Investec – pre-close briefing and trading statement

15 March 2012

Investec is today hosting an investor pre-close briefing at 9:00 (BST time) (11:00 South African time) which will focus on developments within the group's core business areas in the second half of the financial year ending 31 March 2012.

Operational and financial overview of the year ending 31 March 2012

Volatile markets and low levels of activity have characterised the second half of the group's 2012 financial year. While earnings from principal activities are expected to decrease substantially, the Specialist Banking businesses are expected to benefit from growth in both margin and fee income. The Asset Management and Wealth Management businesses continued to see net inflows and the proportion of revenues derived from the group's non-lending activities has continued to grow.

The UK business is expected to report operating profit marginally ahead of the prior year. The South African business is expected to report operating profit in Rands in line with the prior year. As reported in the group's interim results, the Australian business is expected to report an operating loss, with results in 2H2012 lower than that reported in 1H2012.

Salient financial features include:

- Recurring income as a percentage of total operating income is expected to be approximately 68% (2011: 62%).
- Operating income is expected to decline 2% to 3% arising from:
  - A substantial decline in income from principal transactions
  - An increase in net interest income
  - A strong increase in net fees and commissions receivable.
- Expenses are expected to increase by less than 1%
- The cost to income ratio is therefore expected to increase, although this ratio remains within the group's target.
- Operating profit (refer to definition in the notes) is expected to be 12% to 16% lower than the prior year.
- Adjusted EPS and headline EPS (refer to definition in the notes) are expected to be 22% to 27% lower than the prior year.
- The group has maintained a sound balance sheet with low gearing, substantial cash and near cash and solid capital ratios.
- For the period 31 March 2011 to 29 February 2012:
  - Third party assets under management increased 11% to GBP98.8 billion – an increase of 15% on a currency neutral basis. These numbers include GBP7.4 billion acquired from the Evolution Group plc
  - Customer accounts (deposits) increased 4% to GBP25.5 billion - an increase of 8% on a currency neutral basis
  - Core loans and advances increased 1% to GBP18.9 billion - an increase of 5% on a currency neutral basis.

The year under review has echoed the difficulties of the broader environment. The group will continue to leverage off its existing platforms, seeking to create additional operational efficiencies and organic growth opportunities across all the geographies in which it operates. Assets under management have grown substantially, impairments appear to have peaked and costs are well under control. While the pace of economic recovery varies across the world, and the regulatory environment remains challenging, the significant reshaping of the business that has taken place over the past few years ensures the group is well placed to benefit from any improvement in the level of economic activity.

On behalf of the board

Fani Titi (Joint Chairman), Sir David Prosser (Joint Chairman), Stephen Koseff (Chief Executive Officer) and Bernard Kantor (Managing Director)

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 GBP10.6 billion in cash and near cash balances (GBP6.2 billion in Investec Limited and GBP4.4 billion in Investec plc) which amounts to 33% of its liability base.
- Core advances (excluding own originated securitised assets) as a percentage of customer deposits at 29 February 2012 is at 69.8% (31 March 2011: 72.4%)

Capital and ROE

- Given the changing financial, regulatory and economic landscape the group's ROE and capital adequacy targets have been under review, as announced previously. The group has finalised its review in this regard and the revised targets are set out in the table below:

	Revised target	**Old target**
ROE	12% to 16% over a rolling 5 year period	Greater than 20% over the medium to long-term
Total capital adequacy	15% to 18%	14% to 17%
Total tier 1	11% to 12%	11%

- The group expects Investec Limited's and Investec plc's capital adequacy ratios to be within the revised target ranges as indicated in the table above.

Asset quality and impairment trends

- 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.
- Impairments on core loans are expected to be lower than the prior year, with a significant decrease compared to the 2H2011.
- Impairments in Australia remain high as a decision has been taken to clear the non-core portfolio as soon as possible.
- Impairments in the South African and UK core books are expected to be in line with 1H2012.
- The group expects the credit loss ratio on total average loans and advances to be approximately 1.05% (31 March 2011: 1.27%).
- Impairments in Kensington have increased sharply as a result of adopting new best practice guidelines (published by UK Financial Services Authority during the past year) relating to provisioning methodology in respect of borrowers that have benefited from some forbearance.

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

- Solid long term investment performance across investment capabilities
- Strong net inflows in excess of GBP4.5 billion
- Financial performance in line with 1H2012 but behind 2H2011 mainly due to lower absolute performance fees
- Since 31 March 2011 assets under management have increased by 6% to GBP62.3 billion

Wealth & Investment

- Performing in line with the prior year
- Higher average funds under management, but weaker market conditions
- Acquisition of the Evolution Group plc:
    - Effective 22 December 2011
    - Funds under management of GBP7.4 billon
    - The integration of the businesses is proceeding well and is expected to largely be complete in September 2012
- Since 31 March 2011 assets under management have increased by 22% to GBP35.8 billion

Property Activities

- Performance in line with expectations but substantially lower than the prior year

Private Banking

- The core private banking business has returned to profitability benefiting from:
    - Lower impairments across all geographies
    - Improved margins in the South African business
    - A solid performance from the Professional Finance business in Australia
    - Overall activity levels have however, declined in 2H2012
- The non-core property development businesses in Australia and Ireland have posted results in line with 1H2012
- Since 31 March 2011 core loans have remained flat at GBP13.3 billion and deposits have increased by 2% to GBP12.7 billion

Investment Banking

- Weak market conditions resulted in a subdued overall performance
- UK performing marginally behind the prior year:
    - Reasonable performance in Corporate Finance
    - Improved performance in the Principal Investment portfolio
    - Weaker performance from securities activities
- South Africa substantially down on the prior year:
    - The Private Equity and Corporate Finance businesses have performed well
    - Mark downs on listed investments held in the Direct Investment portfolio
    - Poor performance from the Institutional Stockbroking business as a result of lower volumes
- Improved performance in Australia

Capital Markets

- Satisfactory performance ahead of the prior year
- Strong performance from the South African business and a solid performance from UK and Australia
- Since 31 March 2011 core loans have increased 3% to GBP5.0 billion

Other Activities

- Central Funding:
    - South Africa marginally behind the prior year
    - UK significantly behind the prior year largely due to debt buy-back profits of GBP32 million earned in February 2011 not repeated in current year
- Central Costs have declined in relation to the prior year

Other information

Additional aspects

- Effective tax rate: expected to be approximately 18.5%
- Non-operational integration costs with respect to the acquisition of the Evolution Group plc expected to be approximately GBP13 million
- Weighted number of shares in issue for the year ending 31 March 2012 expected to be approximately 810 million

- **Notes:**
    1. Key trends set out above, unless stated otherwise, relate to the eleven months ended 29 February 2012, and compare the first half of the 2012 financial year (1H2012) to the second half of the 2012 financial year (2H2012).
    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 non-controlling interests.Trends within the divisional sections relate to normalised operating profit.
    4. Adjusted EPS is before goodwill, acquired intangibles and non-operating items but after tax and after adjusting for earnings attributable to non-controlling interests.
    5. The neutral currency calculation for the core earnings drivers assumes the Rand:GBP and Australian Dollar:GBP closing exchange rates remain the same as at 29 February 2012 when compared to 31 March 2011.
    6. 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 15 March 2012.
    7. 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:

	Eleven months to 29-Feb-12		**Six months to 30-Sep-11**		**Year to 31-Mar-11**	
Currency per GBP1.00	**Period end**	**Average**	**Period end**	**Average**	**Period end**	**Average**
South African Rand	11.85	11.84	12.62	11.25	10.88	11.16
Australian Dollar	1.48	1.52	1.6	1.53	1.55	1.65
Euro	1.19	1.15	1.16	1.13	1.13	1.17
US Dollar	1.60	1.61	1.56	1.63	1.60	1.55

Presentation details

The briefing starts at 9:00 (BST 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 2012
Release of year-end results: 17 May 2012

For further information please contact:

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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 three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking (comprising 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 GBP3.6 billion.