

*Out of the Ordinary®*

 **Investec**

Specialist Bank



**Investec plc**

**Overview**

The information in this presentation relates to the year end ended 31 March 2021, unless otherwise indicated.

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## Contents

	Page
<b>1 Investec group overview</b>	<b>3</b>
<b>2 Investec plc overview</b>	<b>14</b>
<b>3 Investec plc operating fundamentals</b>	<b>21</b>
<b>4 Investec plc peer analysis</b>	<b>33</b>
<b>5 Appendix</b>	<b>36</b>



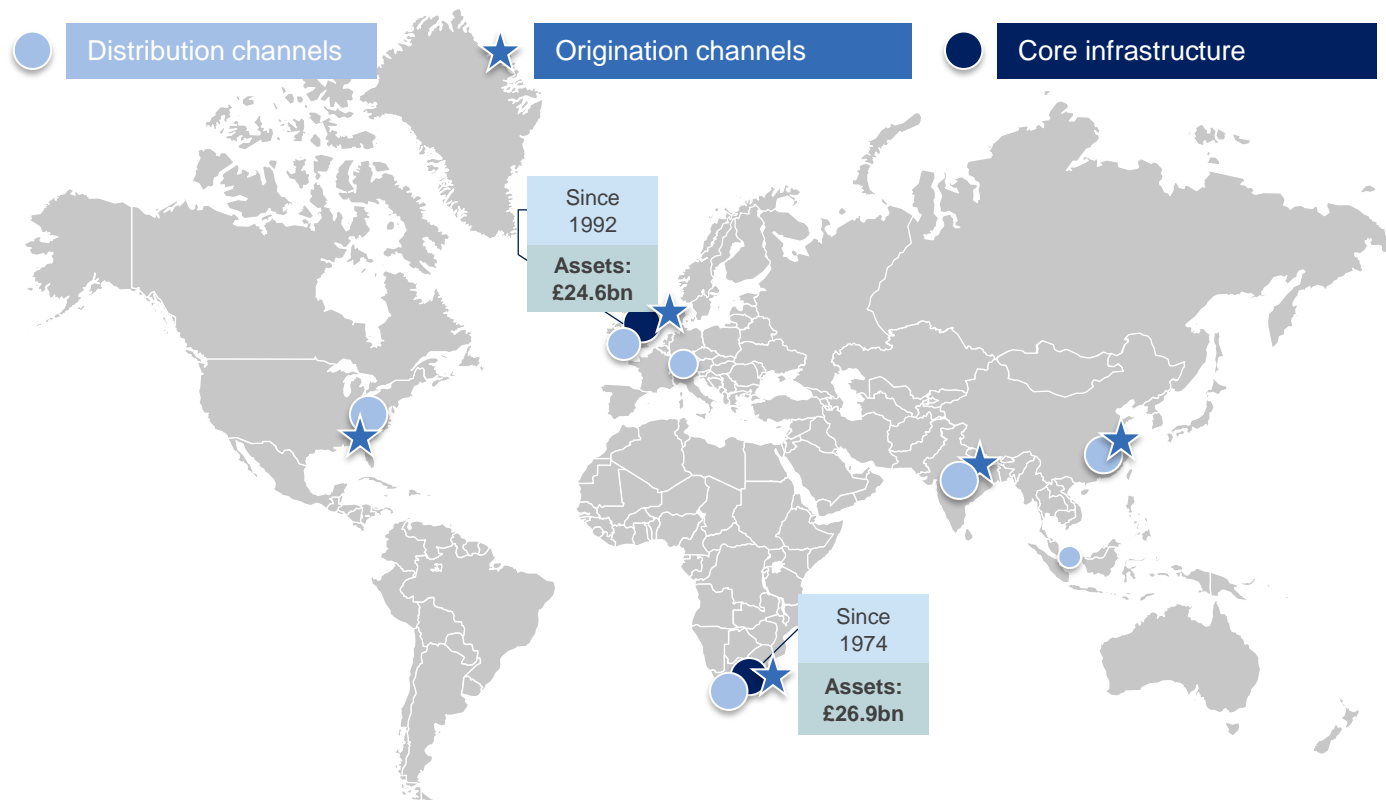


# An overview of the Investec group

Commentary on the group's financial performance represents the continuing operations (excluding the consolidated results for Ninety One, formerly Investec Asset Management, for the period 1 April 2019 to 13 March 2020; including the equity accounted earnings from 13 March 2020 (date of demerger)).

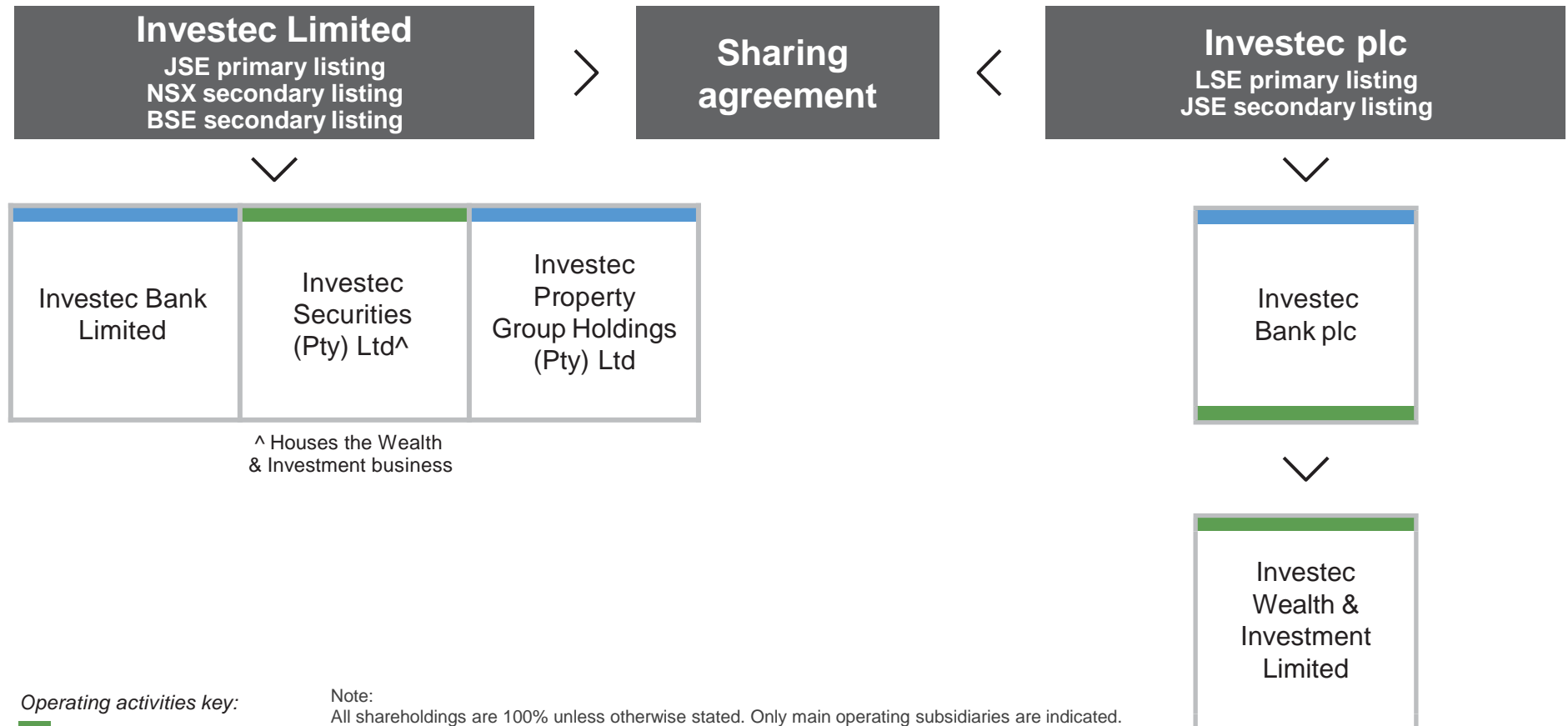
## A domestically relevant, internationally connected banking and wealth & investment group

- Established in 1974
- Today, an efficient integrated international business platform employing approximately **8 200\*** people
- Listed on the JSE and LSE (a FTSE 250 company)
- Total assets of **£51.5bn**; total equity of **£5.3bn**; funds under management of **£58.4bn**



# Group structure

- In 2002, Investec implemented a **Dual Listed Companies (DLC) structure**
- In terms of our DLC structure, **Investec Limited** is the controlling company of our businesses in Southern Africa, and **Investec plc** is the controlling company of our non-Southern African businesses.



<sup>^</sup> Houses the Wealth & Investment business

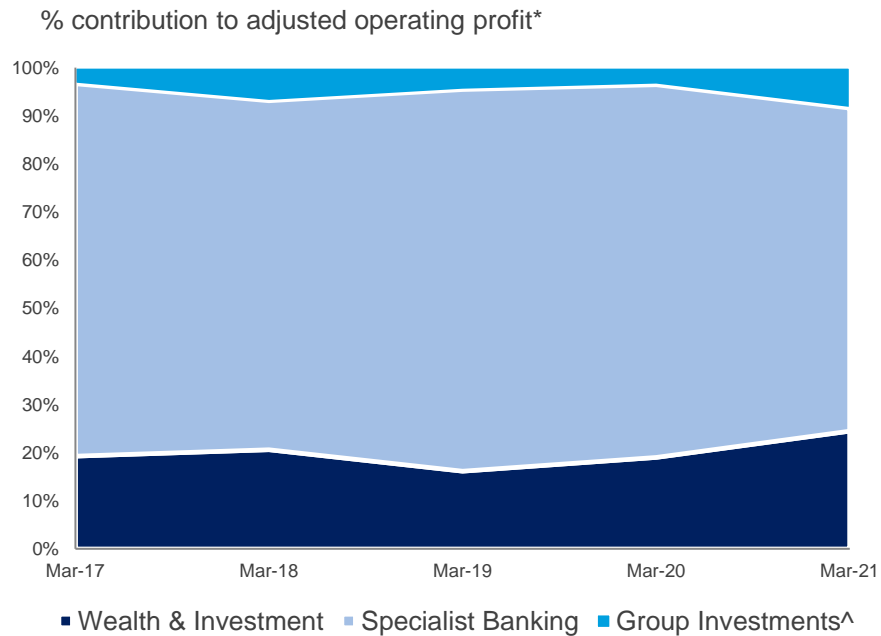
Operating activities key:  
 Wealth & Investment  
 Specialist Banking

Note:  
 All shareholdings are 100% unless otherwise stated. Only main operating subsidiaries are indicated.

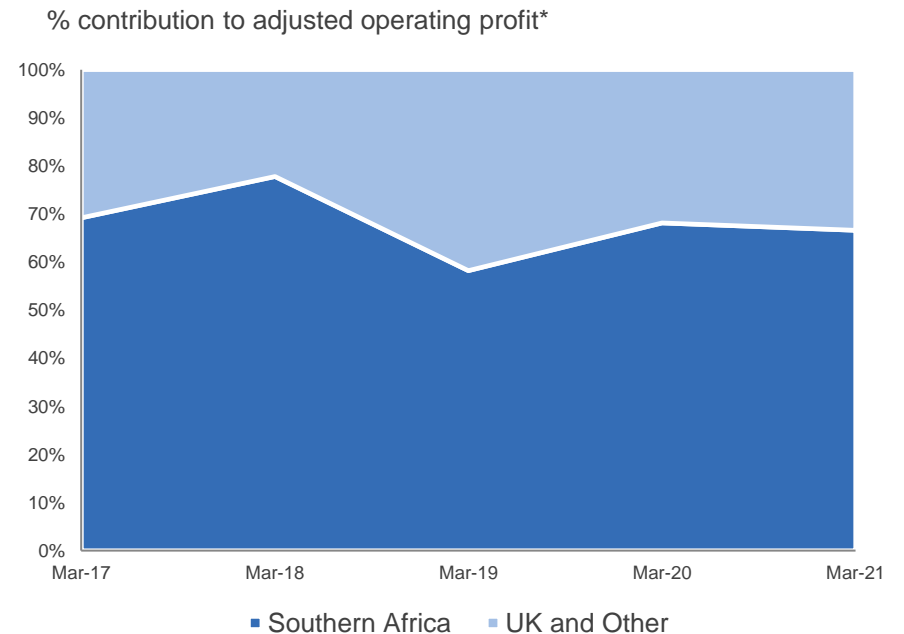
In March 2020, Investec completed the demerger and separate listing of Ninety One (formerly known as Investec Asset Management). The Investec group retained a 25% shareholding in the Ninety One DLC group, with 16.3% held through Investec plc and 8.7% held through Investec Limited.

# Solid recurring income base supported by a diversified portfolio

## Across businesses



## Across geographies



\*Adjusted operating profit by geography is Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests. Adjusted operating profit by business is Operating profit before group costs and before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests. ^Specialist Banking no longer includes Group Investments which is now shown as a separate segmental division. Prior periods have been restated to reflect the same basis (Group Investments was reported separately from September 2020).

# Strategic direction

We strive to be a distinctive bank and investment manager, driven by a commitment to our core philosophies and values.

## The Investec distinction

### Client focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High-tech, high-touch approach
- High level of service by being nimble, flexible and innovative.

### Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

### Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

### Strong culture

- Strong entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

## One Investec

Our long-term commitment is to One Investec; a client-focused strategy where, irrespective of specialisation or geography, we commit to offering our clients the full breadth and scale of our products and services.

We are focused on delivering profitable, impactful and sustainable solutions to our clients.

To deliver on One Investec, we will focus on imperative collaboration between the Banking and Wealth & Investment businesses; and continue to invest in and support these franchises. This will position Investec for sustainable long-term growth.

## Our long-term strategic focus

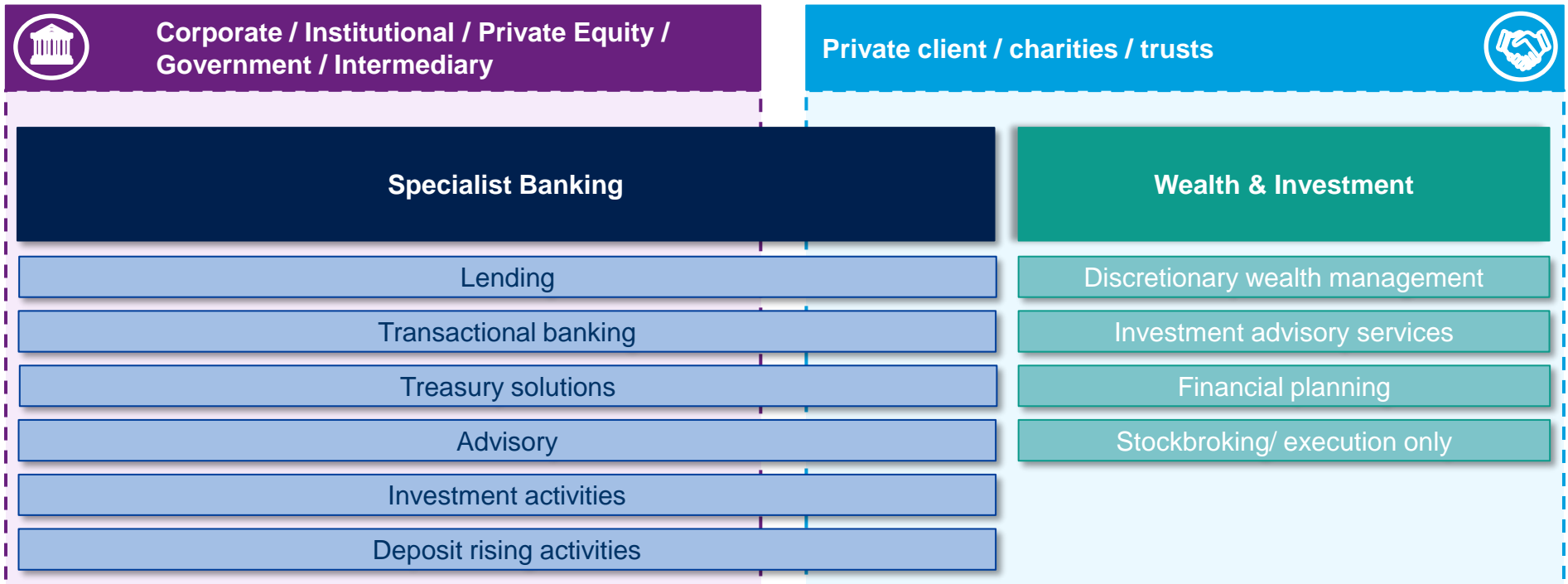
- We are committed to delivering exceptional service to our clients, creating long-term value for our shareholders and to contributing meaningfully to our people, communities and the planet
- All relevant Investec resources and services are on offer in every single client transaction
- Sustain our distinctive, out of the ordinary culture, entrepreneurial spirit and freedom to operate, with the discipline and obligation to do things properly for the whole of Investec.

In the short term, our objective is to **simplify, focus and grow** the business with discipline.

# Balanced business model supporting our long-term strategy

A domestically relevant, internationally connected banking and wealth & investment group

<b>2</b> Principal geographies	<b>2</b> Core areas of activity	<b>8 200+</b> Employees	<b>£26.4bn</b> Core loans	<b>£34.4bn</b> Customer deposits	<b>£58.4bn</b> Funds under management
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We have market-leading distinctive client franchises

We provide a high level of client service enabled by comprehensive digital platforms

We are a people business, backed by our out of the ordinary culture, and entrepreneurial spirit



# We continue to have a sound balance sheet

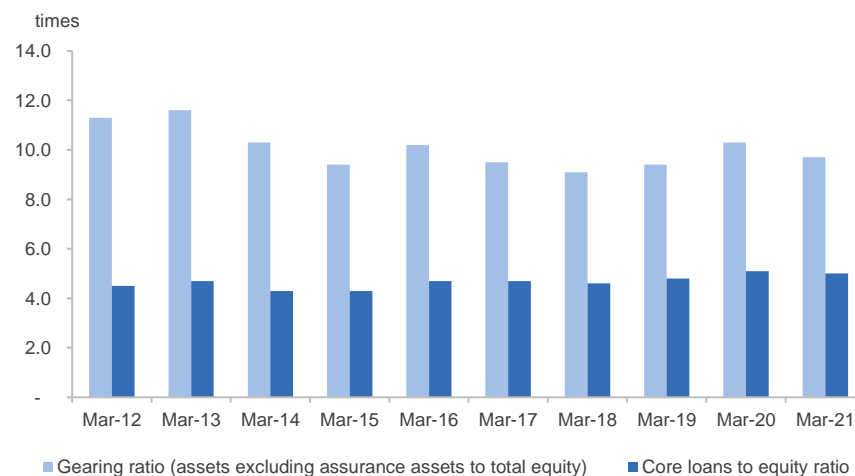
## Key operating fundamentals

- Senior management “hands-on” culture
- A high level of readily available, **high quality liquid assets**: representing c. 25% - 35% of our liability base. Cash and near cash balances amounted to **£13.2 billion** at 31 March 2021, representing **38.4%** of customer deposits.
- No reliance on wholesale funding
- Solid leverage ratios: always held **capital in excess of regulatory requirements** and the group intends to perpetuate this philosophy. Target common equity tier 1 ratio of above 10% and total capital ratios between 14% and 17%
- **Low gearing ratio: 9.7x** with **strong leverage ratios** remain ahead of the group’s target of 6%
- Geographical and operational diversity with a **high level of annuity income** which continues to support sustainability of operating profit

## Cash and near cash

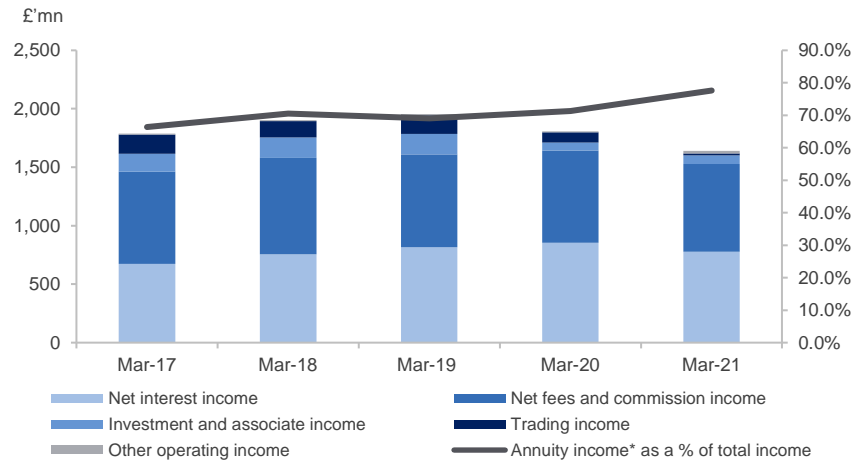


## Low gearing ratios

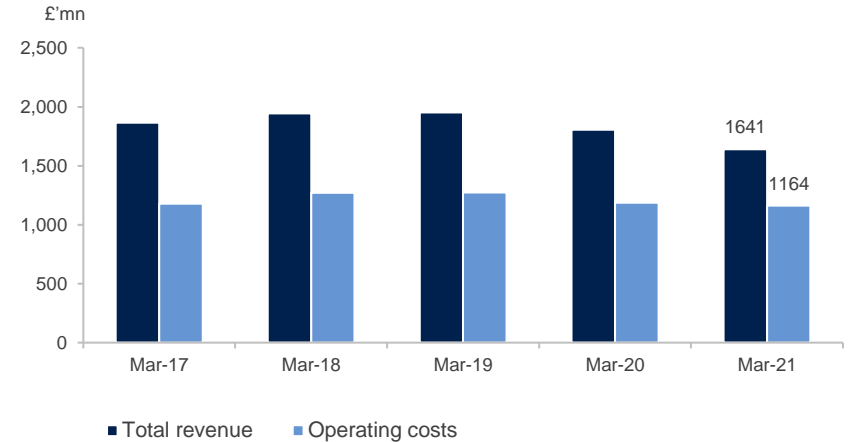


# We have a sound track record

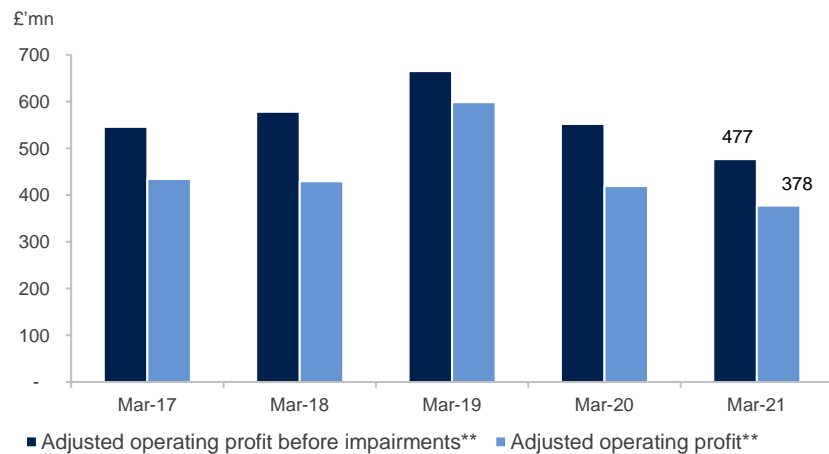
## Recurring income



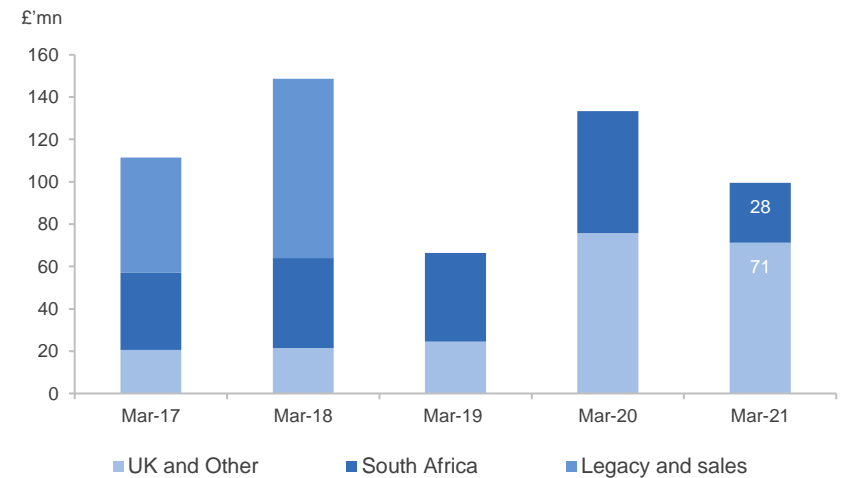
## Revenue versus expenses



## Adjusted operating profit\*\* before impairments



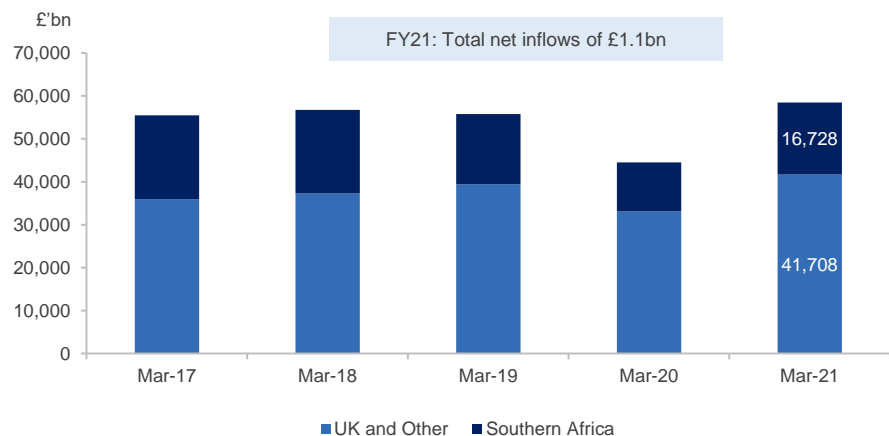
## Expected credit loss impairment charges



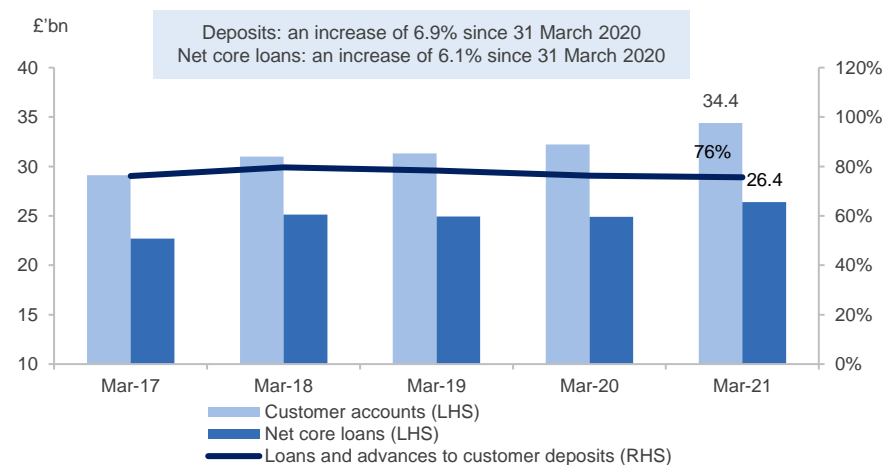
\*Where annuity income is net interest income and annuity fees. \*\*Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

# We have a sound track record (cont.)

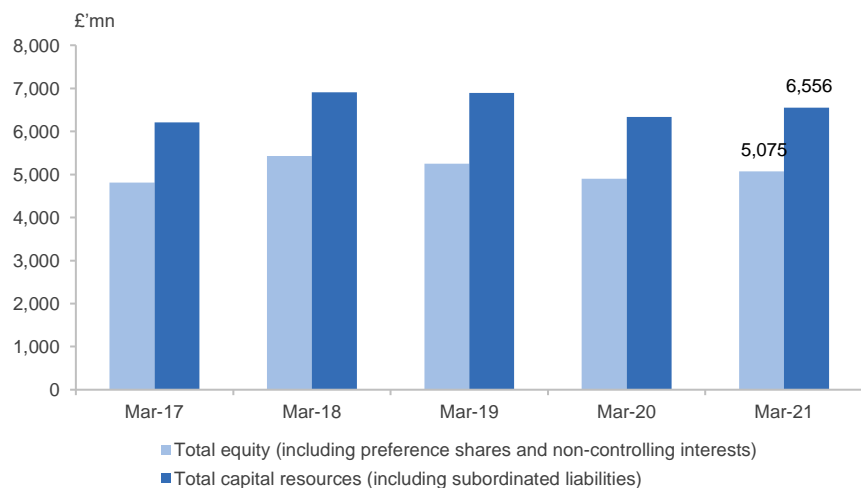
## Funds under management



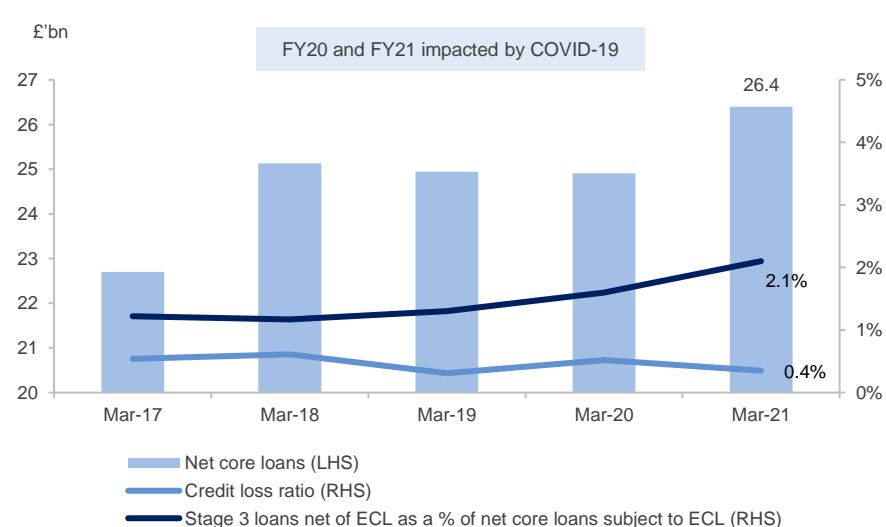
## Net core loans and deposits



## Total equity and capital resources



## Asset quality

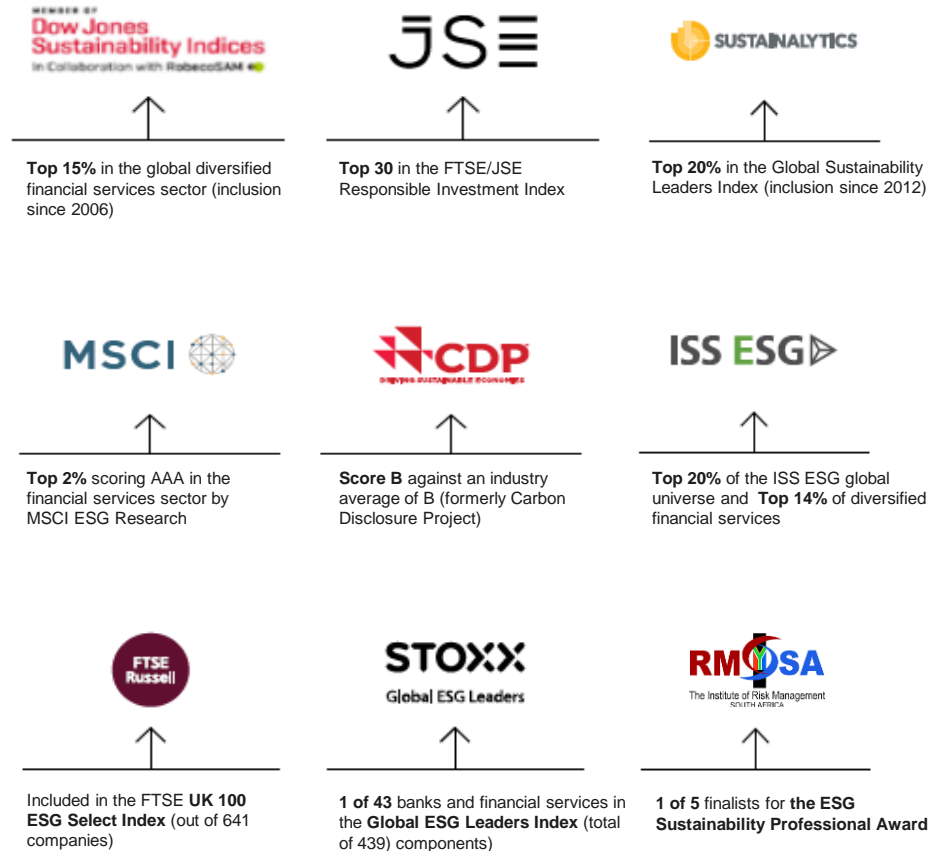


# Living our purpose to create enduring worth, living in, not off, society

## Investec's sustainability principles:

- Creating **long-term value** for all our stakeholders
- **Do no harm:** ethical conduct and ESG screening
- Committed to a **clean carbon transition**
- Providing **profitable, impactful and sustainable** products and services
- **Maximising impact:** through a focus on the Sustainable Development Goals (SDGs)

## Well positioned in ESG rankings and ratings



## Actions taken in the past year

<b>ENVIRONMENT</b> Took action to <b>address climate</b> issues	<ul style="list-style-type: none"><li>• Achieved <b>net-zero direct emissions</b> for the second year as part of our commitment to ongoing carbon neutrality in our Scope 1 and Scope 2 emissions.</li><li>• Received <b>shareholder support</b> for climate commitments and published our first TCFD standalone report</li></ul>
<b>SOCIAL</b> Continued to make progress on <b>diversity</b> and <b>equality</b>	<ul style="list-style-type: none"><li>• Improved our gender diversity performance at <b>senior leadership level</b></li><li>• Maintained our <b>Level 1</b> rating under the Financial Sector Code in South Africa and signed up to <b>the UK Race at Work Charter</b></li><li>• Contributed £3.2mn in COVID-19 relief to communities</li></ul>
<b>GOVERNANCE</b> Strengthened our <b>sustainability governance</b>	<ul style="list-style-type: none"><li>• Established an <b>ESG Executive Committee</b> to align sustainability activities across the organisation</li><li>• Implemented a more <b>robust ESG screening</b> process</li><li>• Created a framework to link <b>Executive Directors remuneration</b> to ESG KPIs</li></ul>
<b>STRATEGY</b> Embedded sustainability into <b>business strategy</b>	<ul style="list-style-type: none"><li>• Launched several <b>sustainability products and services</b> including the first European mid-market ESG-linked subscription lines, the UK's first retail ESG-linked Deposit Plan and Investec Wealth &amp; Investment's launch of a Global Sustainability Equity Fund</li><li>• Created a <b>Sustainable Finance Framework</b></li></ul>
<b>COMMITMENT</b> Deepened our commitment by signing up to several <b>international memberships</b>	<ul style="list-style-type: none"><li>• UN Environment Programme Finance Initiative (<b>UNEP FI</b>)</li><li>• UN Principles for Responsible Banking (<b>UN PRB</b>)</li><li>• UN Principles for Responsible Investment (<b>UN PRI</b>)</li></ul>



# An overview of Investec plc

The information in this presentation relates to the financial year ended 31 March 2021, unless otherwise indicated.

# Overview of Investec plc

Investec plc is a **distinctive bank** and **investment manager** with **primary business in the UK**.

We are focused on delivering profitable, impactful and sustainable solutions for our clients in two core areas of activity, namely: **Wealth & Investment** and **Specialist Banking**

Total assets  
£24.8bn

Net core loans  
£12.3bn

Total equity  
£2.5bn

Customer deposits  
£16.1bn

Third Party FUM  
£41.7bn

## Investec plc

- Holding company of the Investec group's **UK & Other operations\***
- Operating in the UK since 1992
- **UK FTSE 250 listed entity** since 2002
- **PRA and FCA regulated and a member of the London Stock Exchange**
- **Balanced and defensive business model** comprising Specialist Banking and Wealth & Investment – c.68% of adjusted operating profit<sup>^</sup> from non-banking activities
- Employing approximately 3,400 permanent employees
- **Creditors ring-fenced** from Investec Bank Limited (Southern African banking subsidiary)
- **Capital and liquidity are not fungible** between Investec plc and Investec Limited (listed holding company of the group's Southern African operations) – each entity required to be self-funded and self-capitalised in adherence with the regulations in their respective jurisdictions

# Key strengths

## Diversified revenue streams with high annuity base

- Balanced business model comprising two distinct business activities: **Specialist Banking and Wealth & Investment**
- Continued focus on growing our **capital light businesses**, now 53% of Investec plc's revenue<sup>#</sup>
- Geographic and operational diversity with a high level of **annuity revenue**<sup>^</sup> accounting for 72% of total operating income
- Third party FUM\* of **£41.7bn** and **positive net inflows** for Wealth & Investment

## Sound balance sheet

- **Never required shareholder or government support**
- **Robust capital base: 11.0% CET1 ratio**<sup>\*\*</sup> and **strong leverage ratio of 7.8%** (7.4% on a fully loaded basis) as of 31 March 2021
- Investec plc benefits from a substantial unlevered asset, being Wealth & Investment (FUM: £41.7bn)
- **Low gearing: 9.9x**
- **Strong liquidity ratios** with high level of readily available, high quality liquid assets representing 42.6% of customer deposits (cash and near cash: £6.9bn)
- **Diversified funding base** with strong retail deposit franchise and low reliance on wholesale funding
- We target a **diversified, secured loan portfolio**, lending to clients we know and understand

## Strong culture

- **Stable management** - senior management team average tenor of c.15 – 20 years
- Strong, entrepreneurial culture balanced with a strong risk awareness
- Employee ownership – long-standing philosophy

<sup>#</sup>For the year ended 31 March 2021. <sup>^</sup>Where annuity income is net interest income and annuity fees. <sup>\*</sup>Where FUM is third party funds under management.

<sup>\*\*</sup>CET1 ratios shown on a consolidated basis as at 31 March 2021; after the deduction of foreseeable charges and dividends as required by the Capital Requirements Regulation (CRR) and EBA technical standards.



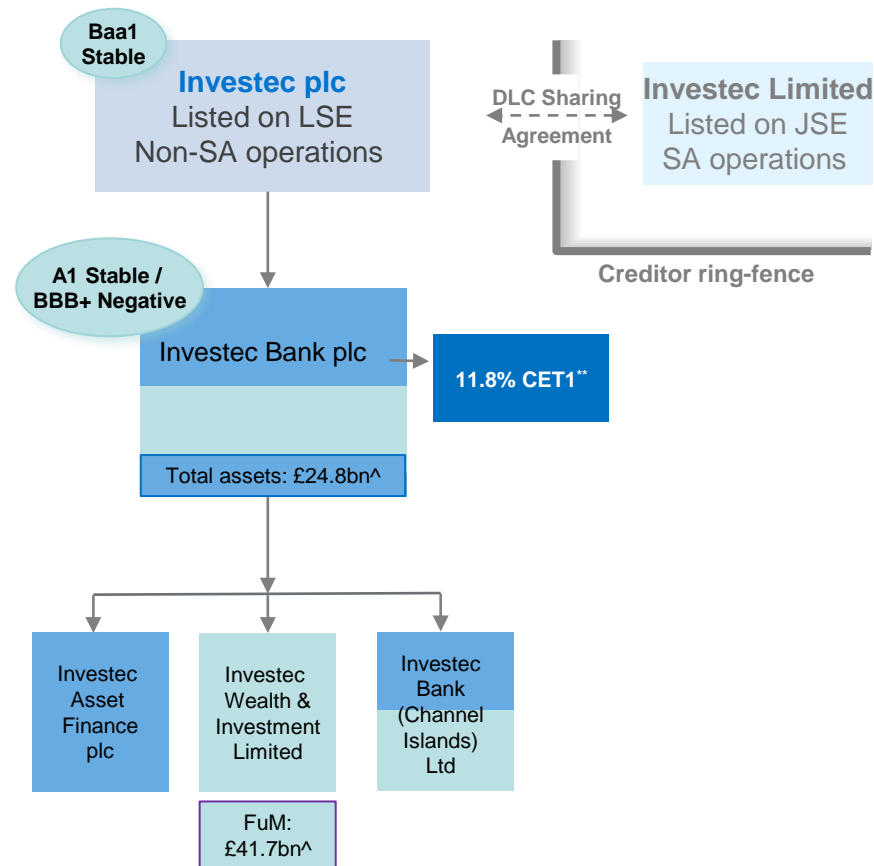
# Investec and IBP: structure and main operating subsidiaries

## Features of Investec's structure

- Investec plc is the holding company of the Investec group's **UK & Other operations**\*
- One main operating subsidiary
  - Investec Bank plc (IBP) (which houses the **Specialist Banking** and **Wealth & Investment** activities)

## Features of the Investec Group's DLC structure

- Investec implemented a **Dual Listed Companies Structure** in July 2002
- Creditors are ring-fenced** to either Investec Limited or Investec plc as there are no cross guarantees between the companies
- Capital and liquidity are prohibited from flowing between the two entities** under the DLC structure conditions
- Shareholders have common economic and voting interests** (equivalent dividends on a per share basis; joint electorate and class right voting) as a result of a Sharing Agreement
- Investec operates as if it is a single unified economic enterprise** with the same Boards of Directors and management at the holding companies



Funds under management	Mar-21	Mar-20
<i>UK &amp; Other</i>		
<b>Investec Wealth &amp; Investment</b>	<b>£41.7bn</b>	<b>£33.1bn</b>
Other	£0.4bn	£0.4bn
<b>Total third party assets under management</b>	<b>£.42.1bn</b>	<b>£33.5bn</b>

■ Specialist banking  
■ Wealth & Investment

# Balanced business model supporting our long-term strategy

## Two distinct business activities focused on well defined target clients and regions

Client	<p><b>Corporate / Institutional /Private Equity/ Government / Intermediary</b></p>	<p><b>Private client (high net worth ) / Charities / Trusts</b></p>
Business	<p><b>Specialist Banking</b></p> <ul style="list-style-type: none"> <li>• Lending</li> <li>• Transactional banking</li> <li>• Advice</li> <li>• Hedging</li> <li>• Cash deposits and savings</li> <li>• Equity placement</li> </ul>	<p><b>Wealth &amp; Investment</b></p> <ul style="list-style-type: none"> <li>• Discretionary wealth management</li> <li>• Investment advisory services</li> <li>• Financial planning</li> </ul>
Region	<p>UK and Europe, India, USA</p>	<p>UK, Channel Islands (Guernsey), Switzerland</p>
Value Proposition	<ul style="list-style-type: none"> <li>• Established, full service banking solution to corporate and private clients with leading positions in various areas</li> <li>• High-touch personalised service – ability to execute quickly</li> <li>• Ability to leverage international, cross-border platforms</li> <li>• Strong UK client base and internationally connected</li> <li>• Strong ability to originate, manufacture and distribute</li> <li>• Balanced business model with good business depth and breadth</li> <li>• Generated 38% of adjusted operating profit* in FY 2021</li> </ul>	<ul style="list-style-type: none"> <li>• Built via organic growth and the acquisition and integration of businesses over a long period of time</li> <li>• Established platforms in the UK, Guernsey and Switzerland</li> <li>• Four distribution channels: direct, intermediaries, Investec Private Bank, and Investec internationally</li> <li>• Global investment process, delivering tailor-made and innovative solutions to our clients</li> <li>• Focus on organic growth in our key markets</li> <li>• Recognised brand and balance sheet strength attracts investment managers and supports client acquisition</li> <li>• <b>Low risk, capital light, annuity income generation</b></li> <li>• <b>£41.7bn in funds under management</b></li> <li>• Generated 62% of adjusted operating profit* in FY 2021</li> </ul>

\*Adjusted operating profit by business is Operating profit before group costs and before acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

# Investec plc: strategic objectives

## Maintain healthy capital ratios

- Always held capital in excess of regulatory requirements
- Targets:
  - Common Equity Tier 1 ratio >10% (11.0% at 31 March 2021)
  - Tier 1 ratio >11 (12.7% at 31 March 2021)
  - Total capital ratio: 14% – 17% (14.9% at 31 March 2021)
  - Leverage ratio >6% (7.8% at 31 March 2021)
- Capital strength maintained without recourse to shareholders, new investors government assistance

## Maintain robust liquidity management philosophy

- Appropriately manage our levels of surplus liquidity and cost of funding
- Maintain high level of readily available, high-quality liquid assets - minimum cash to customer deposit ratio of 25% (42.6% at 31 March 2021)
- Maintain diversified sources of funding

## Perpetuate the quality of the balance sheet

## Focus on revenue drivers

- Continue to build our client franchises and client base in the UK – focus on direct relationships with entrepreneurs, mid-sized corporates and high net worth clients
- Generate high-quality income through diversified revenue streams and businesses
- Leverage our private client platform (across banking and wealth management)
- Continue to grow FUM (up 24.6% since 31 March 2020 to £41.7bn)
- Moderate loan growth, emphasis on diversified portfolios
- Increase transactional activity

## Maintain operational efficiency

- Investec plc's cost to income ratio was 80.9% at 31 March 2021 (blend of banking and wealth management businesses)
- Targeting cost to income ratio of below 65% for Specialist Banking and between 73-77% for Wealth & Investment
- Focused on managing costs while building for the future
  - Investment in the Private Banking business fully expensed – now in leverage and growth phase
  - Operating costs up 3.3% compared to prior financial year
  - Elevated cost to income ratio as a result of pressures on revenue given current environment

# Investec plc: focusing on capital light activities

- Realigned the business model since the global financial crisis and focused on **growing capital light businesses**
- At 31 March 2021, total capital light activities accounted for **53% of Investec plc's revenue**
- We have **significantly increased our third party funds under management** - a key capital light annuity income driver - in the Wealth & Investment business. FUM have grown from £14.9bn at March 2011 to £41.7bn at March 2021. Revenue from Wealth & Investment makes up 33.8% of Investec plc's total operating income at 31 March 2021.

## CAPITAL LIGHT ACTIVITIES

Third party asset management, advisory and transactional income

- Wealth management
- Advisory services
- Transactional banking services
- Funds

## BALANCE SHEET DRIVEN ACTIVITIES

Net interest, customer flow trading, investment and associate income

- Lending portfolios
- Trading income largely from client flow as well as balance sheet management and other
- Investment portfolios

### CAPITAL LIGHT BUSINESSES\*

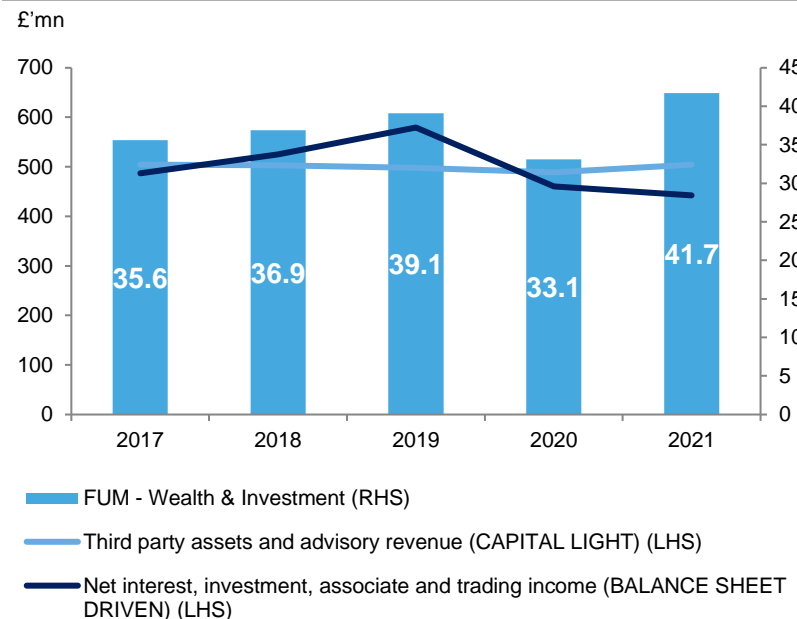
**£504mn**  
53% of total revenue

Net fees and commissions of  
**£489mn**  
51% of total revenue

- Of which £172mn Specialist Bank
- Of which £316mn Wealth & Investment

Other of  
**£16mn**  
2% of total revenue

### Investec plc revenues and funds under management



### BALANCE SHEET DRIVEN BUSINESSES\*

**£442mn**  
47% of total revenue

Net interest income of  
**£399mn**  
42% of total revenue

Customer flow and other trading income of  
**£0.2mn**

Investment and associate income of  
**£42mn**  
5% of total revenue

Fee and commission income



Types of income



Net interest, customer flow trading, investment and associate income

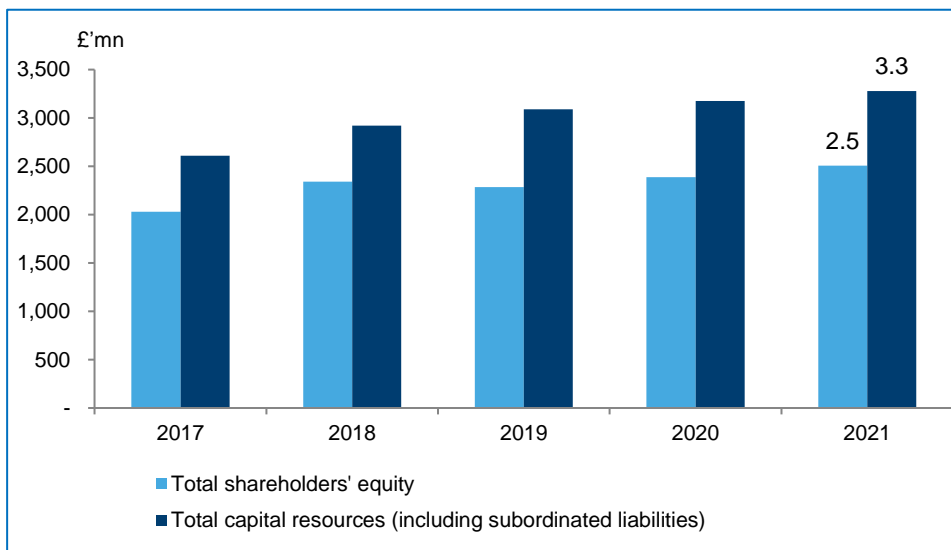
\*For the financial year ended 31 March 2021



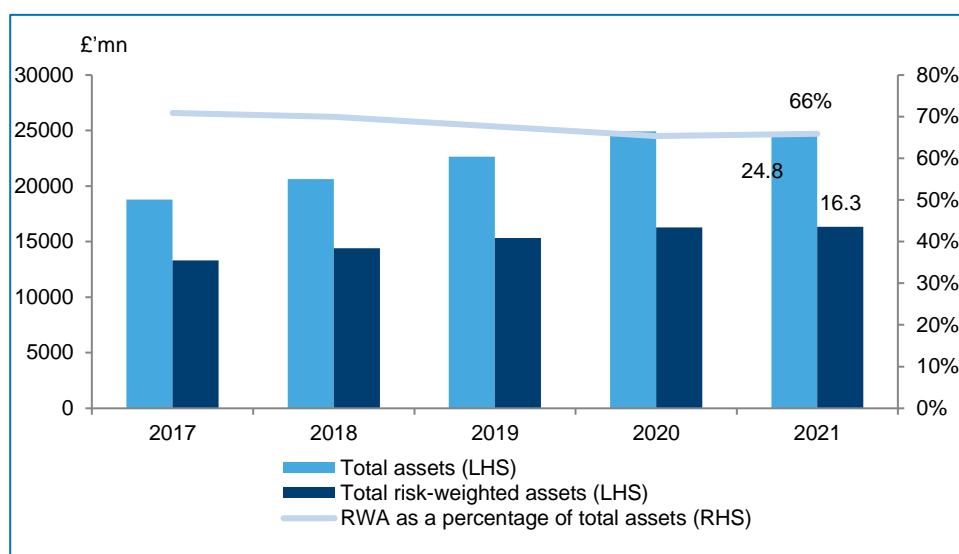
**Investec plc:  
sound balance sheet and  
operating fundamentals**

# Investec plc: sound capital base and capital ratios

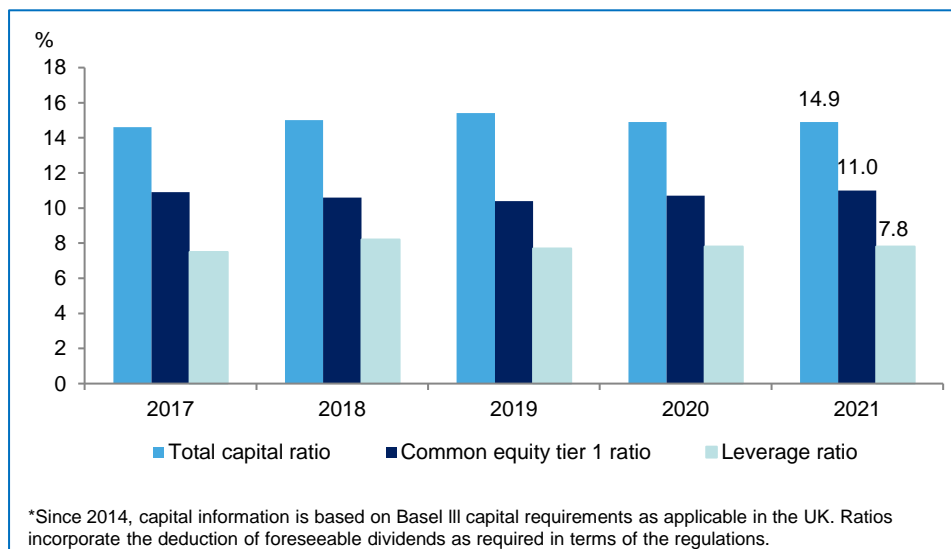
## Total capital



## Total risk-weighted assets



## Basel capital ratios\*

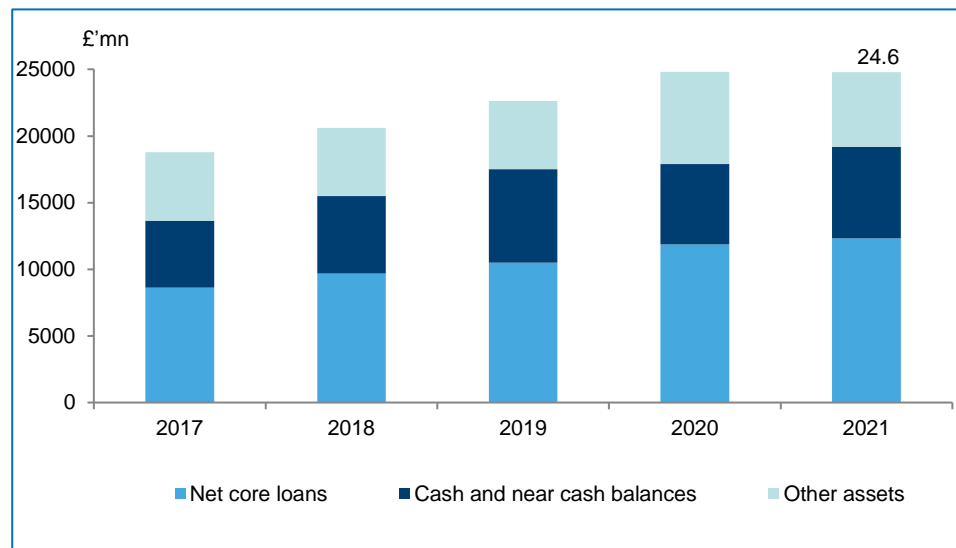


\*Since 2014, capital information is based on Basel III capital requirements as applicable in the UK. Ratios incorporate the deduction of foreseeable dividends as required in terms of the regulations.

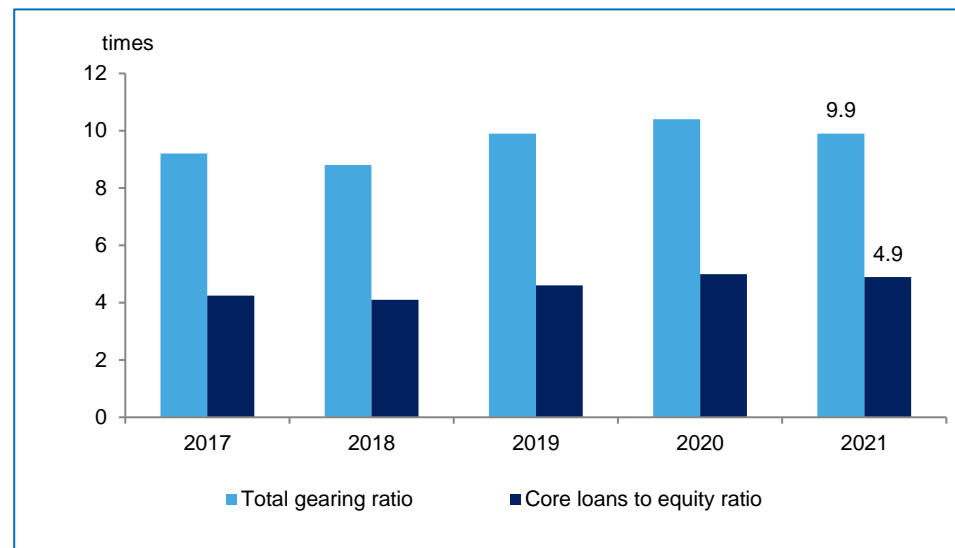
- Investec has always held capital in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised
- Capital targets:
  - Common equity tier 1 target: above 10%
  - Total capital ratio target: 14% – 17%
- As we are on the Standardised Approach in terms of Basel III, our RWAs represent a large portion of our total assets.** As a result we inherently hold more capital than our peers who are on the Advanced Approach
- We have continued to grow our capital base** throughout the crisis without recourse to government and shareholders. Our total shareholders' equity has grown by 23% since 2016 to £2.5bn at 31 March 2021
- 31 March 2021 : total capital ratio of 14.9% and common equity tier 1 ratio of 11.0%** (these ratios incorporate the deduction of foreseeable dividends as required in terms of the regulations. Excluding these adjustments, the common equity tier 1 ratio would be 17bps higher (31 March 2020: 0bps higher))
- Our fully loaded Basel III common equity tier 1 ratio is estimated to be 10.5% and our fully loaded leverage ratio is 7.4%**

# Investec plc: low gearing ratios

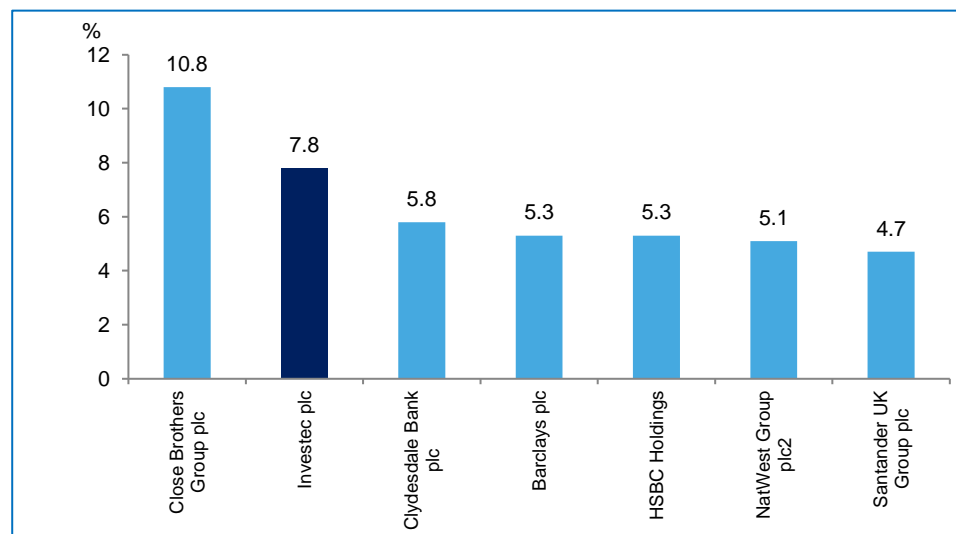
## Total assets



## Gearing



## Regulatory leverage ratios - peer group comparisons\*

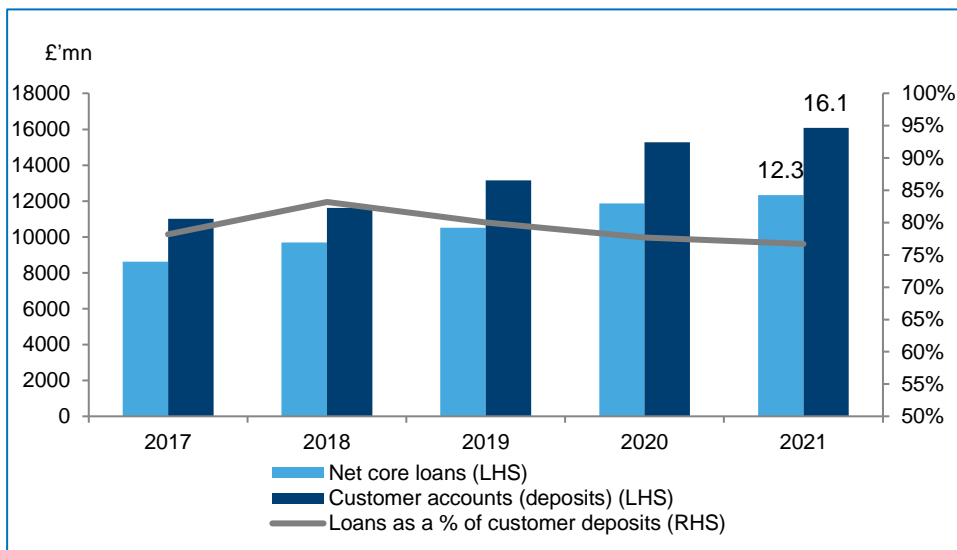


- Our core loans have grown steadily over the past few years at a compound annual growth rate of 10% per year since 2017 – representing the biggest increase in our assets
- **We have maintained low gearing ratios with total gearing at 9.9x and an average of 9.6x since 2017**

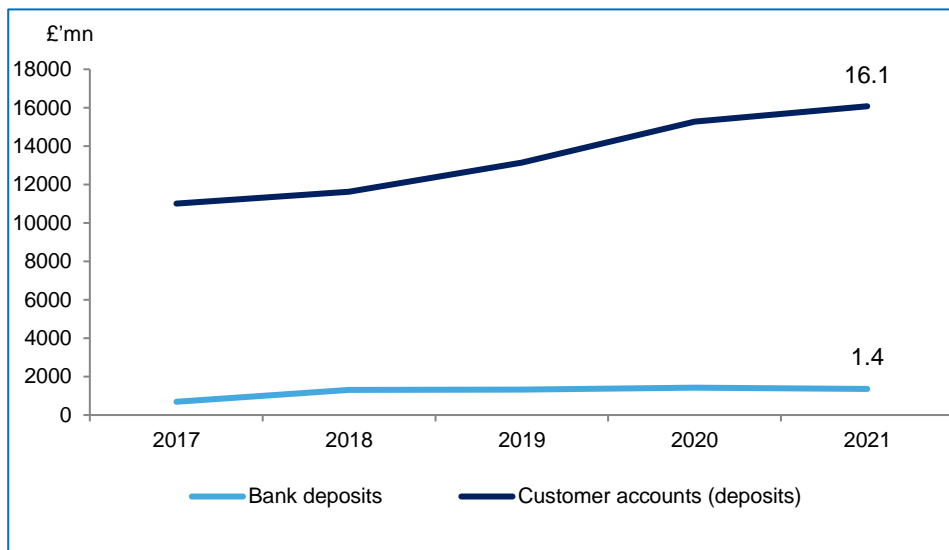
\*Source: as disclosed in the latest available year-end/interim annual financial statements at 20 May 2021. Note: Investec plc is not subject to the UK leverage ratio framework, but for comparative purposes, the leverage ratio under the current UK leverage ratio framework would be 9.0% at 31 March 2021.

# Investec plc: surplus liquidity

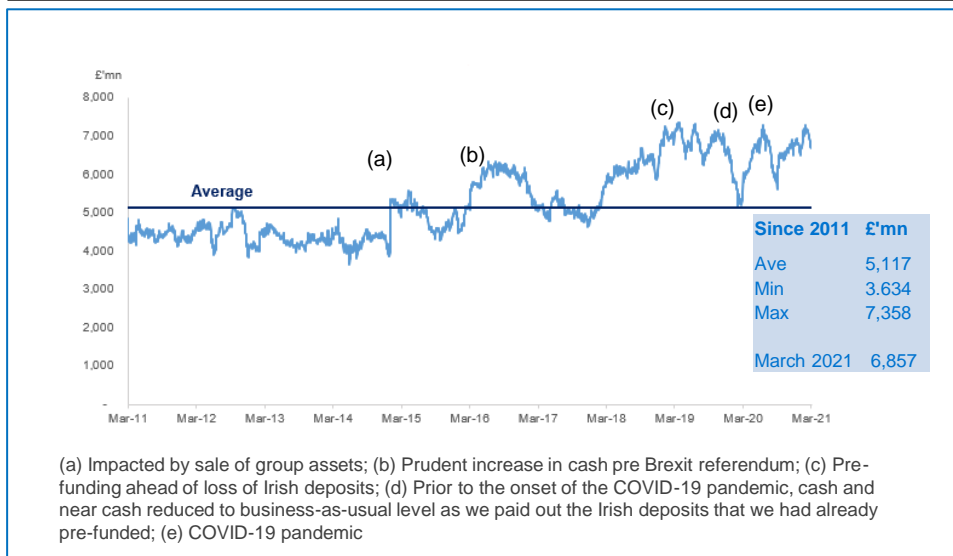
## Total loans and deposits



## Total deposits – increase in retail deposits



## Cash and near cash balances



- We exceed Basel III liquidity requirements
- Customer deposits have grown by 46% (c.9% CAGR p.a.) since 2017 to £16.1bn at 31 March 2021
- We maintain a high level of readily available, high quality liquid assets – targeting a minimum cash to customer deposit ratio of 25%. These balances have increased significantly since 2010 to £6.9bn at 31 March 2021 (representing 42.6% of customer deposits)
- Loans and advances to customers as a % of customer deposits remains conservative at 76.7% as of 31 March 2021 (31 March 2020: 77.7%)
- Fixed and notice deposits make up a large proportion of customer deposits and our customers display a strong 'stickiness' and willingness to reinvest in our suite of term and notice products
- The LCR reported to the Prudential Regulatory Authority at 31 March 2021 was 335% for Investec plc. Investec plc's NSFR was 126%^.

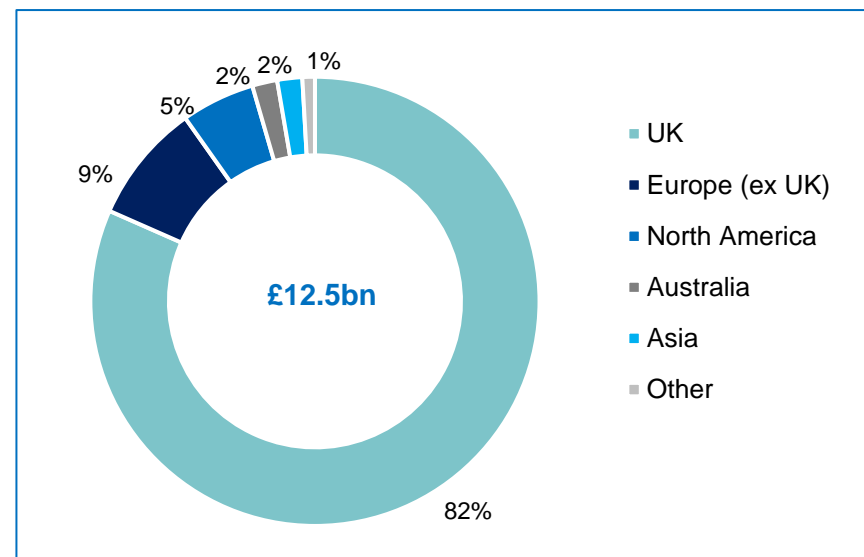
^Ahead of the implementation of the final NSFR rules, the bank has applied its own interpretations of regulatory guidance and definitions from the Basel Committee on Banking Standards (BCBS) final guidelines to calculate the NSFR.



# Investec plc: exposures in a select target market

- Credit and counterparty exposures are to a **select target market**:
  - High net worth and high income clients
  - Mid to large sized corporates
  - Public sector bodies and institutions
- The majority of exposures reside **within the UK**
- We typically originate loans with the intent of holding these assets to maturity, thereby developing a 'hands-on' and **long-standing relationship with our client**
- **Net core loan growth of 3.9% since 31 March 2020.** Growth has been driven by our residential mortgage portfolio through acquisition of target clients in line with our Private Banking strategy
- Focus remains on redeployment of capital into core business activity and ensuring that **concentration risk** to certain asset types, industries and geographies is **prudently managed, mitigated and controlled.**

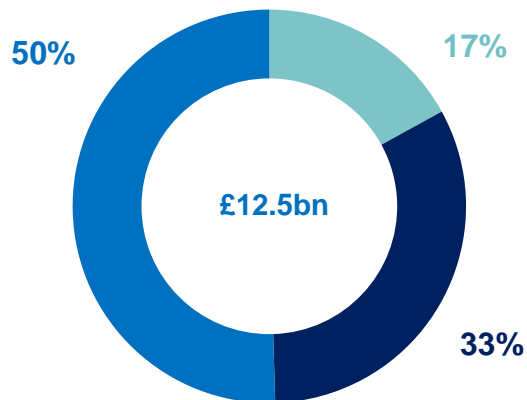
## Gross core loans by country of exposure at 31 Mar 2021



## Gross core loans by risk category at 31 March 2021

### Corporate and other

Small ticket asset finance	10.3%
Corporate and acquisition finance	11.5%
Fund finance	10.2%
Motor finance	4.4%
Other corporate, institutional, govt. loans	5.7%
Power and infrastructure finance	4.0%
Asset based lending	2.7%
Large ticket asset finance	1.3%
Resource finance	0.2%



### Lending collateralised against property

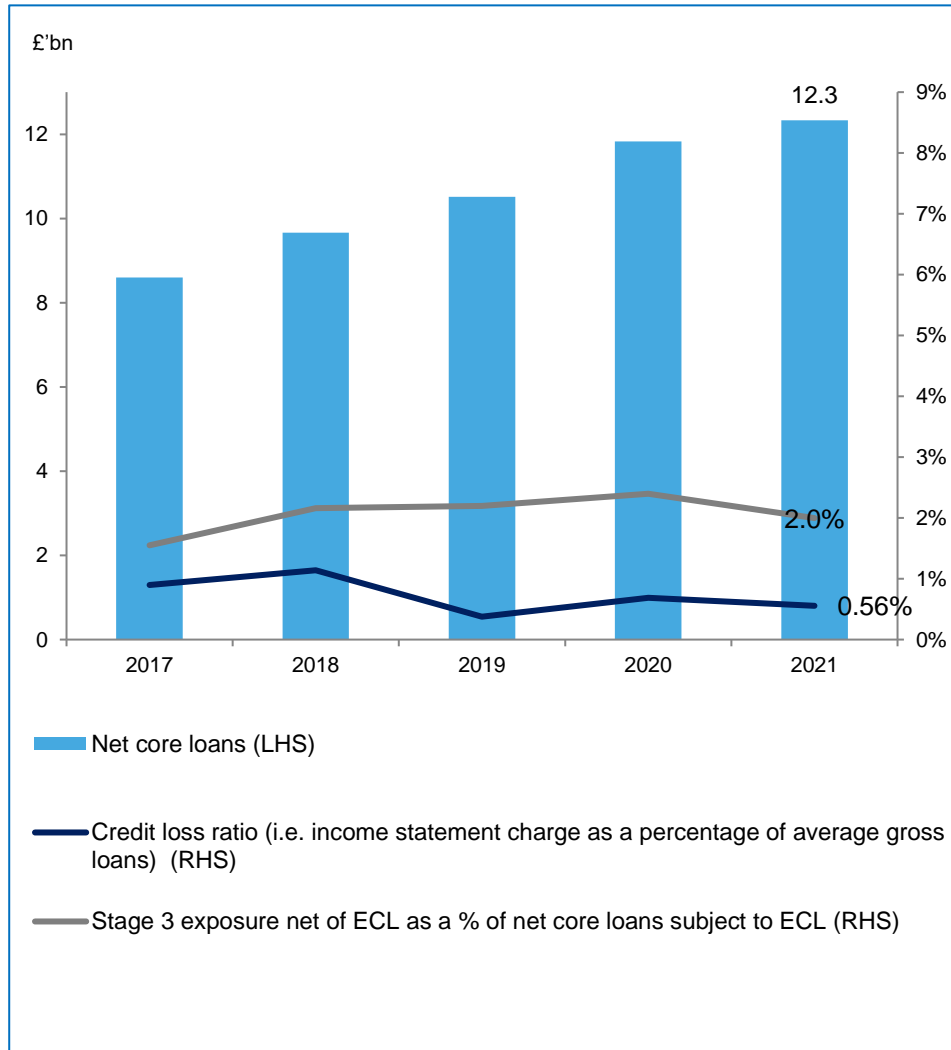
Commercial property investment	9.4%
Residential property development	2.6%
Residential investment	2.8%
Commercial property development	1.8%
Residential vacant land and planning	0.4%
Commercial vacant land and planning	0.1%

### High net worth and other private client

HNW and private client mortgages	25.5%
HNW and specialised lending	7.0%

# Investec plc: sound and improving asset quality

## Core loans and asset quality

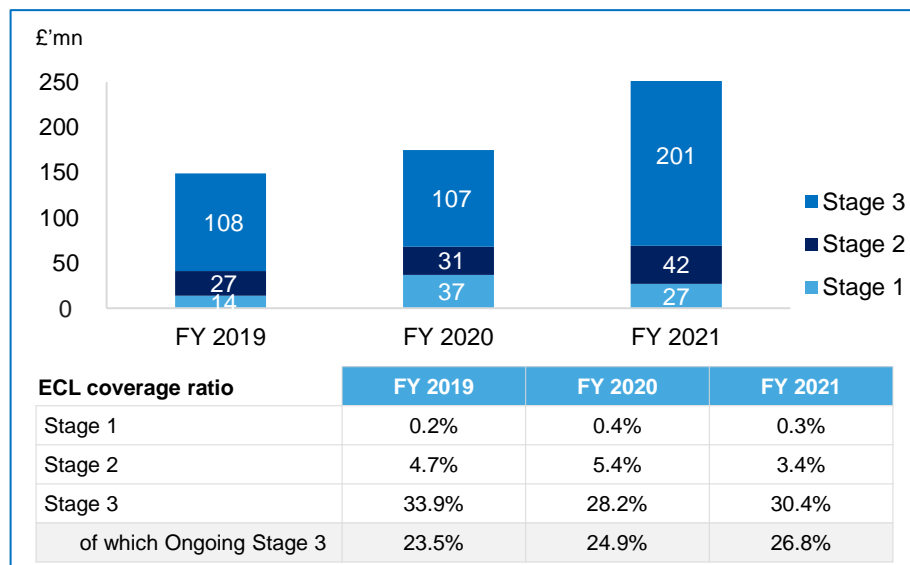


### Credit quality on net core loans for the year ended 31 March 2021:

- **Total income statement ECL impairment charges** amounted to £71.2mn (2020: £75.8mn)
- The **credit loss ratio** reduced to 0.56% (2020: 0.69%). The credit loss ratio remains elevated from pre-pandemic levels, however this is predominantly driven by provision on the performing book under IFRS 9
- The year-on-year decrease was mainly driven by a lower Stage 3 ECL impairment charge in FY2021
- **Stage 3 exposures net of ECL** decreased from £272mn at 31 March 2020 to £231mn. **Stage 3 exposure net of ECL as a % of net core loans subject to ECL** declined marginally since 31 March 2020 to 2.0%.

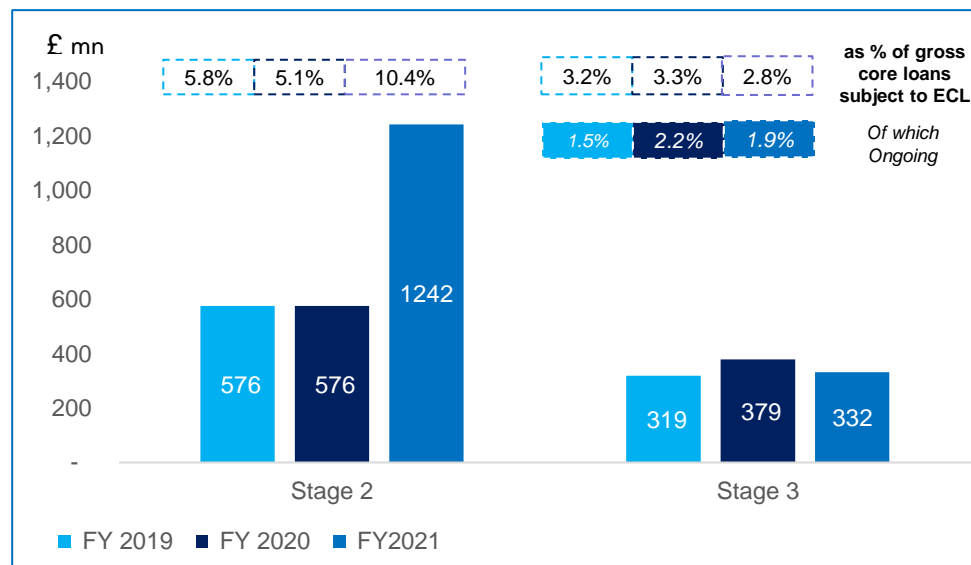
# Investec plc: asset quality metrics

## Provision build due to COVID-19 under IFRS 9



- Overall coverage for Stage 1 and Stage 2 remains elevated at 31 March 2021, reflecting the ongoing uncertainty arising from the COVID-19 pandemic. A slight reduction in coverage reflects the greater proportion of the portfolio made up of high net worth mortgage lending relative to prior years, which typically has a lower coverage ratio given the strong credit quality of the underlying borrowers
- Previous assumptions were made at the onset of the COVID-19 pandemic at 31 March 2020 resulting in ECL overlays totalling £26 million being applied to the performing book to capture risks not yet identified in the models. Since then, the bank's methodology has changed to incorporate the deteriorated macro-economic scenarios resulting in an uptick in Stage 1 and Stage 2 ECL (excluding overlays). This increase has been offset by a reduction in the ECL overlay applied to the performing book from £26 million to £16 million at 31 March 2021 as a result of this change in approach.

## Gross core loans by Stage

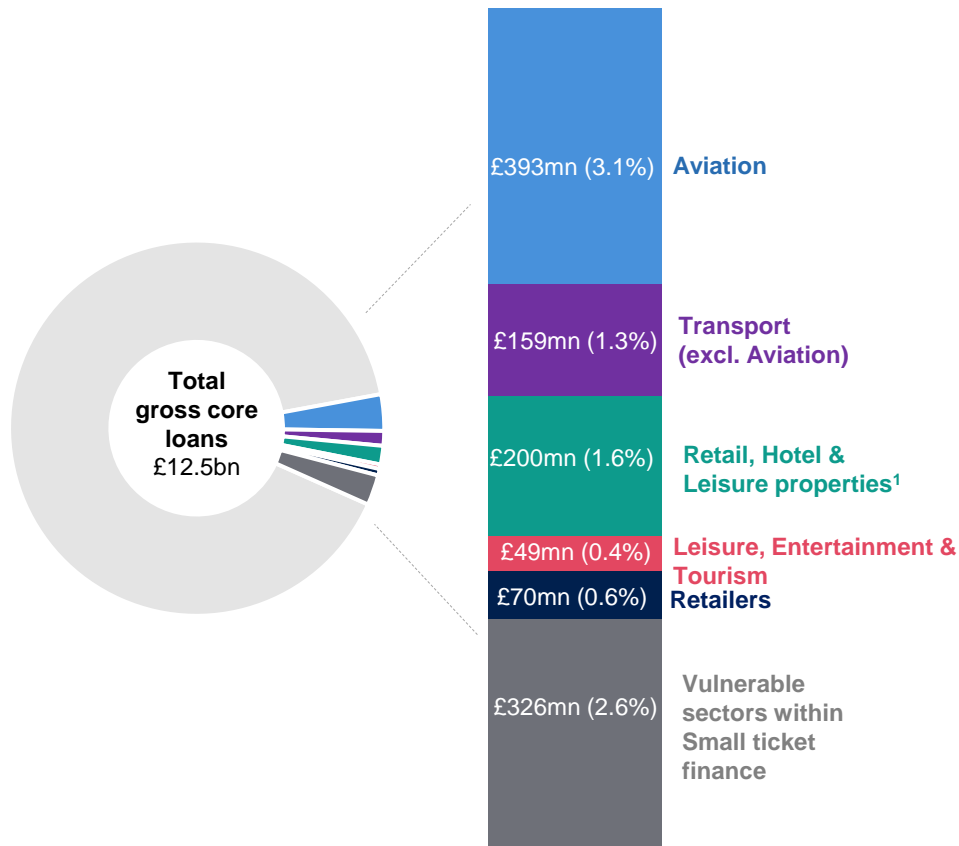


- The increase in Stage 2 loans was driven largely by deteriorated macro-economic scenarios and a change in weightings as a result of the COVID-19 pandemic, offset by the sale of certain Australian corporate loans in Stage 2
- Stage 3 in the Ongoing book (excluding Legacy) reduced to £231mn or 1.9% of gross core loans subject to ECL at 31 March 2021 (31 March 2020: 2.2%), driven by a number of exits and limited new defaults. Tail risk from Legacy portfolio has reduced significantly (0.7% of net core loans)
- In line with regulatory and accounting bodies guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages
- At 31 March 2021, 2.7% of UK gross core loans exposure was under some form of COVID-19 relief, compared to the peak of 13.7% in June 2020.

# Sectors particularly affected by COVID-19

## Exposures to vulnerable sectors

31 March 2021



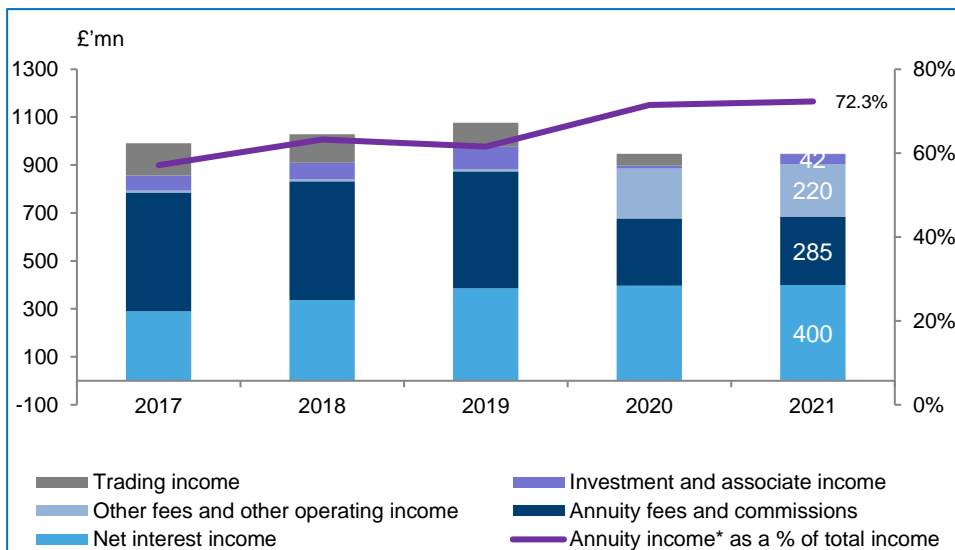
Our exposure to sectors considered to have been particularly affected by COVID-19 totalled £1,197mn as at 31 March 2021 or 9.6% of gross core loans and advances

- We have a **diversified portfolio across sectors**. Government stimulus and support measures to date have provided substantial support to the underlying economy which has helped to mitigate the impact on the vulnerable sectors.
- Limited direct exposure to Leisure, entertainment and tourism, Transport (excl. Aviation) and Retailers through the Corporate portfolio in line with our risk appetite
- These exposures are well managed, typically with substantial sponsors in place to support the transactions and well understood by the bank given the small number of deals in each sector
- In the **property portfolio**, direct exposure to Retail (excl. supermarkets) and Hotels / Leisure is limited. A large proportion of retail exposures have anchor tenants which are well known discount retailers or DIY stores which are expected to weather the potential recessionary environment well
- The **aviation portfolio** totalled £393mn of gross core loans at 31 March 2021. There is no unsecured corporate exposure to the airline industry. The majority of the exposure is either senior secured on aircraft with conservative loan to value ratios, to flag carriers who are likely to be supported by their respective governments during this period or to lessors, rather than direct to airlines, where these companies have substantial balance sheets which are continuing to support debt service. We continue to closely monitor these exposures given the significant ongoing disruption to this industry as a result of COVID-19, albeit the underlying transactions are well structured and underpinned by good assets
- **Small ticket asset finance** borrowers are predominantly in the UK SME market and as a result have been affected by COVID-19, however, this business (average ticket size of £10K – £25K) covers a broad range of sectors and actively seeks to avoid concentration to any particular industry. In addition, there are diversified underlying assets with a focus on hard assets. The government schemes announced are expected to directly support the clients within this business as well as in other areas of corporate and other lending

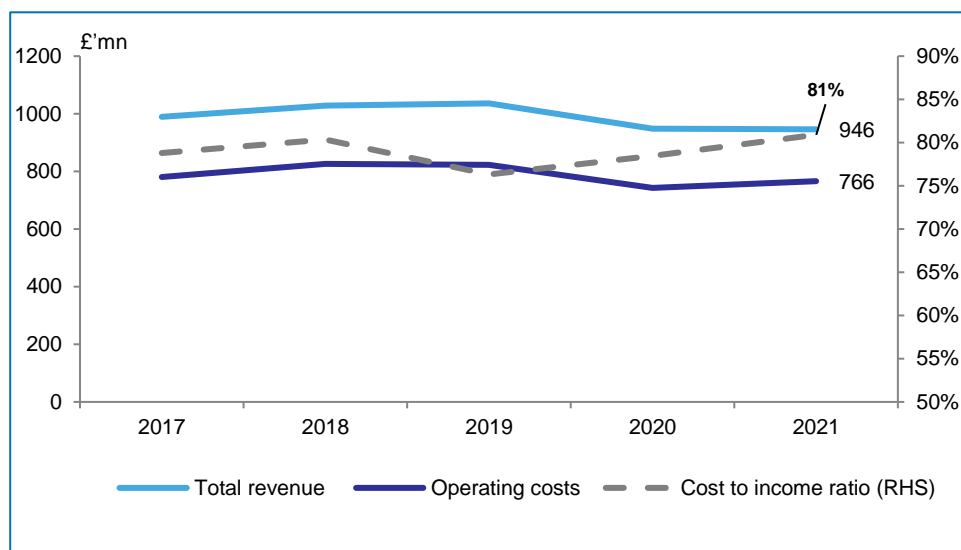
<sup>1</sup> Retail properties which have no underlying tenants that are either food retailers or other essential goods and services

# Investec plc: profitability supported by diversified revenue streams

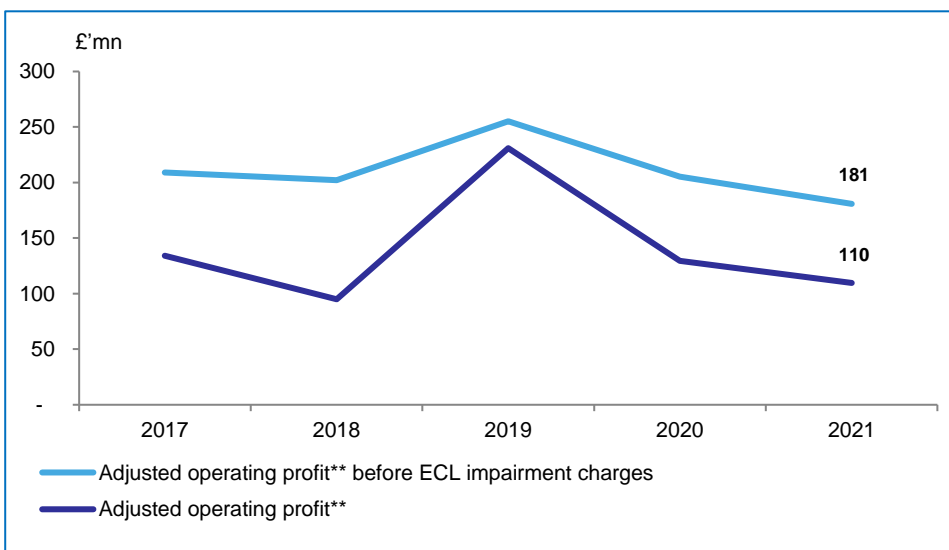
## Annuity income



## Revenue versus expenses



## Adjusted operating profit\*\* before ECL impairment charges



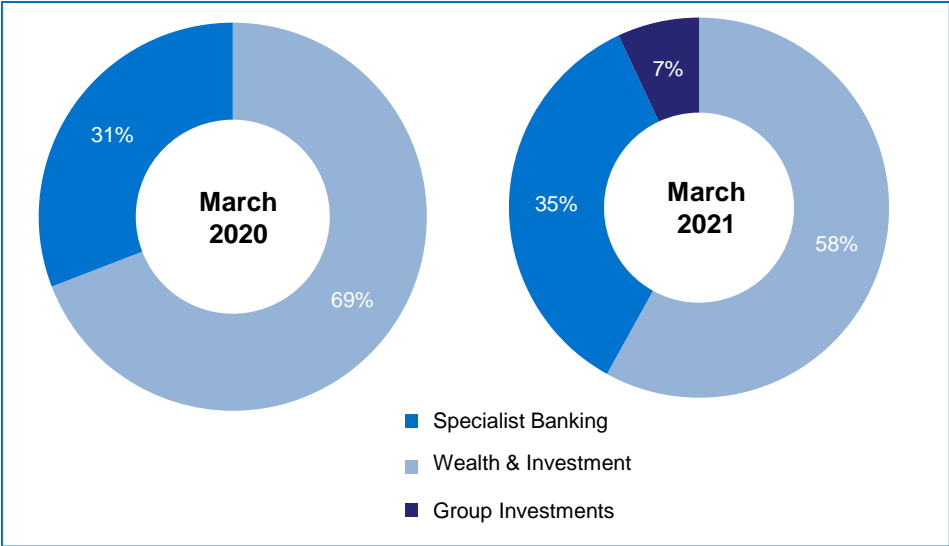
- We have a **solid recurring income base (72.3%)** comprising net interest income and annuity fees which has been enhanced by the growth in our wealth management business
- **Total capital light activities accounted for 53.0%** of Investec plc's income (51.5% at 31 March 2020)
- 2021 fixed costs down on the prior year, offset by an increase in variable remuneration to reflect business momentum and one-off costs of c.£26 million associated with the implementation of restructures during the period
- 2021 cost to income ratio remains elevated due to revenue pressures, primarily reflecting the COVID-19 environment

\*Where annuity income is net interest income and annuity fees. \*\*Operating profit before goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests

# Investec plc: we have realigned the business model

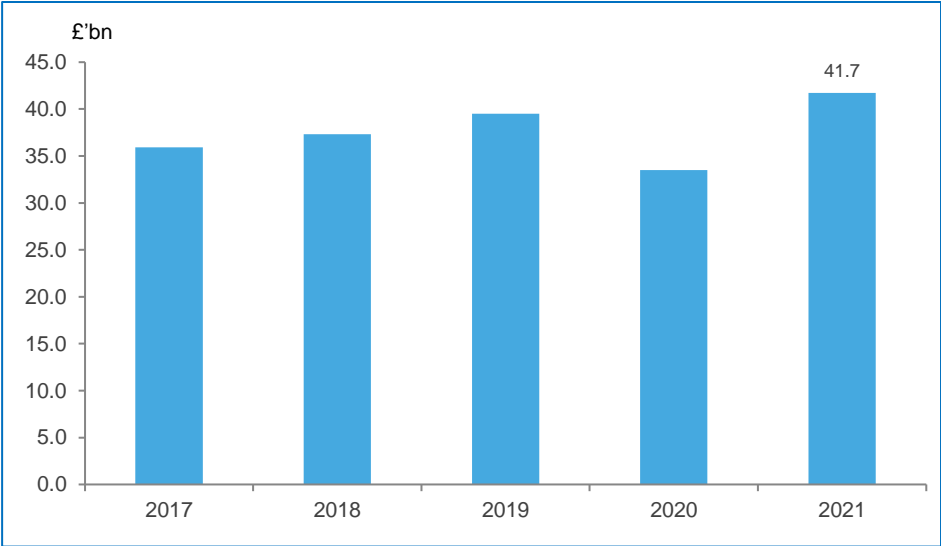
With continued focus on building capital light revenues from the Wealth & Investment business

## % contribution to adjusted operating profit\*



- Profitability is supported by a diversified, quality adjusted operating profit mix from the Specialist Banking and Wealth & Investment businesses
- The lower contribution from the Specialist Banking business in the financial year ended 31 March 2021 was largely driven by hedging costs related to our structured deposits book; offsetting the increased equity capital markets activity and good levels of lending turnover experienced across private client and certain corporate client lending

## Funds under management



- Funds under management increased by 24.6% to £41.7 billion due to favourable market movements, investment performance and positive net inflows.

\*Adjusted operating profit by business is Operating profit before group costs and goodwill, acquired intangibles and strategic actions, less profit attributable to other non-controlling interests.

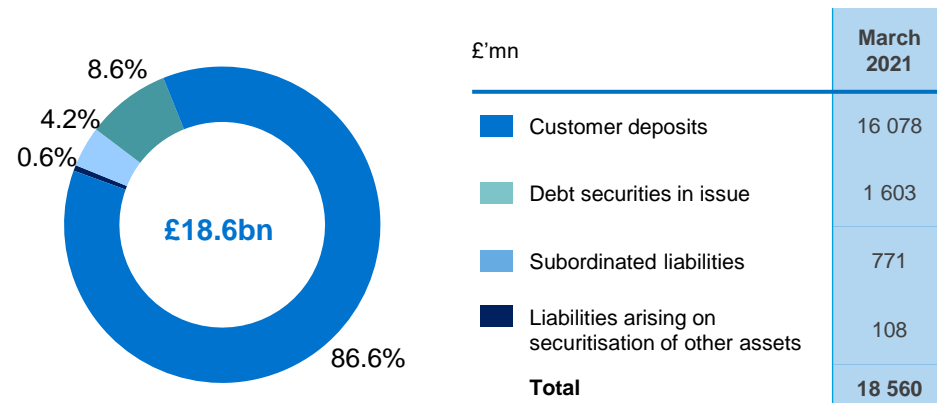
# Investec plc: diversified funding strategy and credit ratings

- Investec's funding consists **primarily of customer deposits**
- Investec adopts a **conservative and prudent funding strategy**
- Positive rating trajectory:** over the past few years both IBP and Investec plc have received ratings upgrades

## Conservative and prudent funding strategy



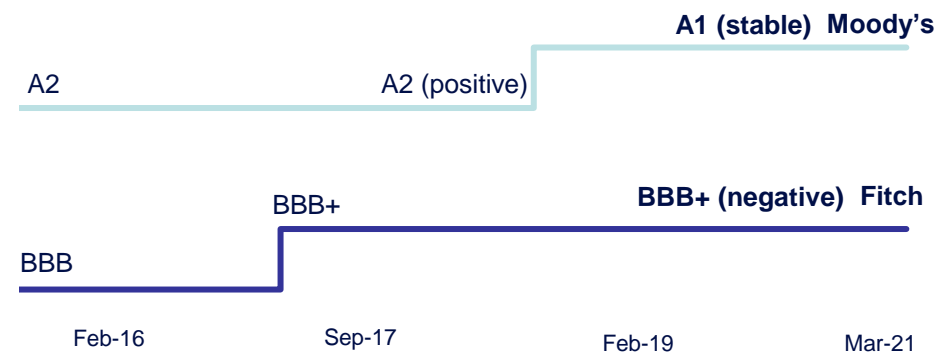
## Selected funding sources



## Credit ratings\*

- In February 2019, **Moody's** upgraded IBP's long-term deposit rating to **A1** (stable outlook) from A2 (positive outlook) and its baseline credit assessment (BCA) to baa1 from baa2. These ratings were affirmed on 16 August 2019.
- On 24 July 2020, **Fitch** affirmed IBP's Long Term Issuer Default Rating (IDR) at **BBB+** and removed the Rating Watch Negative (that had been placed on IBP's ratings on 1 April 2020 following the onset of the COVID-19 pandemic) to reflect Fitch's view that IBP's ratings are not immediately at risk from the impact of the economic downturn. The outlook on the Long-Term IDR is negative to reflect the ongoing downside risks relating to COVID-19.

## IBP's long-term ratings



\*A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

## Well positioned to withstand current stress arising from COVID-19 pandemic

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- Since the global financial crisis in 2007 / 2008, Investec plc has reshaped its business model and shifted its composition of revenues **toward lower lending risks** with a greater focus on **lower risk activities that generate more stable fee and commission income**.
- **Investec plc also includes capital light non-banking income from IW&I** (0% profit contribution in 2011 to 58% profit contribution in 2021), one of the largest private client wealth managers in the UK with £41.7bn FUM and an estimated value of c.£1bn not included in Investec plc's capital ratios, which provides Investec plc with an additional loss absorbing buffer.
- Continued focus on growing our capital light businesses, contributing 52.9% of Investec plc's total operating income (only 25% in March 2011).
- **Investec plc shifted its risk appetite away from wholesale funding** following the global financial crisis and has demonstrated a consistently strong track record in raising and retaining customer deposits, which now total £16.1bn. Funding raised in the wholesale markets is used to diversify and lengthen overall funding.
- Investec plc absorbed over £1bn worth of losses as a result of the global financial crisis largely in relation to the bank's Legacy portfolio yet the bank managed to **remain profitable throughout the crisis**, build on its capital base, pay dividends and not require government support.
- Since then, Investec plc's credit risk appetite for over 10 years has focused on a **diversified, secured portfolio** with limited concentration risk as evidenced through the substantial reduction in Lending collateralised by property (from a peak of 52% in 2010 to 17% at 31 March 2021) and strong performance of the Ongoing portfolio over this time.
- **Investec plc's resilience** is demonstrated by its strong liquidity (cash and near cash £6.9bn), diversified stable funding, robust capital (CET1 ratio of 11.0%) supported by a high leverage ratio (7.8%) and with resilient revenues from multiple business lines to support performance, leaving the bank well positioned to be able to withstand the substantial disruption that has taken place to date as well as anticipated future impacts over the coming months.
- During the year to 31 March 2020, the demerger resulted in a 59bps increase in Investec plc's CET 1 ratio. **Investec plc retains a 16.3% shareholding in the Ninety One group, which could result in further capital uplift if sold.**

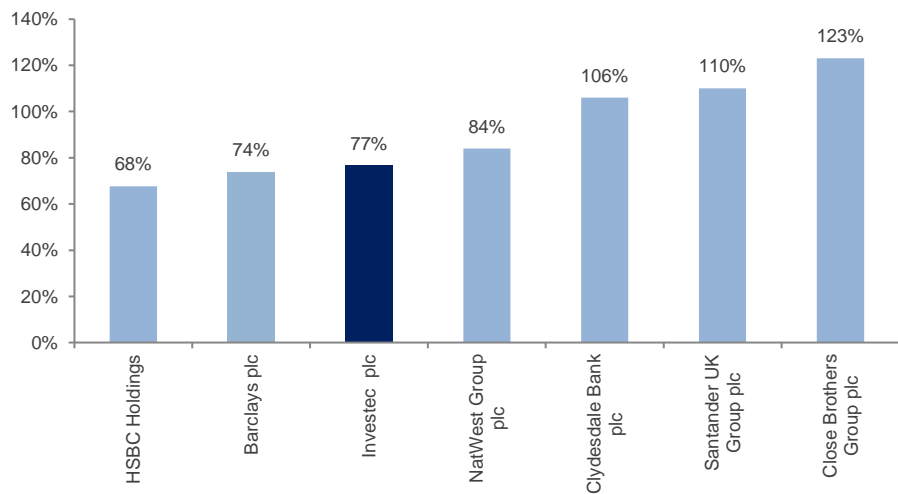




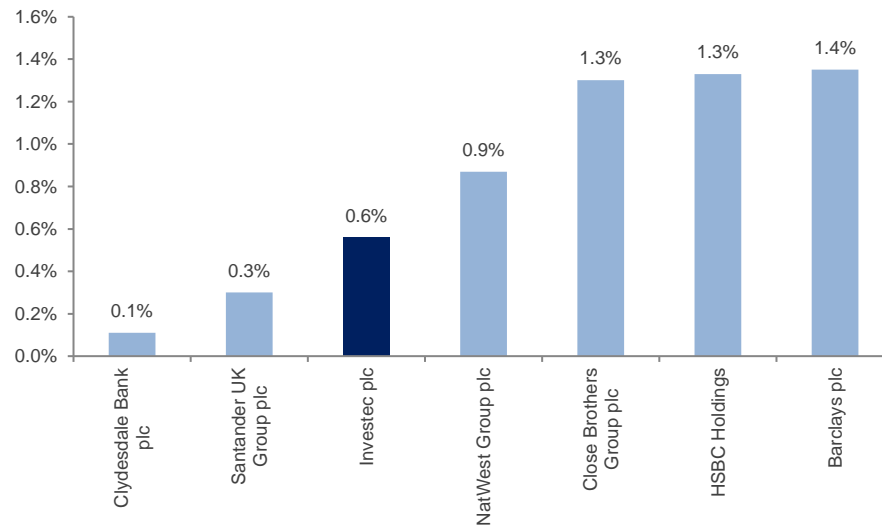
## Investec plc: peer analysis

# Investec plc: peer group comparisons

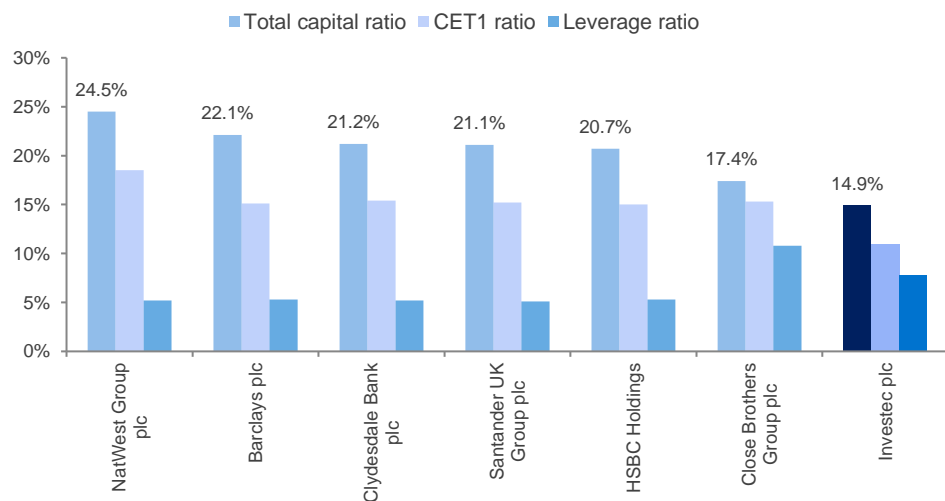
**Funding: Loans and advances to customers as a % of customer deposits (smaller number is better)**



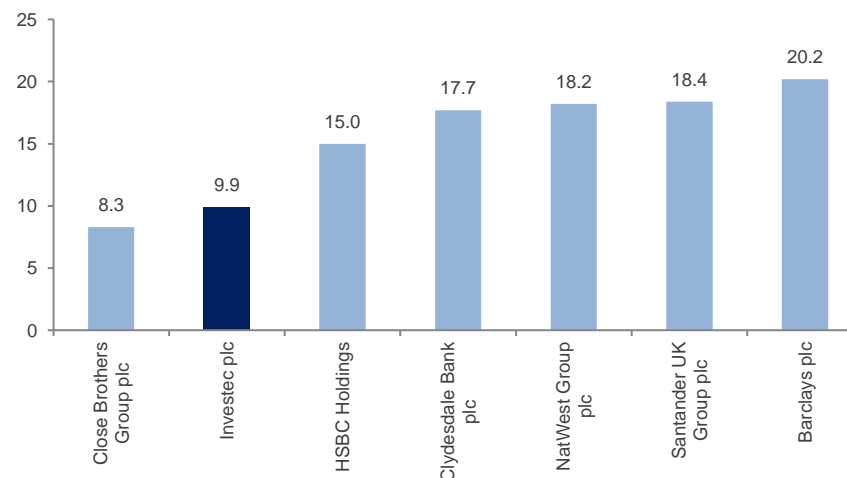
**Credit loss ratio: ECL impairment charges as a % of average core loans and advances (smaller number is better)**



**Capital ratios\* (larger number is better)**



**Gearing ratio: Assets: equity (smaller number is better)**



# Investec plc: peer group comparisons

## Definitions and/or explanations of certain ratios:

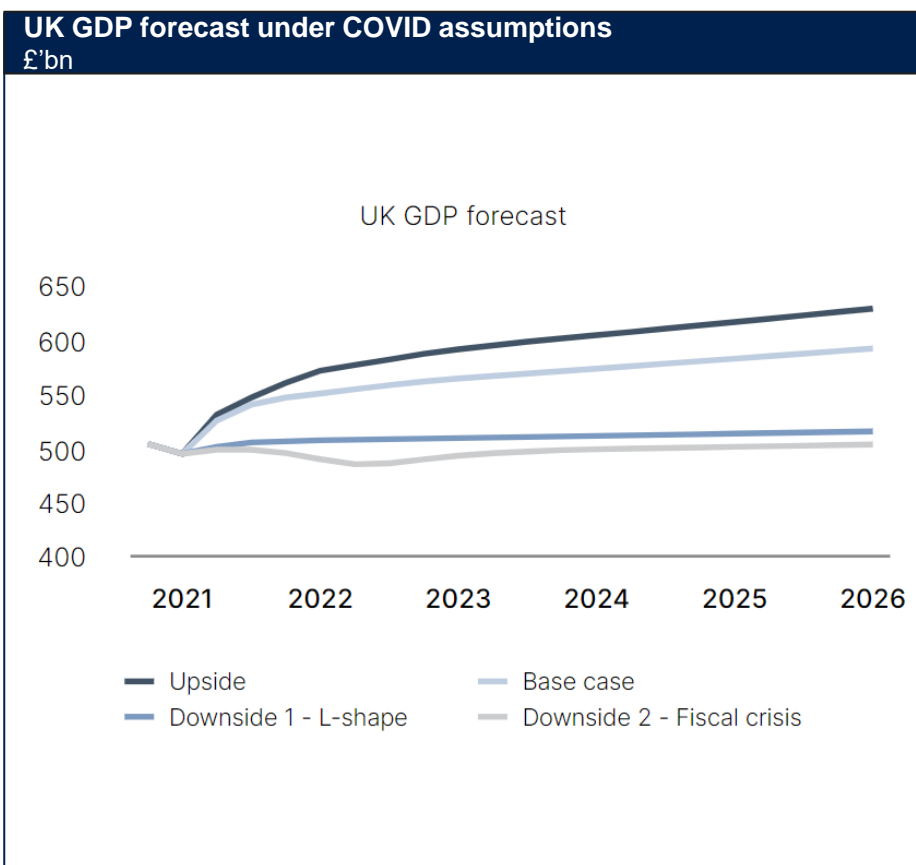
- Customer deposits do not include deposits from banks.
- The loans and advances to customers as a % of customer deposits ratio reflects how much of a bank's advances to customers are funded from the "retail and corporate" market as opposed to the "wholesale funding and banking market". A ratio higher than one indicates that advances to customers are not fully funded from the retail and corporate market, with the balance being funded from the wholesale market.
- A capital ratio is a measure of a bank's available capital expressed as a percentage of a bank's risk-weighted assets. It is based on regulatory qualifying capital (including common equity tier 1, additional tier 1 and tier 2 capital) as a percentage of risk-weighted assets. Assets are risk-weighted either according to the Standardised Approach in terms of Basel or the Advanced Approach.
- The leverage ratio is calculated as tier 1 capital (according to regulatory definitions) divided by total assets (exposure measure). This ratio effectively assumes that all assets are 100% risk-weighted and is a more conservative measure than the total capital ratio. Regulators are expecting that this ratio should exceed 5%.
- The gearing ratio is calculated as total assets divided by total equity (according to accounting definitions).
- The credit loss ratio is calculated as the ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL.
- Stage3/Default loans largely comprise loans that are impaired and/or over 90 days in arrears.



# Investec plc - appendices

# IFRS 9 macro economic scenario forecasts

- For Investec plc, four macro-economic scenarios are used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.
- As at 31 March 2021 the base case was updated to represent the latest economic outlook that reflected the forecasted recovery from the COVID-19 pandemic. At 31 March 2020 the downside scenarios consisted of a global asset price shock and one depicting economic stagnation. These were replaced at 30 September 2020 to better reflect the balance of risks, with an L-shape scenario and a No-FTA Brexit scenario. At 31 March 2021, the L-shape scenario remained, but was updated to reflect the latest economic data. However, given the UK-EU trade deal, the No-FTA Brexit scenario was replaced with a Fiscal crisis scenario.
- In addition to a reassessment of the macro-economic scenarios, a review of the weightings also took place to take into account the latest economic developments and the changes to the scenarios. On this basis, the weightings stood at 10% upside, 55% base case, 30% L-shape and 5% Fiscal crisis. On balance, the skew of risks remained to the downside.



Macro-economic scenarios	Upside %	Base case %	Downside 1 L-shape %	Downside 2 Fiscal crisis %
<b>UK</b>				
GDP growth	5.4	4.2	1.3	0.9
Unemployment rate	4.3	4.7	6.9	7.8
House price growth	3.7	1.6	0.7	(0.9)
BoE – Bank rate (end year)	1.0	0.6	(0.4)	(0.7)
<b>Euro area</b>				
GDP growth	4.4	3.1	1.0	0.9
<b>US</b>				
GDP growth	6.5	3.4	1.4	1.2
Scenario weighting	10	55	30	5

## Investec plc: salient financial features

Key financial statistics	31 March 2021	30 March 2020	% change
Total operating income before expected credit loss impairment charges (£'000)	946 400	948 249	(0.2%)
Operating costs (£'000)	766 367	742 199	3.3%
Adjusted operating profit (£'000)	109 698	129 386	(15.2%)
Earnings attributable to ordinary shareholders (£'000)	69 772	645 521	(89.2%)
Cost to income ratio (%)	80.9%	78.3%	
Total capital resources (including subordinated liabilities) (£'000)	3 277 938	3 175 859	3.2%
Total equity (£'000)	2 506 457	2 388 829	4.9
Total assets (£'000)	24 801 508	24 826 119	(0.1%)
Net core loans (£'000)	12 330 652	11 870 160	3.9%
Customer accounts (deposits) (£'000)	16 077 671	15 280 302	5.2%
Loans and advances to customers as a % of customer deposits	76.7%	77.7%	
Cash and near cash balances (£'mn)	6 857	6 040	13.5%
Funds under management (£'mn)	41 708	33 465	24.6%
Total gearing ratio (i.e. total assets to equity)	9.9x	10.4x	
Total capital ratio	14.9%	14.9%	
Tier 1 ratio	12.7%	12.4%	
Common equity tier 1 ratio	11.0%	10.7%	
Leverage ratio	7.8%	7.8%	
Leverage ratio – 'fully loaded'	7.4%	7.4%	
Stage 3 exposure as a % of gross core loans subject to ECL	2.8%	3.3%	
Stage 3 exposure net of ECL as a % of net core loans subject to ECL	2.0%	2.4%	
Credit loss ratio	0.56%	0.69%	

# Investec plc: income statement

£'000	31 March 2021	31 March 2020
Interest income	701 220	784 396
Interest expense	(301 506)	(387 011)
<b>Net interest income</b>	<b>399 714</b>	<b>397 385</b>
Fee and commission income	501 794	496 036
Fee and commission expense	(13 271)	(13 836)
Investment income	31 266	6 375
Share of post taxation profit of associates and joint venture holdings	10 829	5 382
Trading income arising from		
- customer flow	(11 025)	50 980
- balance sheet management and other trading activities	11 262	(537)
Other operating income	15 831	6 464
<b>Total operating income before expected credit loss impairment charges</b>	<b>946 400</b>	<b>948 249</b>
Expected credit loss impairment charges	(71 196)	(75 800)
<b>Operating income</b>	<b>875 204</b>	<b>872 449</b>
Operating costs	(766 367)	(742 199)
<b>Operating profit before acquired intangibles and strategic actions</b>	<b>108 837</b>	<b>130 250</b>
Impairment of goodwill	(11 248)	-
Amortisation of acquired intangibles	(12 851)	(12 915)
Closure and rundown of the Hong Kong direct investments business	7 387	(89 257)
<b>Operating profit</b>	<b>92 125</b>	<b>28 078</b>
Financial impact of group restructures	-	(25 725)
<b>Profit before taxation from continuing operations</b>	<b>92 125</b>	<b>2 353</b>
Taxation on operating profit before acquired intangibles and strategic actions	(24 243)	706
Taxation on acquired intangibles and strategic actions	1 029	20 926
<b>Profit after taxation from continued operations</b>	<b>68 911</b>	<b>23 985</b>
<b>Profit after taxation from discontinued operations</b>	<b>-</b>	<b>640 506</b>
<b>Profit after taxation</b>	<b>68 911</b>	<b>664 491</b>
Profit attributable to non-controlling interests of discontinued operations	-	(18 106)
Profit / Loss attributable to other non-controlling interests	861	(864)
<b>Earnings attributable to shareholders</b>	<b>69 772</b>	<b>645 521</b>

## Investec plc: balance sheet

£'000	31 March 2021	31 March 2020
<b>Assets</b>		
Cash and balances at central banks	3 043 034	2 277 318
Loans and advances to banks	1 385 471	1 794 165
Reverse repurchase agreements and cash collateral on securities borrowed	2 065 232	2 458 822
Sovereign debt securities	1 108 253	1 084 958
Bank debt securities	48 044	51 238
Other debt securities	698 961	685 936
Derivative financial instruments	773 333	1 250 735
Securities arising from trading activities	281 645	256 645
Investment portfolio	714 315	635 297
Loans and advances to customers	12 335 837	11 871 849
Other loans and advances	123 536	191 930
Other securitised assets	107 259	106 218
Interests in associated undertakings and joint venture holdings	58 658	54 391
Deferred taxation assets	110 750	130 657
Other assets	1 450 770	1 425 868
Property and equipment	185 502	216 955
Goodwill	249 836	261 183
Software	7 791	7 144
Other intangible assets	53 281	64 810
<b>Total assets</b>	<b>24 801 508</b>	<b>24 826 119</b>



## Investec plc: balance sheet (continued)

£'000	31 March 2021	31 March 2020
<b>Liabilities</b>		
Deposits by banks	1 352 581	1 419 298
Derivative financial instruments	914 863	1 146 749
Other trading liabilities	49 055	118 572
Repurchase agreements and cash collateral on securities lent	157 357	396 811
Customer accounts (deposits)	16 077 671	15 280 302
Debt securities in issue	1 602 584	1 467 870
Liabilities arising on securitisation of own originated loans and advances	108 281	110 679
Current taxation liabilities	36 862	26 905
Deferred taxation liabilities	19 984	21 438
Other liabilities	1 204 332	1 661 636
	<b>21 523 570</b>	<b>21 650 260</b>
Subordinated liabilities	771 481	787 030
	<b>22 295 051</b>	<b>22 437 920</b>
<b>Equity</b>		
Ordinary share capital	202	202
Ordinary share premium	806 812	806 812
Treasury shares	(134 185)	(140 559)
Other reserves	(65 686)	(147 971)
Retained income	1 624 130	1 592 182
<b>Ordinary shareholders' equity</b>	<b>2 231 273</b>	<b>2 110 666</b>
Perpetual preference share capital and premium	24 794	24 794
<b>Shareholder's equity excluding non-controlling interests</b>	<b>2 256 067</b>	<b>2 135 460</b>
Other Additional Tier 1 securities in issue	250 000	250 000
Non-controlling interests in partially held subsidiaries	390	3 369
<b>Total equity</b>	<b>2 506 457</b>	<b>2 388 829</b>
<b>Total liabilities and equity</b>	<b>24 801 508</b>	<b>24 826 119</b>

# Investec plc: segmental analysis of operating profit

For the financial year ended 31 March 2021 £'000	Specialist Banking			Group Investments	Group costs	Total group
	Wealth & Investment	Private Banking	CIB & Other			
<b>Continuing operations</b>						
Net interest income	2 296	34 664	362 754	–	–	399 714
Fee and commission income	316 813	705	184 276	–	–	501 794
Fee and commission expense	(773 )	(61)	(12 437)	–	–	(13 271)
Investment income	272	19	22 122	8 853	–	31 266
Share of post taxation profit of associates and joint ventures holdings	–	–	10 829	–	–	10 829
Trading income arising from						
- customer flow	920	1 196	( 13 141)	–	–	(11 025)
- balance sheet management and other trading activities	(9)	13	(11 258)	–	–	11 262
Other operating income	–	–	(15 831)	–	–	(15 831)
<b>Total operating income before expected credit loss impairment charges</b>	<b>319 519</b>	<b>36 536</b>	<b>581 492</b>	<b>8 853</b>	–	<b>946 400</b>
Expected credit loss impairment release/(charges)	(4)	(1 515)	(69 677)	–	–	(71 197)
<b>Operating income</b>	<b>319 514</b>	<b>35 021</b>	<b>511 814</b>	<b>8 853</b>	–	<b>875 203</b>
Operating costs	(245 175)	( 38 033)	(464 873 )	–	<b>(18 286)</b>	<b>(766 367)</b>
<b>Operating profit before acquired intangibles and strategic actions from continuing operations</b>	<b>74 339</b>	<b>(3 012)</b>	<b>46 941</b>	<b>8 853</b>	<b>(18 286)</b>	<b>108 836</b>
Profit attributable to other non-controlling interests	–	–	861	–	–	861
<b>Operating profit before acquired intangibles and strategic actions from continuing operations after non-controlling interest</b>	<b>74 339</b>	<b>(3 012)</b>	<b>44 790</b>	<b>8 853</b>	<b>(18 286)</b>	<b>109 697</b>
Cost to income ratio	76.7%	104.1%	79.8%	n/a	n/a	80.9%
Total assets (£'million)	1 016	3 338	20 302	146	n/a	24 802

# Investec plc: segmental analysis of operating profit

For the financial year ended 31 March 2020  
£'000

	Specialist Banking					Total group
	Wealth & Investment	Private Banking	CIB & Other	Group Investments	Group costs	
<b>Continuing operations</b>						
Net interest income	12 604	23 441	361 340	–	–	397 385
Fee and commission income	305 090	341	190 605	–	–	496 036
Fee and commission expense	(678)	(8)	(13 150)	–	–	(13 836)
Investment income	(436)		6 811	–	–	6 375
Share of post taxation profit of associates and joint ventures holdings	–	–	5 382	–	–	5 382
Trading income arising from						
- customer flow	862	1 433	48 685	–	–	50 980
- balance sheet management and other trading activities	108	1	(646)	–	–	(537)
Other operating income	181	-	6 283	–	–	6 464
<b>Total operating income before expected credit loss impairment charges</b>	<b>317 731</b>	<b>25 208</b>	<b>605 310</b>	<b>–</b>	<b>–</b>	<b>948 249</b>
Expected credit loss impairment release/(charges)	1	(643)	(75 158)	–	–	(75 800)
<b>Operating income</b>	<b>317 732</b>	<b>24 565</b>	<b>530 152</b>	<b>–</b>	<b>–</b>	<b>872 449</b>
Operating costs	(25 4714)	(43 482)	(407 715)	–	(36 288)	(742 199)
<b>Operating profit before acquired intangibles and strategic actions from continuing operations</b>	<b>63 018</b>	<b>(18 917)</b>	<b>122 437</b>	<b>–</b>	<b>(36 288)</b>	<b>130 250</b>
Loss attributable to other non-controlling interests			(864)	–	–	(864)
<b>Adjusted operating profit from continuing operations</b>	<b>63 018</b>	<b>(18 917)</b>	<b>121 573</b>	<b>–</b>	<b>(36 288)</b>	<b>129 386</b>
<b>Operating profit before strategic actions from discontinued operations</b>						<b>109 103</b>
Profit attributable to non-controlling interests of discontinued operations						(18 106)
<b>Operating profit before acquired intangibles, strategic actions and after non-controlling interest</b>						<b>220 383</b>
Cost to income ratio	80.2%	172.5%	67.5%	n/a	n/a	78.3%
Total assets (£'million)	1 013	2 432	21 381	n/a	n/a	24 826

## Investec plc: asset quality under IFRS 9

£'million	31 March 2021	31 March 2020
<b>Gross core loans subject to ECL</b>	<b>11 989</b>	<b>11 392</b>
Stage 1	10 415	10 437
Stage 2	1 242	576
<i>of which past due greater than 30 days</i>	90	31
Stage 3	332	379
<i>Ongoing (excluding Legacy) Stage 3*</i>	231	249
<b>Gross core loans subject to ECL (%)</b>		
Stage 1	86.8%	91.6%
Stage 2	10.4%	5.1%
Stage 3	2.8%	3.3%
<i>Ongoing (excluding Legacy) Stage 3*</i>	1.9%	2.2%
Stage 3 net of ECL	231	272
<i>Of which Ongoing (excluding Legacy) Stage 3*</i>	169	187
Aggregate collateral and other credit enhancements on Stage 3	235	274
Stage 3 net of ECL and collateral	-	-
Stage 3 as a % of gross core loans and advances to customers subject to ECL	2.8%	3.3%
<i>Of which Ongoing (excluding Legacy) Stage 3*</i>	1.9%	2.2%
Stage 3 net of ECL as a % of net core loans and advances to customers subject to ECL	2.0%	2.4%
<i>Of which Ongoing (excluding Legacy) Stage 3*</i>	1.4%	1.7%

\*Ongoing information, as separately disclosed from 2014 to 2018, excludes Legacy, which comprises pre-2008 assets held on the balance sheet, that had low/negative margins and assets relating to business we are no longer undertaking.

# Investec plc: capital adequacy

£'million	31 March 2021	31 March 2020
<b>Shareholders' equity</b>	<b>2 198</b>	<b>2 090</b>
Non-controlling interests	-	-
Regulatory adjustments to the accounting basis	98	91
Deductions	(500)	(436)
<b>Common equity tier 1 capital</b>	<b>1 796</b>	<b>1 745</b>
Additional tier 1 instruments	274	274
<b>Tier 1 capital</b>	<b>2 070</b>	<b>2 019</b>
<b>Tier 2 capital</b>	<b>370</b>	<b>414</b>
<b>Total regulatory capital</b>	<b>2 440</b>	<b>2 433</b>
<b>Risk-weighted assets^^</b>	<b>16 332</b>	<b>16 285</b>
<b>Capital ratios^^</b>		
Common equity tier 1 ratio	11.0%	10.7%
Tier 1 ratio	12.7%	12.4%
Total capital ratio	14.9%	14.9%

The capital adequacy disclosures for Investec plc include the deduction of foreseeable charges and dividends when calculating common equity tier 1 (CET1) capital as required under the Capital Requirements Regulation and European Banking Authority technical standards. These disclosures are different to the capital adequacy disclosures included in Investec's 2021 and 2020 integrated report, which follow our normal basis of presentation and do not include this deduction when calculating CET 1 capital. Investec plc's CET1 ratio would be 17bps (31 March 2020: 0bps) higher on this basis. ^^ CET1, Tier 1 (T1), total capital ratios and risk-weighted assets are calculated applying the IFRS 9 transitional arrangements.