

# INVESTEC PLC AND INVESTEC LIMITED (COMBINED RESULTS)

## UNAUDITED COMBINED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

### Investec plc

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

### 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

This announcement covers the statutory results of Investec plc and Investec Limited (together “the Investec group” or “the group”) for the year ended 31 March 2020 (FY2020). The financial impact of strategic actions undertaken to simplify and focus the group has been separately disclosed from adjusted operating profit in line with the group’s interim results. These actions include the closure, sale and restructure of certain businesses. Furthermore, during the year the group’s asset management business was demerged and separately listed and has hence been accounted for as a discontinued operation. The prior year has been restated to reflect a like-for-like basis aiding comparability between periods. Unless stated otherwise, comparatives relate to the restated 2019 financial year (FY2019).

### *Results overview by Investec Chief Executive, Fani Titi:*

*“In the course of the last two months, the social and economic impact of the COVID-19 pandemic on our customers and the markets in which we operate has affected the performance of the group. Earnings were characterised by growth in client-related revenues and much tighter cost containment. This was more than offset by significantly lower investment and trading revenues, and higher expected credit loss charges given the economic backdrop. Group adjusted operating profit of £608.9 million was 16.8% behind the prior year and adjusted earnings per share of 46.5p was 23.6% behind the prior year.*

*I have been hugely impressed by the response of our people in this time of crisis. Our focus has been on ensuring that our colleagues and clients receive the support they need and have come to expect from Investec. We are doing this from a position of strength, with robust levels of capital and liquidity, while working with governments and regulators to channel additional support into the real economy.”*

### *Financial performance*

The financial year was characterised by weak economic fundamentals (Brexit-related uncertainties in the UK, geo-political tensions and persistent economic weakness in South Africa). This was exacerbated by the sudden and extreme COVID-19 related dislocation in global markets during the last quarter of the financial year, impacting our trading income, investment income (through fair value adjustments) and expected credit loss charges.

The group navigated this challenging backdrop with its client franchises showing resilience:

- **Group adjusted operating profit** of £608.9 million was 16.8% behind the prior year (2019: £731.9 million), while adjusted operating profit from continuing operations of £419.2 million was 24.1% behind the prior year (2019: £552.5 million). The **COVID-19 impact** on adjusted operating profit was £105 million.
- **Core loans and advances** were broadly flat at £24.9 billion, but increased 9.2% in neutral currency. **Customer deposits** increased 2.9% to £32.2 billion (31 March 2019: £31.3 billion), up 12.6% in neutral currency. **Funds under management** recorded net inflows of £599 million.
- **Total operating income** (before impairments) decreased 7.5% to £1,806.8 million (2019: £1,953.8 million) impacted by the aforementioned factors.
- **Credit loss ratio** increased to 0.52% (2019: 0.31%), primarily driven by COVID-19 related expected credit losses.
- **Operating costs** decreased 7.0% to £1,185.0 million (2019: £1,274.5 million) driven by cost containment across the business, resulting in a continuing operations cost to income ratio of 68.2% (2019: 67.3%).
- **Return on equity (ROE)** generated by the group was 11.0% (2019: 14.2%) and 8.3% on a continuing operations basis (2019: 12.0%).
- **CET1:** the Group maintained a sound capital position with a common equity tier 1 (CET1) ratio of 10.7% for Investec plc (standardised approach) and 10.9% for Investec Limited (FIRB approach) at 31 March 2020. The group retained a higher stake of 25% in Ninety One upon demerger.
- The fair value of the distribution of Ninety One shares to shareholders amounted to 73.4p per share.
- **Net asset value per share** at 31 March 2020 was 414.3p (31 March 2019: 434.1p), and **Tangible net asset value per share** was 377.6p (31 March 2019: 386.0p). Net asset value was positively impacted by profitability and the demerger but negatively impacted by the 17.8% depreciation of the Rand year-on-year.

## *COVID-19 impact*

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The operational response of our business to the disruptions caused by COVID-19 has been a robust, agile transition into remote working, enabling a seamless continuation of service to our clients. Approximately 95% of our employees across the world are currently working from home. To meet the challenges faced by our clients, we have mobilised our balance sheet and expertise to assist in finding the financial solutions or restructuring advice to help them through this period.

We have acted decisively to support our employees, clients and communities through this crisis, reaffirming Investec's position that "we live in society, not off it".

## *Strategy execution*

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The group continued to make progress in its stated strategy to simplify and focus the business in pursuit of disciplined growth in the long term. We completed the demerger of the asset management business, executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses, reduced operating costs and delivered loan book growth and client acquisition ahead of budget in the UK Private Banking business.

The longer-term impacts of this crisis are hard to judge at present, and may necessitate a review of the performance targets that were set for achievement in 2022. We are strategising for a "new normal" and will communicate further when in a position to do so. In the meantime, we remain focused on delivering our strategy and achieving a sustained improvement in our key financial metrics and outcomes for all our stakeholders.

## *Dividends*

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In light of regulatory guidance provided to banks in both South Africa and the UK, the board has decided not to declare a final ordinary dividend, resulting in a full year dividend of 11.0 pence per ordinary share (2019: 24.5 pence with a dividend cover based on the group's adjusted EPS of 2.5 times).

## *Outlook*

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The outlook remains fluid and difficult to forecast with any reasonable degree of certainty in the light of the COVID-19 pandemic. We expect the year ahead to be challenging as the economic recovery from the devastating effects of COVID-19 is likely to be protracted. Client activity is likely to be muted, interest income impacted by lower interest rates and impairments likely to be elevated. We will continue to look for opportunity despite the current dislocations.

Continuous and close management oversight of the loan portfolio with ongoing stress testing, scenario modelling and client engagement to mitigate emerging risk will be key. As revenue pressures are likely to mount in light of the prevailing economic backdrop, we remain focused on controlling costs and improving efficiencies.

We entered this crisis with a robust balance sheet, characterised by a strong capital position, low gearing (strong leverage ratio) and good levels of liquidity which we continue to maintain.

We remain committed to supporting our people, our clients and communities. We remain focused on building the business for the long-term.

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## *Financial highlights:*

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- Our client franchises showed resilience. Over the year, core loans were broadly flat (up 9.2% in neutral currency), customer deposits increased 2.9% (up 12.6% in neutral currency) and the Wealth & Investment business achieved net inflows of £599 million.
  - Group adjusted operating profit of £608.9 million was 16.8% behind the prior year (2019: £731.9 million) and adjusted earnings per share of 46.5p was 23.6% behind the prior year (2019: 60.9p).
  - Adjusted operating profit from Continuing operations of £419.2 million was 24.1% behind the prior year (2019: £552.5 million) and Continuing adjusted earnings per share of 33.9p was 30.4% behind the prior year (2019: 48.7p).
  - The impact of COVID-19 across operating income and expected credit losses, net of variable remuneration, was approximately £105 million (£50 million in the South African Specialist Bank and £55 million in the UK Specialist Bank).
  - The reported results are slightly below the guided range, reflecting a severe deterioration in the operating environment since the guidance was given.
  - Specialist Banking:
    - Satisfactory performance from lending franchises supported growth in net interest income. This was offset by weak equity capital markets activity, lower associate income and the effects of COVID-19 which negatively impacted investment income, trading income and impairments. Operating costs reduced reflecting a strong focus on cost discipline.
    - The South African business generated adjusted operating profit of £276.4 million (2019: £310.3 million), a decline of 10.9% (8.5% in Rands) against the prior year. The UK business reported adjusted operating profit of £106.7 million (2019: £191.6 million), 44.3% behind the prior year.
    - The group credit loss ratio increased to 0.52% from 0.31% in the prior year, with the increase primarily driven by COVID-19 related expected credit losses. Pre-COVID-19, the credit loss ratio was calculated at 0.28% for 31 March 2020.
  - Wealth & Investment:
    - Net inflows and higher average assets under management supported stable revenue. Costs increased primarily from higher regulatory levies and discretionary technology spend to support growth over the long term.
    - The South African adjusted operating profit of £26.8 million (2019: £26.3 million) was 2.3% (5.7% in Rands) ahead of the prior year. The UK adjusted operating profit of £63.0 million (2019: £70.6 million) was 10.8% behind the prior year.
  - Against this backdrop, the group generated a return on equity (ROE) of 11.0% (2019: 14.2%). The continued execution of our strategic cost initiatives saw operating costs reduce, however, lower operating income year on year resulted in an increase in the cost to income ratio from 67.3% to 68.2%.
  - As at 31 March 2020, net asset value per share was 414.3p (31 March 2019: 434.1p) and tangible net asset value per share was 377.6p (31 March 2019: 386.0p). Net asset value was positively impacted by profitability and the demerger but negatively by the depreciation of the Rand.
  - The group has retained strong cash and near cash balances of £12.7 billion at 31 March 2020 (representing 39% of customer deposits and 25% of total assets). Capital and leverage ratios remain sound, ahead of internal targets and regulatory requirements.
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<b>Financial highlights</b>				
<b>Total group<sup>1</sup></b>	<b>FY 2020</b>	FY 2019 <sup>2</sup>	% change	Neutral currency % change
Adjusted operating profit (£'m)	608.9	731.9	(16.8%)	(15.8%)
Adjusted earnings attributable to shareholders (£'m)	439.9	573.9	(23.4%)	(22.8%)
Adjusted basic earnings per share (pence)	46.5	60.9	(23.6%)	(23.0%)
Basic earnings per share (pence)	115.3	52.0	121.7%	132.7%
Headline earnings per share (pence)	29.2	52.6	(44.5%)	(40.7%)
ROE	11.0%	14.2%		
ROTE	12.2%	16.1%		
Net asset value per share (pence)	414.3	434.1	(4.6%)	0.6%
Tangible net asset value per share (pence)	377.6	386.0	(2.2%)	3.7%
<b>Continuing operations</b>				
Adjusted operating profit (£'m)	419.2	552.5	(24.1%)	(23.0%)
Adjusted earnings attributable to shareholders (£'m)	320.7	458.8	(30.1%)	(29.2%)
Adjusted basic earnings per share (pence)	33.9	48.7	(30.4%)	(29.4%)
Basic earnings per share (pence)	17.5	40.4	(56.7%)	(57.2%)
Headline earnings per share (pence)	21.5	41.1	(47.7%)	(46.0%)
Credit loss ratio	0.52%	0.31%		
Cost to income ratio	68.2%	67.3%		
ROE	8.3%	12.0%		
ROTE	9.2%	13.3%		
Third party assets under management (£'bn)	45.0	55.8	(19.3%)	(15.5%)
Customer accounts (deposits) (£'bn)	32.2	31.3	2.9%	12.6%
Core loans and advances (£'bn)	24.9	24.9	(0.1%)	9.2%
Cash and near cash (£'bn)	12.7	13.3	(4.6%)	4.4%
Common equity tier 1 ratio – Investec Limited	10.9%	10.5% <sup>3</sup>		
Leverage ratio <sup>4</sup> – Investec Limited	6.4%	7.6%		
Common equity tier 1 ratio – Investec plc	10.7%	10.8%		
Leverage ratio <sup>4</sup> – Investec plc	7.8%	7.9%		

<sup>1.</sup> Total group represents the group's results including the results of discontinued operations.

<sup>2.</sup> Restated.

<sup>3.</sup> Investec Limited adopted the Foundation Internal Ratings Based (FIRB) approach, effective 1 April 2019, resulting in a pro-forma CET1 ratio of 11.6% had the FIRB approach been applied as of 31 March 2019.

<sup>4.</sup> Current Leverage ratios calculated on an end quarter basis.

## *Strategic initiatives*

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The Group has made progress in the execution of its stated strategy to simplify and focus the business to create value over the long term:

- Completion of the demerger and listing of Ninety One (previously Investec Asset Management). This resulted in an increase in the CET1 ratio of 40bps for Investec Limited and 59bps for Investec plc. Investec decided not to proceed with the sell down of a 10% stake in Ninety One given market conditions at the time of Ninety One's listing.
- Decisive action to restructure, close and sell non-core and subscale businesses. In addition to the strategic actions taken in H1 2020, additional write-downs were taken on certain exposures in the Hong Kong direct investment portfolio and additional costs related to businesses closed as part of the Irish business restructure were also taken.
- The net gain of these strategic actions of £711.3 million (2019: £71.5 million loss), including the gain and costs in relation to the demerger, has been disclosed separately from adjusted operating profit.
- Operating costs from continuing operations reduced by 7.0%. In the UK Specialist Bank, operating costs reduced by £95.9 million, of which fixed operating costs reduced by £31.6 million (6.9%) in FY2020.
- Whilst strategies to reduce the equity investment portfolio are underway, the current environment is not conducive for asset realisations as the group seeks to optimise the value of these investments.
- Conversion to the Foundation Internal Ratings Based (FIRB) measurement of credit capital in South Africa resulted in a 1.1% uplift to Investec Limited's CET 1 ratio, effective 1 April 2019. Investec Limited's application for conversion to the Advanced Internal Ratings Based (AIRB) approach is under review by the South African Prudential Authority and if successful is expected to result in a circa 2% uplift to the CET1 ratio.

On behalf of the boards of Investec plc and Investec Limited

**Perry Crosthwaite**

Chairman

**Fani Titi**

Chief Executive

*This short-form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full viewed announcement which can be accessed from Thursday 21 May 2020, using the following JSE link: <https://senspdf.jse.co.za/documents/2020/jse/isse/INL/FY20.pdf>*

*Alternatively the full announcement is available on our website [www.investec.com](http://www.investec.com)*

*The full announcement is also available at our registered offices for inspection at no charge, during office hours.*

*Copies of the full announcement may be requested by contacting*

*Investor Relations on:*

*Telephone: (+27 11) 286 7000*

*e-mail: [investorrelations@investec.com](mailto:investorrelations@investec.com)*

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**Investec Limited**  
**Incorporated in the Republic of South Africa**  
**Registration number: 1925/002833/06**  
**JSE share code: INPR**  
**NSX ordinary share code: IVD**  
**BSE ordinary share code: INVESTEC**  
**ISIN: ZAE000063814**  
**LEI: 213800CU7SM6O4UWOZ70**

#### Preference share dividend announcement

#### Non-redeemable non-cumulative non-participating preference shares ("preference shares")

#### Declaration of dividend number 31

Notice is hereby given that preference dividend number 31 has been declared by the Board from income reserves for the period 01 October 2019 to 31 March 2020 amounting to a gross preference dividend of 382.31605 cents per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 05 June 2020.

#### The relevant dates for the payment of dividend number 31 are as follows:

Last day to trade cum-dividend	Tuesday, 02 June 2020
Shares commence trading ex-dividend	Wednesday, 03 June 2020
Record date	Friday, 05 June 2020
Payment date	Monday, 15 June 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 03 June 2020 and Friday, 05 June 2020, both dates inclusive.

#### Additional information to take note of

- Investec Limited South African tax reference number: 9800/181/71/2
- The issued preference share capital of Investec Limited is 32 214 499 preference shares
- The dividend paid by Investec Limited is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 305.85284 cents per preference share for shareholders liable to pay the Dividend Tax and 382.31605 cents per preference shareholders exempt from paying the Dividend Tax.

By order of the board

**N van Wyk**  
Company Secretary  
20 May 2020

**Investec plc**  
**Incorporated in England and Wales**  
**Registration number: 3633621**  
**Share code: INPP**  
**ISIN: GB00B19RX541**  
**LEI: 2138007Z3U5GWDN3MY22**

#### Preference share dividend announcement

#### Non-redeemable non-cumulative non-participating preference shares ("preference shares")

#### Declaration of dividend number 28

Notice is hereby given that preference dividend number 28 has been declared by the Board from income reserves for the period 01 October 2019 to 31 March 2020 amounting to a gross preference dividend of 8.43287 pence per preference share payable to holders of the non-redeemable non-cumulative non-participating preference shares as recorded in the books of the company at the close of business on Friday, 5 June 2020.

For shares trading on the Johannesburg Stock Exchange (JSE), the dividend of 8.43287 pence per preference share is equivalent to a gross dividend of 187.48647 cents per share, which has been determined using the Rand/Pound Sterling average buy/sell forward rate as at 11h00 (SA time) on Wednesday, 20 May 2020.

#### The relevant dates for the payment of dividend number 28 are as follows:

<b>Last day to trade cum-dividend</b>	
On the Johannesburg Stock Exchange (JSE)	Tuesday, 02 June 2020
On the International Stock Exchange (TISE)	Wednesday, 03 June 2020
<b>Shares commence trading ex-dividend</b>	
On the Johannesburg Stock Exchange (JSE)	Wednesday, 03 June 2020
On the International Stock Exchange (TISE)	Thursday, 04 June 2020
<b>Record date</b> (on the JSE and TISE)	Friday, 05 June 2020
<b>Payment date</b> (on the JSE and TISE)	Monday, 15 June 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 03 June 2020 and Friday, 05 June 2020, both dates inclusive, nor may transfers between the United Kingdom share register and the South African branch register take place between Wednesday, 03 June 2020 and Friday, 05 June 2020, both dates inclusive.

#### Additional information for South African resident shareholders of Investec plc

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued preference share capital of Investec plc is 2 754 587 preference shares
- The dividend paid by Investec plc to shareholders recorded on the South African branch register is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 149.00000 cents per preference share for preference shareholders liable to pay the Dividend Tax and 187.48647 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

**D Miller**  
Company Secretary  
20 May 2020

**Investec plc**  
Incorporated in England and Wales  
Registration number: 3633621  
JSE share code: INPPR  
ISIN: GB00B4B0Q974  
LEI: 2138007Z3U5GWDN3MY22

**Rand-denominated preference share dividend announcement**

**Rand-denominated non-redeemable non-cumulative non-participating perpetual preference shares ("preference shares")**

**Declaration of dividend number 18**

Notice is hereby given that preference dividend number 18 has been declared by the Board from income reserves for the period 01 October 2019 to 31 March 2020 amounting to a gross preference dividend of 468.29795 cents per preference share payable to holders of the Rand-denominated non-redeemable non-cumulative non-participating perpetual preference shares as recorded in the books of the company at the close of business on Friday, 05 June 2020.

**The relevant dates relating to the payment of dividend number 18 are as follows:**

Last day to trade cum-dividend	Tuesday, 02 June 2020
Shares commence trading ex-dividend	Wednesday, 03 June 2020
Record date	Friday, 05 June 2020
Payment date	Monday, 15 June 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 03 June 2020 and Friday, 05 June 2020, both dates inclusive.

**Additional information for South African resident shareholders of Investec plc**

- Investec plc United Kingdom tax reference number: 2683967322360
- The issued Rand-denominated preference share capital of Investec plc is 131 447 preference shares
- The dividend paid by Investec plc to shareholders recorded on the South African branch register is subject to South African Dividend Tax (Dividend Tax) of 20% (subject to any available exemptions as legislated)
- The net dividend amounts to 374.63836 cents per preference share for preference shareholders liable to pay the Dividend Tax and 468.29795 cents per preference share for preference shareholders exempt from paying the Dividend Tax.

By order of the board

**D Miller**  
Company Secretary  
20 May 2020

**Investec plc**  
Incorporated in England and Wales  
(Registration number 3633621)  
JSE ordinary share code: INP  
LSE ordinary share code: INVP  
ISIN: GB00B17BBQ50

**Registered office:**

30 Gresham Street, London  
EC2V 7QP, United Kingdom

**Transfer secretaries:**

Computershare Investor Services (Pty) Ltd  
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

**Company Secretary:**

D Miller•

**Investec Limited**

Incorporated in the Republic of South Africa  
(Registration number 1925/002833/06)  
JSE ordinary share code: INL  
NSX ordinary share code: IVD  
BSE ordinary share code: INVESTEC  
ISIN: ZAE000081949

**Registered office:**

100 Grayston Drive  
Sandown, Sandton, 2196

**Transfer secretaries:**

Computershare Investor Services (Pty) Ltd  
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

**Company Secretary:**

N van Wyk

**Directors:**

PKO Crosthwaite• (Chairman)  
F Titi (Chief Executive Officer)  
NA Samujh (Finance Director)  
DM van der Walt\* (Executive)  
JKC Whelan^\* (Executive)  
H Baldock•  
ZBM Bassa  
D Friedland  
PA Hourquebie  
CR Jacobs^  
IR Kantor<sup>d</sup>  
Lord Malloch-Brown KCMG•  
PG Sibiya  
KL Shuenyane

•British <sup>d</sup>Dutch <sup>^</sup>Irish  
\*Appointed 01 April 2020

*HJ du Toit (Joint Chief Executive Officer) resigned 16 March 2020*  
*S Koseff (Executive) retired 08 August 2019*  
*B Kantor (Executive) retired 08 August 2019*  
*K McFarland (Executive) resigned 16 March 2020*  
*LC Bowden• resigned 08 August 2019*  
*CA Carolus resigned 08 August 2019*

**Sponsor:**

Investec Bank Limited

