Investec today announces its pre-close trading update ahead of its interim results for the six months ending 30 September 2019 (1H2020), which are due for release on 21 November 2019. A conference call will be held at 9:00 (BST time) / 10:00 (South African time). Dial-in details are in the Notes section of this announcement.

**Key points:**
- Further progress on simplifying and focusing the business in pursuit of disciplined growth over the long term
- Group 1H2020 adjusted operating profit is expected to be slightly behind the prior period (in line on a neutral currency basis) given challenging market conditions
- Adjusted earnings per share is expected to be 4%-7% lower than prior period
- The group’s credit loss ratio remained low. Capital and leverage ratios remain above targets
- At 31 August 2019, third party assets under management (AUM) increased 6.7% to GBP178.4 billion
- The proposed demerger and separate listing of Investec Asset Management is on track
- The Bank and Wealth business three-year financial targets remain.

The key trends set out below, unless stated otherwise, relate to the five months ended 31 August 2019, and compare forecast 1H2020 to 1H2019.

**Strategic and operational overview**

The group remains committed to its objective to simplify and focus the business in pursuit of disciplined growth over the long term. The proposed demerger and separate listing of Investec Asset Management is on track, with regulatory approval obtained in August 2019.

The Bank and Wealth business is focused on its strategic priorities of increasing discipline in capital allocation; managing the cost base for greater efficiencies; accelerating revenue growth; expanding connectivity across the organisation to more fully serve client needs; and bolstering digital capabilities. In this regard the following management actions have been executed:
- Closure of the Click & Invest operations which formed part of the UK wealth management business
- Closure and run down of the private equity direct investments business in Hong Kong
- Sale of the Irish Wealth & Investment business
- Restructure of the Irish branch as a consequence of Brexit.

The above management actions, as well as the costs incurred in relation to the proposed demerger, are anticipated to negatively impact pre-taxation earnings for the six months to 30 September 2019 by approximately £42 million. This compares to a pre-taxation earnings drag of £22 million in the prior period on a like-for-like basis. Refer to breakdown in the notes.

The group’s adjusted operating profit (which excludes the items noted above in both the current and prior period), is expected to be slightly behind the prior period. Adjusted earnings per share is expected to be approximately 4% to 7% lower than the prior period.
Taking into consideration the management actions above, basic earnings per share are expected to be approximately 10% to 13% behind the prior period and headline earnings per share are expected to be approximately 15% to 18% behind the prior period.

**Group and divisional overview**

Salient financial features for the group on an adjusted basis include:

- Revenue and costs are expected to be slightly lower than the prior period
- The group’s credit loss ratio has remained low displaying a resilient credit performance. The annualised credit loss ratio on average core loans and advances is expected to be between 0.26% and 0.32% (March 2019: 0.31%, September 2018: 0.34%)
- The group’s capital and leverage ratios are expected to remain above targets
- For the five month period to 31 August 2019:
  - AUM increased 6.7% to GBP178.4 billion
  - Net inflows of GBP3.5 billion were generated
  - Core loans and advances increased 4.0% to GBP25.9 billion
  - Customer accounts (deposits) increased 2.7% to GBP32.2 billion.

The Asset Management business is expected to report adjusted operating profit ahead of the prior period. Earnings have been supported by market levels, currency movements and net inflows of GBP3.3 billion to the end of August 2019. Net flows have been well spread across client regions. Since 31 March 2019 AUM have increased by 8.9% to GBP121.3 billion.

The Bank and Wealth business is expected to report adjusted operating profit behind the prior period.

The UK Specialist Banking business is expected to report adjusted operating profit significantly behind the prior period. Market variability and persistent uncertainty relating to Brexit and global trade wars, has negatively impacted investment banking fees and trading income. Furthermore, interest income has been impacted by the additional liquidity required to pre-fund the exit of Irish deposits as a result of Brexit. However, our lending franchises have continued to perform as expected. The corporate lending and private banking businesses have shown traction in both target client acquisition, fee income and loan book growth with the total UK loan book growing 4.7% since 31 March 2019 (to GBP11.0 billion). Management’s focus on cost discipline, as well as lower premises charges, are expected to result in a marked reduction in costs.

The South African Specialist Banking business is expected to report adjusted operating profit ahead of the prior period. The private banking business has continued to see growth in its client base and a reasonable level of activity, supporting net interest income. Weak economic growth and low business confidence has resulted in subdued corporate activity levels. Since 31 March 2019 the loan book grew by 1.9% to R276 billion. Costs are expected to be in line with the prior period in Rands.

The Wealth & Investment business is expected to report adjusted operating profit behind the prior period. While the business has generated reasonable net inflows and growth in AUM, results were impacted by higher costs in the UK to support technology investment and business growth. Since 31 March 2019 AUM have increased by 2.2% to GBP56.4 billion.

The Bank and Wealth business remains committed to the three-year financial targets set out at the February 2019 Capital Markets Day.

**Other information**

- Group results have been negatively impacted by the depreciation of the average Rand against Sterling exchange rate of approximately 2.8% over the period
- The effective tax rate is expected to be approximately 16% (1H19: 16%)
- Net non-controlling interests are expected to amount to approximately GBP38 million (profits attributable) relating to the Asset Management business and the consolidation of the Investec Property Fund
• The weighted number of shares in issue for the six months to 30 September 2019 is expected to be approximately 950 million. The group has committed to cease issuing shares for variable and long-term awards.

Outlook
In spite of challenging trading conditions, the group remains well positioned for the long term and continues to concentrate on the execution of its strategy of simplification, focus, and disciplined growth.

On behalf of the board
Perry Crosthwaite (Chairman), Fani Titi (Joint Chief Executive Officer) and Hendrik du Toit (Joint Chief Executive Officer)

Key income drivers

Total group core loans

<table>
<thead>
<tr>
<th>GBP'million</th>
<th>31-Aug-19</th>
<th>31-Mar-19</th>
<th>30-Sep-18</th>
<th>% change year-to-date versus Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK and Other</td>
<td>11,006</td>
<td>10,514</td>
<td>10,056</td>
<td>4.7%</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>14,938</td>
<td>14,427</td>
<td>14,134</td>
<td>3.5%</td>
</tr>
<tr>
<td>Total core loans</td>
<td>25,944</td>
<td>24,941</td>
<td>24,190</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Total group customer deposits

<table>
<thead>
<tr>
<th>GBP'million</th>
<th>31-Aug-19</th>
<th>31-Mar-19</th>
<th>30-Sep-18</th>
<th>% change year-to-date versus Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK and Other</td>
<td>13,456</td>
<td>13,137</td>
<td>12,382</td>
<td>2.4%</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>18,705</td>
<td>18,170</td>
<td>17,987</td>
<td>2.9%</td>
</tr>
<tr>
<td>Total deposits</td>
<td>32,161</td>
<td>31,307</td>
<td>30,349</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Total group AUM

<table>
<thead>
<tr>
<th>GBP'million</th>
<th>31-Aug-19</th>
<th>31-Mar-19</th>
<th>30-Sep-18</th>
<th>% change year-to-date versus Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK and Other</td>
<td>82,149</td>
<td>75,968</td>
<td>74,978</td>
<td>8.1%</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>32,166</td>
<td>30,374</td>
<td>30,351</td>
<td>5.9%</td>
</tr>
<tr>
<td>Segregated mandates</td>
<td>49,983</td>
<td>45,594</td>
<td>44,627</td>
<td>9.6%</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>39,149</td>
<td>35,450</td>
<td>34,226</td>
<td>10.4%</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>18,136</td>
<td>16,337</td>
<td>15,648</td>
<td>11.0%</td>
</tr>
<tr>
<td>Segregated mandates</td>
<td>21,013</td>
<td>19,113</td>
<td>18,578</td>
<td>9.9%</td>
</tr>
<tr>
<td>Total AUM</td>
<td>121,298</td>
<td>111,418</td>
<td>109,204</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Wealth & Investment

<table>
<thead>
<tr>
<th>GBP'million</th>
<th>31-Aug-19</th>
<th>31-Mar-19</th>
<th>30-Sep-18</th>
<th>% change year-to-date versus Mar-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK and Other</td>
<td>40,751</td>
<td>39,118</td>
<td>39,355</td>
<td>4.2%</td>
</tr>
<tr>
<td>Discretionary</td>
<td>32,311</td>
<td>30,810</td>
<td>31,108</td>
<td>4.9%</td>
</tr>
<tr>
<td>Non-discretionary</td>
<td>8,440</td>
<td>8,308</td>
<td>8,247</td>
<td>1.6%</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>15,605</td>
<td>16,003</td>
<td>17,332</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Discretionary</td>
<td>7,483</td>
<td>6,999</td>
<td>6,989</td>
<td>6.9%</td>
</tr>
<tr>
<td>Non-discretionary</td>
<td>8,122</td>
<td>9,004</td>
<td>10,343</td>
<td>-9.8%</td>
</tr>
<tr>
<td>Total AUM</td>
<td>56,356</td>
<td>55,121</td>
<td>56,687</td>
<td>2.2%</td>
</tr>
</tbody>
</table>
Notes

1. Approximate pre-taxation financial impact of management actions including costs relating to the demerger

<table>
<thead>
<tr>
<th>GBP'million</th>
<th>Forecast 30-Sep-19</th>
<th>Forecast 30-Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs incurred in relation to proposed Asset Management demerger</td>
<td>(7.5)</td>
<td>-</td>
</tr>
<tr>
<td>Closure of the Click &amp; Invest operations</td>
<td>(4.7)</td>
<td>(2.5)</td>
</tr>
<tr>
<td>Closure and run down of the principal direct investments business in Hong Kong</td>
<td>(45.5)</td>
<td>(28.7)</td>
</tr>
<tr>
<td>Gain on sale of the Irish Wealth &amp; Investment business</td>
<td>18.2</td>
<td>-</td>
</tr>
<tr>
<td>Restructure of the Irish branch as a consequence of Brexit</td>
<td>(2.7)</td>
<td>9.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(42.2)</td>
</tr>
</tbody>
</table>

2. Profit forecasts for the group, Bank and Wealth and Asset Management

- The following matters as discussed in the briefing and highlighted above contain forward-looking statements:
  - the group’s adjusted operating profit is expected to be slightly behind the prior period;
  - adjusted earnings per share is expected to be approximately 4% to 7% lower than the prior period
  - basic earnings per share are expected to be approximately 10% to 13% behind the prior period
  - headline earnings per share are expected to be approximately 15% to 18% behind the prior period
  - the Bank and Wealth business is expected to report adjusted operating profit behind the prior period; and
  - the Asset Management business is expected to report adjusted operating profit ahead of the prior period.

(collectively the Profit Forecasts).

- The basis of preparation of each of these statements and the assumptions upon which they are based are set out below. These statements are subject to various risks and uncertainties and other factors - these factors may cause the group’s, Bank and Wealth’s and/or Asset Management’s actual future results, performance or achievements in the markets in which they operate to differ from those expressed in the Profit Forecasts
- Any forward looking statements made are based on the knowledge of the group, Bank and Wealth and Asset Management at 19 September 2019
- These forward looking statements represent a profit forecast under the Listing Rules. The Profit Forecasts relate to the period ending 30 September 2019
- The financial information on which the Profit Forecasts are based, is the responsibility of the Directors of the group and have not been reviewed and reported on by the group’s auditors.

Basis of preparation

- The Profit Forecasts have been properly compiled using the assumptions stated below, and on a basis consistent with the accounting policies adopted in the group’s March 2019 annual financial statements, which are in accordance with IFRS and are those which the group anticipates will be applicable for the interim period ending 30 September 2019
- The Profit Forecasts have been prepared based on (a) the unaudited management accounts of the Investec group for the five months to 31 August 2019; and (b) the projected financial performance of the Investec group for the remaining one month of the interim period ending 30 September 2019.
Assumptions
The Profit Forecasts have been prepared on the basis of the following assumptions during the forecast period:

Factors outside the influence or control of the Investec Board:

- There will be no material change in the political and/or economic environment that would materially affect the Investec group
- There will be no material change in legislation or regulation impacting on the Investec group’s operations or its accounting policies
- There will be no business disruption that will have a significant impact on the Investec group’s operations
- The Rand/Pound Sterling and US Dollar/Pound Sterling exchange rates remain materially unchanged from the prevailing rates detailed below
- There will be no material changes in the structure of the markets, client demand or the competitive environment.

Estimates and judgements
In preparation of the Profit Forecasts, the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments primarily in the private equity, direct investments portfolios and embedded derivatives. Key valuation inputs are based on the most relevant observable market inputs, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility
- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at fair value through other comprehensive income (FVOCI) involves the assessment of future cash flows which is judgemental in nature
- Valuation of investment properties is performed twice annually by directors of subsidiary companies who are qualified valuators. The valuation is performed by capitalising the budget net income of the property at the market related yield applicable at the time. Properties in Investec Property Fund are valued according to the JSE Listings Requirements
- The group’s income tax charge and balance sheet provision are judgemental in nature. This arises from certain transactions for which the ultimate tax treatment can only be determined by final resolution with the relevant local tax authorities. The group recognises in its tax provision certain amounts in respect of taxation that involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authority. The carrying amount of this provision is often dependent on the timetable and progress of discussions and negotiations with the relevant tax authorities, arbitration processes and legal proceedings in the relevant tax jurisdictions in which the group operates. Issues can take many years to resolve and assumptions on the likely outcome would therefore have to be made by the group
- Where appropriate, the group has utilised expert external advice as well as experience of similar situations elsewhere in making any such provisions. Determination of interest income and interest expense using the effective interest rate method involves judgement in determining the timing and extent of future cash flows.

3. Definitions
- References to adjusted operating profit refer 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. Adjusted operating profit is considered an important measure by Investec of the profit realised by the group
in the ordinary course of operations. In addition, it forms the basis of the dividend pay-out policy. Non-IFRS measures such as adjusted operating profit are considered as pro forma financial information as per the JSE Listing Requirements. The pro forma financial information is the responsibility of the group’s Board of Directors. This pro forma financial information has not been reported on by the group’s auditors.

- The credit loss ratio is calculated as expected credit loss (ECL) impairment charges on gross core loans and advances as a percentage of average gross core loans and advances subject to ECL.

4. Exchange rates
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 the Pound Sterling over the period:

<table>
<thead>
<tr>
<th>Currency per GBP1.00</th>
<th>Five months to 31-Aug-2019</th>
<th>Year to 31-Mar-19</th>
<th>Six months to 30-Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Period end</td>
<td>Average</td>
<td>Period end</td>
</tr>
<tr>
<td>South African Rand</td>
<td>18.50</td>
<td>18.27</td>
<td>18.80</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>1.81</td>
<td>1.82</td>
<td>1.83</td>
</tr>
<tr>
<td>Euro</td>
<td>1.11</td>
<td>1.13</td>
<td>1.16</td>
</tr>
<tr>
<td>US Dollar</td>
<td>1.22</td>
<td>1.26</td>
<td>1.30</td>
</tr>
</tbody>
</table>

Conference call details
The conference call will commence at 9:00 (BST time) (10:00 South African time). Telephone conference dial in numbers:
- Australia: 1 800 350 100
- Ireland: 014 860 742
- Johannesburg (Neotel): 011 535 3600
- Johannesburg (Telkom): 010 201 6800
- Other (Neotel): +27 11 535 3600
- Other (Telkom): +27 10 201 6800
- UK: 0 333 300 1418
- USA: 1 508 924 4326

Timetable:
Interim period end: 30 September 2019
Release of interim results: 21 November 2018

For further information please contact:
Investec Investor Relations
UK: +44 (0) 207 597 5546 / +44 (0) 207 597 4493
South Africa: +27 (0) 11 286 7070
investorrelations@investec.com

For media enquiries please contact:
Lansons (UK PR advisers) - Tom Baldock. Tel: +44 (0) 78 6010 1715
About Investec
Investec is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, the United Kingdom and Europe, South Africa and Asia/Australia, as well as certain other countries. The group was established in 1974 and currently has approximately 10,500 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 GBP5.0 billion.

Johannesburg and London
Sponsor: Investec Bank Limited