

About Investec

This material is intended for
financial advisers only

Investec (comprising Investec Limited and Investec plc) is an international, specialist bank and asset manager which provides a diverse range of financial products and services to a select client base in three principal markets: the United Kingdom, Australia and South Africa.

Investec is organised as a network of six business divisions: Asset Management, Private Wealth, Property Activities, Private Banking, Investment Banking and Capital Markets.

For the year ended 31 March 2010, Investec made an operating profit before goodwill and non-operating items of £432.3 million.

As at 31 March 2010, Investec had £73.6 billion of third party assets under management and on balance sheet assets of £46.6 billion.

In July 2002, the Investec group implemented a Dual Listed Company (DLC) structure with linked companies listed in London (LSE) and Johannesburg (JSE Limited). Investec plc (housing the non – South African operations) and Investec Limited (housing the South African operations) form a single economic enterprise where shareholders have common economic and voting interests. Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross guarantees between the companies.

Investec Bank plc (IBP) is the main banking subsidiary of Investec plc.

Frequently asked questions about Investec

Is Investec affected by the liquidity/credit crisis?

The banking sector globally has been, and continues to be, impacted by the credit and liquidity crisis. Investec's strategy of maintaining a recurring revenue base; geographical and operational diversity; and strict management of liquidity and risk has enabled it to navigate through the present challenging operating environment.

Strict management of liquidity and capital remain key objectives. As at 31 March 2010 the capital adequacy ratio of IBP was 16.9% and the Tier 1 ratio was 12.3%. The group continues to focus on maintaining a high level of readily available, high quality liquid assets. At 31 March 2010, IBP had £4.8 billion of cash and near cash to support its activities. Furthermore, the bank maintains an appropriate mix of term funding, placing a low reliance on interbank wholesale funding to fund core lending asset growth. The Private Bank funds its entire loan book with customer deposits. As at 31 March 2010, loans amounted to £3.6 billion and deposits were £4.6 billion. Investec targets a diversified funding base, avoiding undue concentrations by investor type, maturity and market source, instrument and currency. Funding costs have increased over the last year but not out of line with the market.

When my client buys a Plan from Investec Structured Products do they take on any credit risk?

When your client buys a Plan from Investec Structured Products their exposure to credit will be either to Investec or, on selected Plans, an alternative asset provider.

With all Plans Investec Structured Products is the Plan Manager. However, where you see the 'Available in 2 Versions' symbol in our Plan literature your client has the option to select their credit exposure to the specified alternative asset provider instead of Investec.

IBP, comprising the main banking activities of Investec's UK operations, is regulated by the FSA and wholly owned by Investec plc.

Does IBP participate in the UK Government Credit Guarantee Scheme?

IBP has received an Institution Certificate under the Credit Guarantee Scheme 2008 and is accordingly eligible to apply under the Scheme Rules for Eligibility Certificates in respect of debt instruments issued by it.

More information can be found at
<http://www.dmo.gov.uk/index.aspx?page=CGS/CGSEligible>

Does IBP participate in the UK Government Bank Recapitalisation Scheme?

No, since IBP was considered to have sufficient Tier 1 capital to participate in the Government guarantee scheme without Government assistance.

What happens if market conditions continue to deteriorate and even strongest financial institutions require Government support?

IBP's first priority will always be its depositors so rest assured it would always follow the most responsible and appropriate course of action.

Does Investec have any exposure to the UK residential property market?

The bulk of IBP's exposure 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 primarily transacts with mid to large sized corporates, public sector bodies and institutions.

IBP has very little exposure to the UK residential mortgage market through the traditional model of writing mortgage loans. For the most part IBP's exposure to the UK residential market arises from collateral that we have taken through our various activities in the structured property finance and growth and acquisition finance areas.

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What is Investec's exposure to Kensington?

Kensington is a wholly owned subsidiary of the holding company Investec plc and its activities do not reside within the main banking operating entity IBP. IBP has no direct credit exposure to Kensington in the UK. Investec plc has a net exposure to assets originated by Kensington in the UK of £590 million, as at 31 March 2010, which represents less than 3% of the Investec plc consolidated group asset size. This exposure is fully secured on mortgages and cash deposits.

The total value of mortgage assets on Kensington's balance sheet continues to decrease and as at 31 March 2010 was £4.7 billion. £2.9 billion of these assets have been securitised and the remaining £1.8 billion are in warehouse lines. The £1.8 billion of warehouse lines are largely provided by third party funders and these lines have a minimum remaining term of two to three years. These lines are non-recourse to Investec plc, other than the net investment we retain.

What is Investec's credit rating?

IBP has an investment grade credit rating. IBP has a long-term rating of BBB from Fitch Ratings and Baa3 from Moody's.

Credit ratings and Investec – what does this tell me?

Clearly it is the credit, rather than the credit rating, that is important. Investors need to fully understand the rating before they use it as a guide for making investment decisions.

Many investors are surprised to learn that credit ratings are not wholly scientific. Rating agencies use a scorecard methodology in their rating process. Their scorecards take into account a number of factors, which can essentially be grouped into three main categories: "hard" financials, "soft" qualitative factors, and a "support" rating based on their opinion of the likelihood of any government-led bail-out. Whilst these scorecards do take into account reported results, they are inherently subjective as a number of stress tests, weightings and forward looking assessments are applied before ultimately determining the rating assigned.

IBP's rating reflects a strong score with respect to the "hard" financials, including capital, liquidity, risk management, transparency, asset quality and profitability. For example, on the Moody's scorecard we would map directly to an A3, a high score relative to our peers. On the "softer" issues such as franchise value, geographical diversification and market share, IBP scores lower. We find this somewhat surprising given how robust our business model has been throughout the banking crisis. IBP's ultimate rating is further negatively impacted by the subjective assessment associated in assigning a support rating.

Given the current environment, rating agencies are awarding significant rating notch uplifts to banks who have received government support. Many of these banks have failed and yet are afforded high ratings. IBP has not required government support and the FSA has acknowledged its sound balance sheet and stable operating fundamentals resulting in the bank being eligible to issue up to 3 year debt guaranteed by the UK Government. Notwithstanding this, IBP has not been awarded the benefit of rating notch uplifts to its final ratings.

We feel ratings are very subjective and investors need to fully "unpackage" any rating. What is key is balance sheet soundness, and on this basis we believe our track record to date speaks for itself.

Where can I get more information on Investec?

You can find further information on our website
www.investec.com

For further information about Investec's financial, capital and liquidity positioning please see our factsheet
http://www.investecstructuredproducts.com/pdf/IBP_May_10_factsheet.pdf

For further details on our latest results please visit:
http://www.investec.com/en_gb/#home/investor_relations.html

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