

Investec Limited

Incorporated in the Republic of South Africa
Registration number 1925/002833/06
JSE share code: INL
JSE hybrid code: INPR
JSE debt code: INLV
NSX share code: IVD
BSE share code: INVESTEC
ISIN: ZAE000081949
LEI: 213800CU7SM6O4UWOZ70

Investec plc

Incorporated in England and Wales
Registration number 3633621
LSE share code: INVP
JSE share code: INP
ISIN: GB00B17BBQ50
LEI: 2138007Z3U5GWDN3MY22

Investec Group pre-close trading update and trading statement**23 September 2022**

Investec today announces its scheduled pre-close trading update for the interim period ending 30 September 2022 (1H2023). An investor conference call will be held today at 09:00 UK time /10:00 South African time. Please register for the call at www.investec.com/investorrelations.

Commentary on the Group's financial performance in this pre-close trading update represents the five months ended 31 August 2022 and compares forecast 1H2023 to 1H2022 (30 September 2021)^.

1H2023 earnings update and guidance

For the six months ending 30 September 2022, the Group expects:

- Adjusted operating profit before tax between £372.6 million and £406.2 million (1H2022: £325.7 million).
 - The UK business' adjusted operating profit to be at least 20% higher than prior period (1H2022: £133.8 million).
 - The Southern African business' adjusted operating profit to be at least 10% ahead of prior period in Rands (1H2022: R3 828 million, £191.9 million).
- Adjusted earnings per share between 30.0p and 33.0p (or 14% to 25% ahead of prior period) (1H2022: 26.3p).
- Basic earnings per share between 46.5p and 51.p (or 84% to 104% ahead of prior period) (1H2022: 25.0p), positively impacted by the gain on the implementation of the Ninety One distribution in May 2022.
- Headline earnings per share between 30.0p and 34.0p (or 21% to 38% ahead of prior period) (1H2022: 24.7p).
- ROE to be within the Group's FY2024 target range of 12% to 16%.

The above expectations are predicated on the following year to date performance:

The operating performance reflects the benefits from continued strategic execution and the diversity in the Group's revenue streams. The prevailing uncertain and volatile macro environment has had a negative impact on certain market facing businesses.

Pre-provision adjusted operating profit increased, supported by continued client acquisition, positive effects from rising global interest rates and higher average advances.

- The positive revenue trajectory experienced in the last financial year continued. Net interest income benefitted from higher average lending books and higher interest margin given the rising interest rate environment. Non-interest revenue growth was underpinned by increased client activity, higher lending turnover and net positive contribution from investment income, partly offset by lower fees from some of our market facing businesses.
- Fixed operating expenditure increased, driven by inflationary pressure on salaries, investment in technology and normalisation of certain business expenses as COVID-

19 related restrictions were removed. Variable remuneration grew in line with revenue. The cost to income ratio improved as revenue grew faster than costs and is expected to be within our FY2024 targets.

In line with the guidance provided in May 2022, the credit loss ratio normalised towards the through-the-cycle range. This is largely driven by the deterioration in the macro-economic outlook and limited specific impairments, partly offset by higher recoveries in South Africa. Post-model overlays have been maintained.

For the five months period ended 31 August 2022:

- The Wealth & Investment business FUM declined by 2.7% to £61.7 billion, driven by market volatility which was partly offset by net inflows of £48 million (discretionary net inflows: £324 million and non-discretionary net outflows: £276 million).
- Within Specialist Banking, core loans grew by 7.8% annualised to £30.9 billion, driven by corporate lending in both geographies and residential mortgage growth predominantly in the UK.

The Group is well capitalised with strong liquidity, above Board approved minimums, and is well positioned to continue to support its clients and pursue growth opportunities in line with our strategic objectives. Investec remains committed to the achievement of its medium-term targets.

^ The group distributed 15% of Ninety One on 30 May 2022, retaining a 10% interest.

Other information

The financial information on which this trading statement is based, has not been reviewed and reported on by the external auditors.

An investor conference call will be held today at 09:00 UK time /11:00 South African time. Please register for the call at www.investec.com/investorrelations

Interim results

The results for the interim period ending 30 September 2022 are scheduled for release on **Thursday, 17 November 2022**.

On behalf of the board
Philip Hourquebie (Chair), Fani Titi (Group Chief Executive)

For further information please contact:

Investec Investor Relations

General enquiries: investorrelations@investec.co.za

Results:

Qaqambile Dwayi
SA Tel: +27 (0)83 457 2134

Carly Newton
UK Tel: +44 (0)20 75974493

Brunswick (SA PR advisers)

Graeme Coetzee Tel: +27 (0)63 685 6053

Lansons (UK PR advisers)

Tom Baldock Tel: +44 (0)78 6010 1715

Key income drivers

Core loans

£'m	31-Aug-22	31- Mar-22	% change	Neutral currency % change
UK and Other	15,262	14,423	5.8%	5.8%
South Africa	15,642	15,511	0.8%	4.0%
Total	30,904	29,934	3.2%	4.9%

Customer deposits

£'m	31-Aug-22	31- Mar-22	% change	Neutral currency % change
UK and Other	18,694	18,286	2.2%	2.2%
South Africa	22,113	21,832	1.3%	4.4%
Total	40,807	40,118	1.7%	3.4%

Funds under Management (FUM)

£'m	31-Aug-22	31-Mar-22	% change	Neutral currency % change
Total Wealth & Investment FUM	61,682	63,376	(2.7%)	(1.8%)
UK and Other	42,688	44,419	(3.9%)	(3.9%)
Discretionary	36,014	37,215	(3.2%)	(3.2%)
Non-discretionary	6,674	7,204	(7.4%)	(7.4%)
Southern Africa	18,994	18,957	0.2%	3.3%
Discretionary and annuity	10,434	9,756	6.9%	10.3%
Non-discretionary	8,560	9,201	(7.0%)	(4.1%)
Specialist Bank	418	424	(1.4%)	(1.5%)
Total FUM	62,100	63,800	(2.7%)	(1.7%)

Notes

1. Definitions

- **Adjusted operating profit** refers to operating profit before goodwill, acquired intangibles and strategic actions and after adjusting for earnings attributable to other non-controlling interests. 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. Pro-forma financial information was prepared for illustrative purposes and because of its nature may not fairly present the issuer's financial position, changes in equity or results of operations. This pro-forma financial information has not been reported on by the group's auditors.
- **Adjusted earnings** is calculated by adjusting basic earnings attributable to shareholders for the amortisation of acquired intangible assets, non-operating items including strategic actions, and earnings attributable to perpetual preference shareholders and other additional tier 1 security holders.
- **Adjusted earnings per share** is calculated as adjusted earnings attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year.

- **Headline earnings** is an earnings measure required to be calculated and disclosed by the JSE and is calculated in accordance with the guidance provided in Circular 1/2021.
- **Headline earnings per share (HEPS)** is calculated as headline earnings divided by the weighted average number of ordinary shares in issue during the year.
- **Basic earnings** is earnings attributable to ordinary shareholders as defined by IAS33 *Earnings Per Share*.
- **Core loans** is defined as net loans to customers plus net own originated securitised assets.
- **The credit loss ratio** is calculated as expected credit loss (ECL) impairment charges on gross core loans as a percentage of average gross core loans subject to ECL.

2. 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:

Currency per GBP1.00	Five months to 31 August 2022		Year ended 31 March 2022		Six months to 30 September 2021	
	Period end	Average	Period end	Average	Period end	Average
South African Rand	19.83	19.77	19.24	20.28	20.29	19.94
Australian Dollar	1.70	1.75	1.75	1.85	1.86	1.85
Euro	1.16	1.18	1.18	1.18	1.16	1.16
US Dollar	1.16	1.23	1.31	1.37	1.35	1.39

3. Profit forecasts

- The following matters highlighted in this announcement contain forward-looking statements:
 - Adjusted EPS is expected to be between 30.0p and 33.0p which is ahead of 1H2022.
 - Basic EPS is expected to be between 46.5p and 51.3p which is ahead of 1H2022.
 - HEPS is expected to be between 30.0p and 34.6p which is ahead of 1H2022.
 - Adjusted operating profit is expected to be 14% to 25% ahead of 1H2022.
 - The UK business' adjusted operating profit to be at least 20% higher than prior period
 - The Southern African business' adjusted operating profit to be at least 10% ahead of prior period in Rands
 - ROE is expected to be within the Group's FY2024 target range of 12% to 16%.

(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 actual future results, performance or achievements in the markets in which it operates to differ from those expressed in the Profit Forecasts.

- Any forward looking statements made are based on the knowledge of the group at 22 September 2022.
- These forward looking statements represent a profit forecast under the Listing Rules. The Profit Forecasts relate to the period ending 30 September 2022.
- The financial information on which the Profit Forecasts are based is the responsibility of the Directors of the group and has 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 2022 audited financial statements, which are in accordance with IFRS and are those which the group anticipates will be applicable for the period ending 30 September 2022.
- The Profit Forecasts have been prepared based on (a) audited financial statements of the group for the year ended 31 March 2022, and the results of the Specialist Banking and Wealth & Investment businesses underlying those audited financial statements; (b) the unaudited management accounts of the group and the Specialist Banking and Wealth & Investment businesses for the five months to 31 August 2022; and (c) the projected financial performance of the group and the Specialist Banking and Wealth & Investment businesses for the remaining one month of the period ending 30 September 2022.
- Percentage changes shown on a neutral currency basis for balance sheet items assume that the relevant closing exchange rates at 31 August 2022 remain the same as those at 31 March 2022. This neutral currency information has not been reported on by the group's auditors.

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 and the tax rates remain materially unchanged from the prevailing rates detailed above.
- 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 reporting period. 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 judgmental in nature.
- Valuation of investment properties is performed by capitalising the budget net income of the property at the market related yield applicable at the time.
- The group's income tax charge and balance sheet provision are judgmental 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.

About Investec

Investec group (comprising Investec plc and Investec Limited) partners with private, institutional, and corporate clients, offering international banking, investments, and wealth management services in two principal markets, South Africa and the UK, as well as certain other countries. The group was established in 1974 and currently has approximately 8,300 employees.

In 2002, Investec implemented a dual listed company structure with listings on the London and Johannesburg Stock Exchanges.

Johannesburg and London

JSE Equity Sponsor: Investec Bank Limited