

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: INVPL
JSE share code: INP
ISIN: GB00B17BBQ50

Investec (comprising Investec plc and Investec Limited) – pre-close briefing statement**14 September 2018**

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 2019.

Financial overview of the six months ending 30 September 2018

The first half of the group's financial year continued to see macro challenges in its key operating geographies. The South African economy entered into a technical recession with pressures on household spending and dented business confidence due to continued policy uncertainty. In the UK, Brexit related uncertainty has persisted, however the UK economy has remained resilient.

Against this backdrop, the Asset Management business is expected to report results ahead of the prior period, while the Wealth & Investment business is expected to report results behind the prior period. Both divisions have benefitted from higher levels of average funds under management supported by favourable equity markets and sound net inflows.

The Specialist Banking business is expected to report results ahead of the prior period. The UK Specialist Banking business is expected to report results well ahead of the prior period, while the South African Specialist Banking business is expected to report results in line with the prior period in Rands.

Overall group results have been negatively impacted by the depreciation of the average Rand against Sterling exchange rate of approximately 3.5% over the period.

Taking into account the above mentioned factors, operating profit (refer to definition in the notes) is expected to be ahead of the prior period.

Salient financial features include:

- Revenue is expected to be moderately ahead of the prior period
- Recurring income as a percentage of total operating income is expected to be approximately 78% (2017: 76%)
- The total income statement impairment charge is expected to be less than the prior period. The annualised credit loss ratio on average core loans and advances is expected to be between 0.21% and 0.25% (March 2018: 0.61%, September 2017: 0.54%)
- Costs are expected to be higher than the prior period largely driven by growth in headcount to support both activity levels and increased regulatory requirements
- For the period 31 March 2018 to 31 August 2018:
 - Third party assets under management increased 4.0% to GBP167.0 billion – an increase of 8.7% on a currency neutral basis
 - Customer accounts (deposits) decreased 5.5% to GBP29.3 billion – an increase of 2.5% on a currency neutral basis
 - Core loans and advances decreased 5.5% to GBP23.7 billion – an increase of 2.5% on a currency neutral basis

Operational and strategic overview

The environment remains challenging in both core geographies. Uncertainty around the type of Brexit continues to impact on confidence in certain sectors of the UK. Activity levels have however been acceptable supporting profitable growth.

Negative emerging market sentiment and continued policy uncertainty in South Africa has hurt investment confidence resulting in a significant weakening of the Rand. Growth is therefore challenging which is being reflected in activity levels and performance.

Overall group results have been supported by good growth in funds under management, positive net inflows and an improving performance from the UK Specialist Bank.

On behalf of the board

Perry Crosthwaite (Chairman), Stephen Koseff (Chief Executive Officer) and Bernard Kantor (Managing Director)

Liquidity and capital management

- The group has maintained strong liquidity levels
- Cash balances remain strong. As at 31 August 2018 cash and near cash balances amounted to GBP11.7 billion (GBP5.4 billion (R102.7 billion) in Investec Limited and GBP6.3 billion in Investec plc) amounting to 39.8% of customer deposits
- The loans to customer deposits ratio at 31 August 2018 was 79.6% (31 March 2018: 79.6%)
- For the six months to 30 September 2018 for both Investec plc and Investec Limited:
 - The common equity tier 1 ratio is expected to remain in line with the group's target
 - Leverage ratios are sound and remain comfortably ahead of the group's target of 6%
- The group expects to implement the Foundation Internal Ratings-Based (FIRB) approach in South Africa by the end of the 2019 financial year, subject to final regulatory approval.

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

- Earnings have been supported by market levels and substantial net inflows of GBP4.4 billion to the end of August 2018
- Competitive investment performance over the long-term, in spite of challenging markets
- Since 31 March 2018 assets under management have increased by 4.9% to GBP109.0 billion (an increase of 9.7% on a currency neutral basis)
- The leadership transition is well underway with an orderly and well-executed plan.

Wealth & Investment

- Overall performance of the global business is expected to be behind the prior period:
 - Higher average funds under management
 - Net inflows of GBP0.6 billion to the end of August 2018 (solid discretionary net inflows partially offset by outflows relating to discontinued services)
 - Earnings in South Africa have been impacted by lower activity levels
 - Earnings in the UK business have been impacted by higher costs, largely driven by growth in headcount to support IT initiatives and the implementation of the Markets in Financial Instruments Directive II (MiFID II) and the General Data Protection Regulation (GDPR)
- Since 31 March 2018 assets under management have increased by 2.4% to GBP57.4 billion (an increase of 7.1% on a currency neutral basis).

Specialist Banking

- The Specialist Banking business is expected to post results ahead of the prior period
- In summary key aspects include:
 - *Net interest and net fee income*
 - An increase in net interest income driven by book growth in both the UK and South Africa
 - An increase in net fees and commissions supported by a good performance from the UK corporate advisory business as well as the South African private and business banking activities
 - *Other income*
 - Investment income is expected to be well behind the prior period largely due to a weaker performance from both listed and unlisted investments, partially offset by higher trading income
 - *Costs*
 - Costs are expected to increase in line with revenue in the UK (costs are expected to be flat relative to the second half of the 2018 financial year)
 - Costs in South Africa are expected to increase marginally below inflation.

Other information

Additional aspects

- Effective tax rate: expected to be approximately 18% (1H18: 14.5%)
- Net non-controlling interests of approximately GBP35 million (profits attributable) relating to the Asset Management business and the consolidation of the Investec Property Fund
- Weighted number of shares in issue for the six months to 30 September 2018 is expected to be approximately 937 million.

• **Notes:**

1. Key trends set out above, unless stated otherwise, relate to the five months ended 31 August 2018, and compare the first half of the 2019 financial year (1H2019) to the first half of the 2018 financial year (1H2018).
 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 before group costs.
 4. Amounts represented on a currency neutral basis for income statement items assume that the relevant average exchange rates, as reflected below, for the six months to 30 September 2018 remain the same as those in the prior period. Amounts represented on a currency neutral basis for balance sheet items assume that the relevant closing exchange rates, as reflected below, at 31 August 2018 remain the same as those at 31 March 2018.
 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 13 September 2018.

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, Euros and US Dollars. 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:

Currency per GBP1.00	Five months to 31-Aug-18		Year to 31-Mar-18		Six months to 30-Sep-17	
	Period end	Average	Period end	Average	Period end	Average
South African Rand	19.04	17.47	16.62	17.21	18.10	17.06
Australian Dollar	1.80	1.79	1.83	1.72	1.71	1.69
Euro	1.12	1.13	1.14	1.14	1.13	1.14
US Dollar	1.30	1.34	1.40	1.33	1.34	1.30

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 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:

Interim period end: 30 September 2018
Release of interim results: 15 November 2018

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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 and Europe, South Africa and Asia/Australia, as well as certain other countries. The group was established in 1974 and currently has approximately 10 100 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 GBP4.9 billion.

Johannesburg and London

Sponsor: Investec Bank Limited