

# Investec shares on plans to exit UK mortgage business

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Investec shares shot up more than 5% after it said operating profit has grown in the nine months to December and it plans to exit its UK-based mortgage business, which it bought just before the sub-prime crisis.



Investec's shares have risen on the back of profits for the six months to September. Image: Fotomek [Fotolia](#)

The financial services group, listed in the UK and on the JSE, generates more than 60% of operating profits from SA and reports in sterling so its overall group results for the nine months will be negatively affected by the rand's depreciation against the pound over that period.

Nevertheless, operating profit before goodwill, acquired intangibles, non-operating items and taxation had increased 25% on a currency neutral basis compared with the previous year.

The share price of Investec Plc closed 4.40% higher at R74.50 on Thursday (6 February) in response to what RMB Morgan Stanley analyst Greg Saffy called Investec's "solid all-round performance" for the nine months.

Analysts welcomed the news that Investec is exploring the potential sale of its UK home loans business, Kensington, and had received expressions of interest.

Investec bought Kensington for £283m in 2007.

Chief executive Stephen Koseff said on the release of Investec's interim results to September, that the UK business had £4.8bn in loans written at the wrong price.

Patrice Rassou, head of equities at Sanlam Investment Management, said selling the Kensington business would reduce the

potential risks and non-performing loans in the business and allow Investec to optimise its capital structure.

Investec wants to dispose of parts of its Australian business to create a boutique operation focusing on corporate advisory, property funds, commodity and resource finance, project finance, corporate and acquisition finance, and financial markets.

By the end of March, Investec will announce whether it will sell or create a joint venture for the Australian professional finance and asset financing and leasing divisions.

"A clean exit of its Kensington and Australian businesses is seen as an added bonus," said Saffy.

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