

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**19 September 2014**

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 2015.

Financial overview of the six months ending 30 September 2014

The Wealth and 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 GBP0.8 billion and GBP2.7 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 slightly 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 19% 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 substantial increase in Rands).

Salient financial features include:

- 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 approximately 74% (2013: 72%)
- Impairments are expected to be approximately 12% lower than the prior year
- Expenses are expected to be marginally higher than the prior year
- For the period 31 March 2014 to 31 August 2014:
 - Third party assets under management increased 9% to GBP119.6 billion
 - Customer accounts (deposits):
 - decreased 3% to GBP21.8 billion however, adjusting for the sale of Investec Bank (Australia) Limited there was an increase of 4%
 - Core loans and advances:
 - decreased 3% to GBP16.6 billion however, adjusting for the sale of Investec Bank (Australia) Limited there was an increase of 7%

Operational and strategic overview

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

The sale of the group's 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 became effective on 31 July 2014.

On 9 September 2014 the group announced the sale of its UK Kensington business to funds managed by Blackstone Tactical Opportunities Advisors L.L.C and TPG Special Situations Partners. Furthermore, on 15 September 2014 Investec announced the sale of the Start mortgage business in Ireland to an affiliate of Lone Star. Both of these transactions are still subject to regulatory approval.

The expected combined financial effect upon completion of these three transactions is to:

- Bolster the common equity tier 1 capital ratio in Investec plc from 8.8% at 31 March 2014 to approximately 11.1%
- Significantly improve the leverage ratio in Investec plc from 7.4% at 31 March 2014 to approximately 8.9%
- Reduce legacy assets in the UK by approximately GBP1.5 billion
- Reduce total assets by approximately GBP6 billion.

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

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 lengthen its funding sources
- The cost of funds has declined in the group's UK business and remained relatively stable in South Africa
- Cash balances remain strong. At 31 August 2014 the group held GBP8.7 billion in cash and near cash balances (GBP4.6 billion (R81.0 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 2014 was 74.2% (31 March 2014: 72.0%)
- For the six months to 30 September 2014 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 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 12% 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 0.71% (31 March 2014: 0.68%; 30 September 2013: 0.71%)
- Excluding Australia the credit loss ratio is expected to be approximately 0.62% (31 March 2014: 0.62%; 30 September 2013: 0.61%)

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
- Net flows of GBP2.7 billion to the end of August 2014
- Financial performance should be ahead of 1H2014
- Since 31 March 2014 assets under management have increased by 9% to GBP74.0 billion.

Wealth & Investment

- Performing well ahead of the prior year
 - Higher average funds under management
 - Net inflows of GBP0.8 billion to the end of August 2014
- Operating margins continue to improve
- Expansion of UK business (Glasgow and Edinburgh) and 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 9% to GBP45.2 billion.

Specialist Banking

- The Specialist Bank is performing ahead of the prior year
- In summary key aspects include:
 - *Net interest margin*
 - Loan growth of 7%
 - 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 business
 - 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*
 - 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
 - *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.

Other information

Additional aspects

- Effective tax rate: expected to be approximately 19% - 20%
- Other non-operational items mainly relating to the sale of Investec Bank (Australia) Limited and assets held for sale in relation to the pending sales of Kensington and Start are expected to give rise to:
 - Net gain/loss on sale of subsidiaries: Nil
 - Goodwill write-offs: £45mn
 - Related taxation expense: £33mn
- Net non-controlling interests of approximately GBP11 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 six months to 30 September 2014 is expected to be approximately 857 million.

- **Notes:**
 1. Key trends set out above, unless stated otherwise, relate to the five months ended 31 August 2014, and compare the first half of the 2015 financial year (1H2015) to the first half of the 2014 financial year (1H2014).
 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. 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 19 September 2014.
 6. 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-2014		Year to 31-Mar-14		Six months to 30-Sep-13	
	Period end	Average	Period end	Average	Period end	Average
Currency per GBP1.00						
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

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 end: 30 September 2014
Release of interim results: 20 November 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 7,600 permanent 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 GBP4.9 billion.