

Investec Limited

Incorporated in the Republic of South Africa
Registration number 1925/002833/06
JSE share code: INL
NSX share code: IVD
BSE share code: INVESTEC
ISIN: ZAE000081949

Investec plc

Incorporated in England and Wales
Registration number 3633621
LSE share code: INVP
JSE share code: INP
ISIN: GB00B17BBQ50

Investec (comprising Investec plc and Investec Limited) – pre-close briefing statement**20 March 2014**

Investec is today hosting an investor pre-close briefing at 11:00 (BST time) (13:00 South African time) which will focus on developments within the group's core business areas in the second half of the financial year ending 31 March 2014.

Financial overview of the year ending 31 March 2014

Wealth & Investment's results are expected to increase substantially and Asset Management is expected to report results moderately ahead of the prior year. Both divisions have benefited from higher levels of average funds under management supported by net inflows of GBP1.1 billion and GBP2.5 billion, respectively.

The South African Specialist Banking business is expected to report results substantially ahead of the prior year in Rands, whilst the UK Specialist Banking business is also expected to report results well ahead of the prior year as a result of a significant decline in impairments. As reported previously, the Australian business has been impacted by strategic restructuring. Consequently, the global Specialist Banking business is expected to report results marginally ahead of the prior year.

Overall group results have been negatively impacted by the depreciation of the Rand: Pounds Sterling exchange rate of approximately 20% over the period.

Against the backdrop of improved operating results and the depreciation of the Rand, operating profit (refer to definition in the notes) is expected to be marginally ahead of the prior year - an increase of approximately 28% in Rands.

Salient financial features include:

- Revenue (net of depreciation on operating leased assets) is expected to be marginally behind the prior year - an increase of approximately 15% in Rands.
- Recurring income as a percentage of total operating income is expected to be approximately 72% (2013: 69%).
- Impairments are expected to be approximately 35% lower than the prior year.
- Expenses are expected to decrease moderately - an increase of approximately 17% in Rands.
- Adjusted EPS (refer to definition in the notes) in Pounds is expected to be 0% to 7% higher than the prior year and adjusted EPS in Rands is expected to be 22% to 27% higher than the prior year.
- For the period 31 March 2013 to 28 February 2014:
 - Third party assets under management decreased 3% to GBP107.7 billion – an increase of 8% on a currency neutral basis
 - Customer accounts (deposits) decreased 10% to GBP22.2 billion - an increase of 6% on a currency neutral basis
 - Core loans and advances decreased 10% to GBP16.6 billion - an increase of 7% on a currency neutral basis.

Operational and strategic overview

Over the past year the group has focused on reshaping its business with a view to improving returns and has successfully restructured and/or sold certain businesses. As previously

announced, the group is in the process of selling part of its Australian business and Kensington, the group's intermediary mortgage business in the UK.

The process to identify alternatives for the Australian Professional Finance and Asset Finance and Leasing divisions is ongoing and progressing well. Consistent with the quality of the platforms these businesses have built, they have attracted strong interest from a range of parties with whom confidential discussions are ongoing. The group will provide a further update on the outcome of those discussions as soon as it is able to do so.

The potential sale of Kensington is at an early stage in the process and the group expects to provide further information in this regard in the second quarter of this calendar year. Kensington clients continued to be serviced on a business as usual basis.

The group has clarity on its strategic direction and the focus over the next period will be to execute its key strategic initiatives, including the sales referred to above, resulting in a streamlined and focused client driven organisation.

On behalf of the board

Fani Titi (Joint Chairman), Sir David Prosser (Joint Chairman), Stephen Koseff (Chief Executive Officer) and Bernard Kantor (Managing Director)

Liquidity and capital management

- The group has continued to diversify and lengthen its funding sources.
- The cost of funds has reduced, notably in the group's UK and Australian operations.
- Cash balances remain strong. The group currently holds GBP9.1 billion in cash and near cash balances (GBP4.8 billion (R85.3 billion)) in Investec Limited and GBP4.3 billion in Investec plc) which amounts to 33% of its liability base.
- Advances as a percentage of customer deposits at 28 February 2014 is at 71.2% (31 March 2013: 71.3%).
- Capital ratios are expected to be within the group's target total capital adequacy range and exceed Basel 3/CRDIV requirements.
- The group's leverage ratios are sound and remain above 6% on an estimated Basel 3 fully loaded basis.

Asset quality and impairment trends

- The total income statement impairment charge is expected to be approximately 35% lower than the prior year.
- The group expects the credit loss ratio on total average core loans and advances to be approximately 0.70% (Mar 2013: 0.84%; Sep 2013: 0.71%).
- Impairments in Kensington are expected to be substantially lower than the prior year.

Business commentary

Salient features of the operating performance of the group's core business areas are listed below and further details will be provided in the briefing presentation which can be viewed on the group's website.

Asset Management

- Competitive long-term investment performance
- The business has been impacted by tapering and repricing of emerging market assets
- Positive net inflows to end of February 2014 of GBP2.5 billion
- Operating profit should be moderately ahead of financial year 2013 (as reported before non-controlling interests)
- Since 31 March 2013 assets under management have decreased by 4% to GBP66.8 billion – up 6% on a currency neutral basis.

Wealth & Investment

- Performing well ahead of the prior year
- Higher average funds under management
- Net inflows of GBP1.1 billion to end of February 2014
- Improving operating margins
- Selectively recruiting investment professionals - focus on capturing flows
- Enhancing and evolving online platform
- Continue to internationalise the offering
- Since 31 March 2013 assets under management have increased by 1% to GBP40.6 billion – an increase of 10% on a currency neutral basis.

Specialist Banking

- The Specialist Bank is performing marginally ahead of the prior year
- In summary key aspects include:
 - *Net interest margin*
 - Loan growth of 7% in neutral currencies
 - Stable lending margins
 - Cost of funds has reduced in the UK and Australia
 - Less income earned from certain higher yielding investments that are running off
 - The group remains very liquid
 - *Net fees and commissions*
 - Private client transactional and professional finance activities performing well
 - Good performance from project and structured finance teams in South Africa
 - Other corporate fees are expected to be lower than the prior year
 - *Investment and trading income*
 - Strong performance from the South African unlisted investment portfolio
 - Lower earnings from the fixed income portfolio in the UK, partially offset by a solid performance in the investment portfolio
 - Improved customer flow activity
 - *Costs*
 - The South African bank is expected to report an increase in costs in line with inflation
 - Costs in the UK are expected to be in line with the prior year
 - Costs in Australia are expected to be lower due to a reduction in headcount.

Other information

Additional aspects

- Effective tax rate: expected to be approximately 17%- 18%.
- Net non-operational costs of approximately GBP6 million (restructuring and other costs relating to Australia and the sale of the trust business, partially offset by profit on sale of Lease Direct Finance in the UK).
- Net non-controlling interests of approximately GBP16 million (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 is expected to be approximately 863 million.

• **Notes:**

1. Key trends set out above, unless stated otherwise, relate to the eleven months ended 28 February 2014, and compare the first half of the 2014 financial year (1H14) to the second half of the 2014 financial year (2H14).
2. The financial information on which this statement is based has not been reviewed and reported on by the group's auditors.
3. References to operating profit relate to normalised operating profit, where normalised 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. Trends within the divisional sections relate to normalised operating profit.
4. Adjusted EPS is before goodwill, acquired intangibles and non-operating items but after tax and after adjusting for earnings attributable to all non-controlling interests.
 5. The neutral currency calculation for the core earnings drivers assumes the Rand:Pound and Australian Dollar:Pound closing exchange rates remain the same as at 28 February 2014 when compared to 31 March 2013. The neutral currency calculation for operating profit assumes the Rand:Pound and Australian Dollar:Pound average exchange rates for the forecast period to 31 March 2014 remain the same as when compared to the year ended 31 March 2013.
 6. Please note that matters discussed in the briefing and highlighted above 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 International Financial Reporting Standards (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 March 2014.
 7. The group's reporting currency is Pounds Sterling. Certain of the group's operations are conducted by entities outside the UK. The results of operations and the financial condition of these individual companies are reported in the local currencies in which they are domiciled, including Rands, Australian Dollars and Euros. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in the group's combined consolidated financial statements. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used. The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the period:

	Eleven months to 28-Feb-2014		Six months to 30-Sep-13		Year to 31-Mar-13	
	Period end	Average	Period end	Average	Period end	Average
Currency per GBP1.00						
South African Rand	18.00	15.94	16.29	15.03	13.96	13.44
Australian Dollar	1.87	1.71	1.73	1.63	1.45	1.53
Euro	1.21	1.18	1.20	1.17	1.18	1.22
US Dollar	1.68	1.58	1.62	1.54	1.52	1.58

Presentation details

The briefing starts at 11:00 (BST time) (13:00 South African time) and will be broadcast live via video conference from the group's offices in Johannesburg to London. The briefing will also be available via a live and recorded telephone conference call, a live and delayed video webcast, a delayed podcast and a delayed Mp3. Further details in this regard can be found on the website at: www.investec.com

Timetable:

Year end: 31 March 2014

Release of year end results: 22 May 2014

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About Investec

Investec is an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the United Kingdom, South Africa and Australia as well as certain other countries. The group was established in 1974 and currently has approximately 8 200 employees.

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

In July 2002 the Investec group implemented a dual listed company structure with listings on the London and Johannesburg Stock Exchanges. The combined group's current market capitalisation is approximately GBP3.5 billion.