



Out of the Ordinary[®]

 **Investec**
Specialist Bank

Investec Emerging Markets Digital Plus

Application form and term sheet



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Introducing the Investec Emerging Markets Digital Plus Equity Structured Product

The Investec Emerging Markets Digital Plus Equity Structured Product (“Digital Plus ESP”) is a financial instrument listed on the Johannesburg Stock Exchange Limited (“JSE”).

The instrument represents the investor’s right to a basket of units (“Basket”) in an exchange traded fund - Satrix MSCI Emerging Markets ETF - JSE code: STXEMG (“STXEMG ETF”) which is listed on the JSE and tracks the iShare MSCI Emerging Markets ETF - Bloomberg code: EEM US Equity (“ETF”). The enhanced return is provided by an Over-The-Counter (“OTC”) option over the STXEMG ETF.

The Digital Plus ESP offers investors the opportunity to hold the Digital Plus ESP in their stockbroking account with daily liquidity provided on the JSE trading system. Investors forego any rights to receive dividends during the investment term and are compensated for this by means of the option strike price.

The Digital Plus ESP is a credit linked ESP where the investor takes credit risk on both Investec Bank Limited (“IBL”) and FirstRand Bank Limited (“FSR”).

IBL is the product supplier, liquidity provider, issuer and market maker and is subject to the listing requirements of the JSE.

Important dates

| Closing date | Trade date | Listing date | Maturity date |
|---------------|---------------|---------------|-------------------|
| 23 March 2018 | 28 March 2018 | 13 April 2018 | 28 September 2021 |



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Summary of the investment

| | |
|--|---|
| | A 3.5-year equity investment linked to the performance of the iShare MSCI Emerging Markets exchange traded fund by BlackRock [®] (EEM US Equity) (“ETF”). The return will be calculated in rand |
| | Earn a minimum 35% digital return in rand if the market value of the ETF goes up by as little as 0.1% at maturity, plus unlimited upside above 35% |
| | 100% downside protected at maturity in rand provided the market value of the ETF does not end down more than 30% at expiry and no credit event has occurred in respect of the Credit Reference Entity |
| | Cash investments from R50 000 (minimum) and increments of R10 000 |
| | Daily liquidity in normal market conditions |

Liquidity

IBL makes an active daily market in the investment on the JSE with a bid to mid-spread of 1%, enabling investors to exit early to the extent they have unexpected cash flow requirements or if their investment view changes.

This investment is designed to be held to maturity. Early redemptions are not encouraged as any Capital protection and proposed investment returns only apply at maturity.



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Unlimited potential for enhanced returns

By investing in the Digital Plus ESP, the investor has exposure to the performance of the ETF for a three and a half year period. At maturity, if the market value of the ETF is higher by only 0.1% than the initial market value at inception, the Digital Plus ESP will deliver a return equal to the initial investment amount plus 35%. Should the market value of the ETF end higher than 35% investors will also receive any upside above that level.

Examples of potential returns

The table below shows examples of the potential return of the Digital Plus ESP, at maturity based on an initial investment of R100 000.

The actual amount that an investor will receive is dependent on the amount invested, whether or not a credit event has occurred and the performance of the ETF over the term of the investment.

| ETF basket returns at maturity* | Initial rand amount invested | Digital Plus ESP investment value at maturity |
|---------------------------------|------------------------------|---|
| 75% | R100 000 | R175 000 |
| 27% | R100 000 | R135 000 |
| 12% | R100 000 | R135 000 |
| -21% | R100 000 | R100 000 |
| -32% | R100 000 | R 68 000 |

* *Theoretical returns for illustrative purposes*

What happens at maturity?

At maturity, if the market value of the underlying Basket is greater than the maturity value of the Digital ESP, a sufficient number of the STXEMG ETF units will be sold on behalf of the investor, in order to pay the premium, with the balance of the underlying Basket being delivered into the investor's stock broking account.

However, if the market value of the underlying Basket is worth less than the maturity value of the ESP, all of the STXEMG ETFS in the underlying Basket will be sold for an amount equal to the maturity value of the Digital Plus ESP and the proceeds will be settled via the JSE.



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Capital protection at maturity

In times of adverse market performance, Capital protection helps to shield an investor's investments from losses.

If at expiry the market value of the ETF has not fallen by more than 30% of its initial market value and no credit event has occurred in respect of the reference entity, the Digital Plus ESP will be 100% Capital protected, however, if the market value of the ETF has fallen by more than 30% of its initial market value at maturity the investor will be exposed to the full downside risk of the ETF.

What are the risks to consider before investing?

- While it is possible for an investor to exit the investment before the scheduled Maturity Date, the Digital Plus ESP is designed to be held for the full investment term.
- During the life of the Digital Plus ESP, the value could be lower than the stated protection level irrespective of the market value of the ETF at the time.
- The early sale may result in a loss as the nature of the Digital Plus ESP is such that the capital protection feature is only available at maturity.
- The return of the Digital Plus ESP will be based on the market value of the ETF. The value of the ETF fluctuates and changes to these levels cannot be predicted.
- Past performance of the ETF should not be seen as an indication of future performance.
- By investing in the Digital Plus ESP, holders may earn lower returns than if they had invested directly in the shares that are tracked by the ETF.
- The investor takes credit risk on IBL as Issuer, as well as FSR, details of the credit risk are set out more fully below.



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What happens if a credit event occurs?

As the ESP is credit linked to FSR, should a Credit Event (bankruptcy, failure to pay, obligation default, government intervention, repudiation/moratorium or restructuring) occur in respect of FSR, the return would be reduced as set out in more detail in the term sheet below. This could result in a total loss of some or all of the ESP value which relates to the Capital protection (as determined by the calculation agent), regardless of the performance of the ETF.

If a credit event occurs with respect to FSR on or before the maturity date, IBL, as calculation agent, will obtain tradable quotes in the market, in respect of the obligations of FSR, and will determine a recovery price (expressed as a percentage) based on such quotations adjusted to take into account the portion of IBL's hedge position affected by the credit event. The return due to the investor will then be equal to the market value of the ESP multiplied by such adjusted recovery price, which will be payable on the maturity date. This reduced return will earn interest at the overnight South African Futures Exchange ("SAFEX") rate, from the date upon which it is determined that the credit event occurs, until the scheduled maturity date.

IBL gives no representations or warranties as to whether or not a Credit Event could occur in relation to FSR, and the investor is advised to perform its own evaluation of the credit worthiness of FSR, and the suitability and appropriateness of this investment, based on the investor's own judgment and upon advice from such tax, accounting, regulatory, legal and financial advisers as the investor deems appropriate and/or necessary.

Tax implications

The information provided is general information and should not be construed as tax advice, taxation legislation and its interpretation may change. For as long as an investor is the holder of an Digital Plus ESP, they will be the owner of STXEMG ETFs. Section 9C of the Income Tax Act ("Act") deems receipts and accruals arising from the disposal of exchange traded funds to be of a capital nature if the taxpayer was the owner of the equity share for a continuous period of at least 3 years immediately prior to the sale.

The tax consequences for investors who elect to sell their exchange traded funds before a period of 3 years has elapsed will be dependent upon individual circumstances and any profit realised from the sale may be subject to Income Tax and/or capital gains tax. It is recommended that prospective investors seek independent professional legal, tax and accounting advice and consider the investment in the light of the investor's particular circumstances.

No responsibility is accepted by IBL for the treatment of any court of law, tax, banking or other authority in any jurisdiction of the investment and no undertaking, warranty or representation is given with regard to the outcome of any such investment. All opinions, statements and analysis expressed are based on information, which was current at the time of writing and from sources, which Investec Structured Products believes to be authentic and reliable.



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Application form and term sheet

Important: The Digital Plus ESP is a listed instrument on the JSE. Investors will need to hold a stockbroking account to purchase the shares. Please request the fee schedule from your Stockbroker.

The information set out in this application form and term sheet provides a summary of the Digital Plus ESP only and should be read in conjunction with the brochure. Terms used, but not otherwise defined herein shall have meanings given to them in the relevant pricing supplement. The full terms and conditions of the Digital Plus ESP will be set out in the pricing supplement read with the application form and term sheet. The pricing supplement will be made available on the listing date on the IBL website at www.investec.com/invest.

Prospective investors must ensure that they are fully aware of the risks involved when investing in financial products. It is recommended that investors seek professional advice and read the applicable pricing supplement and warrant and note programme prior to making any investment decision. Details of this programme are available on the IBL website at www.investec.com/invest or from your stockbroker.

Completion, signature and submission of this application form and term sheet by the investor constitutes a mandate for IBL to implement the investment in the Digital Plus ESP per the terms and conditions set out herein.

The implementation of the Digital Plus ESP investment remains subject to the acceptance by IBL of the signed application form and payment of the relevant minimum investment amount by the investor.

In addition, IBL reserves the right not to implement the Digital Plus ESP if any change in circumstances occurs which would adversely affect its ability to implement the investment. In such an event, IBL will notify the investor and return the investment amount to the investor's nominated stock broking/bank account.



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Term sheet

The terms outlined below represent the payoff profile of an investment in the Digital Plus ESP:

Terms

| | |
|--|---|
| Product name | Investec Digital Plus ESP |
| Issuer | Investec Bank Limited (“IBL”) |
| Credit reference entity | FirstRand Bank Limited (“FSR”) |
| JSE code | SPIB22 |
| ETF | iShares MSCI Emerging Markets ETF – Code “EEM US Equity” |
| Investment currency | South African rand (“ZAR”) |
| Settlement exposure currency | ZAR |
| Minimum investment | R50 000 per ESP and multiples of R10 000 thereafter |
| Investment term | 3.5-years |
| Close date | 23 March 2018 |
| Trade date | 28 March 2018 |
| Listing date on the JSE | 13 April 2018 |
| Allocation of the units to investors stockbroking account | 19 April 2018 via the Central Securities Depository Participant (CSDP) |
| Settlement date | Maturity date plus 6 business days |
| Maturity date | 28 September 2021 |



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The final value delivered on maturity will be calculated as follows:

If the Final ETF Value is greater than the Initial ETF Value and provided that no Credit Event has taken place:

Maturity Value = Initial Investment x (1 + (Digital Return + Investment Growth)) OR

If the Final ETF Value is less than the Initial ETF Value and no Credit Event has occurred and the Barrier Level is not breached:

Maturity Value = Initial Investment x Capital Protection

Digital Return

Digital Return = 35%

Barrier Level

70% of the Initial ETF Level

ETF Levels

Initial ETF Value: The closing value of the ETF on the Trade Date as published by Bloomberg

Final ETF Value : The closing price of the ETF on the Maturity Date as published by Bloomberg

Investment Growth

Investment Growth = $\max(0, (\text{Final ETF Value}/\text{Initial ETF Value} - 1 - \text{Digital Return}))$

Capital Protection

If on maturity Final ETF Level/Initial ETF Level > 70% (Barrier not Breached) then:

Capital Protection = 100%

If on maturity Final ETF Level/Initial ETF Level ≤ 70% (Barrier Breached) then:

Capital Protection = Final ETF Level/Initial ETF Level

If at expiry the Barrier Level has not been breached, the Capital Protection in ZAR will be 100%. If the Barrier Level has been breached, the investor is exposed to the full downside risk of the fall in the market value of the ETF from the Initial ETF Value, and the Capital Protection will be equal to the Final ETF Value/Initial ETF Value, expressed as a percentage

Charges

All listing and administration fees have been priced into the Digital Plus ESP and there are no additional charges when investing

Consequences of occurrence of a Credit Event

If a Credit Event occurs in respect of the Credit Reference Entity, on or before the Maturity Date, the Digital Plus ESP will terminate on the Maturity Date and the investor will receive the following:

Maturity Value: The market value of the Digital Plus ESP on the business day immediately prior to the date of the Credit Event multiplied by the CE Factor ("Reduced Return Amount") plus CE Interest



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Credit Events

Bankruptcy, Failure to Pay, Obligation Default, Repudiation/Moratorium, Government Intervention or Restructuring

CE Factor (Credit Event Factor)

The recovery price (expressed as a percentage) of unsubordinated bond or loan obligations of the Reference Entity based on tradable quotations obtained in the market, and adjusted to take into account the portion of IBL's hedge position affected by the Credit Event, determined by IBL, as calculation agent

CE Interest (Credit Event Interest)

If a Credit Event occurs prior to the Maturity Date, the investor will receive interest (at the overnight SAFEX rate) in respect of the Reduced Return Amount, from the date upon which the occurrence of the Credit Event is duly confirmed, to the Settlement Date

Early Redemptions

Early Redemptions are made by selling the Digital Plus ESP on the JSE and will be subject to the rules of the JSE settlement system. IBL will be a market maker for the Digital Plus ESP at the prevailing market to market rate of the instrument, less a bid to mid 1% spread. The price of the Digital Plus ESP is subject to various factors including volatility, prevailing interest rates, exchange rates and market levels and investors should be aware that the Capital Protection, if any, is only applicable at maturity. Please note that the JSE price may not reflect the price at which IBL is prepared to trade

Fees

Financial/Investment Professionals ("Distributor") will receive a distribution fee of 1.25% (inclusive of VAT) in year 1 and 0.75% per annum (inclusive of VAT) in years 2 and 3. These fees are priced into the Digital Plus ESP, with 100% allocation of funds into the investment



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New investment application form

Instructions for completing this application form

Investors: Return a fully completed, signed application form (pages 12-15) and proof of deposit to your Financial/Investment Professional. Banking details refer page 13.

Distributors: Forward fully completed application forms and proof of deposit electronically to: Diane Leite - Diane.Leite@investec.co.za. Note: no additional FICA documentation is required.

Section 1: Investor details

This section provides us with the information we need to create your investment profile and allocate your units to your stockbroking account.

First name(s)

Surname (for individuals)

Registered name (for institutions)

Name of stockbroking institution

Stockbroking account number

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In the event we have a query relating to your stockbroking account please provide details of your Stockbroker

Stockbroker company name

Stockbroker contact person

Stockbroker e-mail address

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Stockbroker telephone number

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Section 4: Declaration and signature

I, the undersigned investor hereby confirm that I have read and understood the application form and term sheet and agree to be bound by the terms and conditions thereof and warrant that the particulars supplied below are true and correct.

- I hereby agree and acknowledge that Investec Corporate & Institutional Banking, a division of Investec Bank Limited ("ICIB"), is a product supplier as defined by the Financial Advisory and Intermediary Services Act ("FAIS") and as such,
- ICIB will not render any investment advice in respect of the ESP. The selection of investments will be made entirely at my discretion;
- ICIB shall bear no responsibility for, nor guarantee the performance of the investment, and ICIB will not be liable for any losses I may incur as a result of acting on inadequate, insufficient or inappropriate advice.

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Investor Signature

Date

Place

| | | |
|--|--|--|
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Financial/Investment Professional

Date

Place

Questions

If you have any questions relating to the completion of this application form please contact Diane Leite for assistance at +27 21 416 3340, Monday through Friday between 8:30 AM and 16:30 PM or visit us online at www.investec.com/invest.



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Product supplier

As required by the **Financial Advisory and Intermediary Services Act ('FAIS')**, please find below the details of the product supplier:

| | |
|--------------------------|---|
| Product supplier | Investec Corporate and Institutional Banking, a division of Investec Bank Limited |
| Physical address | 100 Grayston Drive, Sandton, Sandown, 2196, Gauteng, South Africa |
| Postal address | P O Box 785700, Sandton, 2146, Gauteng, South Africa |
| Contractual relationship | None |
| Compliance officer | Pieter Erasmus |
| Address | 100 Grayston Drive, Sandton, Sandown, 2196, Gauteng, South Africa |
| Contact number | +27 11 286 7323 |

Recent accolades



Africa Structured Products & Derivatives Awards 2017

Best Performance in South Africa 2016 & 2017
Best Distributor in South Africa 2016 & 2017
Best House Africa 2017
Deal of the Year 2017



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Disclaimer

This document is not a prospectus, nor does it constitute an offer to the public in respect of the Investec Equity Structured Products. Completion and signature of the Application Form contained herein constitutes an offer to invest in the Investec Wealth Accelerator ESP, implementation of which is subject to acceptance of the signed Application Form by Investec. Investors should seek their own independent professional advice regarding the suitability of this ESP for their own particular investment purposes.

The information contained in this communication is for informative purposes and is not intended to constitute advice in any form, including but not limited to investment, accounting, tax, legal or regulatory advice. As product supplier, Investec is not in a position to have regard to the specific investment objectives, financial situation or particular needs of any specific recipient. The material is based upon information that we consider to be reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. All illustrations, forecasts or hypothetical data are for illustrative purposes only and are not guaranteed. The sender accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this communication. Investec does not make representation that the information provided is appropriate for use in all jurisdictions or by all investors or other potential investors. Parties are therefore responsible for compliance with applicable local laws and regulations. Prospective investors should be fully aware of the risks involved in trading investment related products. Profits and benefits are dependent on the performance of underlying assets and other variable market factors and are not guaranteed.

This product is not sponsored, endorsed, sold, or promoted by the exchange traded funds/ETF, as specified herein, or the relevant ETF sponsor, being the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant exchange traded fund/ETF and (b) announces (directly or through an agent) the level of the relevant exchange traded fund/ETF on a regular basis. No ETF sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the ETF and/or the levels at which the ETF stands at any particular time on any particular date or otherwise. No ETF or ETF sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the ETF and the ETF Sponsor is under no obligation to advise any person of any error therein. No ETF sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with entering into any transaction in respect of this product. Neither Investec nor the investor shall have any liability to the other for any act or failure to act by the ETF sponsor in connection with the calculation, adjustment or maintenance of the ETF. Investec has no affiliation with or control over the ETF or ETF sponsor or any control over the computation, composition or dissemination of the indices. Although Investec will obtain information concerning the indices from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by Investec as to the accuracy, completeness and timeliness of information concerning the indices.

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06.02.2018