Investec – pre-close briefing

17 March 2011

Investec is today hosting an investor pre-close briefing at 9:00 (GMT time) (11:00 South African time) which will focus on developments within the group's core business areas in the second half of the current financial year ending 31 March 2011.

Operational and financial overview of the year ending 31 March 2011

Operating conditions across the group have continued the trends seen in the first half of the financial year, and as reported at the interim results announcement on 18 November 2010. The group's operational performance is underpinned by a solid recurring income base. The asset and wealth management businesses have benefitted from substantial inflows and good investment performances. Operating conditions within the group's banking and advisory businesses, however, are mixed and although improving, the demand for credit and levels of transactional activity remain subdued

Salient financial features include:

- Operating profit (refer to definition in the notes) is expected to be marginally higher than the prior year.
- The UK business is expected to post operating profit ahead of the prior year and the South African business is expected to post operating profit in line with the prior year.
- The slower pace of economic recovery has caused a delay in the improvement of the level of non-performing loans. Impairments remain at elevated levels and the credit loss charge as a percentage of average gross loans and advances is expected to be 1.2% (31 March 2010: 1.16%).
- Since 31 March 2010 core loans and advances have increased by 3% to GBP18.5 billion, customer deposits have increased by 7% to GBP24.1 billion and third party assets under management have increased by 17% to GBP86.4 billion.
- Core advances (excluding own originated securitised assets) as a percentage of customer deposits were 72.1% (31 March 2010:76.2%).
- The group has a strong balance sheet with low gearing, substantial cash and near cash and solid capital ratios.

Operating conditions remain difficult as the global geopolitical landscape continues to be uncertain. The year under review has echoed the difficulties of the broader environment with the group's various businesses moving at different speeds. The group's non-capital intensive asset and wealth management businesses have gained significant momentum, reporting a strong increase in their contribution to group earnings. Whilst some of the group's banking businesses have performed well, notably the Capital Markets division, overall group results have been constrained by the slow recovery of non-performing loans and levels of transactional activity. The group's geographical and operational diversity has, however, supported a sound operational performance.

On behalf of the board

Hugh Herman (Chairman), Stephen Koseff (Chief Executive Officer) and Bernard Kantor (Managing Director)

Operational overview – further details

Liquidity management

- Diversifying Investec's funding sources has been a key element in improving the quality of the group's balance sheet and reducing its reliance on wholesale funding.
- The group currently holds GBP9.9 billion of cash and near cash balances (GBP5.0 billion in Investec Limited and GBP4.9 billion in Investec plc) which amounts to 33% of its liability base.
- The group remains successful in building and growing its retail deposit franchise.

Capital

- The group holds capital in excess of regulatory requirements targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited.

	Expected capital adequacy ratios at 31 Mar 2011	**30 Sep 2010**	**31 Mar 2010**
Investec plc			
Total	16.5%	16.7%	15.9%
Tier 1	12.0%	12.1%	11.3%
Investec Limited			
Total	15.7%	16.2%	15.6%
Tier 1	11.8%	12.1%	12.1%

Asset quality

- The bulk of Investec's credit and counterparty risk arises through its Private Banking and Capital Markets activities. The Private Bank lends to high net worth and high income individuals, whilst the Capital Markets division transacts primarily with mid to large sized corporates, public sector bodies and institutions.
- The slower pace of economic recovery has caused a delay in the improvement of the level of non-performing loans.
- The group has reported an increase in impairments in its Private Banking division and a reduction in impairments in its Capital Markets and Central Funding divisions.
- The credit loss charge as a percentage of average gross loans and advances is expected to be 1.2% (31 March 2010: 1.16%).

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.

Overview of expected performance: for the year ending 31 March 2011 compared to the year ended 31 March 2010

- Recurring income as a percentage of total operating income is expected to be approximately 62% (2010: 60%)
- Strong increase in total operating income:
  - An increase in net interest income
  - Significant increase in net fees and commissions receivable
  - A decline in income from principal transactions
- Expenses have increased substantially:
  - Acquisitions : Rensburg Sheppards plc; Leasedirect Finance
  - Restructure of the UK Trust business
  - In addition, an increase in headcount in certain divisions: Capital Markets, Asset Management and Group Services
- The growth in expenses has exceeded the growth in income resulting in a rise in the cost to income ratio, although this ratio remains within the group's target

Asset Management

- Solid long term investment performance across investment capabilities, with 100% of segregated accounts outperforming benchmark since inception/GIPs inception
- Record net flows (in excess of GBP6.5 billion) with total assets under management of GBP56.6 billion
- Performing significantly ahead of 1H11 and the prior year
- Since 31 March 2010 assets under management have increased by 22%

Wealth and Investment

- Performing ahead of 1H11 and well ahead of the prior year

    - Higher funds under management
    - 100% of Rensburg Sheppards plc included for a full six months in 2H11
- Sale of Rensburg Fund Management Limited (GBP880 million FUM) to Franklin Templeton Global Investors Limited (UK) for GBP45 million (January 2011)
- Since 31 March 2010 assets under management have increased by 7% to GBP29.2 billion

Property Activities
- Good performance from the investment property portfolio
- Remain focused on building the group's property funds across all geographies
- The group will be listing its property fund in South Africa in mid-April 2011

Private Banking
- Market conditions continue to impact exits and activity levels
- Significant increase in impairments
- Overall loss reported in the UK and Australia
- South Africa performing significantly behind the prior year
- Since 31 March 2010 core loans have remained flat at GBP13.0 billion and deposits have increased by 5% to GBP12.3 billion

Investment Banking

- **Agency and Advisory**
    - Corporate Finance activity levels have started to improve but this is not yet reflected in earnings
    - Trading conditions remain difficult for the Institutional Stockbroking business

- ***Principal Investments (Direct Investments and Private Equity)***
    - South Africa Principal Investments are performing significantly ahead of the prior year
    - UK Principal Investments shows a significant improvement over the prior year

Capital Markets
- Very strong performance globally
    - Marginally behind 1H11 but well ahead of the prior year
- Good levels of activity across the advisory and structuring businesses:
    - Notably from the Principal Finance, Structured Finance and Structured Equity Finance businesses
- Significant reduction in impairments
- Since 31 March 2010 core loans have increased by 7% to GBP4.8 billion

Other Activities
- Central Funding:
    - South Africa: results significantly down from the prior year largely due to lower average levels of interest rates and weaker performance from equity investments
    - UK: performing ahead of the prior year
        - Profits recorded due to the debt exchange offer programme in 2H11
        - A decline in central impairments
- Central Costs
    - Have increased largely due to numerous brand building initiatives and an increase in personnel costs

Other information

Additional aspects
- Effective tax rate: expected to be approximately 16%
- Weighted number of shares in issue for the year ending 31 March 2011 expected to be approximately 761 million

- Exceptional gain of approximately GBP18 million on the sale of Rensburg Fund Management Limited

- **Notes:**
  1. Key trends set out above, unless stated otherwise, relate to the eleven-months ended 28 February 2011, and compare the first half of the 2011 financial year (1H11) to the second half of the 2011 financial year (2H11).
  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 minorities.Trends within the divisional sections relate to normalised operating profit.
  4. 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 March 2011.
  5. 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:

	11 months ended 28 Feb 2011		**6 months ended 30 Sep 2010**		**12 months ended 31 Mar 2010**	
Currency per GBP1.00	**Close**	**Ave**	**Close**	**Ave**	**Close**	**Ave**
South African Rand	11.28	11.19	11.00	11.29	11.11	12.38
Australian Dollar	1.60	1.66	1.63	1.70	1.66	1.88
Euro	1.18	1.18	1.15	1.18	1.12	1.13
Dollar	1.63	1.55	1.57	1.52	1.52	1.59

Presentation details

The briefing starts at 9:00 (GMT time) (11:00 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:

Year-end: 31 March 2011
Release of year-end results: 19 May 2011

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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.

Investec focuses on delivering distinctive profitable solutions for its clients in six core areas of activity namely, Asset Management, Wealth and Investment, Property Activities, Private Banking, Investment Banking and Capital Markets.

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 GBP3.8 billion.