Investec Limited and Investec plc exposures to the Steinhoff Group of companies

11 December 2017

Investec wishes to clarify its exposure to Steinhoff International holdings NV (Steinhoff) and its subsidiaries, including Steinhoff Africa (PTY) Ltd (Steinhoff Africa) and Steinhoff Africa Retail Ltd (STAR), its separately listed African retail activities.

Investec has credit exposures to the Steinhoff Group of companies, which represent a small portion of the group’s balance sheet as explained in detail below. Based on the information currently available to the group, Investec is not expecting to suffer any losses on these credit exposures.

The exposures are largely to Steinhoff Africa’s subsidiaries, with an immaterial exposure to Steinhoff. The majority of the transactions have been undertaken by Investec Bank Limited (South Africa), with Investec plc having an insignificant exposure to Steinhoff. The exposures to Steinhoff Africa largely comprise lending exposures and overnight facilities, and are secured by guarantees from certain of the Steinhoff Africa and STAR subsidiaries.

Exposures to client share covered loans where reliance is placed on value being accorded to the Steinhoff share price to support repayment is negligible.

Investec Bank Limited (South Africa) does have certain derivative exposures linked to the Steinhoff share price, where a trading loss could materialise. The loss could be zero but the maximum potential loss could be approximately 3% of the Investec group’s post-tax operating profit.

In addition to the above, Investec Bank Limited (South Africa) holds Steinhoff convertible bonds in its available for sale portfolio. The carrying value of these bonds represents less than 0.3% of the group’s consolidated tier one capital.

The group’s associate investment, The IEP Group, has no exposure to the Steinhoff Group of companies, and Markus Jooste who was a director on their board resigned last week.

Investec manages credit exposures within strict risk parameters to avoid any specific concentrations in its credit portfolios. Thus, any one particular exposure would represent a small portion of the group’s total credit and counterparty exposures, as is the case with the group’s exposure to Steinhoff.

As at 30 September 2017 (the group’s last reporting period) Investec Limited (South Africa) had cash and near cash balances of R102.6 billion and tier one capital of R36.6 billion. The South African banking business reported solid results for the six months to 30 September 2017 as announced on 16 November 2017.
Furthermore, the group’s total post-tax operating profit (adjusted earnings) for the year ended 31 March 2017 amounted to R7.9 billion (GBP435 million). As at 30 September 2017 the group’s consolidated tier one capital amounted to R64.8 billion (GBP3.6 billion) and the group’s cash and near cash assets amounted to R193.4 billion (GBP10.7 billion)

The group’s exposures to the Steinhoff Group of companies are summarised in the table below:

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>As a % of South Africa’s total credit and counterparty exposures (which were R464.8bn at 30 Sept 2017)</th>
<th>As a % of the Investec group’s consolidated total credit and counterparty exposures (which were GBP43.1bn at 30 Sept 2017)</th>
<th>As a % of South Africa’s total tier one capital (which was R36.6bn at 30 Sept 2017)</th>
<th>As a % of the Investec group’s consolidated total tier one capital (which was GBP3.6bn at 30 Sept 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steinhoff Africa* - loans</td>
<td>Less than 0.25%</td>
<td>Less than 0.2%</td>
<td>Less than 3.0%</td>
<td>Less than 1.5%</td>
</tr>
<tr>
<td>Steinhoff Africa* – other credit and counterparty exposures</td>
<td>Less than 0.05%</td>
<td>negligible</td>
<td>Approximately 0.5%</td>
<td>Less than 0.5%</td>
</tr>
<tr>
<td>STAR - other credit and counterparty exposures</td>
<td>Less than 0.1%</td>
<td>Less than 0.1%</td>
<td>Less than 1.5%</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Steinhoff – loans</td>
<td>immaterial</td>
<td>immaterial</td>
<td>immaterial</td>
<td>immaterial</td>
</tr>
<tr>
<td>Steinhoff – available for sale investment</td>
<td>negligible</td>
<td>negligible</td>
<td>Less than 0.5%</td>
<td>Less than 0.3%</td>
</tr>
</tbody>
</table>

* Secured by guarantees from certain of the Steinhoff Africa and STAR subsidiaries.

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NOTE:
The financial information on which this statement is based has not been reviewed and reported on by the group’s auditors.