

**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: INVP  
JSE share code: INP  
ISIN: GB00B17BBQ50  
LEI: 2138007Z3U5GWDN3MY22

**Investec group pre-close trading update and trading statement****23 September 2021**

Investec today announces its scheduled pre-close trading update for the interim period ending 30 September 2021 (1H2022). 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](http://www.investec.com/investorrelations).

Commentary on the group's financial performance in this pre-close trading update represents the five months ended 31 August 2021 and compares forecast 1H2022 to 1H2021 (30 September 2020).

**1H2022 earnings guidance**

For the six months ending 30 September 2021, the group expects:

- Adjusted operating profit before tax between £265 million and £293 million (or 86% to 106% ahead of 1H2021) (1H2021: £142.5 million).
  - The Southern African business' adjusted operating profit at least 50% ahead in Rands for the period (1H2021: R2 184 million, £99.1 million).
  - The UK business' adjusted operating profit at least 125% higher than the prior period (1H2021: £43.4 million).
- Adjusted earnings per share between 21.5p and 24p (or 92% to 114% ahead of 1H2021) (1H2021: 11.2p),
- Basic earnings per share between 20.2p and 22.7p (or 110% to 136% ahead of 1H2021) (1H2021: 9.6p), and
- Headline earnings per share between 20.2p and 22.7p (or 120% to 147% ahead of 1H2021) (1H2021: 9.2p).

**31 March 2022 (FY2022) earnings range**

Based on current business momentum, for FY2022, the group expects to report adjusted earnings per share above the upper end of the 36p to 41p range guided in May 2021.

**Group overview**

Performance for the five months ended 31 August 2021 was characterised by good growth in revenue and lower impairments.

- Revenue was positively impacted by increased client activity across the business and lower funding costs. Risk management and risk reduction costs associated with the UK structured products book were immaterial.
- ECL charges were lower, aided by limited specific impairments and certain recoveries. The group has retained COVID-19 related overlays to account for the uncertainty that remains in the economic environment.
- Operating costs have increased in line with activity and revenue levels; however, efficiency ratios have improved as revenue increased ahead of costs.
- The average Rand/Pounds Sterling exchange rate appreciated by c.9% over the period.

The group's trading performance was substantially ahead of the comparative period ended 31 August 2020 and in line with the pre-COVID comparative period ended 31 August 2019. This recovery in performance underscores the resilience of our client franchises.

The group is well capitalised and has strong liquidity, above Board approved minimums. The business continues to focus on its commitment to clients, offering them an "Out of the Ordinary" service and innovative solutions.

The changes made to simplify and focus the group are bearing fruit, positioning the group well for the future.

### **Divisional review**

The **Wealth & Investment** business grew funds under management (FUM) by 9.9% to £63.8 billion at 31 August 2021 (31 March 2021: £58 billion) supported by net inflows of £1.4 billion, favourable market movements and investment performance. Operating margin was higher in the UK, while flat in SA.

- In the Southern African business, FUM increased by 9.5% to R364.5 billion (31 March 2021: R333 billion), with net inflows of R16.7 billion.

Adjusted operating profit for 1H2022 is expected to be ahead of the prior period in Rands (1H2021: R264 million, £12.0 million).

- In the UK business, FUM increased by 9.0% to £45.4 billion (31 March 2021: £41.7 billion) with net inflows of £0.6 billion.

Adjusted operating profit for 1H2022 is expected to be ahead of 1H2021 (1H2021: £28.9 million).

Within **Specialist Banking**, core loans grew by 6.5% to £28.2 billion at 31 August 2021 (31 March 2021: £26.4 billion) given increased activity levels and good client acquisition within private banking across both geographies. The UK experienced increased demand for corporate credit across a number of portfolios while SA corporate credit demand remained largely muted.

Net interest income (NII) benefitted from higher average lending books and lower cost of funding as liabilities repriced. Higher point of sale activity, lending turnover, and client flow trading volumes underpinned the growth in non-interest revenue (NIR) over the period. Impairments were lower due to limited specific impairments and continued recoveries over the period. Cost to income ratios improved as revenue grew ahead of costs.

- In the Southern African business, core loans increased by 1.8% to R292.5 billion (31 March 2021: R287.3 billion).

Adjusted operating profit for 1H2022 is expected to be higher in Rands for the period (1H2021: R2 049 million, £92.9 million).

- In the UK business, core loans grew by 9.2% to £13.5 billion (31 March 2021: £12.3 billion).

Adjusted operating profit for 1H2022 is expected to be ahead of 1H2021 (1H2021: £12.9 million).

Adjusted operating profit from **Group Investments** is expected to be ahead of 1H2021 (1H2021: £13.2 million) as investee companies' profitability recovered given the improving economic environment.

**Group costs** are expected to be lower than the prior period (1H2021: £17.3 million).

**Interim results**

The interim results for the six months ending 30 September 2021 are scheduled for release on Thursday, 18 November 2021.

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

**For further information please contact:****Investec Investor Relations**

Qaqambile Dwayi

South Africa: Tel: +27 (0)83 457 2134 [investorrelations@investec.com](mailto:investorrelations@investec.com)

**Media Queries**

Lansons (UK PR advisers) – Tom Baldock. Tel: +44 (0)78 6010 1715

Brunswick (SA PR advisers) – Graeme Coetzee. Tel: +27 (0)63 685 6053

On behalf of the board

Philip Hourquebie (Chair), Fani Titi (Group Chief Executive)

## Key income drivers

### Core loans

£'m	31- Aug-21	31- Mar-21	% change	Neutral currency % change
UK and Other	13,463	12,331	9.2%	9.2%
South Africa	14,697	14,107	4.2%	1.8%
<b>Total</b>	<b>28,160</b>	<b>26,438</b>	<b>6.5%</b>	<b>5.3%</b>

### Customer deposits

£'m	31- Aug-21	31- Mar-21	% change	Neutral currency % change
UK and Other	16,071	16,070	0.0%	0.0%
South Africa	20,172	18,379	9.8%	7.3%
<b>Total</b>	<b>36,243</b>	<b>34,449</b>	<b>5.2%</b>	<b>3.9%</b>

### Funds under Management (FUM)

£'m	31-Aug-21	31-Mar-21	% change	Neutral currency % change
<b>Total Wealth &amp; Investment FUM</b>	<b>63,764</b>	<b>58,039</b>	<b>9.9%</b>	<b>9.1%</b>
<b>UK and Other</b>	<b>45,445</b>	<b>41,684</b>	<b>9.0%</b>	<b>9.0%</b>
Discretionary	38,424	35,207	9.1%	9.1%
Non-discretionary	7,021	6,477	8.4%	8.4%
<b>Southern Africa</b>	<b>18,319</b>	<b>16,355</b>	<b>12.0%</b>	<b>9.5%</b>
Discretionary and annuity	9,417	8,587	9.7%	7.2%
Non-discretionary	8,902	7,768	14.6%	12.0%
<b>Specialist Bank</b>	<b>380</b>	<b>397</b>	<b>(4.3%)</b>	<b>(5.6%)</b>
<b>Total FUM</b>	<b>64,144</b>	<b>58,436</b>	<b>9.8%</b>	<b>9.0%</b>

## 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	Five months to 31 August 2021		Year ended 31 March 2021		Six months to 30 September 2020	
	Period end	Average	Period end	Average	Period end	Average
South African Rand	19.90	19.93	20.36	21.33	21.58	22.05
Australian Dollar	1.88	1.84	1.81	1.82	1.80	1.85
Euro	1.17	1.16	1.17	1.12	1.10	1.12
US Dollar	1.38	1.39	1.38	1.31	1.29	1.27

## 3. Profit forecasts

- The following matters highlighted in this announcement contain forward-looking statements:
  - Adjusted EPS is expected to be between 21.5p and 24p which is ahead of 1H2021.
  - Basic EPS is expected to be between 20.2p and 22.7p which is ahead of 1H2021.
  - HEPS is expected to be between 20.2p and 22.7p which is ahead of 1H2021.
  - Adjusted operating profit is expected to be 86% to 106% ahead of 1H2021.
  - Adjusted operating profit for the Southern African Specialist Bank is expected to be ahead of 1H2021 in Rands.
  - The UK Specialist Bank adjusted operating profit is expected to be ahead of 1H2021.
  - The Southern African Wealth & Investment business adjusted operating profit is expected to be ahead of 1H2021 in Rands.
  - The UK Wealth & Investment business adjusted operating profit is expected to be ahead of 1H2021.
  - Adjusted earnings per share for FY2022 is expected to be above the upper end of the 36p to 41p range guided in May 2021.

(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 2021.
- These forward looking statements represent a profit forecast under the Listing Rules. The Profit Forecasts relate to the period ending 30 September 2021.
- 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 30 September 2021.
- The Profit Forecasts have been prepared based on (a) audited financial statements of the group for the year ended 31 March 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 five months to 31 August 2021; 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 2021.
- Percentage changes shown on a neutral currency basis for balance sheet items assume that the relevant closing exchange rates at 31 August 2021 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.

In 2002, Investec implemented a dual listed company structure with listings on the London and Johannesburg Stock Exchanges. Investec's current market capitalisation is approximately £2.7 billion.

### **Johannesburg and London**

#### **JSE Equity Sponsor: Investec Bank Limited**