Out of the Ordinary®

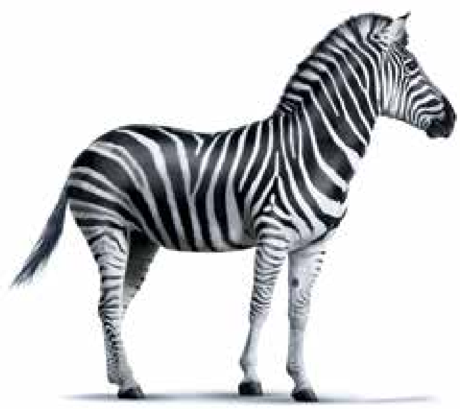
Investec

2014

Investec Group

Fact sheet

22 May 2014



The purpose of this document is to provide an update on Investec's current positioning regarding factors such as performance liquidity, etc.

The facts below represent data and figures based on publicly available information as at the group's half year ended 30 September and its year end 31 March.

Overview of Investec

Investec (comprising Investec plc and Investec Limited) is an international, specialist bank and asset manager that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974, Investec acquired a banking licence in 1980 and was listed on the JSE Limited South Africa in 1986.

In July 2002, Investec implemented a dual listed companies (DLC) structure with linked companies listed in London and Johannesburg. A year later, the group concluded a significant empowerment transaction in which the empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited. Investec plc is a FTSE 250 company.

Since inception, Investec has expanded through a combination of substantial organic growth and a series of strategic acquisitions. Today, the group has an efficient integrated international business platform, offering all core activities in the UK and South Africa and select activities in Australia.

Investec is organised as a network comprising three business divisions: Asset Management, Wealth & Investment, Specialist Banking.

The group's strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist bank and asset manager. This distinction is embodied in Investec's entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and ability to be nimble, flexible and innovative. Investec does not seek to be all things to all people and aims to build well defined, value added businesses focused on serving the needs of select market niches where the group can compete effectively.

Overall group performance – year to 31 March 2014

Investec released its year-end results on 22 May 2014. Key points from the announcement include:

Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests increased 6.0% to £451.8 million (2013: £426.3 million) – an increase of 20.3% on a currency neutral basis. Group results have been negatively impacted by the depreciation of the Rand: Pounds Sterling exchange rate of approximately 20% over the period. The combined South African business reported operating profit 25.3% ahead of the prior year in Rands, whilst the combined UK business posted a 24.4% increase in operating profit.

Wealth & Investment's operating profit increased by 30.5%. Asset Management reported operating profit marginally ahead of the prior year. Both divisions benefited from higher levels of average funds under management and net inflows.

The South African Specialist Banking business reported operating profit 29.2% ahead of the prior year in Rands, whilst the UK Specialist Bank benefited from a significant decline in impairments, reporting an increase in operating profit of 29.9%. The Australian business reported a loss impacted by strategic restructuring. Consequently, the overall Specialist Banking business reported operating profit marginally ahead of the prior year.

Salient features of the period under review are:

- Adjusted earnings attributable to shareholders before goodwill, acquired intangibles and non-operating items increased 6.0% to £327.8 million (2013: £309.3 million) – an increase of 20.5% on a currency neutral basis
- Adjusted earnings per share (EPS) before goodwill, acquired intangibles and non-operating items increased 5.3% from 36.1 pence to 38.0 pence – an increase of 19.7% on a currency neutral basis
- Recurring income as a percentage of total operating income amounted to 70.7% (2013: 68.6%)
- The credit loss charge as a percentage of average gross core loans and advances has improved from 0.84% at 31 March 2013 to 0.68%, with impairments decreasing by £84.9 million (i.e. 33.8%) to £166.2 million
- Third party assets under management decreased 0.7% to £109.9 billion (2013: £110.7 billion) – an increase of 8.9% on a currency neutral basis
- Customer accounts (deposits) decreased 7.6% to £22.6 billion (2013: £24.5 billion) – an increase of 6.2% on a currency neutral basis
- Core loans and advances decreased 6.8% to £17.2 billion (2013: £18.4 billion) – an increase of 7.9% on a currency neutral basis.
- The board proposes a final dividend of 11.0 pence per ordinary share equating to a full year dividend of 19.0 pence (2013: 18.0 pence) resulting in a dividend cover based on the group's adjusted EPS before goodwill and non-operating items of 2.0 times (2013: 2.0 times), consistent with the group's dividend policy
- Further information is available on the group's website.

Liquidity and funding

- The group has a liquidity management philosophy that has been in place for many years
- The group continues to focus on:
  - maintaining a high level of readily available, high quality liquid assets targeting a minimum cash to customer deposit ratio of 20%
  - diversifying funding sources
  - maintaining an appropriate mix of term funding
  - limiting concentration risk
- At 31 March 2014 the group held £9.1 billion of cash and near cash balances [(£4.8 billion (R84.5 billion) in Investec Limited and £4.3 billion in Investec plc], representing approximately 31% of its liability base
- The group has a solid customer deposit franchise:
  - Customer deposits in Investec plc have decreased by 2.1% since 31 March 2013 to £11.0 billion. Customer deposits in Investec Limited have increased by 10.6% since 31 March 2013 to R204.9 billion at 31 March 2014
  - The group's loan to deposit ratios as at 31 March 2014 are as follows:
    - Investec Limited: 72.9% (2013: 73.2%)
    - Investec plc: 71.0% (2013: 68.9%)
  - The group is not reliant on wholesale market funding to fund its core loan book

– The group has been successful in securing medium-term syndicated loans due to its long standing counterparty relationships

Capital adequacy

- Investec holds capital in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised. The group is targeting a minimum tier 1 ratio of 11.0% by March 2016, a common equity tier 1 ratio above 10.0% by March 2016 and a total capital adequacy ratio range of between 14% to 17% on a consolidated basis for Investec plc and Investec Limited, respectively
- The group is on the standardised approach in terms of Basel and as a result has higher risk weighted assets than banks applying the advanced approach to similar portfolios, thus understating capital ratios
- Basel III was implemented on 1 January 2013 in South Africa and Australia and 1 January 2014 in the UK and this had a moderate effect on capital ratios
- None of Investec's banking subsidiaries have required shareholder or government support during the global financial crisis
- The group's anticipated 'fully loaded' Basel III common equity tier 1 capital adequacy ratio and leverage ratios for Investec plc are 8.8% and 6.2%, respectively. The group's anticipated 'fully loaded' Basel III common equity tier 1 capital adequacy ratio and leverage ratios for Investec Limited are 9.3% and 6.2%, respectively (where "fully loaded" is based on Basel III requirements as fully phased in by 2022).

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Investec Limited					
Capital adequacy ratio	14.9%	15.5%	16.1%	15.9%	15.6%
Tier 1 ratio	11.0%	10.8%	11.6%	11.9%	12.1%
Common equity tier 1 ratio	9.4%	8.9%			
Leverage ratio	7.2%				
Investec plc					
Capital adequacy ratio	15.3%	16.7%	17.5%	16.8%	15.9%
Tier 1 ratio	10.5%	11.0%	11.6%	11.6%	11.3%
Common equity tier 1 ratio	8.8%	8.8%			
Leverage ratio	7.4%				
Investec Bank Limited (a subsidiary of Investec Limited)					
Capital adequacy ratio	15.3%	16.2%	16.1%	15.6%	15.5%
Tier 1 ratio	10.8%	10.9%	11.4%	11.5%	11.7%
Common equity tier 1 ratio	10.3%	10.3%			
Leverage ratio	7.2%				
Investec Bank plc (a subsidiary of Investec plc)					
Capital adequacy ratio	16.0%	16.1%	16.8%	16.1%	16.9%
Tier 1 ratio	11.0%	11.1%	11.5%	11.3%	12.3%
Common equity tier 1 ratio	11.0%	11.1%			
Leverage ratio	7.4%				
Investec Bank Australia Limited (a subsidiary of Investec plc)					
Capital adequacy ratio	16.1%	15.8%	17.5%	17.6%	19.2%
Tier 1 ratio	12.2%	11.8%	14.6%	14.7%	16.6%
Common equity tier 1 ratio	12.2%	11.8%			
Leverage ratio	11.2%				

The 2013 capital information for Investec plc and IBP was based on Basel II capital requirements. The 2013 capital information for Investec Limited, IBL and IBAL was based on Basel III capital requirements. 2014 capital information is based on Basel III capital requirements, as currently applicable in the UK, South Africa and Australia.

The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and Investec Bank plc this does not include the deduction of forseeable dividends as required in terms of the regulations.

Deposit guarantees

Investec does not guarantee client deposits however, the following schemes exist in the three main geographies in which the group operates:

UK and Other

- In terms of the Financial Services Compensation Scheme, the UK government guarantees a maximum deposit of £85 000 per individual per institution
- Investec Bank (Channel Islands) Limited is a participant in both the Guernsey and Jersey Banking Deposit Compensation Schemes. These Schemes offer protection for 'qualifying deposits/eligible deposits' up to £50 000, subject to certain limitations. The maximum total amount of compensation is capped at £100 000 000 in any five-year period.

Full details are available on request or alternatively on the Guernsey Scheme's website: www.dcs.gg <http://www.dcs.gg/> or on the Jersey States website which will also highlight the banking groups covered

South Africa

- There are no deposit guarantees in South Africa.

Asset quality and exposures

- The bulk of Investec's credit and counterparty risk arises through its private client and corporate client activities. The group lends to high net worth and high income individuals, mid to large sized corporates, public sector bodies and institutions
- We have a preference for primary exposure in the group's three main operating geographies i.e. South Africa, UK and Australia and specific countries where we have subsidiaries or branches
- The majority of our credit and counterparty exposures reside within our three core geographies, namely the UK, South Africa and Australia
- Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to avoid or minimise over exposure and concentration risk
- Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations
- We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and longstanding relationship with our clients. In certain instances we may elect to sell certain assets down and/or securitise them
- Impairments on loans and advances decreased from £251.0 million to £166.2 million. Australia reported an increase whilst impairments in the UK and South Africa were much improved
- Since 31 March 2013 gross defaults have improved from £792.2 million to £658.7 million. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances amounted to 2.30% (2013: 2.73%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.27 times (2013: 1.26 times).

Property-related exposures

- Investec does have property-related lending exposures
- For the most part Investec's exposure to the property markets arises from collateral that we have taken through our various activities in the structured property finance and growth and acquisition finance areas
- Investec has a strong client-centric focus with a credit assessment process that focuses not only on the value of the underlying property but also the client's ability to repay and the sustainability of income through the cycle.

Gearing

- Investec is not a highly geared bank. A number of the banks that have come into difficulty over the past few years have been in excess of 40 times geared. Investec's comparative ratio would be approximately 10.3 times.

Investec's DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise. Both companies have the same boards of directors and management
- Shareholders have common economic and voting interests as if Investec Limited and Investec plc were a single company:
  - Equivalent dividends on a per share basis
  - Joint electorate and class right voting
- Creditors are however ring-fenced to either Investec Limited or Investec plc as there are no cross guarantees between the companies.

Credit ratings

A summary of our credit ratings at 22 May 2014 is provided below.

Rating agency		Investec Limited	Investec Bank Limited – a subsidiary of Investec Limited	Investec plc	Investec Bank plc – a subsidiary of Investec plc
Fitch	Long-term ratings				
	Foreign currency	BBB-	BBB-		BBB-
	National		A+(zaf)		
	Short-term ratings				
	Foreign currency	F3	F3		F3
	National		F1 (zaf)		
	Viability rating	bbb-	bbb-		bbb-
	Support rating	5	3		5
Moody's	Long-term deposit ratings				
	Foreign currency		Baa1	Ba1	Baa3
	National		Aa3 (za)		
	Short-term deposit rating				
	Foreign currency		Prime-2	Non-prime	Prime-3
	National		P1 (za)		
	Bank financial strength rating		C-		D+
Standard & Poors	Long term		AA (za)		
	Short term		A-1 (za)		
Global Credit Ratings	Local currency				
	Long-term rating		AA-(za)		BBB+
	Short-term rating		A1+(za)		A2

Note: Due to regulations in Australia, credit ratings assigned to Investec Bank (Australia) Limited are only available to wholesale investors upon specific enquiry.

Our strategic goals and objectives are based on our aspiration to be recognised as a distinctive specialist bank and asset manager

The Investec distinction

1 Client focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High level of service by being nimble, flexible and innovative.

2 Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

3 Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk whilst creating value for shareholders
- Cost and risk conscious.

4 Strong culture

- Strong, entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

Our strategy

Our strategy for the past 20 years has been to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception we have expanded through a combination of organic growth and strategic acquisitions.

In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Our current strategy

- Maintain momentum in Asset Management
- Internationalise and organically grow our Wealth & Investment business
- Leverage and enhance our online platforms
- Simplify the Specialist Banking business model
- Improve the returns within the Specialist Banking business
- Leverage our extensive client base through greater utilisation of our products and services across the group
- Continue to attract new clients, extending the depth and breadth of the franchise.

Our long-term internationalisation strategy

- Follow our customer base
- Gain domestic competence and critical mass in our chosen geographies
- Facilitate cross-border transactions and flow.

Our diversified and balanced business model supporting long-term strategy

Broadly defined, we operate across three areas of specialisation focused on well defined target clients:

Asset Management	Specialist Banking	Wealth & Investment
Operating completely independently		
Corporate/institutional/government	Corporate/institutional/government; Private client (High net worth/high income)/ charities/trusts	Private client (High net worth/high income)/ charities/trusts
Investment management services to external clients	Advisory Transactional banking Lending Treasury and trading Investment activities	Investment management services Independent financial planning advice

We aim to maintain an appropriate balance between revenue earned from operational risk activities and revenue earned from financial risk activities.

This ensures that we are not over reliant on any one part of our businesses to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and supports our long-term strategy.

Capital light activities		Capital intensive activities	
Contribute 52% to group income	• Asset management • Wealth management • Advisory services • Transactional banking services • Property funds	Contribute 48% to group income	• Lending portfolios • Investment portfolios • Trading income — client flows — balance sheet management

Fee and commission income ‹ Types of income › Net interest, investment and trading income

Presentation of financial information

	31 March 2014	31 March 2013**	% change
Income statement and selected returns			
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	327 824	309 310	6.0%
Headline earnings (£'000)	292 463	265 227	10.3%
Operating profit* (£'000)	451 817	426 278	6.0%
Operating profit: Southern Africa (% of total)*	65.9%	67.5%	
Operating profit: UK, Europe, Australia and Other (% of total)*	34.1%	32.5%	
Cost to income ratio	67.5%	65.7%	
Staff compensation to operating income ratio	46.3%	43.9%	
Return on average adjusted shareholders' equity (post-tax)	10.1%	9.4%	
Return on average adjusted tangible shareholders' equity (post-tax)	12.3%	11.7%	
Return on average risk-weighted assets	1.14%	1.06%	
Operating profit per employee (£'000)	55.1	53.5	3.0%
Net interest income as a % of operating income	33.6%	35.2%	
Non-interest income as a % of operating income	66.4%	64.8%	
Recurring income as a % of operating income	70.7%	68.6%	
Effective operational tax rate	17.1%	18.4%	
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	5 352	5 693	(6.0%)
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	4 013	3 942	1.8%
Shareholders' equity (excluding non-controlling interests) (£'million)	3 569	3 661	(2.5%)
Total assets (£'million)	47 142	52 010	(9.4%)
Net core loans and advances to customers (including own originated securitised assets) (£'million)	17 157	18 415	(6.8%)
Core loans and advances to customers as a % of total assets	36.4%	35.4%	
Cash and near cash balances (£'million)	9 135	9 828	(7.1%)
Customer accounts (deposits) (£'million)	22 610	24 461	(7.6%)
Third party assets under management (£'million)	109 941	110 678	(0.7%)
Capital adequacy ratio: Investec plc	15.3%	16.7%	
Capital adequacy tier 1 ratio: Investec plc	10.5%	11.0%	
Leverage ratio: Investec plc	7.4%	n/a	
Capital adequacy ratio: Investec Limited	14.9%	15.5%	
Capital adequacy tier 1 ratio: Investec Limited	11.0%	10.8%	
Leverage ratio: Investec Limited	7.2%	n/a	
Credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.68%	0.84%	
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	2.30%	2.73%	
Gearing ratio (assets excluding assurance assets to total equity)	10.3x	11.6x	
Core loans to equity ratio	4.3x	4.7x	
Loans and advances to customers: customer deposits	72.0%	71.5%	
Salient financial features and key statistics			
Adjusted earnings per share (pence)	38.0	36.1	5.3%
Headline earnings per share (pence)	33.9	31.0	9.4%
Basic earnings per share (pence)	34.4	31.7	8.5%
Diluted earnings per share (pence)	32.4	29.8	8.7%
Dividends per share (pence)	19.0	18.0	5.6%
Dividend cover (times)	2.0	2.0	–
Net asset value per share (pence)	375.7	384.2	(2.2%)
Net tangible asset value per share (pence)	308.7	310.9	(0.7%)
Weighted number of ordinary shares in issue (million)	862.6	856.0	0.8%
Total number of shares in issue (million)	891.7	884.8	0.8%
Closing share price (pence)	485	459	5.7%
Market capitalisation (£'million)	4 324	4 061	6.5%
Number of employees in the group (including temps and contractors)	8 258	8 151	1.3%
Closing ZAR: £ exchange rate	17.56	13.96	25.8%
Average ZAR: £ exchange rate	16.12	13.44	19.9%

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

** *Restated.*

For queries regarding information in this document:
Investor Relations
Tel: (2711) 286 7070 / (44) 20 7597 5546
e-mail: investorrelations@investec.com
Internet address: www.investec.com