**Investec – pre-close briefing**

**15 September 2011**

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 2012.

**Operational and financial overview of the six months ending 30 September 2011**

Against a backdrop of poor economic fundamentals and weak debt and equity markets, operating conditions have been more difficult than originally anticipated. The Asset Management and Wealth Management businesses have continued to perform well as a result of increased average funds under management and net inflows. The Specialist Banking businesses have benefited from growth in net interest income and fee income but earnings from principal activities have been under pressure. The group's geographical and operational diversity has, however, supported a sound operational performance.

Salient financial features include:

- Operating profit (refer to definition in the notes) is expected to be in line with the prior year, with four of the six operating divisions showing an improved performance
- The UK and South African businesses are expected to post operating profit ahead of the prior year and the Australian business remains affected by elevated levels of impairments
- Since 31 March 2011:
    - Core loans and advances are marginally down to GBP18.6 billion, however, in neutral currency (refer to explanation in the notes) they have increased by 2%
    - Customer deposits increased by 3% to GBP25.1 billion
    - Third party assets under management decreased by 4% to GBP85.6 billion, as a result of weak markets, notwithstanding net inflows of c.GBP2.6 billion
- Core advances (excluding own originated securitised assets) as a percentage of customer deposits were 70.0% (31 March 2011:72.4%).
- The group has a sound balance sheet with low gearing, substantial cash and near cash and solid capital ratios.

Operating conditions are difficult as the global geopolitical landscape remains uncertain. The group's operational performance remains stable underpinned by a solid recurring income base.

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 GBP10.2 billion in cash and near cash balances (GBP5.8 billion in Investec Limited and GBP4.4 billion in Investec plc) which amounts to 34% of its liability base.

**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 30 Sep 2011 | 31 Mar 2011 | 30 Sep 2010 |
|---|---|---|---|
| **Investec plc** | | | |
| Total | 16.4% | 16.8% | 16.7% |
| Tier 1 | 11.1% | 11.6% | 12.1% |
| **Investec Limited** | | | |
| Total | 15.4% | 15.9% | 16.2% |
| Tier 1 | 11.7% | 11.9% | 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.
- Impairments on core loans are expected to be lower than the prior year.
- The group expects the credit loss ratio on total average loans and advances to be approximately 0.90% (31 March 2011: 1.27%)
- Impairments in the Start business have increased largely due to continued weak economic conditions in Ireland.
- The group therefore, expects a marginal increase in overall impairments relative to the comparative period, but overall impairments will be significantly lower than 2H2011.

**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 six months ending 30 September 2011 compared to the six months ended 30 September 2010**

- Recurring income as a percentage of total operating income is expected to be approximately 66% (2010: 63%).
- The group expects to report a satisfactory increase in total operating income as a result of:
    - An increase in net interest income
    - A significant increase in net fees and commissions receivable
    - A decline in income from principal transactions
- Expenses are expected to increase marginally ahead of operating income as a result of:
    - Acquisitions : Rensburg Sheppards plc; Masterlease UK
    - An increase in headcount in certain divisions: Capital Markets, Asset Management and Group Services
- As a result the group expects to report a moderate 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
- Continued strong net inflows in excess of GBP2.0 billion
- Strong performance well ahead of last year
- Since 31 March 2011 assets under management have decreased by 2% to GBP57.6 billion

***Wealth & Investment***

- Performing ahead of the prior year
    - Higher ave funds under management
    - Net inflows of c.£550 million
    - 100% of Rensburg Sheppards plc included for a full six months in 1H2012

- Since 31 March 2011 assets under management have decreased by 6% to GBP27.6 billion

***Property Activities***

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

***Private Banking***

- Overall return to profitability
    - There has been some uptick in activity levels
    - Moderate increase in impairments relative to the comparative period, but significantly lower than 2H2011
- UK: has returned to profitability
- South Africa: performance behind last year
- Australia: professional finance performed well, but economic conditions in the non-mining sector have remained muted resulting in a higher impairment charge in the run down property book
- Since 31 March 2011 core loans have remained flat at GBP13.3 billion and deposits have decreased by 2% to GBP12.2 billion

***Investment Banking***

- Weak market conditions resulted in a subdued performance
- UK: reasonable performance in corporate finance, which is offset by a weak performance from securities activities, direct investments and private equity
- South Africa well down on the prior year:
    - Mark downs on listed investments held in the Direct Investment portfolio and lower dividends received from the Private Equity portfolio
    - Poor performance from the institutional stockbroking business a result of lower volumes

***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 remained flat at GBP4.8 billion

***Other Activities***

- Central Funding and Central Costs results largely in line with the prior year

***Other information***

*Additional aspects*

- Effective tax rate: expected to be between 19 - 20%
- Weighted number of shares in issue for the six months ending 30 September 2011 expected to be approximately 792 million

*Additional aspects – Independent Commission on Banking ("ICB")*

- On 12 September the ICB published its recommendations for regulatory change to the UK banking industry, for assessment by the UK government
- The ICB has recommended that the recommendations are implemented by 2019
- The group is still assessing the impact for Investec Bank plc in the UK
- The group's initial impressions are that the bulk of its activities (other than the Investment Banking and Trading businesses), including a substantial portion of its Capital Markets business, could be held in the ring-fenced bank as these businesses deal with corporate and individual clients
- However, the flexibility provided by the ICB in what can be included or excluded from the ring-fenced bank ensures that any realignment that may be required in the bank's business model will be moderate

- **Notes:**
  1. Key trends set out above, unless stated otherwise, relate to the five-months ended 31 August 2011, and compare the first half of the 2012 financial year (1H2012) to the first half of the 2011 financial year (1H2011).
  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. The neutral currency calculation for core loans assumes the Rand:GBP and Australian Dollar:GBP closing exchange rates remain the same as at 31 August 2011 when compared to 31 March 2011.
  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 15 September 2011.
  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 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:

| | **5 months ended 31 Aug 2011** | | **Year ended 31 Mar 2011** | | **6 months ended 30 Sep 2010** | |
|---|---|---|---|---|---|---|
| **Currency per GBP1.00** | **Close** | **Ave** | **Close** | **Ave** | **Close** | **Ave** |
| South African Rand | 11.45 | 11.12 | 10.88 | 11.16 | 11.00 | 11.29 |
| Australian Dollar | 1.52 | 1.52 | 1.55 | 1.65 | 1.63 | 1.70 |
| Euro | 1.13 | 1.13 | 1.13 | 1.17 | 1.15 | 1.18 |
| Dollar | 1.63 | 1.63 | 1.60 | 1.55 | 1.57 | 1.52 |

**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 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:**

Interim period: 30 September 2011
Release of interim results: 17 November 2011

**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 six core areas of activity namely, Asset Management, Wealth & 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 GBP3.3 billion.