Asset Management and Wealth & Investment

- Equity market indices have been favourable, positively impacting funds under management
- Limited impact on net inflows
- Wealth & Investment is largely a UK domiciled business and net flows are marginally below 5% target
- Investec Asset Management:
 - The UK fund range is distributed predominantly within the UK and is not currently registered for sale in Europe
 - The Luxembourg fund range is distributed to all other regions (i.e. the rest of Europe and globally), and managed by a Luxembourg domiciled entity

Specialist Banking business

- Activity levels appear to be stable, although economic growth is expected to decline
- We deliberately increased our surplus liquidity ahead of the referendum which needs to be actively managed
- The bank has limited proprietary trading positions, with the majority of trading transactions undertaken to support customer flow related activity
- Asset quality metrics remain sound



Impacts arising from Brexit cont...

- Property exposures (excluding legacy book) are well collateralised and servicing from consistent cash flows
- We do not expect imminent defaults in this portfolio but are monitoring underlying exposures regularly
- The main property portfolios can be assessed as follows:

Commercial property book: c.£890mn

- c.65% of the portfolio is in the UK (largely London and Home Counties). Of the non-UK portion majority of the exposure is in Germany and Switzerland
- The book is income producing supported by leases with good quality tenants that provide consistent cash flows
- Average LTV c.70%
- Average loan size is generally less than £10mn
- In addition to the property security value and lease cash flow streams we hold personal guarantees from principals
- Gross default percentage on current book 0% (in 2011 c.4%)

High net worth and high income residential mortgages: c.£1.2bn

- Lending to high income and high net worth clients who have strong income streams, and who exhibit an ability to earn income through economic cycles
- Largely London and Home Counties
- Average LTV c.50%
- Average loan size just over £1mn
- Gross defaults of c.£13m

Residential development book: c.£320mn

- Focused on target clients with lending in established areas: London and the South East
- Average LTV c.55%
- Recourse to principal and high level of cash equity contributions into transactions
- Gross defaults of c.£3m

Legacy book: expected c.£538mn

- c.25% of book in default, with the balance performing
- Impairments have decreased, although we still expect to report a loss on this book
- May take longer to wind down than expected

Additional aspects



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 **Investec**



Other information

- Effective tax rate: expected to be approximately **18% - 19%**
- Net non-controlling interests of approximately **£27mn** (profits attributable) relating to the Asset Management business and the consolidation of the Property Fund
- Weighted number of shares in issue for the six months to 30 Sep 2016 is expected to be approximately **895mn**

Conclusion



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Conclusion

- Markets and economic conditions in our key geographies have been volatile and difficult to predict
- The impact of Brexit will be dependent on the outcome of negotiations which are likely to commence next year
- While we had peaceful municipal elections in South Africa this has been followed by political discord
- Each of these issues create economic uncertainty which can affect future levels of activity
- Notwithstanding this, overall performance has continued to be robust supported by diverse revenue streams and strong franchise businesses

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Contact details

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Appendices



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Operating environment

	31 Aug 2016	31 Mar 2016	30 Sep 2015	% move since Mar 2016
JSE ALSI	52,733	52,250	50,089	0.92%
FTSE ALSI	3,697	3,395	3,336	8.90%
SA Prime	10.50%	10.50%	9.50%	-
UK Clearing Banks	0.25%	0.50%	0.50%	(0.25%)

Year to date	31 Aug 2016		31 Mar 2016		30 Sep 2015	
Currency per £1.00	Close	Ave	Close	Ave	Close	Ave
South African Rand	19.29	20.29	21.13	20.72	20.95	19.33
Australian Dollar	1.74	1.85	1.87	2.04	2.15	2.05
Euro	1.18	1.24	1.26	1.37	1.35	1.39
US Dollar	1.31	1.39	1.44	1.50	1.51	1.54

Source: Datastream

Adjusted* operating profit:

For the year ended 31 Mar 2016

£'000	UK & Other	Southern Africa	Total group
Asset Management	76,853	57,930	134,783
Wealth & Investment	63,127	22,608	85,735
Specialist Banking	78,043	252,837	330,880
Specialist Banking - Ongoing	156,378		
Specialist Banking - Legacy business	(78,335)		
	218,023	333,375	551,398
Group costs	(35,160)	(10,645)	(45,805)
Total group	182,863	322,730	505,593
Non-controlling interest: equity			35,201
Operating profit before tax			540,794

*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 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)		
	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

Investec Asset Management: Assets under management*

£'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
UK and international	58,113	51,076	47,327	50,622	13.8%
- Mutual funds	20,258	18,289	18,102	19,398	10.8%
- Segregated mandates	37,855	32,787	29,225	31,224	15.5%
Southern Africa	28,750	24,603	22,793	26,888	16.9%
- Mutual funds	14,017	11,388	9,943	11,179	23.1%
- Segregated mandates	14,733	13,215	12,850	15,709	11.5%
Total AUM*	86,863	75,679	70,120	77,510	14.8%

Home currency R'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
Southern Africa	554,584	519,861	477,514	483,177	6.7%
- Mutual funds	270,388	240,628	208,306	200,887	12.4%
- Segregated mandates	284,196	279,233	269,208	282,290	1.8%
Rates: R: £	19.29	21.13	20.95	17.97	

*All AUM are on a managed basis

Investec Wealth & Investment: Funds under management

£'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
UK and Other	32,953	29,769	28,451	29,562	10.7%
Southern Africa	17,484	15,690	14,899	16,514	11.4%
Total	50,437	45,459	43,350	46,076	11.0%

Investec Wealth & Investment UK & Other: Funds under management

£'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
Discretionary	24,042	21,747	20,864	21,602	10.6%
Non-discretionary and other	8,911	8,022	7,587	7,960	11.1%
Total	32,953	29,769	28,451	29,562	10.7%

Investec Wealth & Investment SA: Funds under management

R'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
Discretionary	109,084	104,480	94,883	89,382	4.4%
Non-discretionary	228,185	227,033	217,243	207,379	0.5%
Total	337,269	331,513	312,126	296,761	1.7%

£'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
Discretionary	5,655	4,945	4,529	4,974	14.4%
Non-discretionary	11,829	10,745	10,370	11,540	10.1%
Total	17,484	15,690	14,899	16,514	11.4%
Rates: R: £	19.29	21.13	20.95	17.97	

Total group core loans

£'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
UK and Europe	8,375	7,804	7,210	7,061	7.3%
Southern Africa	11,649	10,315	9,521	10,128	12.9%
Total core loans	20,024	18,119	16,731	17,189	10.5%

Home currency R'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
Southern Africa	224,709	217,958	R199,440	R182,058	3.1%
Rates: R: £	19.29	21.13	20.95	17.97	

Total group customer deposits

£'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
UK and Europe	11,990	10,801	9,719	10,298	11.0%
Southern Africa	15,109	13,243	11,940	12,317	14.1%
Total deposits	27,099	24,044	21,659	22,615	12.7%

Home currency R'million	31 Aug 2016	31 Mar 2016	30 Sep 2015	31 Mar 2015	% change YTD vs Mar 2016
Southern Africa	291,453	279,820	R250,099	R221,377	4.1%
Rates: R: £	19.29	21.13	20.95	17.97	