

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
LEI: 213800CU7SM6O4UWOZ70

Investec plc

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

Investec Group pre-close trading update and trading statement**18 March 2022**

Investec today announces its scheduled pre-close trading update for the year ending 31 March 2022 (FY2022). Commentary on the Group's financial performance in this pre-close trading update represents the 11 months ended 28 February 2022 and compares forecast FY2022 to FY2021 (31 March 2021).

FY2022 earnings update and guidance

The Group is pleased to update the FY2022 adjusted earnings per share guidance to between 51p and 55p, from the 48p to 53p range guided in November 2021.

For the year ending 31 March 2022, the Group expects:

- Adjusted operating profit before tax between £642 million and £683 million (FY2021: £377.6 million).
 - The Southern African business' adjusted operating profit to be at least 30% ahead of prior year in Rands (FY2021: R5 510 million, £251.6 million).
 - The UK business' adjusted operating profit to be at least 120% higher than prior year (FY2021: £126.0 million).
- Adjusted earnings per share between 51p and 55p (or 76% to 90% ahead of prior year) (FY2021: 28.9p).
- Basic earnings per share between 48p and 52p (or 90% to 106% ahead of prior year) (FY2021: 25.2p).
- Headline earnings per share between 49p and 53p (or 84% to 99% ahead of prior year) (FY2021: 26.6p).

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

Group operating performance is above the pre-COVID comparative period, benefitting from strategic execution and post-pandemic economic recovery.

- Pre-provision adjusted operating profit increased, supported by continued client acquisition, growth in funds under management (FUM) and higher average advances.
 - The revenue momentum experienced in the first half of the financial year continued into the second half. Net interest income benefitted from lower funding costs and higher average lending books. Increased client activity, higher lending turnover and supportive market conditions underpinned the growth in non-interest revenue over the period.
 - Fixed operating expenditure was well contained in line with the Group's focus on cost efficiencies, while variable remuneration grew in line with revenue. The cost to income ratio improved as revenue grew faster than costs.
 - Expected credit loss impairment charges were significantly lower given limited default experience and certain recoveries. Post-model overlays have been maintained.
 - On average, the Rand/Pounds Sterling exchange rate appreciated by c.5% over the period.

- For the period ended 28 February 2022:
 - The Wealth & Investment business grew FUM by 6.6% to £61.9 billion, driven by net inflows of £2.0 billion and positive market conditions. Current market volatility may impact FUM at 31 March 2022.
 - Within Specialist Banking, core loans grew by 8.9% to £28.8 billion, driven by corporate lending and residential mortgage growth in both geographies.

The Group is well capitalised with strong liquidity, above Board approved minimums, and is well positioned to pursue identified growth opportunities.

The Group has no material direct or indirect exposure to Russia or Ukraine; however, the outlook may be affected by uncertainty arising from the likely impacts of the Russian invasion of Ukraine on the global economy and financial markets.

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

Year end results

The results for the year ending 31 March 2022 are scheduled for release on **Thursday, 19 May 2022**.

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

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Key income drivers

Core loans

£'m	28-Feb-22	31- Mar-21	% change	Neutral currency % change
UK and Other	14,273	12,331	15.8%*	15.8%
South Africa	14,516	14,107	2.9%	4.7%
Total	28,789	26,438	8.9%	9.8%

*17.4% excluding Australia

Customer deposits

£'m	28-Feb-22	31- Mar-21	% change	Neutral currency % change
UK and Other	18,025	16,070	12.2%	12.2%
South Africa	19,863	18,379	8.1%	10.0%
Total	37,888	34,449	10.0%	11.0%

Funds under Management (FUM)

£'m	28-Feb-22	31-Mar-21	% change	Neutral currency % change
Total Wealth & Investment FUM	61,889	58,039	6.6%	7.2%
UK and Other	43,383	41,684	4.1%	4.1%
Discretionary	36,443	35,207	3.5%	3.5%
Non-discretionary	6,940	6,477	7.1%	7.1%
Southern Africa	18,506	16,355	13.1%	15.1%
Discretionary and annuity	9,467	8,587	10.2%	12.2%
Non-discretionary	9,039	7,768	16.4%	18.4%
Specialist Bank	405	397	1.9%	3.6%
Total FUM	62,294	58,436	6.6%	7.2%

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 adjusted earnings plus the after tax financial effect of strategic actions and the amortisation of acquired intangible assets. 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	Eleven months to 28 February 2022		Year ended 31 March 2021		Year ended 31 March 2020	
	Period end	Average	Period end	Average	Period end	Average
South African Rand	20.72	20.33	20.36	21.33	22.15	18.78
Australian Dollar	1.85	1.85	1.81	1.82	2.03	1.87
Euro	1.19	1.17	1.17	1.12	1.13	1.15
US Dollar	1.34	1.37	1.38	1.31	1.24	1.27

3. Profit forecasts

- The following matters highlighted in this announcement contain forward-looking statements. Each of the below forecasts are expected to be ahead of FY2021:
 - Adjusted EPS is expected to be between 51p and 55p.
 - Basic EPS is expected to be between 48p and 52p.
 - HEPS is expected to be between 49p and 53p.
 - Adjusted operating profit is expected to be between £642 million and £683 million.
 - Adjusted operating profit for the Southern African business is expected to be at least 30% ahead of the prior year in Rands.
 - The UK business' adjusted operating profit is expected to be at least 120% higher than the prior year.
 - The outlook may be affected by uncertainty arising from the likely impacts of the Russian invasion of Ukraine on the global economy and financial markets.

(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 17 March 2022.
- These forward looking statements represent a profit forecast under the Listing Rules. The Profit Forecasts relate to the year ending 31 March 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 2021 audited financial statements, which are in accordance with IFRS and are those which the Group anticipates will be applicable for the period ending 31 March 2022.
- The Profit Forecasts have been prepared based on (a) reviewed interim financial statements of the Group for the six months to 30 September 2021, 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 eleven months to 28 February 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 31 March 2022.
- Percentage changes shown on a neutral currency basis for balance sheet items assume that the relevant closing exchange rates at 28 February 2022 remain the same as those at 31 March 2021.

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, whether for Covid-19 or otherwise.
- 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 8,200+ employees.

Johannesburg and London

Sponsor: Investec Bank Limited