Investec Limited	**Investec plc**
Incorporated in the Republic of South Africa	Incorporated in England and Wales
Registration number 1925/002833/06	Registration number 3633621
JSE share code: INL	LSE share code: INVP
NSX share code: IVD	JSE share code: INP
BSE share code: INVESTEC	ISIN: GB00B17BBQ50
ISIN: ZAE000081949	

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

16 March 2018

Investec is today hosting an investor pre-close briefing at 09:00 (BST time) (11:00 South African time) which will focus on developments within the group's core business areas for the financial year ending 31 March 2018.

Financial overview of the year ending 31 March 2018

Notwithstanding a recently improved outlook in both our key geographies, over the last year Brexit and political uncertainty has continued to impact corporate and consumer confidence in the UK and in South Africa. Alongside this, the South African stock market has performed well over the year, while the UK stock market remained relatively flat over the period.

Against this backdrop, the Asset Management and Wealth & Investment divisions are expected to report results ahead of the prior year. Both divisions have benefitted from higher levels of average funds under management and strong inflows.

The Specialist Banking business is expected to report results behind the prior year. The South African Specialist Banking business is expected to report results ahead of the prior year, whilst the UK Specialist Banking business is expected to report results well behind the prior year.

Taking into account the above mentioned factors, operating profit (refer to definition in the notes) is expected to be in line with the prior year.

Salient financial features include:

- The appreciation of the average Rand: Pounds Sterling exchange rate has had a positive impact on the group's results
- Revenue is expected to be ahead of the prior year
- Recurring income as a percentage of total operating income is expected to be approximately 76%
- Impairments are expected to be ahead of the prior year
- Expenses are expected to increase slightly ahead of revenue as a consequence of continued planned investment in growing the client franchise businesses and related infrastructure; as well as additional premises costs relating to the London office move
- For the period 31 March 2017 to 28 February 2018:
    - Third party assets under management increased 9.1% to GBP164.5 billion – an increase of 8.0% on a currency neutral basis
    - Core loans and advances increased 11.7% to GBP25.4 billion – an increase of 9.5% on a currency neutral basis
    - Customer accounts (deposits) increased 5.5% to GBP30.7 billion – an increase of 3.4% on a currency neutral basis.

Operational and strategic overview

The group has achieved satisfactory operating performance against a challenging backdrop in its two core geographies. The UK economy has continued to be influenced by the complexities of Brexit, while the result of the December elective conference has since driven an improvement in the South African economic outlook, which should positively impact activity levels going forward.

Operating fundamentals across the group have largely continued the trends seen in the first half of the financial year, with performance underpinned by sound growth in the group's key earnings drivers and a solid recurring income base. The group has continued to invest for growth across its client franchise businesses, ensuring that it remains competitive and relevant in the markets in which it operates.

On behalf of the board

Fani Titi (Chairman), Stephen Koseff (Chief Executive Officer) and Bernard Kantor (Managing Director)

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

- Since 31 March 2017 assets under management have increased by 11.1% to GBP105.9 billion at 28 February 2018 (an increase of 9.9% on a currency neutral basis)
- Strong net inflows of GBP4.2 billion to end of February 2018
- Earnings growth has been supported by market levels and solid net inflows partially offset by lower performance fees in South Africa
- Good business momentum supported by competitive investment performance.

Wealth & Investment

- Overall performance of the global business is expected to be ahead of the prior year:
    - Higher average funds under management
    - Solid underlying net inflows of GBP1.8 billion
- Since 31 March 2017 assets under management have increased by 5.8% to GBP57.9 billion at 28 February 2018 (an increase of 4.6% on a currency neutral basis)
- The positive earnings impact of growth in funds under management in South Africa has been reduced by Rand strength and lower activity levels in the first part of the year
- Costs are expected to be ahead of the prior year impacted by the launch of Click & Invest during the year as well as the implementation of a number of new regulations.

Specialist Banking

- The Ongoing Specialist Banking business is expected to post results behind the prior year
- In summary key aspects include:
    - *Net interest income*
        - Net interest increase has been supported by book growth of 11.7% since 31 March 2017
        - The UK business has continued to benefit from a reduction in the cost of funding
        - Positive earnings from book growth in South Africa has been largely offset by the roll off of higher yielding debt securities
    - *Net fees and commissions*
        - Good performance from the South African banking and structuring businesses
        - UK corporate fees have been impacted by less investment banking activity following a strong prior year
    - *Investment, associate, trading and other operating income*
        - Investment income is expected to be well behind the prior year, while associate income is expected to be well ahead of the prior year
        - Trading income from customer flow is expected to be behind the prior year as a consequence of lower activity levels

        - Losses incurred in South Africa on Steinhoff International holdings NV (Steinhoff) and its subsidiaries are expected to be less than the estimate announced on 11 December 2017 on the Johannesburg Stock Exchange, but still had a negative impact on revenue
    - *Costs*
        - Costs are expected to increase as the group continues to deliberately invest in IT infrastructure and headcount to grow the franchise, notably the build out of the UK private client offering
        - Costs are also impacted by the additional premises expenses relating to the London office move scheduled for the middle of the 2018 calendar year
    - *Information on the UK Specialist Banking legacy business:*
        - The legacy portfolio is expected to report a higher loss than the prior year as a result of additional impairments for accelerated exits that may occur on certain legacy assets
        - Total legacy portfolio assets are expected to decline to GBP315 million (31 March 2017: GBP476 million).

Liquidity and capital management

- The group has maintained strong liquidity levels
- Cash balances remain strong. Currently the group holds GBP12.6 billion in cash and near cash balances (GBP7.2 billion (R118.4 billion) in Investec Limited and GBP5.4 billion in Investec plc) which amounts to 41.0% of customer deposits
- Advances as a percentage of customer deposits at 28 February 2017 was 81% (31 March 2017: 76%)
- For the year to 31 March 2018 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 target of 10% for Investec Limited; Investec plc is expected to remain ahead of target
    - Leverage ratios are sound and remain comfortably ahead of the group's target of 6% on an estimated Basel 3 fully loaded basis.
- The group is likely to implement the Foundation Internal Ratings-Based (FIRB) approach in South Africa in the 2019 financial year, subject to regulatory approval, as a transitional step to implementing the Advanced Internal Ratings-Based (AIRB) approach.

Asset quality and impairment trends

- The total income statement impairment charge is expected to be ahead of the prior year
    - Impairments on the UK legacy portfolio are expected to be significantly ahead of the prior year as referred to above
    - Impairments in South Africa and the ongoing UK business are expected to be ahead of the prior year, although the credit loss ratio remains at the lower end of the group's long term range at approximately 0.30%
- The group expects the credit loss ratio on average core loans and advances to be between 0.60% and 0.65% (March 2017: 0.54%).

Other information

Additional aspects

- Effective tax rate: expected to be approximately 9% impacted by the release of provisions in South Africa which are no longer required
- Net non-controlling interests of approximately GBP82 million (profits attributable) relating to the Asset Management business and the consolidation of the Investec Property Fund
- Weighted number of shares in issue for the year ending 31 March 2018 is expected to be approximately 923 million.

- **Notes:**
  1. Key trends set out above, unless stated otherwise, relate to the eleven months ended 28 February 2018.
  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 currency neutral basis for income statement items assume that the relevant average exchange rates, as reflected below, for the year to 31 March 2018 remain the same as those in the prior year. Amounts represented on a currency neutral basis for balance sheet items assume that the relevant closing exchange rates, as reflected below, at 28 February 2018 remain the same as those at 31 March 2017.
  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 March 2017.
  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:

	Eleven months to 28-Feb-2018		**Six months to 30-Sep-17**		**Year to 31-Mar-17**	
Currency per GBP1.00	**Period end**	**Average**	**Period end**	**Average**	**Period end**	**Average**
South African Rand	16.24	17.27	18.10	17.06	16.77	18.42
Australian Dollar	1.77	1.71	1.71	1.69	1.64	1.75
Euro	1.13	1.14	1.13	1.14	1.17	1.19
US Dollar	1.38	1.33	1.34	1.30	1.25	1.31

Presentation details
The briefing starts at 09:00 (BST time) (11:00 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:

Year end: 31 March 2018
Release of year end results: 17 May 2018

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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 select 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 9 900 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 GBP6.1 billion.

Johannesburg and London

Sponsor: Investec Bank Limited