Investec plc
Incorporated in England and Wales
Registration number 3633621
LSE share code: INVP
JSE share code: INP
ISIN: GB00B17BBQ50

Investec Limited
Incorporated in the Republic of South Africa
Registration number 1925/002833/06
JSE share code: INL
NSX share code: IVD
BSE share code: INVESTEC
ISIN: ZAE000081949

Investec (comprising Investec plc and Investec Limited) – pre-close briefing statement

18 March 2016

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 2016.

Financial overview of the year ending 31 March 2016

The second half of the group’s financial year has seen increased macro uncertainty in our key operating geographies. Currency and equity market weakness and volatility over recent months have impacted our overall results, particularly our Wealth & Investment and Asset Management businesses. Net new fund inflows and reasonable levels of activity in our banking businesses have, however, supported a sound operational performance.

Against this backdrop, the UK Specialist Banking business is expected to report results substantially ahead of the prior year, whilst the South African Specialist Banking business is expected to report results comfortably ahead of the prior year in Rands. Overall, the global Specialist Banking business is expected to report results ahead of the prior year.

Wealth & Investment is expected to report results marginally ahead of the prior year, whilst Asset Management is expected to report results behind the prior year. Both divisions have continued to experience net inflows of GBP1.2 billion and GBP3.2 billion, respectively.

Overall group results have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of approximately 17% over the period.

Taking into account the above mentioned factors, operating profit (refer to definition in the notes) is expected to be marginally ahead of the prior year in Pounds Sterling; a solid increase in neutral currency (refer to definition in the notes).

Salient financial features include:
- Revenue (net of depreciation on operating leased assets) is expected to be slightly lower than the prior year in Pounds Sterling; ahead in neutral currency
- Recurring income as a percentage of total operating income is expected to be approximately 71% (2015: 74%)
- Impairments are expected to be approximately 20% lower than the prior year
- Expenses are expected to be lower than the prior year; higher in neutral currency
- For the period 31 March 2015 to 29 February 2016:
  - Third party assets under management decreased 6% to GBP116.2 billion – flat on a neutral currency basis
  - Customer accounts (deposits) increased 2% to GBP23.0 billion – an increase of 14% on a neutral currency basis
  - Core loans and advances increased 4% to GBP17.9 billion – an increase of 17% on a neutral currency basis.

On behalf of the board

Fani Titi (Chairman), Stephen Koseff (Chief Executive Officer) and Bernard Kantor (Managing Director)
Liquidity and capital management
- The group has continued to diversify and improve the quality of its funding sources and remains very liquid
- The group has continued to see good progress from Investec Cash Investments in South Africa leading to higher cash balances
- The cost of funds has remained broadly stable
- Cash balances remain strong. Currently the group holds GBP11.3 billion in cash and near cash balances (GBP6.2 billion (R135.4 billion) in Investec Limited and GBP5.1 billion in Investec plc) which amounts to 40% of its liability base
- Advances as a percentage of customer deposits at 29 February 2016 was 76% (31 March 2015: 74%)
- For the year to 31 March 2016 for both Investec plc and Investec Limited:
  - Capital ratios are expected to be within the group’s target total capital adequacy range
  - The common equity tier 1 ratio is expected to be slightly below the group’s 2016 target of 10% as a consequence of strong growth in credit risk weighted assets
  - The leverage ratio is sound and remains well above our target of 6% on an estimated Basel 3 fully loaded basis.

Asset quality, impairment trends and loan book growth
- The total income statement impairment charge is expected to be approximately 20% lower than the prior year
- Impairments on the UK legacy portfolio continue to decline
- Impairments in South Africa are expected to be ahead of the prior year although the credit loss ratio remains at the lower end of the target range for the region
- The group expects the total credit loss ratio on average core loans and advances to be approximately 0.57% to 0.62% (March 2015: 0.68%; September 2015: 0.54%).
- The group has experienced strong loan book growth of 17% in neutral currency from 31 March 2015 to end of February 2016:
  - UK & Other total loan book grew GBP898 million to GBP8.0 billion at 29 February 2016
  - Southern Africa total loan book grew ZAR37 billion to ZAR219 billion at 29 February 2016
  - Growth has been driven largely from mortgage loans to private clients and lending to high net worth clients, senior secured corporate loans and fund finance
  - The corporate book is well diversified across sectors
  - The credit loss ratio on the ongoing UK & Other loan book remains below 30 basis points, while the credit loss ratio on the Southern Africa loan book remains within its long term trend of 30 - 40 basis points

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
- Positive net inflows of GBP3.2bn to the end of February 2016
- Since 31 March 2015 assets under management have decreased by 7% to GBP72.4 billion – flat on a neutral currency basis
- Earnings have been negatively impacted by market and currency movements
- The UK & International business is expected to report results ahead of the prior year in spite of its substantial emerging markets component
- Momentum in South Africa has improved during the second half in terms of performance, flows and earnings
- Stable, experienced staff complement and competitive investment performance.

Wealth & Investment
- Solid net inflows of GBP1.2 billion to end of February 2016
Funds under management negatively impacted by weaker equity markets
Since 31 March 2015 funds under management have decreased by 6% to GBP43.2 billion – flat on a neutral currency basis
Overall performance of the global business is expected to be marginally ahead of the prior year
Investment expenditure on growth initiatives (digital offering, select investment in senior professionals) continues
Good performance from the South African business in Rand supported by net inflows.

Specialist Banking
The Ongoing Specialist Banking business is expected to post results ahead of the prior year
In summary key aspects include:
  o Net interest margin
    ▪ Net interest increase in the ongoing UK and South African businesses supported by book growth of 17% in neutral currency
  o Net fees and commissions
    ▪ Good performance from the South African corporate treasury and structuring businesses, the property fund and the Blue Strata acquisition (rebranded Investec Import Solutions)
    ▪ UK corporate fees impacted by slower deal activity off the back of volatile markets and a strong prior year
  o Investment and trading income
    ▪ Investment income is expected to be ahead of the prior year as a result of a normalised performance from the Hong Kong portfolio, higher earnings from the UK fixed income portfolio and a sound performance from the South African portfolio;
    ▪ However, there was no accrual from Investec Equity Partners in the second half of the financial year, as it will in future be accounted for as an associate and earnings will be equity accounted
  o Customer flow trading income increased
  o Costs
    ▪ South Africa is expected to report an increase in fixed costs due to an increase in headcount and the acquisition of Investec Import Solutions
    ▪ Costs in the UK have increased marginally due to investment in the private banking business
  o Information on the UK Specialist Banking legacy business:
    ▪ The Legacy business is expected to report a smaller loss than the prior year as a result of an overall reduction in both impairments and costs
    ▪ Impairments in 2H2016 are expected to be marginally ahead of 1H2016 due to further clearance of the Irish portfolio
    ▪ Total legacy portfolio assets are expected to decline to GBP0.57 billion (31 March 2015: GBP0.70 billion).

Other information

Additional aspects
  • Effective tax rate: expected to be approximately 19% - 20%
  • Net non-controlling interests of approximately GBP43 million (profits attributable) relating to the Asset Management business, FX hedge accounting and the consolidation of the Property Fund
  • Weighted number of shares in issue for the year ending 31 March 2016 is expected to be approximately 870 million.

Notes:
  1. Key trends set out above, unless stated otherwise, relate to the eleven months ended 29 February 2016, and compare the first half of the 2016 financial year (1H2016) to the second half of the 2016 financial year (2H2016).
  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 adjusted operating profit, where adjusted operating profit refers to net profit before tax, goodwill, acquired intangibles and non-operating items but after adjusting for earnings attributable to other non-controlling interests and before non-controlling interests relating to Asset Management. Trends within the divisional sections relate to adjusted operating profit before group costs.

4. Amounts represented on a neutral currency basis for income statement items assume that the relevant average exchange rates, as reflected below, remain the same for the year to 31 March 2016 when compared to the prior year. Amounts represented on a neutral currency basis for balance sheet items assume that the relevant closing exchange rates, as reflected below, remain the same as at 29 February 2016 when compared to 31 March 2015.

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 18 March 2016.

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, Euros and US Dollars. 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:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Eleven months to 29-Feb-2016</th>
<th>Six months to 30-Sep-15</th>
<th>Year to 31-Mar-15</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Period end</td>
<td>Average</td>
<td>Period end</td>
</tr>
<tr>
<td>South African Rand</td>
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<td>20.61</td>
<td>20.95</td>
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<td>Australian Dollar</td>
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<td>Euro</td>
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<tr>
<td>US Dollar</td>
<td>1.39</td>
<td>1.51</td>
<td>1.51</td>
</tr>
</tbody>
</table>

**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 London to Johannesburg. 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](http://www.investec.com)

**Timetable:**

Year end: 31 March 2016
Release of year end results: 19 May 2016

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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 UK and Europe, South Africa and Asia/Australia as well as certain other countries. The group was established in 1974 and has approximately 8 500 employees.

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

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 GBP4.4 billion.

Sponsor: Investec Bank Limited
London and Johannesburg