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
JSE hybrid code: INPR	JSE share code: INP
JSE debt code: INLV	ISIN: GB00B17BBQ50
NSX share code: IVD	LEI: 2138007Z3U5GWDN3MY22
BSE share code: INVESTEC	
ISIN: ZAE000081949	
LEI: 213800CU7SM6O4UWOZ70	

Group pre-close trading update and trading statement

16 March 2023

Investec today announces its scheduled pre-close trading update for the year ending 31 March 2023 (FY2023).

Commentary on the Group's financial performance in this pre-close trading update represents the 11 months ended 28 February 2023 and compares forecast FY2023 to FY2022 (31 March 2022) ^.

FY2023 earnings update and guidance

For the year ending 31 March 2023, the Group expects:

- Adjusted earnings per share between 66p and 70p (20% to 27% ahead of prior year) (FY2022: 55.1p).
- Basic earnings per share between 83p and 87p (60% to 67% ahead of prior year) (FY2022: 52.0p), positively impacted by the gain on the implementation of the Ninety One distribution in May 2022.
- Headline earnings per share between 65p and 69p (22% to 29% ahead of prior period) (FY2022: 53.3p).
- Adjusted operating profit before tax between £782.8 million and £833.6 million (FY2022: £687.4 million).
    - UK business' adjusted operating profit to be at least 15% higher than prior year (FY2022: £302.8 million). Specialist Bank expected to be at least 30% higher than prior year (FY2022: £193.7 million).
    - Southern African business' adjusted operating profit to be at least 10% ahead of prior year in Rands (FY2022: R7 812 million, £384.6 million). Specialist Bank expected to be at least 15% higher than prior year in rands (FY2022: R7 104 million, £349.4 million).
- ROE to be within the Group's FY2024 target range of 12% to 16%, in line with guidance given in November 2022.

The year to date performance which formed the basis for the above expectations is summarised below:

The Group experienced strong performance, notwithstanding the complex macroeconomic backdrop that prevailed in the period. Our diversified business model and strong balance sheet allowed us to support our clients amidst this evolving environment. Continued execution of our stated strategy has enabled the Group to achieve its FY2024 targets.

The increase in pre-provision adjusted operating profit was underpinned by continued client acquisition, positive effects from rising global interest rates and higher average advances.

- In the UK, the revenue growth experienced in the first half has continued while the effects of weakening macro backdrop negatively impacted equity capital markets (ECM) activity levels. In Southern Africa, the Group experienced positive revenue momentum in the second half.
    - Net interest income benefitted from higher average lending books and higher interest margin given the rising interest rate environment.
    - Non-interest revenue was negatively impacted by lower fees in the wealth and investment businesses and UK ECM given market weakness, the distribution of 15% shareholding in Ninety One and lower investment income; this was partly offset by a positive contribution from trading income.
- Fixed operating expenditure increased in line with the first half, driven by continued investment in people and technology, and post-pandemic normalisation of certain business expenses. Variable remuneration grew in line with profitability. The cost to income ratio improved as revenue grew faster than costs and is expected to be in line with 1H2023 levels and within our FY2024 targets.

In line with the guidance provided in November 2022, the credit loss ratio continued to normalise towards the through-the-cycle (TTC) range and is expected to be in the bottom half of the Group's TTC range of 25bps to 35bps.

For the 11 months period ended 28 February 2023:

- The Wealth & Investment business FUM declined by 3.7% to £61.0 billion. This was driven by market volatility which was partly offset by net inflows of £396 million (discretionary net inflows: £756 million and non-discretionary net outflows: £361 million).
- Within Specialist Banking, core loans grew by 1.5% (9.2% in constant currency) annualised to £30.4 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 has made significant progress on its capital optimisation strategy. To date, the Group has acquired c.52 million shares or an equivalent of c.5.2% of the shares outstanding before the November 2022 announcement of the share purchase and share buy-back programme; and returned c.R5.4 billion or £245 million to shareholders through this programme. In South Africa, Investec Limited received the approval to commence the capital measurement for the income producing real estate portfolio under the advanced internal ratings based (AIRB) based approach, resulting in 222bps uplift to CET 1 ratio as at 31 January 2023.

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

Other information

The financial information on which this trading update and 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 HERE** for the call.

Year end results

The results for the year ending 31 March 2023 are scheduled for release on Thursday,18 May 2023.

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-23	31- Mar-22	% change	Neutral currency % change
UK and Other	15,763	14,423	9.3%	9.4%
South Africa	14,617	15,511	(5.8%)	9.1%
Total	30,379	29,934	1.5%	9.2%

Customer deposits

£'m	28-Feb-23	31- Mar-22	% change	Neutral currency % change
UK and Other	19,383	18,286	6.0%	6.0%
South Africa	19,831	21,832	(9.2%)	5.2%
Total	39,214	40,118	(2.3%)	5.5%

Funds under Management (FUM)

£'m	28-Feb-23	31-Mar-22	% change	Neutral currency % change
Total Wealth & Investment FUM	61,044	63,376	(3.7%)	0.8%
UK and Other	41,445	42,894	(3.4%)	(3.4%)
Discretionary	35,847	36,728	(2.4%)	(2.4%)
Non-discretionary	5,598	6,166	(9.2%)	(9.2%)
Southern Africa	19,599	20,482	(4.3%)	9.5%
Discretionary and annuity	10,690	10,243	4.4%	20.0%
Non-discretionary	8,909	10,239	(13.0%)	(1.1%)
Specialist Bank	383	424	(9.6%)	(6.3%)
Total FUM	61,427	63,800	(3.7%)	0.7%

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 Listings 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:

	11 months to 28 February 2023		Year ended 31 March 2022		Year ended 31 March 2021	
Currency per GBP1.00	Period end	Average	Period end	Average	Period end	Average
South African Rand	22.27	20.30	19.24	20.28	20.36	21.33
Euro	1.14	1.16	1.18	1.18	1.17	1.12
US Dollar	1.21	1.20	1.31	1.37	1.38	1.31

3. Profit forecasts

- The following matters highlighted in this announcement contain forward-looking statements:
  - Adjusted EPS is expected to be between 66.0p and 70.0p which is ahead of FY2022.
  - Basic EPS is expected to be between 83.0p and 87.0p which is ahead of FY2022.
  - HEPS is expected to be between 65.0p and 69.0p which is ahead of FY2022.
  - Adjusted operating profit is expected to be 14% to 21% ahead of FY2022.
  - The UK business' adjusted operating profit to be at least 15% higher than prior year.
  - The Southern African business' adjusted operating profit to be at least 10% ahead of prior year 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 15 March 2023.
- These forward looking statements represent a profit forecast under the Listing Rules. The Profit Forecasts relate to the period ending 31 March 2023.
- 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 year ending 31 March 2023.
- 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 11 months to 28 February 2023; 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 2023.
- Percentage changes shown on a neutral currency basis for balance sheet items assume that the relevant closing exchange rates at 28 February 2023 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.

<u>About Investec</u>
Investec Group (comprising Investec plc and Investec Limited) partners with private, institutional, and corporate clients, offering private banking, wealth management, corporate and investment banking, and investments 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 8,500+ 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