

Investec Limited

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

Investec plc

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

Investec (comprising Investec plc and Investec Limited) – pre-close briefing statement**17 September 2013**

Investec is today hosting an investor pre-close briefing at 9:00 (BST time) (10:00 South African time) which will focus on developments within the group's core business areas in the first half of the financial year ending 31 March 2014.

Operational and financial overview of the six months ending 30 September 2013

The Asset Management and Wealth and Investment businesses have continued to see net inflows and have benefited from higher average funds under management, both divisions are expected to record 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, whilst the UK Specialist Banking business has been impacted by low levels of activity and the Australian business has been impacted by significant strategic restructuring. As a result, the global Specialist Banking business is expected to report results behind the prior year.

The period under review was again characterised by volatility in the macro and geopolitical environment all of which will have an impact on the group's expected results. As a consequence of this volatility the average Rand: Pound exchange rate depreciated by 16%.

Against this backdrop, operating profit (refer to definition in the notes) is expected to be marginally behind the prior year; an increase of approximately 8% in Rands.

Salient financial features include:

- Revenue (net of depreciation on operating leased assets) is expected to be in line with the prior year.
- Recurring income as a percentage of total operating income is expected to be approximately 70% (2012: 69%).
- Impairments are expected to be approximately 25% lower than the prior year.
- Expenses are expected to increase moderately.
- Adjusted EPS (refer to definition in the notes) in Pounds is expected to be 0% to 10% lower than the prior year and adjusted EPS in Rands is expected to be 4% to 16% higher than the prior year.
- For the period 31 March 2013 to 31 August 2013:
 - Third party assets under management decreased 4% to GBP106.2 billion – an increase of 1% on a currency neutral basis
 - Customer accounts (deposits) decreased 5% to GBP23.4 billion - an increase of 3% on a currency neutral basis
 - Core loans and advances decreased 6% to GBP17.4 billion - an increase of 3% on a currency neutral basis.

Markets and economic conditions around the world remain mixed and it's difficult to predict the direction in which they are moving. The developed world economies seem to be improving but the air of optimism will only sustain if the broader geopolitical issues are resolved and the US and Chinese economic outlook continues to show improvement.

The challenge for the Investec group remains right sizing its Specialist Banking businesses and realigning these business models to generate the appropriate shareholder returns. The group is comfortable with the progress made in its South African banking operations and has recently made significant adjustments in Australia, with the process in the UK banking operations ongoing.

Overall, prospects still depend on an increase in levels of activity and the sustainability of economic recovery. Whilst the group feels more positive about the trend and news flow it remains cautiously optimistic given the “stop start” nature of the recovery thus far.

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 management

- The group has continued to diversify its funding sources.
- The cost of funds has started to improve, notably in the group’s UK and Australian operations.
- Cash balances remain strong. The group currently holds GBP8.7 billion in cash and near cash balances (GBP4.6 billion in Investec Limited and GBP4.1 billion in Investec plc) which amounts to 31% of its liability base.
- Advances as a percentage of customer deposits at 31 August 2013 is at 70.7% (31 March 2013: 71.3%).

Capital

- The group has implemented Basel 3 in its South African and Australian businesses, with moderate impact on its ratios.
- The group’s UK business is reporting in terms of Basel 2.5 and capital ratios remain stable. We await the outcome of the PRA’s consultation (CP5/13: Strengthening capital standards: implementing CRD IV) on the implementation of CRD IV in the UK, to confirm the impact on the UK capital ratios.
- All ratios are expected to be within the group’s target capital range.

Asset quality and impairment trends

- The total income statement impairment charge is expected to be approximately 25% lower than the prior year.
- The group expects the credit loss ratio on total average core loans and advances to be between 0.60% to 0.70% (31 March 2013: 0.84%; 30 September 2012: 0.85%).
- Impairments in Kensington are expected to be 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

- Investment performance remains solid but financial markets are volatile
- Positive net inflows to end of August 2013 of GBP1.2 billion
- Financial performance should be marginally ahead of 1H2013
- Sale of 15% stake to management which was completed on 31 July 2013
- Since 31 March 2013 assets under management have decreased by 5% to GBP66.4 billion – flat on a currency neutral basis.

Wealth & Investment

- Performing well ahead of the prior year
- Higher average funds under management
- Net inflows of GBP0.3 billion to end of August 2013
- Margins are beginning to improve
- Since 31 March 2013 assets under management have decreased by 2% to GBP39.4 billion – an increase of 3% on a currency neutral basis.

Specialist Banking

- The Specialist Bank is performing behind the prior year

- In summary:
 - The South African Specialist Bank has performed well ahead of the prior year
 - The UK Specialist Bank is performing behind the prior year
 - The group continues to concentrate on realigning costs with revenue and certain businesses have been rationalised
 - Results remain negatively impacted by low yields earned on legacy assets and weak activity levels, as the recent good news regarding the UK economy has not yet filtered through to day to day operations
 - The Australian Specialist Bank is expected to make a loss due to further restructuring of the business and an increase in impairments
 - A review has been conducted to determine the appropriate positioning of the operations as well as to ensure realignment with the broader Investec group
 - The group has scaled back and/or withdrawn from its Securities, Equity Capital Markets and Structured Financial Products offerings
 - The group continues to focus on building its core business capabilities such as private banking, professional finance, corporate advisory, specialist lending and property funds.
- Specialist Banking other key aspects include:
- *Net interest margin*
 - Loan growth of 3% in neutral currencies
 - Stable lending margins
 - Cost of funds reducing in the UK and Australia
 - Lower reinvestment rate on surplus cash held in South Africa
 - 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, resource 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 above inflation due to additional IT related expenditure and higher variable remuneration given improved profitability
 - Costs in the UK and Australian businesses are expected to increase moderately due to integration and rationalisation costs.

Other information

Additional aspects

- Effective tax rate: expected to be approximately 17% - 18%.
- Weighted number of shares in issue for the six months to 30 September 2013 expected to be approximately 859 million.

• **Notes:**

1. Key trends set out above, unless stated otherwise, relate to the five months ended 31 August 2013, and compare the first half of the 2014 financial year (1H2014) to the first half of the 2013 financial year (1H2013).
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 non-controlling interests. 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 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 31 August 2013 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 6 month period to 30 September 2013 remain the same as when compared to the 6 month period to 30 September 2012.
 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 17 September 2013.
 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:

	Five months to 31-Aug-13		Year to 31-Mar-13		Six months to 30-Sep-12	
	Period end	Average	Period end	Period end	Period end	Average
Currency per GBP1.00						
South African Rand	15.86	14.87	13.93	13.44	13.39	12.96
Australian Dollar	1.74	1.61	1.45	1.53	1.55	1.54
Euro	1.17	1.16	1.18	1.22	1.26	1.24
US Dollar	1.55	1.53	1.52	1.58	1.61	1.58

Presentation details

The briefing starts at 9:00 (BST time) (10:00 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:

Interim period: 30 September 2013

Release of interim results: 21 November 2013

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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 8 100 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 GBP3.9 billion.