

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 2015**

Investec is today hosting an investor pre-close briefing at 9:00 (BST time) (11:00 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 2015.

Financial overview of the year ending 31 March 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 GBP2.6 billion and GBP2.4 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 expected to report results behind the prior year. Overall, the global Specialist Banking business is expected to report results ahead of the prior year.

Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 11% over the period.

Against this backdrop of improved operating results and the depreciation of the Rand, operating profit (refer to definition in the notes) is expected to be ahead of the prior year in Pounds Sterling (a solid increase in Rands).

Salient financial features include:

- Revenue (net of depreciation on operating leased assets) is expected to be marginally lower than the prior year. However, after adjusting for strategic disposals (refer to definition in the notes), 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%)
- Impairments are expected to be approximately 17% lower than the prior year
- Expenses are expected to be lower than the prior year. However, after adjusting for strategic disposals, expenses are expected to be in line with the prior year
- For the period 31 March 2014 to 28 February 2015:
 - Third party assets under management increased 12% to GBP123.4 billion
 - Customer accounts (deposits):
 - Remained flat at GBP22.6 billion however, adjusting for strategic disposals there was an increase of 7%
 - Core loans and advances:
 - Decreased 1% to GBP16.9 billion however, adjusting for strategic disposals there was an increase of 13%

Operational and strategic overview

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 the group's core client franchise businesses alongside its specialist activities.

The balanced business model which the group has created over the last few years has led to a material improvement in its revenue mix resulting in a more defensive business which is well positioned for future growth and development

On behalf of the board

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

Liquidity and capital management

- The group has continued to diversify and improve the quality of its funding sources
- The group has surplus liquidity in the UK following the sale of assets and 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
- Cash balances remain strong. Currently the group holds GBP10.3 billion in cash and near cash balances (GBP5.0 billion (R92.2 billion) in Investec Limited and GBP5.3 billion in Investec plc) which amounts to 39% of its liability base
- Advances as a percentage of customer deposits at 28 February 2015 was 73.1% (31 March 2014: 72.0%)
- For the year to 31 March 2015 for both Investec plc and Investec Limited:
 - Capital ratios are expected to be within the group's target total capital adequacy range
 - The common equity tier 1 ratio is expected to be slightly below the group's 2016 target of 10%
 - The leverage ratio is sound and remains well above our target of 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 17% lower than the prior year
- South Africa has seen a normalisation in impairment trends, whilst impairments on the UK legacy portfolio remain elevated
- The group expects the credit loss ratio on total average core loans and advances to be approximately 0.65% to 0.70% (31 March 2014: 0.68%; 30 September 2014: 0.70%)

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

- Net flows exceeded GBP2.4bn to the end of February 2015
- Earnings are growing albeit at a modest rate
- Since 31 March 2014 assets under management have increased by 11% to GBP75.7 billion.

Wealth & Investment

- Performing ahead of the prior year
 - Higher average funds under management
 - Net inflows of GBP2.6 billion to the end of February 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
- Since 31 March 2014 assets under management have increased 14% to GBP47.2 billion.

Specialist Banking

- The Specialist Bank is performing ahead of the prior year
- In summary key aspects include:
 - *Net interest margin*
 - Loan growth of 13% (adjusted for strategic disposals)
 - Relatively stable lending margins
 - Cost of funds has reduced in the UK
 - The group remains very liquid
 - *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 the prior year
 - *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
 - *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
 - *Additional information on the UK Specialist Banking 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
 - Total legacy portfolio assets are expected to decline to GBP0.8 billion (31 March 2014: GBP3.4 billion).

Other information

Additional aspects

- Effective tax rate: expected to be approximately 19%
- Non-operational items mainly relating to the strategic disposals are expected to give rise to:
 - A net loss after tax on deconsolidation of subsidiaries sold: approximately GBP42 million
 - Other items are largely in line with 1H2015
- Net non-controlling interests of approximately GBP32 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 31 March 2015 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 2015, and compare the first half of the 2015 financial year (1H2015) to the second half of the 2015 financial year (2H2015).
 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 adjusted operating profit, where 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. Trends within the divisional sections relate to adjusted 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. Strategic disposals refer 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).
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 2015.
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-2015		Six months to 30-Sep-14		Year to 31-Mar-14	
	Period end	Average	Period end	Average	Period end	Average
Currency per GBP1.00						
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

Presentation details

The briefing starts at 9:00 (BST time) (11:00 South African time) and will be broadcast live via video conference from the group's offices in London to Johannesburg. 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 2015
Release of year end results: 21 May 2015

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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 two principal markets, the United Kingdom and South Africa as well as certain other countries. The group was established in 1974 and 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 GBP5.4 billion.