Investec

OUT OF THE ORDINARY

Creating enduring worth

Investec annual report
2023

Investec plc silo (excluding Investec Limited)
annual financial statements

Alternative performance measures
We supplement our IFS figures with alternative performance measures used by management internally and which provide valuable, relevant information. These measures are highlighted with the symbol shown here. The description of alternative performance measures and their calculation is provided in the alternative performance measures section.

Page references
Refers readers to information elsewhere in this report.

Website
Indicates that additional information is available on our website: www.investec.com

Group sustainability
Refers readers to further information in the Investec Group's 2023 sustainability report which is published and available on our website:
www.investec.com

Reporting standard
Denotes our consideration of a reporting standard

Unaudited information
Indicated information which has not been audited.

Integrating sustainability
Indicates where we have incorporated sustainability content, aims and ambitions.

Feedback
We value feedback and invite questions and comments on our reporting. To give feedback please contact our Investor Relations division.

For queries regarding information in this document:

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www.investec.com/en_za/welcome-to-investec/about-us/investor-relations.html

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Operational and strategic overview

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OUR BUSINESS AT A GLANCE

One Investec

Our purpose

Our purpose is to create enduring worth.

Our mission

Investec is a distinctive bank and wealth manager, driven by commitment to our purpose, values, core philosophies and culture. We deliver exceptional service to our clients in the areas of banking and wealth management, striving to create long-term value for all of our stakeholders and contributing meaningfully to our people, communities and the planet.

Our distinction

The Investec distinction is embodied in our entrepreneurial culture, supported by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative. We do not seek to be all things to all people. Our aim is to build well-defined, value-adding businesses focused on serving the needs of select market niches where we can compete effectively and build scale and relevance.

Our unique positioning is reflected in our iconic brand, our high-touch and high-tech approach and our positive contribution to society, macro-economic stability and the environment. Ours is a culture that values purposeful thinking and stimulates extraordinary performance. We take pride in the strength of our leadership team, our people are empowered and committed to our values and culture.

Our strategic direction

The One Investec strategy is, first and foremost, a commitment to drawing on the full breadth and depth of relevant capabilities to meet the needs of each client, regardless of specialisation or geography.

One Investec is also about improving internal operating efficiencies; ensuring that investments in infrastructure and technology support our differentiated service offering across the entire Group, not just within specific operating units or geographies.

And in our allocation of capital, the One Investec strategy demands a disciplined approach to optimising returns, not merely for one region or business area but for the Group as a whole.

Our values*

Deep client partnerships, built on trust and out-of-the-ordinary service, are the bedrock of our business

We are dedicated to building meaningful relationships with all our stakeholders

We uphold cast-iron integrity in all we do

We are committed to living in society, not off it

We embrace our responsibility to the environment

We thrive on change and challenge convention with courage, constantly adapting to an ever-changing world

We believe in open and honest dialogue to test decisions, seek consensus and accept responsibility

We trust our people to exercise their judgement, promoting entrepreneurial flair and freedom to operate within the context of prudent risk parameters and unwavering adherence to our values

We embrace diversity in a deeply caring organisation in which everyone can bring their whole selves.

* We have recently realigned our values through extensive consultation and dialogue, across the organisation, with all business areas and geographies, ensuring that they reflect our steadfast beliefs and our aspirations. The processes has been bottom up and top down and then aggregated the wisdom of the organisation to reflect the depth of our thinking and the way we conduct ourselves

OVERVIEW OF THE INVESTEC GROUP'S AND INVESTEC PLC'S ORGANISATIONAL STRUCTURE

Investec plc, which houses our non-Southern African businesses, has been listed on the London Stock Exchange since 2002 with a secondary listing on the Johannesburg Stock Exchange Limited (JSE) and A2X in South Africa.

All references in this report to the Group relate to Investec plc, whereas references to Investec, Investec Group or DLC relate to the combined DLC Group comprising Investec plc and Investec Limited.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

How we are structured

Non-Southern African operations

Investec plc

LSE primary listing
JSE secondary listing
A2X secondary listing

↓

Investec Bank plc

↓

Investec Wealth & Investment Limited

SHARING AGREEMENT

Southern African operations

Investec Limited

JSE primary listing
NSX secondary listing
BSE secondary listing
A2X secondary listing

↓ **Investec Bank Limited**

↓ **Investec Wealth & Investment SA Group**

All shareholdings in the ordinary share capital of the subsidiaries shown are 100%.

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

OVERVIEW OF THE ACTIVITIES OF INVESTEC PLC

We provide our clients with a diversified, combined and integrated banking and wealth management offering with extensive depth and breadth of product and services.

Specialist Banking

Our teams are well positioned to provide solutions to meet private, corporate and institutional clients' needs. Each business provides specialised products and services to defined target markets.

What makes us distinct?

- Provision of high-touch personalised service, with the ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth
- Provision of high-quality solutions to corporate and private clients, with leading positions in select areas.

Focus on helping our clients create and preserve wealth

High net worth (HNW) private clients

Private client banking activities

- Lending
- Private capital
- Transactional banking
- Savings
- Foreign exchange.

UK
Channel Islands

Our high-touch and high-tech private client offering provides transactional banking, lending, private capital, savings and foreign exchange tailored to suit our clients' needs.

Our target market includes HNW active wealth creators (with >£300 000 annual income and >£3mn net asset value). Our savings offering targets primarily UK retail savers.

A highly valued partner and adviser to our clients

Corporate, private, intermediary, government and institutional clients

Corporate and investment banking activities

- Lending
- Treasury and risk management solutions
- Advisory
- Institutional research, sales and trading.

UK and Europe
Channel Islands
USA
India

Our client-centric, solution-driven offering provides Corporate Banking and Investment Banking services to private companies, private equity and sponsor-backed companies and publicly listed companies.

Natural linkages between the private client and corporate business

OVERVIEW OF THE ACTIVITIES OF INVESTEC PLC CONTINUED

Wealth & Investment

A leading private client investment manager in the UK

We are one of the largest investment management firms in the UK and are committed to providing bespoke personal service to private clients, trusts, charities, intermediaries and pension schemes.

With 14 offices across the UK, together with offices in the Channel Islands and Switzerland, combined we employ over 1 400 people with funds under management (FUM) of £42.4bn.

What makes us distinct?

We put our clients first, providing a service suited to their individual requirements. We aim to build long-term relationships with our clients so they can live their lives confident in the knowledge that their finances are being expertly looked after.

Our client groups

- Private clients – domestic and international
- Clients of professional advisers
- Charities
- Trusts.

Distribution channels

- Direct
- Intermediaries
- Investec Private Bank
- Investec internationally.

We exist to free our clients from the burden of having to look after their financial affairs on their own. We strive to do this every day, via the quality of our professional advice, the excellence of the service we deliver and through the preservation and growth of our clients' wealth.

Our offering

UK and Europe

Investment and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Financial planning advice for private clients
- Specialist portfolio management services for international clients
- Platform-based managed portfolio service (MPS) for advisers
- Range of specialist funds for direct clients and advisers.

Financial planning

- Retirement planning
- Succession planning
- Bespoke advice and financial reviews.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pensions (SIPPs)
- Advice and guidance on pension schemes.

SALIENT FEATURES

	31 March 2023	31 March 2022	% change
Income statement and selected returns			
Earnings attributable to ordinary shareholders (£'000)	293 131	235 854	24.3%
Adjusted operating profit (£'000)	387 174	286 944	34.9%
Operating costs (£'000)	854 875	775 866	10.2%
Cost to income ratio	65.3%	71.3%	
Return on average assets*	1.04%	0.88%	
Return on average risk weighted assets*	1.69%	1.40%	
Net interest income as a % of operating income	56.3%	44.4%	
Non-interest income as a % of operating income	43.7%	55.6%	
Annuity income as a % of total operating income	80.0%	73.6%	

	31 March 2023	31 March 2022	% change
Balance sheet			
Total assets (£'million)	28 386	27 946	1.6%
Net core loans (£'million)	15 563	14 423	7.9%
Cash and near cash balances (£'million)	8 550	8 871	(3.6%)
Customer accounts (deposits) (£'million)	19 122	18 294	4.5%
Funds under management (£'million)	42 422	44 419	(4.5%)
Gearing ratio (total assets to equity)	10.4x	10.4x	
Level 3 (fair value assets) as a % of total assets	6.5%	6.4%	
Core loans to equity ratio	5.7x	5.4x	
Loans and advances to customers as a % of customer deposits	81.4%	78.9%	
Credit loss ratio	0.37%	0.17%	
Stage 3 exposures as a % of gross core loans subject to ECL	2.3%	2.1%	
Stage 3 exposures net of ECL as a % of net core loans subject to ECL	1.8%	1.6%	
Other regulatory ratios			
LCR	383%	457%	
NSFR	147%	145%	
Capital and leverage ratios^			
Total Capital ratio	17.2%	16.5%	
Tier 1 ratio	13.1%	12.8%	
Common Equity Tier 1 ratio	11.7%	11.4%	
Leverage ratio	9.2 %	9.0 %	

* Average balances are calculated on a straight-line average

^ The capital and leverage ratios are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

Risk management and governance

IN THIS SECTION

Risk management

RISK MANAGEMENT APPROACH AND FRAMEWORK

Information provided in this section of the annual report is prepared on an Investec plc consolidated basis unless otherwise stated.

Philosophy and approach to risk management

The Group's comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of the businesses to ensure the risks remain within the stated risk appetite.

The Board ensures that there are appropriate resources to manage the risks arising from running our businesses.

The DLC Board Risk and Capital Committee (DLC BRCC) (comprising both Executive and Non-Executive Directors) is the Board mandated committee to monitor and oversee risk. DLC BRCC meets at least five times per annum and recommends the overall risk appetite for the Investec Group to the Board for approval.

We monitor and control risk exposure through independent credit, market, liquidity, operational, legal, internal audit, capital and compliance teams. This approach is core to assuming a tolerable risk and reward profile, helping us to pursue controlled growth across our business.

Group risk management operates within an integrated but geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the Group.

There are specialist divisions in the UK and smaller risk divisions in other regions tasked with promoting sound risk management practices.

Risk management units are locally responsive yet globally aware. This helps to ensure that all initiatives and businesses operate within our defined risk parameters and objectives. We continually seek new ways to enhance risk management techniques.

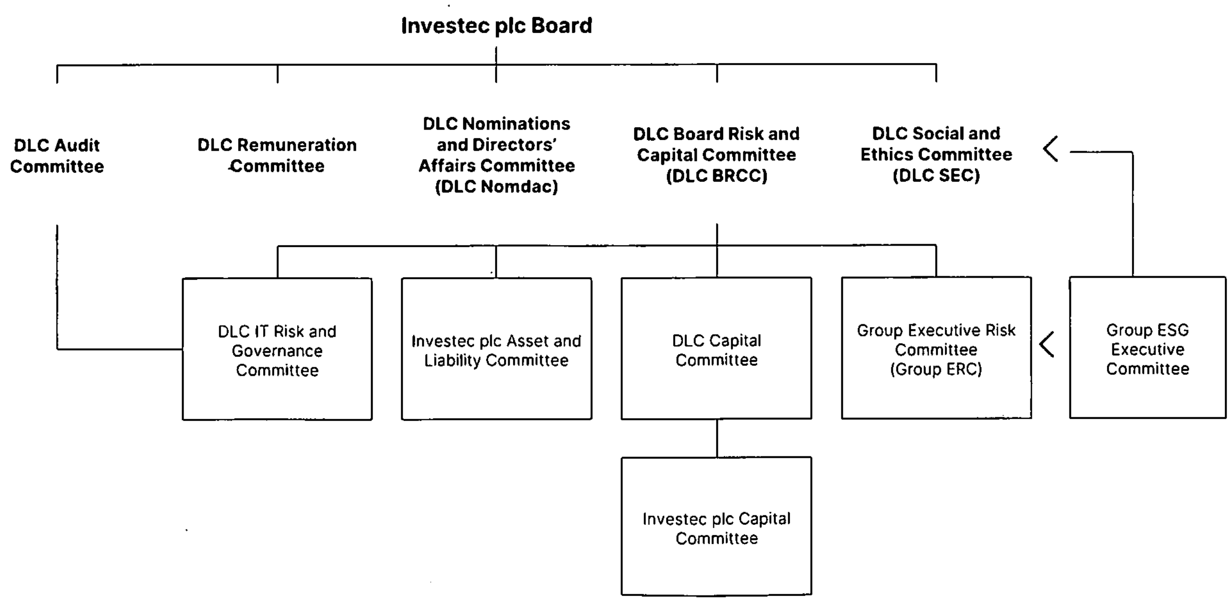
We believe that the risk management systems and processes we have in place are adequate to support the Group's strategy and allow the Group to operate within its risk appetite tolerance.

Group risk management objectives are to:

- Ensure adherence to our risk management culture
- Support the long-term sustainability of the Group by providing an established, independent framework for identifying, evaluating, monitoring and mitigating risk with good customer outcomes
- Set, approve and monitor adherence to underlying risk parameters and limits across the Group and ensure they are implemented and adhered to consistently within the Board-approved risk appetite
- Aggregate and monitor our exposure across risk classes
- Coordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the Board reasonable assurance that the risks we are exposed to are identified and appropriately managed and controlled
- Resource risk teams suitably and with appropriate expertise and facilitate operating independence
- Establish appropriate risk committees to provide oversight and assurance to to the Board as mandated
- Maintain compliance in relation to regulatory requirements.

Risk management framework, committees and forums

A number of committees and forums identify and manage risk at Group level, as shown in the diagram below. These committees and forums, mandated by the Board, operate together with Group risk management, the IBP Board and sub committees within respective operating jurisdictions. The Board of IBP, our regulated banking subsidiary, and the Board of IW&I, our regulated wealth subsidiary, are responsible for the statutory matters and corporate governance for the respective entities, and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. The Boards and Board committees of IBP and IW&I report to the Board and the Board committees of the Group with the interconnection between the respective Board committees supported by the membership or attendance of the chairman of the Group Board committee at the respective subsidiary Board committees.



YEAR IN REVIEW FROM A RISK PERSPECTIVE

A summary of the year in review from a risk perspective

The executive management is integrally involved in ensuring stringent management of risk, liquidity, capital and conduct through our risk appetite framework, embedding a culture of risk consciousness in all staff. The risk appetite framework is set taking into consideration prevailing market conditions and Investec's strategy. The primary aim is to achieve a suitable balance between risk and reward in our businesses.

Against a backdrop of extreme volatility, rising inflation and interest rates and falling GDP growth, we have continued to grow our business in a risk conscious manner. The Group remains well capitalised, maintains high levels of liquidity, runs modest levels of market risk and favours lending to clients with predictable income streams that provide sound collateral.

Liquidity is and has remained a key focus against the backdrop of a mini banking crisis which led to the failure of a number of US regional banks as well as a significant G-SIB. The US failures were driven by a mismatch in interest rates and duration of assets and liabilities, both of which are closely monitored against conservative risk appetites at Investec.

Loans and advances to customers as a percentage of customer deposits remained conservative at 81.4%. Investec plc has a substantial portion of eligible deposits that are covered by Financial Services Compensation Scheme (FSCS) protection. We are confident that we are well funded should further disruption occur in funding markets given our diversified deposit base and bias towards term rather than overnight funding. We have limited reliance on wholesale markets and took advantage of opportunities to lengthen the duration of this funding at favourable terms. As a result we have no requirement to issue in the wholesale markets in the financial year to end March 2024.

Cash and near cash balances at 31 March 2023 amounted to £8.6 billion. We maintain a high level of readily available, high-quality liquid assets (HQLA) – targeting a minimum cash to customer deposit ratio of 25%. Current cash and near cash is equivalent to 44.7% of customer deposits. HQLA is primarily cash at central bank (BoE), and short-dated government bonds. Given the short-dated nature, the majority of the HQLA securities portfolio is held at FVOCI. At 31 March 2023, the Liquidity Coverage ratio (LCR) for Investec plc was 383% and the Net Stable Funding ratio (NSFR) was 147%, both metrics well ahead of current minimum regulatory requirements.

In December 2022 the IBP and DLC Board approved a structural hedging programme in the UK to reduce sensitivity of earnings to interest rate movements. No material earnings impact has occurred for this reporting period given the short duration of time since initiating the hedge.

The Group's focus remains on maintaining a strong liquidity position in light of overall market volatility. Funding continues to be actively raised, across a diverse funding base, supported by stable credit ratings.

IBP's long-term Moody's deposit rating is A1 (stable outlook) and Investec plc's rating is Baa1 (stable outlook). IBP's long-term Fitch rating is BBB+ (stable outlook).

Activity levels remained high amongst clients during the financial year despite a complex macro-economic backdrop and a rising interest rate environment globally. Increased client activity and new client acquisition resulted in an increase in the Group's net core loan book by 7.9% to £15.6 billion. Growth was driven by the private client residential mortgage portfolio as well as corporate client lending portfolios across multiple asset classes.

Credit exposures are focused on secured lending to a select target market, comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. Our risk appetite continued to favour lower risk, income-based lending, with exposures well collateralised and with credit risk taken over a short to medium term. We remain focused on our target market, supporting clients with significant wealth and experience in their chosen sectors, as indicated by our continued growth in the private banking space as we execute on our strategy to target this sector of the market. Over the past few years we have realigned and rebalanced our portfolios in line with our risk appetite framework and this is reflected in the movements in asset classes on our balance sheet; showing an increase in private client, mortgages and corporate and other lending, and maintaining lending collateralised by property as a proportion of net core loans. The Group's net core loan exposures remain well diversified with commercial rent producing property loans comprising approximately 7.8% of net core loans, other lending collateralised by property 7.2%, high net worth and other private client lending 36.0% and corporate and other lending 49.0% (with most industry concentrations well below 5%). We remain confident that we have a well-diversified portfolio across sectors.

The credit loss ratio is trending towards the top end of the 'through-the-cycle' range at 0.37% at 31 March 2023 (31 March 2022: 0.17%) driven by increased Stage 3 ECL charges, as well as an increase in modelled ECLs due to forward-looking macro-economic assumptions offset by a release in the management overlay held.

Stage 3 exposures total £343 million or 2.3% of gross core loans subject to ECL at 31 March 2023 (31 March 2022: 2.1%). The underlying loan portfolios continue to perform well with no evident signs of deteriorating trends in specific sectors.

Stage 2 exposures total £1 321 million or 8.7% as a proportion of gross core loans subject to ECL at 31 March 2023 (31 March 2022: 7.1%) and remain elevated relative to pre-pandemic levels reflecting the forward-looking macro-economic environment.

The measurement of ECL under IFRS 9 has increased complexity and reliance on expert credit judgements. Key judgemental areas under IFRS 9 are highlighted in this document and are subject to robust governance processes. Investec plc applies the IFRS 9 transitional arrangements (including COVID-19 ECL add-backs) to regulatory capital calculations to absorb the impact permissible of IFRS 9 over time.

The Group has maintained a lower level of post-model management overlay to account for risks assessed as inadequately reflected in the models. A portion of post-model management overlays raised since the onset of COVID-19 for potential risk migration have been released and now catered for in-model. Stage 3 ECLs continue to be assessed using a combination of scenario analysis, informed by expert judgement and modelled ECL. Management will continue to review the need and basis of calculation for the overlay given the evolving situation and significant uncertainty faced with respect to the economic outlook.

A remaining management overlay of £4.9 million at 31 March 2023 (£16.8 million at 31 March 2022, £8 million at 31 March 2019) is considered appropriate in addition to the Bank's calculated model-driven ECL to capture specific areas of model uncertainty. The overlay is apportioned to Stage 2 assets.

Further detail on key judgements can be found on page 156.

YEAR IN REVIEW FROM A RISK PERSPECTIVE CONTINUED

We continue to progress in entrenching sustainability across all aspects of our business. Our commitment to human rights and support for internationally recognised principles, guidelines and voluntary ESG standards is tightly integrated into our credit decision-making process and considers the important aspects of each geography we operate in.

Market risk within our trading portfolio remains modest with Value at Risk (VaR) and stress testing scenarios remaining at prudent levels. Trading revenues are driven by client activity.

We continue to manage our investment portfolio exposure in line with our objective of optimising capital allocation, reducing income volatility and aligning the business with our client franchises. The investment portfolio on the balance sheet reduced by 29.5% over the year under review to £489 million at 31 March 2023.

Following the distribution that took place on 31 May 2022, Investec plc retains a c.10% shareholding in Ninety One (previously known as Investec Asset Management) as an investment (31 March 2022: c.15%).

The Group continued to maintain a sound balance sheet with a low gearing ratio of 10.4 times and a core loans to equity ratio of 5.7 times at 31 March 2023. The Group's leverage ratio was 9.2% ahead of the minimum 6% target level.

We maintain a target Common Equity Tier 1 (CET1) ratio in excess of 10% which is currently considered appropriate for our business, given our sound leverage ratios and significant capital light revenues. The Group is on the standardised approach for capital. The CET1 ratio was 11.7% at 31 March 2023 well in excess of regulatory minimums and ahead of our capital targets.

Investec plc is in the early stages of a process to migrate from the Standardised approach to the Internal Ratings Based (IRB) approach.

Non-financial risks that arise through the group's operations remain highly topical and continue to receive a significant amount of management time, particularly in light of the evolving technological landscape.

The importance of operational resilience to ensure minimal client disruption is paramount. We take a highly disciplined approach to recovery and resolution planning and remain focused on managing conduct, reputational and operational risks.

Concentration risk related to big tech and cloud platforms is increasing. Growing reliance on technology service providers, an industry-wide trend, heightens the potential impact of third party disruption, cyber threats, and data breaches.

We will continually aim to strengthen and test our systems and controls to mitigate cyber risk and fulfil our moral and regulatory obligations to combat money laundering, fraud and corruption.

On 4 April 2023, the Group announced an all-share combination of the UK Wealth & Investment business with Rathbones Group plc. This transaction, subject to certain approvals (some of which have since been obtained), will create the UK's leading discretionary wealth manager and establish a long-term strategic partnership between the enlarged Rathbones and Investec. Work is underway with a dedicated transition team to ensure that execution risk of the transaction is minimised.

The Group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Group is involved in disputes and legal proceedings which arise in the ordinary course of business. The Group evaluates all facts, the probability of the outcome of legal proceedings and advice from internal and external legal counsel when considering the accounting implications.

During the year, a number of stress scenarios were considered and incorporated into our processes including assessing the potential impact of climate change.

The Board, through its respective risk and capital committees, continued to assess the impact of its principal risks and the Group's stress testing scenarios (including 'bottom-up and reverse stress testing analyses) on its business. The Board has concluded that the Group has robust systems and processes in place to manage these risks and that, while under a severe stress scenario business activity would be very subdued, the Group would continue to maintain adequate liquidity and capital balances to support the continued operation of the Group.

Fundamental risk performance during the period has been solid and management remains focused on maintaining the sound underlying balance sheet, notwithstanding the macro-economic pressures we continue to face in our areas of operation, including the potentially higher-for-longer interest rate environment. This is enabled by strong ongoing management of the portfolios and supported by a strong capital base as well as high levels of liquidity and diversified funding.

PRINCIPAL RISKS

An overview of the principal risks relating to our operations

The most material and significant risks we face, which the Board and senior management believe could have an impact on our operations, financial performance, viability and prospects are summarised below with further information pertaining to the management and monitoring of these principal risks shown in the references provided.

The Board, through its various sub-committees, has performed a robust assessment of these principal risks and regular reporting of these risks is made to the Board.

The Board recognises that, even with sound appetite and judgement, extreme events can happen which are completely outside of the Board's control. It is, however, necessary to assess these events and their impact and how they may be mitigated by considering the risk appetite framework. It is the Group's policy to regularly carry out multiple stress testing scenarios (including reverse stress testing) which, in theory, test extreme but plausible events and from that, assess and plan what can be done to mitigate the potential outcome.

The Group's stress testing framework is well embedded in its operations and is designed to identify and regularly test the Group's key vulnerabilities under stress. A fundamental part of the stress testing process is a full and comprehensive analysis of the Group's material business activities, incorporating views from risk, the business units and the executive – a process called the 'bottom-up' analysis. Resulting from the 'bottom-up' analysis, the Investec-specific stress scenarios are designed to specifically test the unique attributes of the Group's portfolio.

The key is to understand the potential threats to our sustainability and profitability and thus a number of risk scenarios are developed and assessed. These Investec-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process and the management of risk appetite limits and is a key risk management tool of the Group. Reverse stress tests are conducted to stress the Group's business plan to failure and consider a broad variety of extreme and remote events. These processes allow the Group to proactively identify underlying risks and manage them accordingly.

The Group has a strong and embedded risk and capital management culture with policies, processes and systems in place to address these principal risks. Risk awareness, governance, controls and compliance are embedded in all our day-to-day activities through a levels of defence model.

The levels of defence model is applied as follows:

- **Level 1** – Business line management: responsible for identifying and managing risks inherent in the products, activities, processes and systems for which it is accountable and escalating risk events where necessary
- **Level 2** – Independent risk and compliance functions: responsible for building and embedding risk frameworks, challenging the business lines' inputs to, and outputs from, the Group's risk management, risk measurement and reporting activities
- **Level 3** – Independent internal audit: responsible for reviewing and testing the application and effectiveness of risk management procedures and practices.

Overall Group risk appetite

The Group has a number of Board-approved risk appetite statements and policy documents covering our risk appetite and approach to our principal aspects of risk. The risk appetite statements and frameworks for Investec plc and Investec Limited set out the Board's mandated risk appetite. The risk appetite statements ensure that limits/targets are applied and monitored across all key operating jurisdictions and legal entities. The risk appetite frameworks act as a guide to determine the acceptable risk profile of the Group.

The risk appetite frameworks are a function of business strategy, budget and capital processes, our stress testing reviews and the regulatory and economic environment in which the Group is operating. The risk appetite frameworks are reviewed (in light of the above aspects) and approved by the Board at least annually or as business needs dictate.

A documented process exists where our risk profile is measured against our risk appetite and this positioning is presented to the Board. In the section that follows, the Group's high-level summary of overall risk appetite and positioning has been detailed against the respective principal risks.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Credit and counterparty risk

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the Group, arising when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on- or off-balance sheet

Link to strategy and opportunities

Further information

Read more on pages 139 to 156.

Monitoring and mitigation activities

- Independent credit committees exist in the UK which also have oversight of regions where we assume credit risk. These committees operate under Board-approved delegated limits, policies and procedures
- There is a high level of executive involvement in decision-making with non-executive review and oversight
- Our credit exposures are to a select target market comprising high-income and high net worth individuals, established corporates, small and medium-sized enterprises, financial institutions and sovereigns
- Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised and credit risk taken over a short to medium term
- Investec has a limited appetite for unsecured debt, thus the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets
- Portfolio reviews (including stress testing analyses) are undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Risk appetite and tolerance metric

We target a credit loss ratio of less than 0.5% (less than 1.5% under a weak economic environment/stressed scenario). We target Stage 3 net of ECL as a % of net core loans subject to ECL to be less than 2% (excluding the legacy portfolio*; less than 4% under a weak economic environment/stressed scenario). We target Stage 3 net of ECL as a % of CET1 less than 25%.

Positioning at 31 March 2023

We currently remain within all tolerance levels given the current weakened economic environment. The Group credit loss ratio was calculated at 0.37% for 31 March 2023 (31 March 2022: 0.17%). Stage 3 net of ECL as a % of net core loans subject to ECL was 1.7% (excluding the Legacy portfolio*). Stage 3 net of ECL as a % of CET1 is 12.9%.

* Refer to definitions on page 193.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Concentration risk

Concentration risk refers to the risk that could arise from a single client or counterparty, group of connected counterparties, or from a particular geography, asset class, supplier or industry. Concentration risk may occur when counterparties are mutually affected by similar economic, legal, regulatory or other factors which could hinder their ability to meet contractual obligations

Link to strategy and opportunities

More information

Read more on page 139.

Monitoring and mitigation activities
- As a matter of course, concentration risk is well managed and exposures are well spread across geographies and industries
- We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency
- Consideration is given to concentration risk when assessing outsourcing and third parties, both within the business and across the financial sector systemically
- We target a diversified loan portfolio, lending to clients we know and understand. Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties to manage concentration risk. In order to manage concentration, we will consider a sell-down of exposures to market participants
- Concentration risk can also exist where loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level.

Risk appetite and tolerance metric

We limit our core loan exposure to a single/connected individual or company to £120 million for Investec plc. We also have a number of risk tolerance limits and targets for specific asset classes.

Third party and outsourcing concentrations are permitted in relation to regulated, systemically important entities, external auditors or specialist global network infrastructures. Where strategic decisions result in concentration risk in third parties outside of these classifications, these decisions are based on considered analysis where the benefits outweigh the risks and appropriate controls have been deployed for managing and monitoring the associated risks.

Positioning at 31 March 2023

We maintained this risk tolerance level throughout the year.

Country risk

Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in a sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments

Link to strategy and opportunities

Further information

Read more on page 140.

Monitoring and mitigation activities
- Exposures are only to politically stable jurisdictions that we understand and have preferably operated in before
- The legal environment should be tested, have legal precedent in line with the Organisation for Economic Co-operation and Development (OECD) standards and have good corporate governance
- In certain cases, we may make use of political risk insurance to mitigate exposure where deemed necessary.

Risk appetite and tolerance metric

We have a preference for primary exposure in the Group's main operating geography (i.e. the UK). We will accept exposures where we have a branch or local banking subsidiary and tolerate exposures to other countries where we have developed a local understanding and capability or we are facilitating a transaction for a client.

Positioning at 31 March 2023

We maintained this risk tolerance level in place throughout the year.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Climate, nature and biodiversity risk

The risk that our lending and investment activities give rise to unintended biodiversity and/or physical climate deterioration through not managing transition risk in alignment with the Paris goals

Link to strategy and opportunities

More information

Read more on pages 140, 159 and 160 and page 107 to 122 of the Investec Group's 2023 integrated and strategic annual report, and the Investec Group's 2023 sustainability report which is published and available on our website: www.investec.com.

Monitoring and mitigation activities

- We recognise the complexity and urgency of climate change. We are committed to supporting the transition to a clean and energy efficient world while preserving biodiversity and the wellbeing of our people and our planet
- Investec's climate change position statement and climate change framework stems from the belief that the greatest impact we can have is to partner with our clients to decarbonise their activities and to offer products and services that help accelerate a cleaner and healthier world
- Our environmental policy considers the risks and opportunities that climate change, nature and biodiversity degradation present to the global economy
- Accordingly, climate-related, nature-related and biodiversity risks are considered by the relevant credit committee or investment committee when making lending or investment decisions
- There is also oversight by the Group ESG Executive Committee and the DLC Social and Ethics Committee on general sustainability issues, including climate-related, nature-related and biodiversity matters
- The Group ESG Executive Committee coordinates climate-related and biodiversity risks and opportunities across geographies and businesses from both a strategy and policy perspective.

Risk appetite and tolerance metric

We take a cautious approach with respect to industries that are known to have negative consequences on climate change or that cause environmental and/or biodiversity damage. Financial risk from climate change, nature and biodiversity is a highly important topic which helps to inform decisions. We acknowledge that our approach will evolve as new regulations, recommendations and best practices regarding climate, nature and biodiversity (in specific the Task force for Nature Related Financial Disclosures (TNFD)) matures.

Positioning as of 31 March 2023

We maintained this risk tolerance level in place throughout the year.

Environmental, social and governance (ESG) risk

The risk that our lending and investment activities give rise to unintended environmental, social and economic consequences

Link to strategy and opportunities

More information

Read more on pages 140 159 and 160 and page 107 to 122 of the Investec Group's 2023 integrated and strategic annual report, and the Investec Group's 2023 sustainability report which is published and available on our website: www.investec.com.

Monitoring and mitigation activities

- Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment, includes our many community activities and is based on a broader responsibility to our environment and society
- Accordingly, ESG risks are considered by the relevant credit committee or investment committee when making lending or investment decisions
- There is also oversight by the Group ESG Executive Committee and the DLC Social and Ethics Committee on general ESG and sustainability matters
- The Group ESG Executive Committee coordinates general sustainability and ESG risks and opportunities across geographies and businesses from both a strategy and policy perspective
- We have linked ESG metrics and KPIs to Executive Directors compensation.

Risk appetite and tolerance metric

We take a cautious approach with respect to industries falling in our high-risk ESG categories and that may have negative environmental and/or social impacts. It is important to consider potential financial risk that could result from unmanaged ESG risks. We are continually monitoring best practice in this area and will continue to develop and enhance our approach over time.

Positioning as of 31 March 2023

We maintained this risk tolerance level in place throughout the year.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Investment risk

Investment risk arises where the Group invests in unlisted companies and select property investments, as well as certain listed investments (predominantly relating to Ninety One) with risk taken directly on the Group's balance sheet

Link to strategy and opportunities

Monitoring and mitigation activities
- Independent credit and investment committees in the UK provide oversight of regions where we assume investment risk
- Risk appetite limits and targets are set to limit our exposure to equity and investment risk
- As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.

Further information

Read more on page 161.

Risk appetite and tolerance metric

We have moderate appetite for investment risk, and set a risk tolerance of less than 30% of CET1 capital for our unlisted principal investment portfolio.

Positioning at 31 March 2023

Our unlisted investment portfolio amounted to £315 million, representing 15.2% of CET1.

Market risk in the trading book

Traded market risk is the risk of potential value changes in the trading book as a result of changes in market factors such as interest rates, equity prices, commodity prices, exchange rates, credit spreads and the underlying volatilities where derivatives are traded. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance sheet instruments that are held within the trading businesses

Link to strategy and opportunities

Monitoring and mitigation activities
- To identify, measure, monitor and manage market risk, we have independent market risk management teams
- The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow
- Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets
- Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR), stressed VaR (sVaR), expected shortfall (ES) and extreme value theory (EVT). Stress and scenario analyses are used to add insight to possible outcomes under severe market disruptions.

Further information

Read more on pages 163 to 166.

Risk appetite and tolerance metric

Market risk arises through our trading activities which are primarily focused on supporting client activity. Appetite for proprietary trading is limited. We set an overall tolerance level of a one-day 95% VaR of less than £3.5 million.

Positioning at 31 March 2023

We met these internal limits; one-day 95% VaR was £0.4 million at 31 March 2023.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Liquidity risk

Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, in normal and stressed conditions. This includes repaying depositors or maturing wholesale debt. This risk arises from mismatches in the timing of cash flows, and is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events

Link to strategy and opportunities

Further information

Read more on pages 167 to 173.

Monitoring and mitigation activities

- Our banking entity in the UK is ring-fenced from the Investec Group's banking entity in South Africa and is required to meet the UK regulatory liquidity requirements
- Each geographic entity must be self-sufficient from a funding and liquidity standpoint
- Investec plc undertakes an annual Internal Liquidity Adequacy Assessment Process (ILAAP) which documents the approach to liquidity management across the firm, including IBP (solo basis). This document is reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC Boards
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- The Group maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency
- Our core loans must be fully funded by stable funding
- The Group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow
- The balance sheet risk management teams independently monitor key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruptions
- Daily liquidity stress tests are carried out in order to help accurately measure the liquidity profile and ensure that in the absence of market or funding liquidity during periods of stress, we would continue to meet our obligations.

Risk appetite and tolerance metric

We carry a high level of liquidity in all our banking subsidiaries in order to be able to cope with shocks to the system, targeting a minimum cash and near cash to customer deposit ratio of 25%.

Positioning at 31 March 2023

Total cash and near cash balances amounted to £8.6 billion at year end representing 44.7% of customer deposits.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Interest rate risk in the banking book (IRRBB)

IRRBB arises from the impact of adverse movements in interest rates on both net interest earnings and economic value of equity. IRRBB is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services

Link to strategy and opportunities

Further information

Read more on pages 171 to 172.

Monitoring and mitigation activities

- The daily management of IRRBB is centralised within the Treasury of each banking entity and is subject to local independent risk and local Asset and Liability Committee (ALCO) review
- Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the Liability Product and Pricing Forum and the ALCO
- Each banking entity has its own Board-approved IRRBB policy and risk appetite, which is clearly defined in relation to both income risk and economic value risk
- The policy dictates that long-term (>one year) IRRBB is materially eliminated. Where natural hedges between banking book items do not suffice to reduce the exposure within defined limits, interest rate swaps are used to transform fixed rate assets and liabilities into variable rate items
- IRRBB is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors.

Risk appetite and tolerance metric

A movement in rates can result in a negative impact on revenues across the banking industry. This risk is managed within the Group's risk appetite framework as a proportion of capital and net interest income in order to limit volatility.

Positioning at 31 March 2023

Investec plc is within these tolerance metrics. The UK regulatory framework requires banks to assess their Pillar II requirements, including those related to IRRBB, as part of systems and processes included in their ICAAP.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Capital risk

The risk that we do not have sufficient capital to meet regulatory requirements or that capital is inefficiently deployed across the Group

Link to strategy and opportunities

Further information

Read more on pages 177 to 181.

Monitoring and mitigation activities

- Investec plc's approach to capital management utilises both regulatory capital as appropriate to the jurisdiction in which it operates and internal capital, which is an internal risk-based assessment of capital requirements
- A detailed assessment of the regulatory and internal capital position is undertaken on an annual basis and is documented in the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is reviewed by PLC and DLC Capital Committees before being recommended for approval to DLC BRCC and the Board
- The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the Group
- At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the Group's risk profile and optimisation of shareholder returns
- Our internal capital framework is designed to manage and achieve this balance
- The framework has been approved by the Board. The Investec plc Capital Committee is responsible for assisting the DLC Capital Committee (mandated by DLC BRCC) for the oversight and management of capital and leverage.
- The leverage ratio is considered and monitored as part of the capital management framework.

Risk appetite and tolerance metric	Positioning at 31 March 2023
We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. We target a Total Capital ratio range of between 14% and 17% on a consolidated basis for Investec plc and we target a minimum Tier 1 ratio of >11% and a CET1 ratio of >10%.	Investec plc met all these targets. Capital has grown over the period.
We are a lowly leveraged firm and target a leverage ratio in all our banking subsidiaries in excess of 6%.	The leverage ratio is 9.2%.

Reputational risk

Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made and also arises as a result of other risks manifesting and not being appropriately mitigated or managed

Link to strategy and opportunities

Further information

Read more on page 78 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

- We have various policies and practices to mitigate and/or manage reputational risk, including strong values that are regularly and proactively reinforced
- Reputational risk is mitigated and/or managed as much as possible through detailed processes and governance/escalation procedures from business units to the Board, and from regular, clear communication with shareholders, customers and all stakeholders
- The Group has a disclosure and market communications policy which is reviewed and approved annually by Group ERC and DLC BRCC.

Risk appetite and tolerance metric	Positioning at 31 March 2023
We have a number of policies and practices in place to mitigate and/or manage reputational risks.	We have continued to mitigate and/or manage these risks where possible throughout the year.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Business and strategic risk

Business and strategic risk relates to external market factors that can create income volatility

Link to strategy and opportunities

Further information

Read more on pages 5 to 82 of the Investec Group's 2023 integrated and strategic annual report.

Monitoring and mitigation activities

- The risk of loss caused by income volatility is mitigated through diversification of income sources, reducing concentration of income from any one type of business or geography and maintaining a flexible cost base
- Group strategy is directed towards generating and sustaining a diversified income base for the Group
- In the instance where income falls, we retain the flexibility to reduce costs (particularly variable remuneration), thereby maintaining a competitive cost to income ratio.

Risk appetite and tolerance metric

We seek to maintain an appropriate balance between revenue earned from capital light and balance sheet driven activities. Ideally capital light revenue should exceed 50% of total operating income, dependent on prevailing market conditions.

We have a solid annuity income base supported by diversified revenue streams, and target an annuity income ratio in excess of 65%.

We seek to maintain strict control over fixed costs. The Group has a cost to income ratio target of below 67%.

Positioning at 31 March 2023

Capital light activities contributed 34.2% to total operating income and balance sheet driven activities contributed 65.8%.

Annuity income amounted to 80.0% of total operating income.

The cost to income ratio amounted to 65.3%.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Operational risk

Operational risk is defined as the potential or actual impact to the Group as a result of failures relating to internal processes, people, systems or from external events. The impact can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences

Link to strategy and opportunities

Further information

Read more on pages 174 to 175 and pages 79 to 81 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

- The Group manages operational risk through an embedded operational risk management framework
- Operational risk sub-types which are significant in nature are managed by dedicated specialist teams within the Group. These operational risk sub-types are addressed in specific, detailed risk policies and procedures, but are included within the operational risk management framework and are reported and monitored within the operational risk appetite
- These sub-types include:
  - Business disruption and operational resilience risk
  - Conduct risk
  - Data management risk
  - Financial crime risk
  - Fraud risk
  - Information security and cyber risk
  - Legal risk
  - Model risk
  - People risk
  - Physical safety and security risk
  - Processing and execution risk
  - Regulatory compliance risk
  - Tax risk
  - Technology risk
  - Third party risk.

Risk appetite and tolerance metric

We maintain sound operational risk practices to identify and manage operational risk. We monitor the level of acceptable operational risk exposure/loss through qualitative and quantitative measures.

Positioning at 31 March 2023

The Group continued to monitor operational risk losses against the tolerance levels with appropriate escalation where required.

Operational risk – Business disruption and operational resilience risk

The risk associated with disruptive incidents which may impact important business services and critical functions/resources including processes, premises, staff, equipment, third party services and systems

Link to strategy and opportunities

Further information

Read more on pages 174 to 175.

Monitoring and mitigation activities

- The Group maintains continuity through appropriate resilience strategies that cater for disruptions, irrespective of the cause
- These strategies include, but are not limited to, relocating the impacted business to alternate processing sites, enabling staff to work from home, the application of high availability technology solutions, obtaining third party dependency business continuity assurances and ensuring readiness of physical solutions for critical infrastructure components
- Resilience testing is conducted annually to validate continuity strategies and ensure they remain effective and appropriate. This includes annual recovery testing for all key systems that support important/critical business services.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems	Growth initiatives	Optimisation of returns	Entrepreneurial culture	Digitalisation	Strategic use of data

Operational risk – Conduct risk

The risk associated with inappropriate behaviours or business activities that may lead to client, counterparty or market detriment, erosion of Investec values, culture and ethical standards expected of its staff, reputational and/or financial damage to the Group

Link to strategy and opportunities

Further information

Read more on pages 174, 175 and page 79 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

- Our approach to conduct risk is driven by our values and philosophies, ensuring that the Group operates with integrity and puts the wellbeing of its clients at the heart of how the business is run
- Products and services are scrutinised and regularly reviewed to identify any issues early on and to make sure they are escalated for appropriate resolution and, where necessary, remedial action taken
- The conduct risk policy is designed to create an environment for consumer protection and market integrity within the business, supported with the right conduct risk management framework
- Risk and Conduct Forums have the objective of ensuring that the Group maintains a client-focused and fair outcomes-based culture.

Operational risk – Data management risk

The risk associated with poor governance in acquiring, processing, storing and protecting data. Issues with data quality, reliability or corruption can adversely impact business decisions, client services and financial reporting

Link to strategy and opportunities

Further information

Read more on pages 174 to 175.

Monitoring and mitigation activities

- The Group drives robust data governance principles across the business, including data ownership, management, quality control, taxonomies and defined data architecture
- Consistent mechanisms are in place for data consolidation, storage and reporting
- Data flows and reconciliations are automated, and integration between systems is streamlined to reduce the need for manual tasks, minimise data processing delays and eliminate single points of failure
- Data quality is monitored, reported and enhanced in line with business needs and regulatory principles
- Predictive intelligence is increasingly obtained through data analytics to support proactive risk management
- Data retention and destruction processes are designed to meet business needs and comply with applicable legal obligations.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Operational risk – Financial crime risk

The risk associated with the possibility of handling proceeds of crime, financing of terrorism, proliferation financing, sanctions breaches and bribery or corruption, as well as any related regulatory breaches

Link to strategy and opportunities

Further information

Read more on pages 174, 175 and page 80 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

- Established policies and procedures are in place to promote business with clients in such a manner that minimises the risk of the Group's products being used for money laundering and terrorist or proliferation financing
- There is regular reporting to the DLC Audit Committee as well as Group ERC
- A risk-based approach supports these objectives, while complying with the Group's regulatory compliance obligations. At a high level the control framework ensures that:
  - Sufficient information about clients is obtained
  - All clients and prospective clients are risk rated and verification commensurate with their risk profile is conducted
  - All prospective and existing clients and relevant related parties are screened against relevant lists (including applicable sanctions list) to identify increased financial crime risk
  - Staff are appropriately trained
  - Suspicious transactions and terrorist financing are identified and reported
  - Existing and prospective clients that are not within the Group's financial crime risk appetite are exited or declined.

Operational risk – Fraud risk

The risk associated with any kind of criminal conduct arising from fraud, corruption, theft, forgery and misconduct by staff, clients, suppliers or any other internal or external stakeholder

Link to strategy and opportunities

Further information

Read more on pages 174 and 175.

Monitoring and mitigation activities

- The Group manages internal and external fraud risk through an integrated framework which includes global policies, standards and methodologies
- Detection and prevention systems are utilised to help identify potential fraud, reaching out to clients where appropriate to validate or discuss concerns
- Fraud risk assessments are conducted to proactively identify and map existing preventative and detective controls to the relevant fraud risks to ensure effective mitigation
- Fraud prevention and detection controls are enhanced on an ongoing basis in response to increased fraud losses across the industry and new fraud modus operandi
- Industry collaboration assists with fraud prevention efforts and the recovery of funds that have been paid away
- Adherence to fraud prevention policies is proactively monitored
- Practices which comply with updated regulations, industry guidance and best practice are embedded within the Group
- Awareness of existing and horizon fraud threats is created through internal training and education of clients and intermediaries on fraud prevention and detection.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Operational risk – Information security and cyber risk

The risk associated with unauthorised access, use, disclosure, modification or destruction of information assets, including cyber threats to the Group's operations and data

Link to strategy and opportunities

Further information

Read more on pages 174 and 175.

Monitoring and mitigation activities

- In light of the broad range of risks to which information resources are exposed, this risk is managed by addressing both internal and external threat exposures
- Internal threats relate to data theft, inappropriate access or confidentiality breaches by staff
  - These are mitigated by implementing risk-appropriate data protection controls to safeguard information assets in line with data sensitivity and business criticality
  - Access to systems and data is closely controlled and privileged IT access is restricted and actively monitored
  - A dedicated insider threat team drives proactive discovery of confidential data, targeted monitoring, and response to potential data loss events.
- External threats relate to cyberattacks such as ransomware, denial of service and cyber fraud
  - This is mitigated by an adaptive cyber strategy integrating prediction, prevention, detection and response capabilities
  - Robust security controls leverage defence-in-depth and advanced technologies to protect against sophisticated attacks
  - Cyber risk is actively monitored by a 24/7 global cyber team and threat intelligence services, and security incident response processes are continuously improved
  - Cyber controls are stress-tested through security assessments and attack simulations, run both internally and in conjunction with independent specialists
  - Periodic updates to the Board keep them abreast of the threat landscape and informed on the Group's security position
  - Regular security training to all staff ensures high levels of awareness and vigilance.

Operational risk – Legal risk

The risk associated with losses resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties. Such risk is especially applicable where the counterparty defaults and the relevant documentation may not support the anticipated rights and remedies in the transaction

Link to strategy and opportunities

More information

Read more on page 78 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

- Members of the legal risk function are mandated to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice
- There is a central independent in-house legal team with embedded business unit legal officers where business volumes or needs dictate
- The Group maintains adequate insurance to cover key insurable risks
- The legal risk function is supplemented by a pre-approved panel of third party legal firms to be utilised where necessary
- The key principles of the legal risk policy describe the overall responsibility of the legal risk function, outline how legal risks are to be assessed and how material legal risks should be reported and escalated where necessary.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Operational risk – Model risk

The risk associated with the adverse consequences that arise from decisions based on incorrect or misused model outputs (including reports). Material sources of model risk include: credit model risk, liquidity model risk, trading book model risk and non-trading IRRBB model risk

Link to strategy and opportunities

Further information

Read more on pages 174 and 175.

Monitoring and mitigation activities

- The Group manages model risk through embedded, risk specific frameworks and policies
- The frameworks address roles and responsibilities, governance processes and committees and approaches to managing and monitoring model risk
- Models are subject to regular, independent validation by specialist risk teams
- The relevant committees are mandated to oversee model risk and have delegated further oversight and approval to appropriate sub-committees.

Operational risk – People risk

The risk associated with the inability to recruit, retain and engage diverse talent across the organisation and remain aligned to the Investec cultures and values

Link to strategy and opportunities

Further information

Read more on pages 110 and 111 of the Investec Group's 2023 integrated and strategic annual report and the Investec Group's 2023 sustainability report which is published and available on our website: www.investec.com

Monitoring and mitigation activities

- We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance
- Investec invests significantly in opportunities for the development of all employees, and in leadership programmes to enable current and future leaders of the Group
- Internal mobility is a valued mechanism for the development and retention of people
- Our people and organisation team plays a critical role in assisting the business to achieve its strategic objectives, which are matched to learning strategies and market trends
- The people and organisation team is mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values
- The people and organisation team also works with leadership to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Operational risk – Processing and execution risk

The risk associated with the failure to process, manage and execute transactions and/or other processes (such as change) completely, accurately and timeously due to human error or inadequate process design or implementation

Link to strategy and opportunities

Further information

Read more on pages 174 and 175.

Monitoring and mitigation activities
- The Group seeks to minimise process failures or human error which can disrupt operations or impact delivery of services to clients
- Policies, processes, procedures and monitoring controls which mitigate against control failures are implemented to protect clients, markets and the Group from detriment
- We manage operational capacity to meet client and industry needs and continue to explore automation to improve efficiency and reduce human error
- Key business processes are regularly reviewed and the relevant risks assessed through the risk and control self-assessment process
- Material change is managed through dedicated projects with formalised project governance.

Operational risk – Regulatory compliance risk

The risk associated with changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which we operate

Link to strategy and opportunities

Further information

Read more on pages 174 , 175 and page 79 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities
- The Group remains focused on achieving the highest levels of compliance with professional standards and integrity in each of our jurisdictions
- Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our stakeholders remain at the forefront of everything we do
- An independent integrity (whistleblowing) line is in place to ensure that staff can report regulatory breaches, allegations of fraud, bribery and corruption, and non-compliance with policies
- There are independent compliance, legal and risk management functions in each of our core operating jurisdictions, which ensure that the Group implements the required processes, practices and policies to adhere to applicable regulations and legislation.

PRINCIPAL RISKS
CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Operational risk – Tax risk

The risk associated with inadequate tax planning, transaction execution, tax compliance and reporting failures

Link to strategy and opportunities

Further information

Read more on pages 174, 175 and page 81 of the Investec Group's 2023 risk and governance report.

Monitoring and mitigation activities

- The Group's control environment for the management and mitigation of tax risk includes a formalised tax strategy, policy and framework
- The Group ensures that all transactions and financial products and services are commercially motivated
- All advisory and tax planning work is conducted in accordance with the relevant tax laws, regulations and intentions of legislators of the country in which the Group operates.

Operational risk – Technology risk

The risk associated with disruption to or malfunction of critical IT infrastructure, systems or applications that support key business processes and client services

Link to strategy and opportunities

Further information

Read more on page 174 and 175.

Risk management and key mitigating actions

- The technology environment is proactively monitored for continuous visibility of operational performance and availability
- Mature incident management processes and continuity plans support a resilient technology environment that is able to withstand failure and minimise service disruption
- Strategic roadmaps direct implementation of new technologies to enhance capacity, scalability and reduce reliance on legacy components within the technology environment
- Cloud computing is leveraged in a risk appropriate manner, to accelerate value delivery while ensuring that required safeguards are in place
- Internal controls are automated where possible and augmented with monitoring to reduce human error and enhance efficiency
- Technology governance structures review IT projects and provide oversight of new investments in infrastructure and software
- Systems are aligned to approved standards and sound architectural principles to reduce technical complexity and leverage common functions and services
- The risk of errors in production systems is reduced through design reviews, secure development practices and robust testing.

PRINCIPAL RISKS CONTINUED

Connected client ecosystems | Growth initiatives | Optimisation of returns | Entrepreneurial culture | Digitalisation | Strategic use of data

Operational risk – Third party risk

The risk associated with the reliance on and use of external providers of services to the Group

Link to strategy and opportunities

Further information

Read more on pages 174 and 175.

Risk management and key mitigating actions

- Third party policies and practices govern the assessment, selection, approval and oversight of third party services
- A global third party management team has been established to coordinate, streamline and enhance consistency of third party processes
- Robust due diligence processes are in place to evaluate third party suitability, resilience and controls with the appropriate level of rigour based on the scale, complexity and service materiality
- Service disruption or security risks that third parties may introduce are identified and managed
- Ongoing monitoring ensures that contractual obligations are met and required service levels are maintained
- Appropriate supplier business contingency plans, including exit strategies for key/critical vendors, are established and managed to minimise client impact following any disruption in service
- Regular monitoring is conducted to maintain an understanding of our strategic partnerships with cloud providers and that of their fourth party providers.

Emerging and other risks

In addition to the principal risks outlined above, the risks below may have the potential to impact and/or influence our principal risks and consequently the operations, financial performance, viability and prospects of the Group. A number of these risks are beyond the Group's control and are considered in our capital plans, stress testing analyses and budget processes, where applicable.

These emerging risks are briefly highlighted on page 23 and 24 of the Investec Group's 2023 risk and governance report and should be read in the context of our approach to risk management and our overall Group risk appetite framework.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations. Emerging and other risks are factored into the Board's viability assessment. Read more on page 44.

INVESTEC PLC AUDIT COMMITTEE REPORT

"Robust challenge, integrity and effective governance are the pillars of a successful organisation."

Zarina Bassa
Chair of Investec plc Audit Committee

Introduction

I am pleased to present the Investec plc Audit Committee (the Committee) report for the financial year ended 31 March 2023 which provides details on how we accomplished our statutory obligations, as well as the Key Audit Matters (KAMs) we considered.

The Committee has further discharged its responsibilities and provided assurance on the integrity of the 2022/23 annual report and financial statements.

Role of the Committee

We provide independent challenge and oversight across the Group's financial reporting and internal control procedures.

The Board has delegated the following key functions to the Committee:

- Overseeing and ensuring the integrity of the Group's financial reporting process, and satisfying itself that significant judgements made by management are sound
- Reviewing the Group's internal controls and assurance processes
- Managing and overseeing the performance, conduct, quality and effectiveness of the Group's internal audit functions
- Reviewing the annual work plan, capacity, scope and staffing of internal audit
- Overseeing Group compliance functions
- Overseeing the Group's subsidiary audit committees, including in remote locations
- Appointing, managing and overseeing the relationship with the Group's external auditors, including scope, fees, quality control, effectiveness and independence of the external audit function
- Managing the policy, fees and the nature of non-audit services provided by the external auditors
- Dealing with concerns, if any, from outside Investec regarding the application of accounting principles and external reporting
- Managing the appropriateness of the design and effectiveness of the combined assurance model applied which incorporates the various disciplines of Risk Management including Operational Risk, Legal, Regulatory Compliance, internal audit, external audit and other assurance providers.

The Committee's terms of reference can be found at www.investec.com.

Committee composition, skills, experience and operation

The Committee is comprised entirely of independent non-executive directors who meet predetermined skills, competency and experience requirements as determined by the DLC Nomdac.

The members' continuing independence, as well as their required skill, competencies and experience is assessed annually.

David Friedland stepped down as a member of the Committee on retiring from the Board at the AGM in August 2022. In May 2022 Vanessa Olver was appointed to the Investec plc Audit Committee on her appointment as a Non-Executive Director of the Board.

As I will be reaching my nine year tenure on 1 November 2023 I will be stepping down as Chair of the Committee at the August 2024 AGM. The DLC Nomdac will further embark on a process to appoint an additional member and new Chair of the Committee.

Further details of the experience of the members can be found in their biographies on pages 127 to 131 of the Investec Group's 2023 integrated and strategic report.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

The Group Chief Executive (Group CEO), the Group Finance Director (Group FD), the Group Chief Operating Officer (Group COO), the Group Chief Risk Officer (Group CRO), Heads of Internal Audit, the Chief Compliance Officers and representatives from the joint external auditors are invited to attend all meetings. Other members of management, including business unit and Tax heads, are invited to attend meetings to provide the Committee with greater insights into specific issues or areas of the Group.

The Chair has regular contact with the Group Executive Team to discuss and gain broader insight on relevant matters directly.

The internal and external auditors have direct access to the Chair, including closed sessions with the Committee without management present, on any matter that they regard as relevant to the fulfilment of the Committee's responsibilities.

Members	Meetings attended / Eligible to attend
Zarina Bassa (Chair)	7/7
David Friedland[1]	2/2
Vanessa Olver[2]	5/5
Philisiwe Sibiya	7/7

1. David Friedland stepped down as a member of the Committee effective 4 August 2022.
2. Vanessa Olver was appointed as a member of the Committee effective 18 May 2022.

Structure of the Investec Group Audit Committees

In terms of the DLC structure, the DLC Board has mandated authority to the DLC Audit Committee to be the Audit Committee of the Group. The DLC Audit Committee oversees and considers Group audit-related matters. It has responsibility for audit-related matters that are common to Investec plc and Investec Limited and works in conjunction with these two Committees to address all Group reporting.

The Investec plc Board, the Investec Limited Board, Investec Wealth & Investments Boards, Investec Bank plc Board and Investec Bank Limited Board have mandated authority to their respective Audit Committees to be the Audit Committees for the respective companies and their subsidiaries.

The Committee receives regular reports from the Group's subsidiary audit committees as part of the oversight of subsidiary audit committees.

The Investec plc Audit Committee Chair is also the Chair of the following Audit Committees:

- Investec DLC
- Investec Limited
- Investec Bank Limited
- Investec Bank Mauritius (IBM)
- Investec Wealth and Investments International Audit and Risk Committee.

The Chair is also a member of the following Audit Committees:

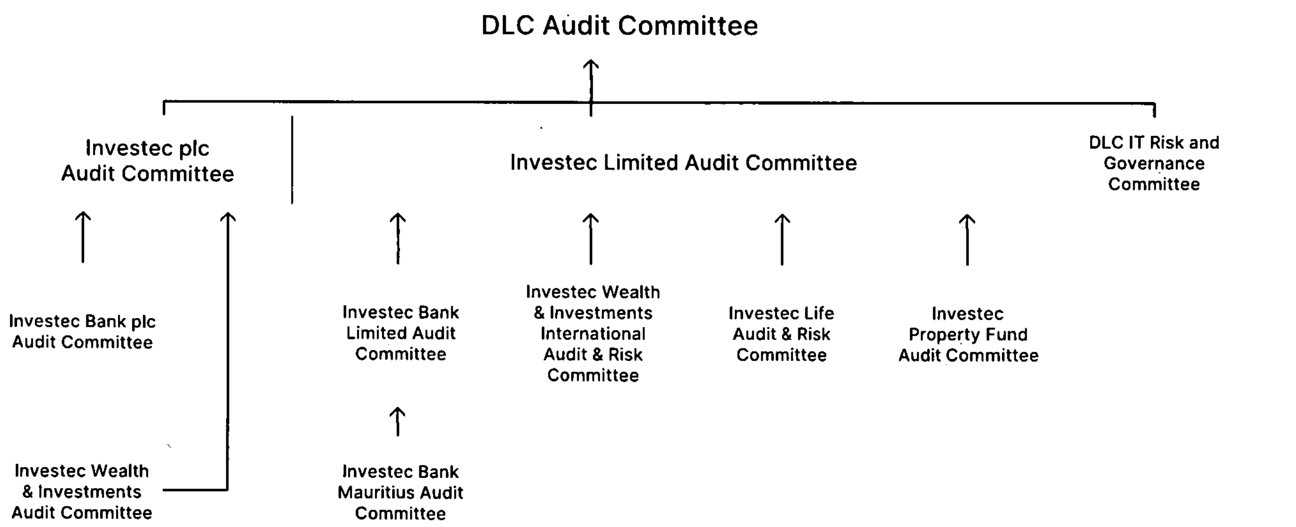
- Investec Bank plc
- Investec Life
- Investec Wealth and Investments UK.

The Investec plc Audit Committee Chair is also a member of the following Committees:

- DLC IT Risk and Governance Committee.

The DLC IT Risk and Governance Committee

The DLC IT Risk and Governance Committee is responsible for ensuring that technology risk management processes, investments, operations and governance support the purpose, values and strategic goals of the Group. The DLC IT Risk and Governance Committee reports to both the DLC BRCC and the DLC Audit Committee and is attended by the DLC Audit Committee and DLC BRCC Chairs.



INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Areas covered by the Investec plc Audit Committee

Key audit matters

Key audit matters are those matters that in the view of the Committee:

- Required significant focus from the Committee
- Were considered to be significant or material in nature, requiring exercise of judgement; or
- Matters which were otherwise considered to be subjective or complex from an accounting or auditing perspective.

Common membership of the DLC, Investec plc and Investec Limited Audit Committees ensures that key audit matters and matters of mutual interest are communicated and addressed, where applicable. The members of the Committee may also attend other Audit Committee meetings, as appropriate.

The following key audit matters were deliberated by the Committee during the year:

Key audit matters	What we did
Expected credit losses (ECL) assessment • The appropriateness of the allowance for ECL is highly subjective and judgemental.	• Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the Group • Reviewed the appropriateness of the ECL models and approved the forward-looking macro-economic scenarios applied • Evaluated the impact of ECL on the interim and annual results • Reviewed and monitored the Group's calculation of ECLs, trends in staging changes, model changes, scenario updates, post-model adjustments, Significant Increase in Credit Risk (SICR), and volatility • Reviewed and satisfied ourselves on in-model adjustments • Assessed the appropriateness of the ECL model overlays maintained for emerging risks for which there was insufficient data available to model the existing credit risk. Specific consideration was given to the methodology and assumptions applied to calculate the overlay. We further evaluated the appropriateness of the releases of the ECL model overlays • Reviewed and satisfied ourselves on staging of key exposures • Assessed the appropriateness of the ECL provision raised by the Group for large exposures in entities publicly perceived to be in financial distress • Assessed ECL experienced against forecasts and considered whether the level of ECL was appropriate • Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS • Reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratio (CLR) and coverage ratios against relevant UK peers.
Fair value of level 3 instruments and the resulting IFRS 13 fair value measurement (IFRS 13) disclosure • For level 3 instruments such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is a large degree of subjectivity surrounding the inputs to the valuations and valuations methodology. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental.	• Received presentations on the material investments across the Group, including an analysis of the key judgements and assumptions applied, valuation methodology applied and approved the valuation adjustments proposed by management for the year ended 31 March 2023 • Challenged and debated significant subjective exposures and assumptions including: – The valuation principles applied for the valuation of level 3 investments (unlisted and private equity investments) and fair value loans – The appropriateness of the IFRS 13 disclosures regarding fair value.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Key audit matters	What we did
Uncertain tax and other legal matters	• Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements • Evaluated the appropriateness of the accounting and disclosures regarding the investigation by the Office of the Public Prosecutor in Cologne, claims by the German Federal Tax Office in Bonn, and the potential related civil claims. This was done by having closed sessions with executive management and external audit. At these meetings considered the feedback as received from external and internal legal counsel and the probability of the outcomes including a commercial settlement. Refer to note 53 of the annual financial statements • Received regular updates from the Group Executive, Group Tax, Group Finance and Group Legal Counsel on uncertain tax and legal matters to enable the Audit Committee to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment • Analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax positions as required by the International Financial Reporting Interpretations Committee (IFRIC) 23 • Concluded on the appropriateness of the International Accounting Standards (IAS) 37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements. Refer to note 49 of the annual financial statements.
Investments in associates	• Evaluated the appropriateness of the accounting treatment of the investment in Ninety One and the resulting gain recognised in the income statement at an Investec plc level, that was previously accounted for as an associate prior to the distribution of the Ninety One shares and an investment measured at fair value through Other Comprehensive Income (OCI) post this distribution • Reviewed the technical accounting memoranda prepared by Group Finance regarding the accounting treatment of Ninety One. The memoranda addressed the appropriate accounting treatment of the distribution of the Ninety One shares that resulted in the derecognition of the investment as an associate • Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, impairment, valuation methods and assumptions applied.
Going concern and the viability statement	• Considered reports on the Group's budgets, forecasts, profitability, capital, liquidity and solvency and the impact of legal proceedings, if any, on both going concern and the three-year Viability Statement • Considered the results of various stress testing analyses based on different economic scenarios and the possible impact on the ability of the Group to continue as a going concern • Considered the reports issued by an independent external party post a regulator required liquidity simulation of Investec DLC • Considered the impact of strategic corporate actions on the capital plans and the three year viability statement • Recommended the approval of the going concern assumption and the Group Viability Statement to the Investec plc Board for approval • Noted the Investec Bank plc Viability Statement as recommended for approval by the IBP Audit Committee to the IBP Board.
Information technology systems, cyber security and controls impacting financial reporting	• Received and reviewed reports in respect of IT systems, cyber security and controls impacting financial reporting • Received regular reports from internal audit on the effectiveness of IT controls tested as part of the internal audit process • Considered broader IT and Governance matters, including security, IT strategy and operations through attendance by the Audit Committee and BRCC Chairs at the DLC IT Risk and Governance Committee.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Key audit matters	What we did
Information technology systems, cyber security and controls impacting financial reporting (continue)	• Focused on IT and cyber security throughout the year. Since 2015, Investec has been using Targeted Attack Simulations (TAS) to understand our cyber risk exposure and adequacy of our security controls. Received a presentation on the results of the 2022/23 TAS • Met with IT external auditors to discuss the results of the external audit of IT systems.
External audit and audit quality	• Managed the relationship with the external auditor Ernst & Young LLP • Considered the external auditors report on the progress of the review engagement being performed on the interim results. Reviewed the results announcements for both interim and final results • Met with key members of Ernst & Young LLP prior to every Audit Committee meeting to discuss the 2022/23 audit plan, key areas of focus, findings, scope and conclusions • Approved the external audit plan, audit fee and the main areas of focus • Obtained feedback from the cross-reviews performed by the DLC team across a DLC level • Pre-approved all non-audit services provided by External Audit and confirmed the services to be within the approved non-audit services policy • Discussed external audit feedback on the Group's critical accounting estimates and judgements • Assessed the independence and objectivity of the external auditors • Received updates from the external auditors on the audit of the Annual Financial Statements (AFS) of the Group including the Summary of Audit Differences for the year ended 31 March 2023. The Audit Committee ensured that it was comfortable that the level of unadjusted audit differences were within tolerable error for both actual and judgemental differences and that there was no bias towards over or understatement • Met separately with the leadership of Ernst & Young LLP to discuss auditor accreditation, firm ratings and accreditations, independence, firm quality control, results of internal and external regulator inspections of the firm and individual partners • Monitored audit quality and audit partner accreditation.The Investec plc Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditor and lead partner • Noted the unqualified independent auditor's report in relation to the Group • Recommended to the Board the re-appointment of Ernst & Young LLP as the External Auditors of Investec plc and Investec Bank plc for the year ending 31 March 2024.
Audit firm rotation	• Concluded a comprehensive independent tender process in respect of the rotation of the external auditors of Investec plc. Deloitte LLP was nominated as the new external auditor for the financial year starting 1 April 2024. A one year shadow period will commence, subject to shareholders approval at the AGM to be held in August 2023 • Oversaw the allocation of non-audit work to the audit firm to ensure that there were no independence breaches.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Other matters considered by the Investec plc Audit Committee

The Committee considered the following matters during the year:

Other matters	What we did
Regulatory compliance and reporting	• Received regular reports from the Regulatory Compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings of the internal and external auditors or regulators • Requested specific updates or presentations from management on areas considered high risk or where exceptions had been identified • Received regular updates from the compliance function in respect of Regulatory Interactions, Risk Ratings and High-Risk exposures, Conduct, Financial Crime, Compliance Monitoring, Training, Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) reviews conducted in respect of Group subsidiaries • Considered regulatory developments and the potential impact on the UK, following the addition of South Africa to the FATF Grey List in February 2023 • Reviewed the reporting obligations in line with the listing rules requirements in respect of the Investec Limited share buy-back of Investec plc shares and the distribution of the Ninety One shares.
Post balance sheet disclosure	• Considered any post balance sheet events that may require the AFS to be adjusted or require additional disclosure including in respect of regulatory matters and the proposed combination of Investec Wealth & Investment UK and Rathbones Group. Refer to note 57 of the annual financial statements • Reviewed and approved the publication of a no-change statement.
Climate, nature and biodiversity and environmental, social and governance (ESG)	• Reviewed ESG reporting and disclosures • Considered the level of external assurance obtained on ESG reporting and disclosures • Considered the Task Force for Climate Related Disclosures (TFCD) reporting requirements.
Internal controls • The effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans.	• Attended regular meetings of the DLC BRCC. Based on reports presented at those meetings, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment • Evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames • Reviewed reports from the independent audit committees of the Group's subsidiaries • Evaluated the impact of working from home on the overall control environment and operational risk • Evaluated reports on the internal control environment from the internal and external auditors with specific emphasis on culture and conduct elements in the internal audit reports. Noted internal audit reports and conclusions on internal controls, internal financial controls and the risk management framework for the year under review • Attended and received regular reports from the DLC IT Risk and Governance Committee regarding the monitoring and effectiveness of the Group's IT controls. Considered updates on key internal and external audit findings with respect to the IT control environment.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Other matters	What we did
Internal controls (continued)	• Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage • Evaluated reports on cyber security within the Group and received a presentation on the outcome of the 2022/23 TAS.
Combined assurance matrix	• Confirmed our satisfaction with the appropriateness of the design and effectiveness of the combined assurance model applied, which incorporates the various disciplines of Risk Management, including Operational Risk, Legal, Regulatory Compliance, internal audit, external audit and other assurance providers • Confirmed our satisfaction with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks • Reviewed the results of the Combined Assurance Matrix (CAM) coverage plan at the year-end to assess the results of actual coverage and conclusions relative to planned coverage for the year. Concluded that the CAM formed an appropriate basis for assurance coverage and outcomes • Reviewed the year-end conclusions from internal audit on internal controls, the risk management framework and internal financial controls based on their planned and actual audit coverage for the year.
Fair, balanced and understandable reporting • The Group is required by the UK Corporate Governance Code to assess and confirm that its external reporting is fair, balanced and understandable, and consider whether it provides the information necessary for stakeholders to assess the Group's position and performance, business model and strategy.	• Undertook an assessment on behalf of the Board, to provide the Board with assurance that it can make the statement • Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate • Conducted an in-depth critical review of the annual financial statements and, where necessary, requested amendments to disclosure • Reviewed the accounting treatment of key judgements and the quality of earnings assessment • Assessed disclosure controls and procedures • Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made • Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences • Considered feedback from Group Finance in respect of a project launched to refine the annual integrated report in order to improve disclosures, improve financial control and reporting processes • Concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2023 were appropriate in ensuring that those statements were fair, balanced and understandable • Reviewed feedback received from analysts in respect of the annual report as provided by Investor Relations and incorporated the feedback into the annual report • Reviewed the outcomes of the combined assurance coverage model as discussed above.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Other matters	What we did
Business control environment • The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans.	• Received regular reports from the subsidiary audit committees • Attended the audit committees of all significant subsidiaries • Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans • Received updates from senior management and scrutinised action plans following internal audit findings • Reviewed the process for reporting to the DLC Audit Committee by key subsidiaries and associates and considered regular reports from such entities.
Finance function	• Considered the financial reporting as prepared by Group Finance regarding the interim results for the period ended 30 September 2022 and final results for the 31 March 2023 year end • In a closed session, discussed and concluded that the finance functions of Investec plc and its subsidiaries were adequately skilled, resourced and experienced to perform the financial reporting for the Group and that appropriate succession was in place for key roles • Concluded that the Group FD, Nishlan Samujh, had the appropriate expertise and experience to meet the responsibilities of the position.
IFRS	• Reviewed various accounting papers prepared by Group Finance addressing subjective accounting treatments and significant accounting judgements, including the appropriateness of the accounting for the Ninety One share distribution • The Audit Committee chair discussed the key judgements and complex accounting treatments with both external audit and management in the weekly meetings leading up to the year-end sign off • Concluded on the reasonableness of the significant accounting judgements • The 2022 AFS of Investec plc were subject to a review by the Financial Reporting Council (FRC) in the current year. The outcome of the review confirmed compliance with IFRS and regulatory disclosure requirements.
Related party disclosures	• Considered and reviewed related party disclosures for the Group • DLC Nomdac reviewed key related party transactions during the year and ensured compliance with Investec related party policies.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Other matters

Internal audit

- The performance of Internal Audit and delivery of the Internal Audit plan, including scope of work performed, the level of resources, the risk assessment methodology and coverage of the internal audit plan
- The Committee is responsible for assessing audit quality and the effectiveness of the internal audit function.

What we did

- Scrutinised and reviewed internal audit plans, risk assessments, methodology and staffing, and approved the annual plan
- Deliberated on and approved the revised Group internal audit charter
- Monitored delivery of the agreed audit plans, including assessing Internal Audit resources, Continued Professional Development (CPD), succession, core skills development and automation of audit processes
- Monitored and followed up internal audit control findings, including IT, and ensured appropriate mitigation and timeous close-out by management
- Tracked high and moderate risk findings, and monitored related remediation plans
- Met with the heads of internal audit prior to each Audit Committee meeting, without management being present, to discuss the remit of and reports of internal audit and any issues arising from the internal audits conducted
- Monitored audit quality in relation to internal audit. The methodology, process and skills were presented to a separately convened Audit Committee to consider audit quality
- Discussed and considered the internal audit quality assurance programme. The internal audit quality assurance programme is designed in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct, including the Code of Ethics)
- Confirmed our satisfaction with the performance of the internal audit function
- Reviewed the Investec plc written assessment of the overall effectiveness of the organisation's governance, risk, and control framework, including an assessment of internal financial controls, the risk management framework, adherence to the risk appetite and the effectiveness of the overall assurance achieved relative to that planned for the year through the CAM
- Discussed and considered the quality assurance programme. The quality assurance programme is multi-faceted, and includes the attraction, development and retention of adequately skilled staff that exercise proficiency and due professional care, adherence to the Global internal audit governance framework and audit methodology, oversight and detailed review of every audit engagement and a quarterly post-engagement quality assurance programme
- Reviewed the results of the post-engagement quality assurance programme which inform any training interventions required within the team. The results are consolidated and presented to the Audit Committee on an annual basis
- IT Audit and Data Analysis - Internal audit developed automated test scripts, allowing for more comprehensive testing of controls covering the full population. This full population testing provides greater coverage than the traditional audit methodology which calls for a sample testing approach. Reviewed and considered the implications of the approach on the audit for the Group.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Other matters	What we did
Internal audit (continued)	• Held a closed session regarding internal audit where the capacity, appropriate skills, independence and quality of the internal audit function was assessed • Considered succession and the skills matrix for internal audit • Assessed the effectiveness of the internal audit function through completion of a questionnaire which is based on the Internal Audit Financial Code of Practice. The results of the exercise were shared with the Committee, together with action plans to address any concerns raised, which will be tracked to completion.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

External Audit

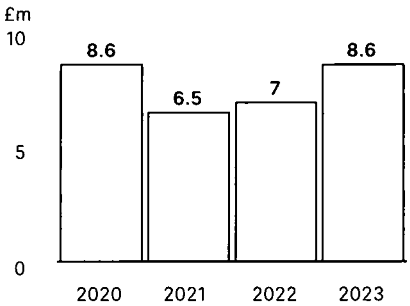
Non-audit services

Our policy regarding the engagement of the external auditors to provide non-audit services was developed by the Committee to safeguard auditor objectivity and independence. The policy includes guidelines on permitted and non-permitted services and the approval process required by the Committee.

Total audit fees paid for the year ended 31 March 2023 amounted to £8.6 million (2022: £7.0 million), of which £2.4 million (2022: £1.4 million) related to the provision of non-audit services. The non-audit services related to services required to be provided by the external auditor, such as, regulatory audits and work to be performed as reporting accountant. Non-audit fees were pre-approved by the Chair of the Committee prior to every assignment.

The Committee further required the policy to be applied to any external services provided by Deloitte LLP to ensure the independence of the firm prior to its appointment as external auditor for the financial year commencing 1 April 2024.

Total Audit Fees



Based on the above-mentioned policy and reviews, the Committee was satisfied that the level and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young LLP.

Auditor independence and objectivity and audit quality

The Committee treated audit quality and independence as a Key Audit Matter (KAM) and accordingly critically evaluated audit quality, effectiveness, independence and audit rotation requirements. Regulator reviews were considered at a firm and individual partner level. Continuity, quality control on assignment as well as the independence of staff on the assignment were considered. The Committee was satisfied that in reviewing audit quality and independence, it had followed a comprehensive process during which detailed feedback was received and evaluated.

- The Committee considers the independence of the external auditors on an ongoing basis
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Group audit meet the independence criteria
- The key audit partners are required to rotate every five years. The tenure of each of the partners was reviewed and concluded to be aligned with this policy.

Following due consideration, the Committee believes the safeguards as implemented by the Committee are adequate to ensure the objectivity and effectiveness of the audit process, based on the following:

- The additional cross-reviews by the Investec plc auditors across the Group supported by partner rotation
- Limitations on delivering non-audit services, including pre-approval of non-audit work
- The confirmation of the independence of the firms and auditors involved
- Formal audit quality process undertaken by the Committee.

Audit Firm Rotation

The Company has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order), which relates to the frequency and governance of tenders for the appointment of the external auditors. The external auditors of Investec plc are Ernst & Young LLP. Ernst & Young LLP have been Investec plc's auditors since 2000 and are subject to a mandatory rotation by the end of March 2024 at the latest. Following a comprehensive tender process Deloitte LLP have been nominated as the new external auditors for the financial year starting 1 April 2024.

The appointment of Deloitte LLP in a shadow capacity, for the 2024 financial year, will be recommended for approval by ordinary shareholders at the AGM to be held in August 2023.

Year	Auditors	Shadow Auditors
2022/23	EY LLP	
2023/24	EY LLP	Deloitte LLP
2024/25	Deloitte LLP	

Re-election and appointment of auditors

The Committee has considered the following in selecting external auditors:

- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of a Bank or financial services or group which is of systemic importance
- Transformation
- Technology
- Credentials and Partners
- Regulatory reviews
- Legal cases and reputational matters
- The level of quality control within the audit firms as evidenced by the results of internal and external regulatory reviews performed on audit firms and engagement partners
- The level of inherent risk in auditing a financial services group and the consequent audit risks
- The independence of the external auditor
- The fundamental demands on audit quality, the level of audit risk given the turmoil in the audit profession, balanced against shareholder views on firm rotation
- Understanding of the Investec business, culture and financial statement risks.

The Investec plc audit committee confirms its satisfaction with the performance and quality of External Audit, the external auditor and lead partners.

The Board and the Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2023 for the financial year ending 31 March 2024.

INVESTEC PLC AUDIT COMMITTEE REPORT CONTINUED

Looking ahead

The role of the Committee will remain focused on:

- Ensuring the effective functioning of the Group's financial systems and processes, financial control environment, monitored by an effective combined assurance model
- Audit quality and independence
- Management's response in respect of future changes to IFRS, legislation and other regulations impacting disclosure requirements
- Ensuring a smooth transition of the external audit firms and maintaining audit quality
- The implications of ESG risk in measuring the sustainability and societal impact of an investment in a company or business together with ESG accounting disclosures and assurance processes
- Continuing to exercise oversight over subsidiary audit committees, including in remote locations
- Identifying an additional Audit Committee member and a successor to take over from me as the Chair of the Committee.

Vote of thanks

The Audit Committee offers its sincere thanks to David Friedland for his exemplary service and commitment to the Committee.

Zarina Bassa

Chair, Investec plc Audit Committee

27 June 2023

DIRECTORS' REPORT

The directors' report for the year ended 31 March 2023 comprises pages 31 to 51 of this report, together with the sections of the annual report incorporated by reference.

The directors' report deals with the requirements of Investec plc.

As permitted by Section 414C(11) of the UK Companies Act, some of the matters required to be included in the directors' report have instead been included in the strategic report on pages 5 to 122 of the Investec Group's 2023 integrated and strategic report, as the Board considers them to be of strategic importance. Specifically, these are:

- Future business developments (throughout the strategic report)
- Risk management on page 11
- Information on how the directors have had regard to the Group's stakeholders, and the effect of that regard, on pages 32 to 40 of the Investec Group's 2023 integrated and strategic report.

The strategic report (as contained in the Investec Group's 2023 integrated and strategic report) and the directors' report together form the management report for the purposes of Disclosure Guidance and Transparency Rules (DTR) 4.1.8R.

For information on the corporate governance of the Investec Group, refer to the corporate governance sections of the Investec Group's 2023 integrated and strategic report and the Investec Group's 2023 risk and governance report.

Information relating to the use of financial instruments by the Company can be found on pages 91 to 105 and is incorporated by reference.

Additional information for shareholders of Investec plc is detailed in schedule A to the directors' report on pages 50 and 51.

Other information to be disclosed in the directors' report is given in this section.

The directors' report fulfils the requirements of the corporate governance statement for the purposes of DTR 7.2.3R.

Directors

The membership of the Board and biographical details of the directors are provided on pages 127 to 131 of the Investec Group's 2023 integrated and strategic report.

Changes to the composition of the Board during the year and up to the date of this report are shown in the table below:

	Role	Effective date of departure/ appointment
Departures		
David Friedland	Non-Executive Director	4 August 2022
Appointments		
Vanessa Olver	Non-Executive Director	18 May 2022

In accordance with the UK Corporate Governance Code, all of the directors will retire and those willing to serve again will submit themselves for re-election at the AGM.

To simplify the Board structure, Richard Wainwright and Ciaran Whelan will not stand for re-election at the 2023 AGM, and will accordingly step down from the Board in August 2023.

Khumo Shuenyane, who will reach nine years of service with the Group in August 2023, will also not stand for re-election at the 2023 AGM.

Company Secretary

The Company Secretary of Investec plc is David Miller.

The Company Secretary is professionally qualified and has gained experience over many years. His performance is evaluated by Board members during the annual Board evaluation process. He is responsible for the flow of information to the Board and its committees and for ensuring compliance with Board procedures. All directors have access to the advice and services of the Company Secretary, whose appointment and removal is a Board matter.

In compliance with the UK Corporate Governance Code and the UK Companies Act, the Board has considered and is satisfied that the Company Secretary is competent, and has the relevant qualifications and experience.

Induction, training and development

The Chair leads the training and development of directors and the Board generally.

A comprehensive development programme operates throughout the year, and comprises both formal and informal training and information sessions.

On appointment to the Board, all directors benefit from a comprehensive induction, which is tailored to the new director's individual requirements. The induction schedule is designed to provide the new director with an understanding of how the Group works and the key issues that it faces. The Company Secretary consults the Chair when designing an induction schedule, giving consideration to the particular needs of the new director. When a director joins a Board committee, the schedule includes an induction to the operations of that committee.

Directors and their interests

Details of the directors' shareholdings and options to acquire shares are detailed in the Investec Group's 2023 remuneration report.

Directors' conflicts of interest

The Group has procedures in place for managing conflicts of interest. Should a director become aware that they, or any of their connected parties, have an interest or a potential interest in an existing or proposed transaction with the Group, they are required to notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to their declarations.

Directors' and officers' liability insurance

The Group maintains directors' and officers' liability insurance which provides appropriate cover for any potential legal action brought against its directors.

Change of control

The Articles of Association of Investec plc and the Memorandum of Incorporation of Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

DIRECTORS' REPORT CONTINUED

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of a third party, or after both Investec plc and Investec Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of the Investec Group's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and, where applicable, subject to the satisfaction of any performance conditions at that time.

Powers of directors

The Board manages the business of the Group under the powers set out in the Articles of Association of Investec plc, which include the ability of directors to issue or buy-back shares. Directors were granted authority to issue and allot shares and to buy-back shares at the 2022 AGM. Shareholders will be asked to renew this authority at the 2023 AGM.

Contracts

Details of contracts with directors can be found on pages 21 and 22 of the Investec Group's 2023 remuneration report.

Authorised and issued share capital

Details of the share capital are set out on pages 118 and 120 in note 40 to the annual financial statements.

Investec plc did not issue any ordinary shares during the financial year ended 31 March 2023.

Investec plc did not repurchase any of its ordinary shares during the financial year ended 31 March 2023.

Investec Limited purchased 42 485 632 of Investec plc's ordinary shares during the financial year ended 31 March 2023 representing 6.1% of the issued share capital. These shares are being held exclusive of voting rights in treasury.

At 31 March 2023, Investec plc held 49 720 148 shares in treasury (2022: 48 997 877), for allotment under share plans. The maximum number of shares held in treasury by Investec plc during the period under review was 50 288 648 shares.

Ordinary dividends

An interim dividend of 13.5p per ordinary share (2021: 11.0p) was paid on 9 January 2023, as follows:

- 13.5p per ordinary share to non-South African resident shareholders registered on 9 December 2022, and
- South African resident shareholders registered on 9 December 2022, through a dividend paid by Investec Limited on the SA DAS share, equivalent to 13.5p per ordinary share.

The directors have proposed a final dividend to shareholders registered on 18 August 2023, of 17.5p (2022: 14.0p) per ordinary share, subject to the approval of the members of Investec plc at the AGM which is scheduled to take place on 3 August 2023. If approved, this will be paid on 4 September 2023, as follows:

- 17.5p per ordinary share to non-South African resident shareholders registered on 18 August 2023, and
- South African resident shareholders registered on 18 August 2023, through a dividend paid by Investec Limited on the SA DAS share, equivalent to 17.5p per ordinary share.

Preference dividends

Non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 33 for the period 1 April 2022 to 30 September 2022, amounting to 11.44521p per share, was declared to members holding preference shares registered on 9 December 2022 and was paid on 23 December 2022.

Preference dividend number 34 for the period 1 October 2022 to 31 March 2023, amounting to 21.58904p per share, was declared to members holding preference shares registered on 9 June 2023 and was paid on 23 June 2023.

Rand-denominated non-redeemable, non-cumulative, non-participating preference shares

Preference dividend number 23 for the period 1 April 2022 to 30 September 2022, amounting to 402.51369 cents per share, was declared to members holding Rand-denominated non-redeemable, non-cumulative, non-participating preference shares registered on 9 December 2022 and was paid on 23 December 2022.

Preference dividend number 24 for the period 1 October 2022 to 31 March 2023, amounting to 490.94179 cents per share, was declared to members holding preference shares registered on 9 June 2023 and was paid on 23 June 2023.

Going concern

In adopting the going concern basis for preparing the consolidated financial statements, the directors have considered the Group's business activities, objectives and strategy, principal risks and uncertainties in achieving its objectives, and performance that are set out on pages 5 to 9, pages 23 to 25 and pages 89 to 104 of the Investec Group's 2023 integrated and strategic annual report. The directors have performed a robust assessment of the Group's financial forecasts across a range of scenarios over a 12-month period from the date the financial statements are authorised for issue. Based on these, the directors confirm that they have a reasonable expectation that the Company and the Group, as a whole, has adequate resources to continue in operational existence for the 12 months from the date the financial statements are authorised for issue. The directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the accompanying consolidated financial statements.

Viability statement

In accordance with the UK Corporate Governance Code, in addition to providing a going concern statement, the Board is required to make a statement with respect to the Group's viability (i.e. its ability to continue in operation and meet its liabilities), taking into account the current position of the Group, the Board's assessment of the Group's prospects and the principal risks it faces. Following confirmation by the DLC BRCC (comprising a majority of Non-Executive Directors, which includes members of the Audit Committee, the Audit Committee recommended the viability statement for Board approval.

The Board has identified the principal and emerging risks facing the Group and these are highlighted on pages 14 to 30.

Through its various committees, notably the DLC Audit Committee and the DLC BRCC, the Board regularly carries out a robust assessment of these risks and their potential impact on the performance, liquidity, solvency and operational resilience of the Group. The activities of

DIRECTORS' REPORT CONTINUED

these Board sub-committees and the issues considered by them are described in the Group's 2023 Risk and Governance Report.

Taking these risks into account, together with the Group's strategic objectives and the prevailing market environment, the Board approved the overall mandated risk appetite frameworks for Investec plc. The risk appetite frameworks set broad parameters relating to the Board's expectations around performance, business stability and risk management.

The Board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage the Group's risk appetite, there are a number of detailed policy statements and governance structures in place. The Board ensures that there are appropriate resources in place to manage the risks arising from running the business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a Non-Executive Audit Committee Chair.

The Board believes that the risk management systems and processes, supported by the conclusions of the Internal Audit function and the results of their combined assurance coverage and each assurance function, are adequate to support the Group's strategy and allow the Group to operate within its risk appetite framework. A review of the Group's performance/measurement against its risk appetite framework is provided at each DLC BRCC meeting and at the main Board meetings.

In terms of the FCA and PRA requirements, the Group is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, the Group is required to stress its capital and liquidity positions under a number of severe stress conditions. Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the Group's key 'vulnerabilities under stress'.

In order to manage liquidity risk, liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market-wide, firm specific, and combined scenarios (combination of the market-wide and firm specific stresses). The Group manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the Board-approved risk appetite. In addition to these stress scenarios, the Group's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each banking entity within the Group is required to be fully self-funded. The Group currently has £8.6 billion in cash and near cash assets, representing 44.7% of customer deposits.

The Group develops annual capital plans (refreshed after six months) that look forward over a three-year period. The capital plans are refreshed on an ad hoc basis if a material event occurs or is likely to occur. These plans are designed to assess the capital adequacy of the Group's respective banking entities under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the Board to make decisions to ensure that the Group continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). The Group targets a CET1 ratio in excess of 10%, a tier 1 ratio greater than 11%, a minimum capital adequacy ratio of 14% to 17%, and a leverage ratio in excess of 6% for each of its banking entities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account the principal and emerging risks facing the Group, changes in the business environments and inputs from business units. Scenarios are designed considering macro-economic downside risks, portfolio-specific risk factors and business model vulnerabilities. Multiple scenarios are considered to account for the uncertain forward-looking macro-economic environment. The scenarios described below were as at 31 March 2023, and we have experienced an evolving macro-economic environment since the financial year-end which has resulted in higher interest rates than were previously assumed in the base case forecast horizon. Nevertheless these scenarios are still considered appropriate to assess the ongoing viability of the Group given the severity of the two downside scenarios.

- Base case: The UK economy recovers from a period of weakness, a trajectory which is followed by a number of other western economies, while inflation falls sharply. This is underpinned by the absence of sharp energy price increases and indeed UK natural gas prices are expected to remain materially lower than in 2022. The expected recession over 2023 is expected to be relatively short and shallow with a peak to trough drop in output of around 0.5%. The Bank rate is 4.50% and falls later in 2023 as inflation declines and the economy remains weak. The unemployment rate increases from a starting point below 4% to 5.3% as economic conditions are unfavourable but also because the decline in labour participation rates is gradually reversed. The housing market goes through a difficult period in 2023. National house prices experience a peak-to-trough decline of 7% with no recovery before the end of the year. Globally, the situation is projected to be similar to that of the UK with many economies struggling, inflation pressures falling and with some central banks easing monetary policy this year.
- Inflation Entrenched: The entrenched inflation scenario assumes that upside inflation risks materialise, with core inflation remaining persistent across the forecast horizon, for example inflation is expected to still average 4% at the end of the forecast period. As such central banks tighten policy further and maintain high policy rates, The Bank of England base rate is 4.50% and is maintained at that level throughout the scenario horizon. Amidst this high interest rate, high inflation environment, a recession ensues in the near term and remains stagnant across the forecast period as a whole
- BoE Annual Cyclical Scenario (ACS): The Bank of England's regulatory scenario which encompasses a severe global economic downturn, which both at the domestic and global level is more severe than the Global Financial Crisis of 2008/09, with world GDP assumed to fall 2.5%. The context of the scenario is an economic shock driven by energy and other cost pressures which cause a sharp rise in inflation, in turn prompting a sharp rise in interest rates; the BoE's Bank rate is assumed to rise to 6%. In the UK a year long recession ensues before a recovery is witnessed, supported by an easing in monetary policy. Notably there are severe shocks across various sectors, UK house prices are expected to fall 30% for example, whilst global financial markets witness a significant repricing, equity indices such as the

DIRECTORS' REPORT CONTINUED

FTSE 100 fall 45%, whilst credit spreads widen sharply.

The Group implements regulatory scenarios when they are published by regulators (UK BoE Annual Cyclical Scenario). The BoE published their new ACS in September 2022 and this scenario has been implemented as part of the Investec Plc 2023 stress testing program.

The Board has assessed the Group's viability in its 'base case' and stress scenarios. The Board has also assessed the Group's viability with regards to the impact of the proposed combination of the Rathbones Group and Investec Wealth & Investment Limited in its 'base case' and stress scenario. In assessing the Group's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed.

We also carry out 'reverse stress tests', i.e., scenarios that would cause the Group business model to fail. Reverse stress scenarios are developed thematically, and their impact is assessed in qualitative and quantitative terms with respect to regulatory capital and liquidity threshold conditions, taking into account the loss absorbing effects of the bank's capital stack. Escalating losses may expose the business model to unacceptable levels of risk well before regulatory threshold conditions are breached, and mitigation actions are identified with the aim to prevent the failure of the Group. Reverse scenarios are extreme tail events and are considered remote, and mainly serve the purpose of identifying and addressing potential weaknesses that may not be identified through the ongoing risk management and stress testing processes.

In addition, Investec plc performs climate scenario analysis and risk assessments in line with the requirements stipulated by Supervisory Statement SS3/19 'Enhancing banks' and insurers' approaches to managing the financials risks from climate change', on a proportionate basis for the size and complexity of the firm. The BoE's '2021 Climate Biennial Exploratory Scenario' has been used as the framework for scenario analysis. To date, findings indicate that transition and physical risk is low and Investec plc has sufficient capital and liquidity to continue as a going concern and meet regulatory capital and liquidity requirements.

Furthermore, the Group is required to have a contingency funding and recovery plan as well as a resolution pack. The purpose of the recovery plans is to document how the Board and senior management will ensure that the Group recovers from extreme financial stress to avoid liquidity and capital difficulties in its separately regulated companies.

The Group maintains an operational resilience framework that defines important business services and impact tolerances and plans to respond effectively to a disruption. This not only ensures continuity of business operations but also safeguards the interests of key stakeholders including clients and regulators, as well as maintaining our reputation, brand and value-creating activities.

The capital and liquidity plans, stress scenarios, contingency funding and recovery plan, resolution pack and the risk appetite statement are reviewed at least annually. In times of severe economic distress and if applicable, stress scenarios are reviewed more regularly; for example, as was the case with the COVID-19 pandemic. In addition, senior management hosts an annual risk appetite process at which the Group's risk appetite frameworks are reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes take place within each business division at least annually. These focus on, amongst other things: the business and competitive landscape; opportunities and challenges; and financial projections. A summary of these divisional budgets, together with a consolidated Group budget, is presented to the Board during its strategic review process early in the year.

In assessing the Group's viability, the Board has taken all of the above-mentioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that Investec will continue to operate and meet its liabilities as they fall due over the next three years. The Board has used a three-year assessment period as this is aligned to the Group's medium-term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. Detailed management information therefore exists to provide senior management and the Board sufficient and realistic visibility of the Group's viability over the three years to 31 March 2026.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the Board's assessment of the Group's viability:

- Pages 5 to 8, which give an overview of the business
- Pages 14 to 30, which provide detail on the principal and emerging risks the Group faces and the processes in place to assist the Group in mitigating its principal risks
- Page 14 which highlights information on the overall Group's risk appetite
- Page 11 which provides an overview of the Group's approach to risk management
- Pages 14, 140, 163 and 178, which highlight information on the Group's various stress testing processes
- Pages 167 to 173, which specifically focus on the Group's philosophy and approach to liquidity management
- Page 176 which provide detail on the recovery plan
- Pages 177 to 181, which explain the Group's capital management framework.

This forward-looking viability statement made by the Board is based on information and knowledge of the Group at 27 June 2023. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond the Group's control that could cause the Group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

Social and Ethics Committee (SEC)

The Board of Investec plc has delegated the duties of the Social and Ethics Committee, as set out in the South African Companies Act, to the DLC SEC.

Further details of the role, responsibilities, membership and activities of the DLC SEC are set out on pages 97 to 100 of the Investec Group's 2023 risk and governance report.

Sustainability report

For information on our approach to social, environmental and ethical matters, please refer to the Investec Group's 2023 sustainability report which is published and made available on our website www.investec.com

DIRECTORS' REPORT
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Investec plc carbon footprint

Streamlined energy and carbon reporting (SECR)

Metric	Unit	2022/23 UK and offshore[1]	2022/23 Global (excluding UK and offshore)	2022/23 Total Investec plc	2021/22 UK and offshore	2021/22 Global (excluding UK and offshore)	2021/22 Total Investec plc
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1)	tCO_2e	44	—	44	43	—	43
Emissions from purchase of electricity (Scope 2 location based)	tCO_2e	807	164	971	783	249	1 032
Total gross Scope 1 & Scope 2 emissions (location based)	**tCO_2e**	**851**	**164**	**1 015**	**826**	**249**	**1 075**
Energy consumption used to calculate above emissions[2]	kWh	4 420 786	441 222	4 862 008	4 013 719	566 017	4 579 736
Intensity ratio: Location based gross Scope 1 + 2 emissions per employee[3]	tCO_2e/ Headcount	0.25	0.92	0.29	0.25	1.46	0.31
Total gross Scope 3 operational emissions	**tCO_2e**	**4 873**	**30**	**4 903**	**1 502**	**8**	**1 510**
Total gross Scope 1, Scope 2 & Scope 3 operational emissions (location based)	**tCO_2e**	**5 724**	**194**	**5 918**	**2 328**	**257**	**2 585**
Intensity ratio: Location based gross Scope 1, 2 + 3 operational emissions per employee[3]	tCO_2e/ Headcount	1.71	1.09	1.69	0.71	1.50	0.75
Scope 2 market based[4]	tCO_2e	—	—	—	—	—	—
Carbon offsets[5]	tCO_2e	4 917	30	4 947	1 545	8	1 553
Total annual net emissions (market based)	**tCO_2e**	**—**	**—**	**—**	**—**	**—**	**—**

Boundary, methodology, and exclusions

An 'operational control'[6] approach has been used to define the Greenhouse Gas emissions boundary[6].

This approach captures emissions associated with the operation of all office buildings, company travel in private vehicles, and travel on public transportation for instance. This report covers all countries where Investec plc has operational control over their emissions. This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019. The emissions have been calculated using the latest conversion factors provided by the UK Government (2022). Beyond what has been reported, other aspects such as refrigerant usage have not been included because Investec plc are tenants in their respective premises. The reporting period is April 2022 to March 2023, as per the financial accounts. Investec plc's Scope 1 emissions refer to natural gas, its Scope 2 emissions refer to electricity used in its premises, and its Scope 3 emissions refer to category 1: paper, category 5: waste, category 6: business travel, and category 7: employees working from home.

Energy efficiency and carbon reduction initiatives

During the 2022/2023 period, Investec plc implemented energy efficiency measures by configuring all Lincat boilers to operate in economy mode. This measure led to a reduction in the consumption of each boiler for boiling water production. Moreover, Investec maintained and improved the integrated ISO 50001/ 14001 standards, which enables optimisation of energy-related performance and ongoing efficiency improvements.

Disclaimer
There has been a change in both Investec's virtual energy manager and auditor, with a resulting change in methodology for 2022/ 2023. The emissions figures quoted for 2021/ 22 in this report are calculated on a comparable basis but are unaudited as a result. The Group's carbon footprint has not undergone corresponding adjustments.

1. The offshore area as defined in the Companies (Directors Report) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018 includes Guernsey, Jersey, and Isle of Man. However, our overseas sites in America, Europe, and Asia are not included in the offshore area. These sites are included in the global total, excluding the UK and offshore.
2. Consumption data for Scope 3 emissions is not available in kWh so the total energy usage has been calculated for mandatory emissions only (Scope 1 and 2).
3. For the purposes of this report, an employee is an individual who performs services for the Company for compensation and is under the Company's control with respect to the performance of those services. This includes full-time, part-time, and temporary employees, as well as independent contractors.
4. We have offset our Scope 2 emissions by purchasing 100% of our power from renewable sources through green tariffs and renewable energy certificates.
5. The remaining unavoidable emissions were offset through the purchase of VCS certified carbon credits. These carbon credits were sourced from Wonderbag.
6. An operational control approach to GHG emissions boundary is defined as: 'Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation.'

DIRECTORS' REPORT
CONTINUED

Climate-related financial disclosures report

Refer to the Investec Group's 2023 climate and nature-related financial disclosures report for our progress on the Task Force on Climate-related Financial Disclosures (TFCD) recommendations.

Nominations and Directors' Affairs Committee (Nomdac)

The Board of Investec plc has delegated the duties of the Directors' Affairs Committee to the DLC Nomdac.

Further details of the role, responsibilities, membership and activities of the DLC Nomdac are set out on pages 94 to 96 of the Investec Group's 2023 risk and governance report.

Remuneration Committee

The Board of Investec plc has delegated the duties of the Remuneration Committee to the DLC Remuneration Committee.

Further details of the role, responsibilities, membership and activities of the DLC Remuneration Committee are set out on pages 4 to 7 of the Investec Group's 2023 remuneration report.

Audit Committee

The Audit Committee comprising independent Non-Executive Directors meets regularly with senior management, the external auditors, operational risk, internal audit, compliance and the finance division to consider the nature and scope of the internal and external audit reviews and the effectiveness of our risk and control systems, taking note of the key deliberations of the subsidiary Audit Committees as part of the process.

Further details on the role and responsibility of the Audit Committee are set out on pages 31 to 42.

Independent auditor and audit information

Each director, at the date of approval of this report, confirms that, so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware and that each director has taken all steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the UK Companies Act and should be interpreted in accordance with and subject to those provisions.

Ernst & Young LLP have indicated their willingness to continue in office as auditors of Investec plc.

The Board having satisfied itself as to their independence and effectiveness, has proposed a resolution to re-appoint Ernst & Young LLP as auditors at the AGM scheduled to take place on 3 August 2023.

Following a comprehensive tender process, Deloitte LLP was nominated as the new external auditor for Investec plc, subject to regulatory approval, for the financial year starting 1 April 2024. A formal transition process will commence during 2023, whereby Deloitte LLP will observe the full audit cycle performed by the incumbent external auditors. The formal shadow period will commence from 1 April 2023 for the year ending 31 March 2024. The appointment of Deloitte LLP in a shadow capacity, for the 2024 financial year, will be recommended for approval at the AGM to be held in August 2023.

Major shareholders

The largest shareholders of Investec plc are shown on page 164 of the Investec Group's 2023 integrated and strategic annual report.

Special resolutions

At the AGM held on 4 August 2022, special resolutions were passed in terms of which:

- A renewable authority was granted to Investec plc to acquire its own ordinary shares in accordance with the terms of Section 701 of the UK Companies Act
- A renewable authority was granted to Investec plc to acquire its own preference shares in accordance with the terms of Section 701 of the UK Companies Act.

AGM update statement

At the AGM on 4 August 2022, resolution 38 (political donations), passed with a less than 80% majority.

As stated in the notices to the AGMs, Investec plc does not give any money for political purposes in the UK nor does it make any donations to UK political organisations or incur UK political expenditure. However, the definitions of political donations and political expenditure used in the UK Companies Act are very wide. In line with UK market practice, the authority is therefore requested only as a precautionary measure to ensure that Investec plc and any company which is or becomes a subsidiary of Investec plc does not inadvertently breach the relevant provisions of the UK Companies Act.

Diversity and inclusion

Our diversity and inclusion framework has a sense of belonging for all our people, irrespective of difference, as its goal. We aim to make Investec a place where it is easy to be yourself. It is a responsibility we all share and is integral to our purpose and values as an organisation. Continually mindful of our biases and consciously inclusive, we encourage each other to embrace opportunities for growth. We recognise that a diverse and inclusive workforce is essential to our ability to be an innovative organisation that can adapt and prosper in a fast changing world.

Investec's approach is to recruit and develop based on aptitude and attitude, with the deliberate intention to build a diverse workforce, which represents the population of the relevant jurisdiction and reflects its clients. Our recruitment strategies actively seek difference, engaging with minority groups, females and people with disabilities. Investec is committed to being an equal opportunity employer. In accordance with our policies and practices, and relevant International Labour Organisation (ILO) conventions and legislation, we do not tolerate any form of discrimination based on gender, gender reassignment, race, ethnicity, religion, belief, age, disability, nationality, political opinion, sensitive medical conditions, pregnancy, maternity, civil partnership and sexual orientation. People with different abilities are an essential part of a diverse talent pool and every effort is made to facilitate an accessible environment for all.

Further information is provided in the Investec Group's 2023 sustainability report.

DIRECTORS' REPORT
CONTINUED

Empowerment and transformation

Investec recognises that economic growth and societal transformation is vital to creating a sustainable future for all the communities in which it operates, and that as a financial services provider, it plays a critical role in enabling this.

Further information is provided in the Investec Group's 2023 sustainability report.

Research and development

In the ordinary course of business, the Group develops new products and services in each of its business divisions.

Political donations and expenditure

The Group did not make any political donations in the financial year ended 31 March 2023 (2022: Nil).

Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 189 to 193

Uncertain tax and other legal matters

The Board considered legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements. Refer to note 49 on page 125.

Events after the reporting date

Refer to Note 57 of the Annual Financial statements.

Signed on behalf of the Board of Investec plc

Philip Hourquebie
Group Chair
27 June 2023

Fani Titi
Group Chief Executive
27 June 2023

SCHEDULE A TO THE DIRECTORS' REPORT

Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the Articles) and applicable English law concerning companies (the UK Companies Act). This is a summary only and the relevant provisions of the Articles or the UK Companies Act should be consulted if further information is required.

Share capital

The issued share capital of Investec plc at 31 March 2023 consists of 696 082 618 ordinary shares of £0.0002 each, 2 754 587 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 131 447 ZAR non-redeemable, non-cumulative, non-participating preference shares of R0.001 each, 318 904 709 special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

Purchase of own shares

Subject to the provisions of the Articles, the UK Companies Act, the UK Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

Dividends and distributions

Subject to the provisions of the UK Companies Act, Investec plc may by ordinary resolution from time-to-time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25% or more interest in the nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and, on a poll, every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share. Under the UK Companies Act, members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meeting as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid. In addition, no member shall be entitled to vote if they have been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the UK Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the UK Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them. Where, under the Company's share incentive plan, participants are the beneficial owners of the shares, but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the Company's employee trust, the trustee does not vote in respect of unallocated shares.

Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system. The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and, when submitted for registration, is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require. Subject to the UK Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

SCHEDULE A TO THE DIRECTORS' REPORT CONTINUED

A number of the Company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

Investec plc preference shares

The following are the rights and privileges which attach to the Investec plc preference shares:

- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, pari passu inter se and with the most senior ranking preference shares of Investec plc in issue (if any) from time-to-time and with any other shares of Investec plc that are expressed to rank pari passu herewith as regards to participation in the capital, and otherwise in priority to any other class of shares of Investec plc
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.

Non-redeemable, non-cumulative, non-participating preference shares

The following are the rights and privileges which attach to the perpetual preference shares:

- Each perpetual preference share will rank as regards to dividends and a repayment of capital on the winding up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share, but pari passu with the plc preference shares. The perpetual preference shares shall confer on the holders, on a per perpetual preference share and equal basis, the right to a return of capital on the winding up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued, divided by the number of perpetual preference shares in issue
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share, but pari passu with the plc preference shares, the preference dividend calculated in accordance with the Articles
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail at the date of the meeting:
  - The preference dividend or any part thereof remains in arrears and unpaid as determined in accordance with the Articles after six months from the due date thereof; and/or
  - A resolution of Investec plc is proposed which directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding up of Investec plc or for the reduction of its capital;

in which event the preference shareholders shall be entitled to vote only on such resolution.

Rand-denominated non-redeemable, non-cumulative, non-participating perpetual preference shares (the ZAR perpetual preference shares)

The ZAR perpetual preference shares are subject to substantially similar terms and conditions as the existing Pounds Sterling non-redeemable, non-cumulative, non-participating preference shares, as outlined above, save that they are denominated in South African Rands.

Shares required for the DLC structure

Investec SSC (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights, except in relation to a resolution proposing the:

i. Variation of the rights attaching to the shares or
ii. Winding up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders. Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC.

Investec plc has issued two dividend access shares, the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the Board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Annual financial statements

IN THIS SECTION

DIRECTORS' RESPONSIBILITIES

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 55 to 57, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable UK law and regulations.

The directors are required by the UK Companies Act to prepare financial statements for each financial year. Under those laws the directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards and with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). At 31 March 2023, UK adopted IAS are identical in all material respects to current IFRS applicable to the Group, with differences only in the effective dates of certain standards. The parent company financial statements have been prepared in accordance with Section 408 of the UK Companies Act 2006. Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

Under the Financial Conduct Authority's (FCA's) Disclosure Guidance and Transparency Rules (DTR), Group financial statements are required to be prepared in accordance with UK adopted international accounting standards and with IFRS as issued by the IASB.

In preparing the financial statements the directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS or in respect of the parent company financial statements (FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- In respect of the Group financial statements, state whether the accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- In respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the group and enable them to ensure that the Company and the Group financial statements comply with the UK Companies Act. They are also responsible for safeguarding the assets of the parent company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Investec website.

Directors' responsibility statement

The directors, whose names and functions are set out on pages 127 to 131 of Investec Group's 2023 integrated and strategic annual report, confirm to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with UK adopted international accounting standards and with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- That the annual report, including the strategic report (as contained in the Investec Group's 2023 integrated and strategic report), includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- That they consider that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Financial results

The financial results of Investec plc are set out in the annual financial statements and accompanying notes for the year ended 31 March 2023.

The preparation of these results was supervised by the Investec Group Finance Director, Nishlan Samujh.

Approval of annual financial statements

The directors' report and the annual financial statements of the Group, and the Company, which appear on pages 31 to 51 and pages 58 to 193, were approved by the Board of directors on 27 June 2023.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of the annual financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board

Philip Hourquebie

Group Chair

27 June 2023

Fani Titi

Group Chief Executive

27 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC

Opinion

We have audited the special purpose financial statements of Investec Plc (the Group and Parent Company) for the year ended 31 March 2023, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of total comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the related notes 1 to 57 and 58, 59 and 64 excluding the information marked as "unaudited" and the information in note 65 marked as "audited". The financial reporting framework that has been applied in their preparation is a special purpose framework comprising the accounting policies set out on pages 64 to 75.

These annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the dual listed company (DLC) structure did not exist and, with this exception and the exclusion of certain other remuneration and related party disclosures, are prepared in accordance with UK adopted international accounting standards. For an understanding of the financial position, results and cash flows of the Investec DLC Group, the user is referred to the Investec annual report 2023 – Investec annual financial statements.

Investec DLC Group consists of two separate legal entities, being Investec plc and Investec Limited, that operate under a DLC structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role, and accordingly are reported as a single reporting entity under International Financial Reporting Standards (IFRS). These Group annual financial statements are prepared in accordance with UK adopted international accounting standards and IFRS as issued by the International Accounting Standards Board (IASB).

As explained in the accounting policies set out on pages 64 to 75, these special purpose financial statements have been prepared to present the financial position, results and cash flows of Investec plc and its subsidiaries. For the avoidance of doubt, they exclude Investec Limited and its subsidiaries.

In our opinion, the accompanying financial statements of the Group for the year ended 31 March 2023 are prepared, in all material respects, in accordance with the accounting policies set out on pages 64 to 75.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including 'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council (FRC) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting has included:

- understanding management's going concern assessment process, including obtaining an understanding of the business planning process, assessing the Board approved budgets and the reasonableness and completeness of assumptions applied. In assessing these assumptions, we considered the impact of the current macro-economic environment in which the Group operates on future operating performance and the principal risks affecting the Group;
- involving specialists to assess the results of management's stress testing, including consideration of principal and emerging risks on funding, liquidity and regulatory capital. We performed independent stress testing of capital and liquidity ratios and evaluated the plausibility of the outcome under which regulatory minimum requirements would be breached. In addition, we evaluated the viability of management actions available to mitigate erosion of capital and liquidity. We also assessed the impact of the disclosed proposed combination of Investec Wealth & Investment UK and Rathbones Group;
- assessed the Group's compliance with external debt covenants
- inspecting correspondence with the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) for matters that may impact the going concern assessment; and
- evaluating the appropriateness and conformity of the going concern disclosure included in the annual report with the reporting standards and management's going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a 12 month period from the date the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC CONTINUED

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to the accounting policies set out on pages 64 to 75 of the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the board of Investec plc in complying with the financial reporting provisions of the contractual agreements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of Investec plc in accordance with our engagement letter dated 9 April 2021, and should not be distributed to or used by parties other than the members of Investec Plc. Our opinion is not modified in respect of this matter

Other information

The other information comprises the information included in the annual report in sections 1 (pages 2 to 8), section 2 (pages 9 to 51), and pages marked as unaudited in section 3 (pages 52 to 191), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

Management is responsible for the preparation of the special purpose financial statements in accordance with the financial reporting provisions under the contractual arrangements implementing the dual listed company structure, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted IAS and IFRS), the Companies Act 2006 and the UK Corporate Governance Code, the FCA Listing Rules, regulations and supervisory requirements of the PRA, FRC, FCA and other overseas regulatory requirements, and the relevant tax compliance regulations in the jurisdictions in which the Group operates.
- We understood how the Group and the Parent Company are complying with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and the Parent Company and regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk and Capital Committee; and gained an understanding of the Group's and the Parent Company's approach to governance.
- For laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquiry of those charged with governance and senior management of their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and inspecting correspondence with the PRA and FCA.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC CONTINUED

- The Group and the Parent Company operate in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group and the Parent Company have established to address risks identified by the Group and the Parent Company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved inquiries of management, internal audit and those responsible for legal and compliance matters. In addition, we tested journal entries using a risk based approach analysing the general ledger data, with the focus on nonstandard journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

Investec plc has prepared a separate set of combined consolidated statutory financial statements for the year ended 31 March 2023 in accordance with UK adopted international accounting standards and IFRS as issued by the IASB, on which we issued a separate auditor's report to the shareholders of Investec plc dated 27 June 2023.

Ernst & Young LLP

Manprit Dosanjh

(Senior statutory auditor)

for and on behalf of

Ernst & Young LLP

London

27 June 2023

CONSOLIDATED INCOME STATEMENT

For the year to 31 March £'000	Notes	2023	2022
Interest income	2	1 435 214	718 446
Interest income calculated using effective interest method		1 106 969	618 404
Other interest income		328 245	100 042
Interest expense	2	(698 226)	(235 727)
Net interest income		**736 988**	**482 719**
Fee and commission income	3	456 703	510 228
Fee and commission expense	3	(15 442)	(14 913)
Investment income	4	18 223	31 255
Share of post-taxation profit of associates and joint venture holdings	29	4 950	13 878
Trading income/(loss) arising from			
– customer flow		87 366	60 372
– balance sheet management and other trading activities		13 134	(7 103)
Other operating income	5	6 879	11 533
Total operating income before expected credit loss impairment charges		**1 308 801**	**1 087 969**
Expected credit loss impairment charges	6	(66 752)	(25 159)
Operating income		**1 242 049**	**1 062 810**
Operating costs	7	(854 875)	(775 866)
Operating profit before goodwill, acquired intangibles and strategic actions		**387 174**	**286 944**
Impairment of goodwill	33	(805)	—
Amortisation of acquired intangibles	34	(12 625)	(12 936)
Closure and rundown of the Hong Kong direct investments business	12	(480)	(1 203)
Operating profit		**373 264**	**272 805**
Financial impact of Group restructures	12	(5 340)	(1 017)
Profit before taxation		**367 924**	**271 788**
Taxation on operating profit before goodwill, acquired intangibles and strategic actions	10	(76 824)	(37 612)
Taxation on goodwill, acquired intangibles and strategic actions	10	2 031	1 678
Profit after taxation		**293 131**	**235 854**
Loss attributable to other non-controlling interests		—	—
Earnings attributable to shareholders		**293 131**	**235 854**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year to 31 March £'000	Notes	2023	2022
Profit after taxation		**293 131**	**235 854**
Other comprehensive income/(loss):			
Items that may be reclassified to the income statement:			
Fair value movements on cash flow hedges taken directly to other comprehensive income		27 635	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement*	10	(314)	(307)
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income*	10	218	(2 276)
Foreign currency adjustments on translating foreign operations		5 738	5 450
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	10	(7)	617
Items that will not be reclassified to the income statement:			
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	10	(76 400)	22 864
Gains attributable to own credit risk*		—	11 059
Movement in post-retirement benefit liabilities		75	40
Total comprehensive income		**250 076**	**273 301**
Total comprehensive loss attributable to non-controlling interests		—	—
Total comprehensive income attributable to ordinary shareholders		233 196	256 421
Total comprehensive income attributable to perpetual preference securities and Other Additional Tier 1 securities		16 880	16 880
Total comprehensive income		**250 076**	**273 301**

* Net of £0.2 million tax credit (31 March 2022: £4.2 million tax credit), except for the impact of rate changes on deferred taxation relating to adjustment for IFRS 9 as shown separately above.

CONSOLIDATED BALANCE SHEET

At 31 March £'000	Notes	2023	2022
Assets			
Cash and balances at central banks	18	5 400 401	5 379 994
Loans and advances to banks	19	893 297	1 467 770
Reverse repurchase agreements and cash collateral on securities borrowed	20	1 338 699	1 447 473
Sovereign debt securities	21	1 221 744	1 165 777
Bank debt securities	22	204 691	61 714
Other debt securities	23	697 275	427 761
Derivative financial instruments	24	634 123	693 133
Securities arising from trading activities	25	127 537	163 165
Investment portfolio	26	489 204	694 324
Loans and advances to customers	27	15 567 809	14 426 475
Other loans and advances	27	142 626	122 717
Other securitised assets	28	78 231	93 087
Interests in associated undertakings and joint venture holdings	29	52 320	66 895
Deferred taxation assets	30	112 347	110 377
Current taxation assets		34 324	33 448
Other assets	31	965 449	1 139 439
Property and equipment	32	121 014	155 055
Goodwill	33	255 267	249 836
Software	34	9 415	7 066
Other acquired intangible assets	34	40 550	40 807
		28 386 323	**27 946 313**
Liabilities			
Deposits by banks		2 172 171	2 026 601
Derivative financial instruments	24	704 816	863 295
Other trading liabilities	36	28 184	42 944
Repurchase agreements and cash collateral on securities lent	20	139 529	154 828
Customer accounts (deposits)		19 121 921	18 293 891
Debt securities in issue	37	1 449 545	1 648 177
Liabilities arising on securitisation of other assets	28	81 609	95 885
Current taxation liabilities		5 370	2 460
Other liabilities	38	1 232 729	1 379 327
		24 935 874	**24 507 408**
Subordinated liabilities	39	731 483	758 739
		25 667 357	**25 266 147**
Equity			
Ordinary share capital	40	202	202
Ordinary share premium	42	555 812	806 812
Treasury shares	43	(181 797)	(161 522)
Other reserves		(109 679)	(23 914)
Retained income		2 178 683	1 782 961
Ordinary shareholders' equity		**2 443 221**	**2 404 539**
Perpetual preference share capital and premium	41	24 794	24 794
Shareholders' equity excluding non-controlling interests		**2 468 015**	**2 429 333**
Other Additional Tier 1 securities in issue	44	250 000	250 000
Non-controlling interests in partially held subsidiaries	45	951	833
Total equity		**2 718 966**	**2 680 166**
Total liabilities and equity		**28 386 323**	**27 946 313**

Fani Titi

Group Chief Executive
27 June 2023

CONSOLIDATED CASH FLOW STATEMENT

For the year to 31 March £'000	Notes	2023	2022
Profit before taxation adjusted for non-cash items	47	511 667	367 615
Taxation paid		(75 068)	(49 407)
Increase in operating assets	47	(1 229 997)	(749 706)
Increase in operating liabilities	47	425 009	3 035 217
Net cash (outflow)/inflow from operating activities		**(368 389)**	**2 603 719**
Cash flow on acquisition of Group operations, net of cash acquired		(9 720)	—
Cash flow on disposal of Group operations and subsidiaries		12	14 274
Derecognition of cash on disposal of subsidiaries		—	(4 152)
Cash flow on net disposal of non-controlling interests		118	443
Cash flow on net disposal/(acquisition) of associates and joint venture holdings		565	(8 780)
Cash flow on acquisition of property, equipment, software and other intangible assets		(11 712)	(4 931)
Cash flow on disposal of property, equipment, software and other intangible assets		23 975	4 273
Net cash inflow from investing activities		**3 238**	**1 127**
Dividends paid to ordinary shareholders		(88 463)	(63 316)
Dividends paid to other equity holders		(17 420)	(17 227)
Cash flow on acquisition of treasury shares, net of related costs		(36 832)	(47 694)
Proceeds from issue of subordinated debt		345 590	347 536
Redemption of subordinated debt		(347 926)	(307 962)
Lease liabilities paid		(44 089)	(43 253)
Net cash outflow from financing activities		**(189 140)**	**(131 916)**
Effects of exchange rates on cash and cash equivalents		**773**	**(607)**
Net (decrease)/increase in cash and cash equivalents		**(553 518)**	**2 472 323**
Cash and cash equivalents at the beginning of the year		6 841 770	4 369 447
Cash and cash equivalents at the end of the year		**6 288 252**	**6 841 770**
Cash and cash equivalents is defined as including:			
Cash and balances at central banks		5 400 401	5 379 994
On demand loans and advances to banks		887 851	1 461 776
Cash and cash equivalents at the end of the year		**6 288 252**	**6 841 770**

Cash and cash equivalents have a maturity profile of less than three months. Loans and advances to banks with a maturity profile of greater than three months are £5.4 million (31 March 2022: £6.0 million).

The Group is required to maintain reserve deposits with central banks and other regulatory authorities and these amounted to £50.5 million (31 March 2022: £43.2 million). These deposits are not available to finance the Group's day-to-day operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Ordinary share capital	Ordinary share premium	Treasury shares
At 1 April 2021	**202**	**806 812**	**(134 185)**
Movement in reserves 1 April 2021 – 31 March 2022			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference shareholders	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—
Dividends declared to Other Additional Tier 1 security holders	—	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
Movement of treasury shares	—	—	(27 337)
At 31 March 2022	**202**	**806 812**	**(161 522)**
Movement in reserves 1 April 2022 – 31 March 2023			
Profit after taxation	—	—	—
Effect of rate change on deferred taxation relating to adjustment for IFRS 9	—	—	—
Gains on realisation of debt instruments at FVOCI recycled through the income statement	—	—	—
Fair value movements on cash flow hedges taken directly to other comprehensive income	—	—	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	—	—	—
Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income	—	—	—
Fair value movements on equity instruments transferred to retained earnings	—	—	—
Foreign currency adjustments on translating foreign operations	—	—	—
Gains attributable to own credit risk	—	—	—
Movement in post-retirement benefit liabilities	—	—	—
Total comprehensive income for the year	—	—	—
Share-based payments adjustments	—	—	—
Employee benefit liability recognised	—	—	—
Dividends paid to ordinary shareholders	—	—	—
Dividends declared to perpetual preference shareholders	—	—	—
Dividends paid to perpetual preference shareholders	—	—	—
Dividends declared to Other Additional Tier 1 security holders	—	—	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—
Transfer from share premium to retained income	—	(251 000)	—
Distribution to shareholders	—	—	—
Net equity impact of non-controlling interest movements	—	—	—
Movement of treasury shares	—	—	(20 275)
At 31 March 2023	**202**	**555 812**	**(181 797)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

Other reserves											
Capital reserve account	Fair value reserve	Cash flow hedge reserve	Foreign currency reserves	Own credit reserve	Retained income	**Ordinary shareholders' equity**	Perpetual preference share capital and premium	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	Non-controlling interests	**Total equity**
(195 383)	**139 841**	**—**	**1 579**	**(11 723)**	**1 624 130**	**2 231 273**	**24 794**	**2 256 067**	**250 000**	**390**	**2 506 457**
—	—	—	—	—	235 854	235 854	—	235 854	—	—	235 854
—	(47)	—	—	664	—	617	—	617	—	—	617
—	(307)	—	—	—	—	(307)	—	(307)	—	—	(307)
—	(2 276)	—	—	—	—	(2 276)	—	(2 276)	—	—	(2 276)
—	22 864	—	—	—	—	22 864	—	22 864	—	—	22 864
—	—	—	5 450	—	—	5 450	—	5 450	—	—	5 450
—	—	—	—	11 059	—	11 059	—	11 059	—	—	11 059
—	—	—	—	—	40	40	—	40	—	—	40
—	**20 234**	**—**	**5 450**	**11 723**	**235 894**	**273 301**	**—**	**273 301**	**—**	**—**	**273 301**
—	—	—	—	—	3 480	3 480	—	3 480	—	—	3 480
—	—	—	—	—	(63 316)	(63 316)	—	(63 316)	—	—	(63 316)
—	—	—	—	—	(347)	(347)	347	—	—	—	—
—	—	—	—	—	—	—	(347)	(347)	—	—	(347)
—	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
—	—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
—	—	—	—	—	—	—	—	—	—	443	443
4 365	—	—	—	—	—	(22 972)	—	(22 972)	—	—	(22 972)
(191 018)	**160 075**	**—**	**7 029**	**—**	**1 782 961**	**2 404 539**	**24 794**	**2 429 333**	**250 000**	**833**	**2 680 166**
—	—	—	—	—	293 131	293 131	—	293 131	—	—	293 131
—	(7)	—	—	—	—	(7)	—	(7)	—	—	(7)
—	(314)	—	—	—	—	(314)	—	(314)	—	—	(314)
—	—	27 635	—	—	—	27 635	—	27 635	—	—	27 635
—	218	—	—	—	—	218	—	218	—	—	218
—	(76 400)	—	—	—	—	(76 400)	—	(76 400)	—	—	(76 400)
—	(48 318)	—	—	—	48 318	—	—	—	—	—	—
—	—	—	5 738	—	—	5 738	—	5 738	—	—	5 738
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	75	75	—	75	—	—	75
—	**(124 821)**	**27 635**	**5 738**	**—**	**341 524**	**250 076**	**—**	**250 076**	**—**	**—**	**250 076**
—	—	—	—	—	5 095	5 095	—	5 095	—	—	5 095
—	—	—	—	—	(4 540)	(4 540)	—	(4 540)	—	—	(4 540)
—	—	—	—	—	(88 463)	(88 463)	—	(88 463)	—	—	(88 463)
—	—	—	—	—	(540)	(540)	540	—	—	—	—
—	—	—	—	—	—	—	(540)	(540)	—	—	(540)
—	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—	—
—	—	—	—	—	—	—	—	—	(16 880)	—	(16 880)
—	—	—	—	—	251 000	—	—	—	—	—	—
—	—	—	—	—	(91 474)	(91 474)	—	(91 474)	—	—	(91 474)
—	—	—	—	—	—	—	—	—	—	118	118
5 683	—	—	—	—	—	(14 592)	—	(14 592)	—	—	(14 592)
(185 335)	**35 254**	**27 635**	**12 767**	**—**	**2 178 683**	**2 443 221**	**24 794**	**2 468 015**	**250 000**	**951**	**2 718 966**

ACCOUNTING POLICIES

Basis of presentation

These annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the dual listed company (DLC) structure did not exist and, with the exception of certain other remuneration and related party disclosures, are prepared in accordance with UK adopted international accounting standards. For an understanding of the financial position, results and cash flows of the Investec DLC Group, the user is referred to Investec's integrated annual report.

Investec DLC Group consists of two separate legal entities, being Investec plc and Investec Limited, that operate under a DLC structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity, with neither assuming a dominant role, and accordingly are reported as a single reporting entity under International Financial Reporting Standards (IFRS).

These Group annual financial statements have been prepared in accordance with UK adopted international accounting standards and with IFRS as issued by the International Accounting Standards Board (IASB).

The Group annual financial statements have been prepared on a historical cost basis, except for debt instruments at FVOCI, derivative financial instruments, financial assets and financial liabilities held at fair value through profit or loss or subject to hedge accounting.

As stated on page 44, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The accounting policies adopted by the Group are consistent with the prior year.

Presentation of information

Disclosure under IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements: relating to the nature and extent of risks have been included in the notes to risk and capital management on pages 139 to 181.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the remuneration report which forms part of the Investec Group's integrated annual report.

Basis of consolidation

As discussed above, these annual financial statements have been prepared to present the financial position and results of Investec plc and its subsidiaries as if the contractual arrangements which create the DLC structure did not exist.

All subsidiaries or structured entities are consolidated when the Group controls an investee. The Group controls an investee if it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial results of subsidiaries are included in the consolidated annual financial statements of the Group from the date on which control is obtained until the date the Group can no longer demonstrate control.

The Group performs a reassessment of control whenever there is a change in the substance of the relationship between the Group and an investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Group also holds investments, for example, in private equity investments, which give rise to significant, but not majority, voting rights. Assessing these voting rights and whether the Group controls these entities requires judgement that affects the date at which subsidiaries are consolidated or deconsolidated.

Entities, other than subsidiary undertakings, in which the Group exercises significant influence or joint control over operating and financial policies, are treated as interests in associated undertakings and joint venture holdings. Interests in associated undertakings and joint venture holdings are accounted for using the equity method from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. In circumstances where interests in associated undertakings and joint venture holdings arise in which the Group has no strategic intention, these investments are classified as 'venture capital' holdings and are elected as held at fair value through profit or loss.

For equity accounted associates and joint venture holdings, the consolidated annual financial statements include the attributable share of the results and reserves of associated undertakings and joint venture holdings. The Group's interests in associated undertakings and joint venture holdings are included in the consolidated balance sheet at cost plus the post-acquisition changes in the Group's share of the net assets of the associated undertakings and joint venture holdings.

The consolidated balance sheet reflects the associated undertakings and joint venture holdings net of accumulated impairment losses.

All intergroup balances, transactions and unrealised gains or losses within the Group that do not reflect an impairment to the asset are eliminated in full regarding subsidiaries and to the extent of the interest in associated undertakings and joint venture holdings.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, where operating results are reviewed regularly by chief operating decision-makers who are considered to be executive members of the Board and for which discrete financial information is available.

The Group's segmental reporting is presented in the form of a business analysis. The business analysis is presented in terms of the Group's four principal business divisions namely, Wealth & Investment, Private Banking, Corporate, Investment Banking, and Other and Group Investments.

Group costs that are disclosed separately largely relate to Group brand and marketing costs and a portion of executive and support functions which are associated with Group-level activities. These costs are not incurred by the operating divisions and are necessary to support the operational functioning of the Group.

ACCOUNTING POLICIES
CONTINUED

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, at the acquisition date fair value and the amount of any prior non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed immediately in the income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and the designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at each acquisition date through the income statement.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9, either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and amount recognised for non-controlling interest is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement as a gain in the year of acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Group tests goodwill acquired in a business combination for impairment annually, irrespective of whether an indication of impairment exists and in accordance with IAS 36.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit, and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating units retained.

Share-based payments to employees

The Group engages in equity-settled share-based payments in respect of services received from employees.

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met, with the amount changing according to the number of awards expected to vest. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Fair value measurements are based on option pricing models, taking into account the risk-free interest rate, volatility of the underlying equity instrument, expected dividends and share prices at grant date.

Where the terms of an equity-settled award are modified, the minimum expense recognised in staff costs is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The loss of control of an employing subsidiary of the Group gives rise to an acceleration of the equity-settled share-based payments charge for the related employees and, on loss of control, the Group recognises the amount that would have been recognised for the award if it remained in place on its original terms.

Employee benefits

The Group operates various defined contribution schemes.

In respect of the defined contribution schemes, all employer contributions are charged to the income statement as incurred, in accordance with the rules of the scheme, and included under staff costs.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The long-term employment benefits liability relates to the obligation of the Investec Group to deliver ordinary shares of Ninety One plc and Ninety One Limited to employees over a predetermined vesting period. The fair value of this liability is calculated by applying the Black-Scholes option pricing model at each reporting date. The changes in fair value will be recognised as an employee benefit expense. The liability is included in other liabilities on the balance sheet.

The Group has no liabilities for other post-retirement benefits.

ACCOUNTING POLICIES
CONTINUED

Foreign currency transactions and foreign operations

The presentation currency of the Group is Pound Sterling, being the functional currency of Investec plc.

Foreign operations are subsidiaries, interests in associated undertakings and joint venture holdings or branches of the Group, the activities of which are based in a functional currency other than that of the reporting entity. The functional currency of Group entities is determined based on the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the functional currency of the entity in which the transactions arise based on rates of exchange ruling at the date of the transactions.

At each balance sheet date foreign currency items are translated as follows:

- Monetary items (other than monetary items that form part of the net investment in a foreign operation) are translated using closing rates, with gains or losses recognised in the income statement
- Exchange differences arising on monetary items that form part of the net investment in a foreign operation are determined using closing rates and recognised as a separate component of equity (foreign currency translation reserve) upon consolidation and are reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical cost are translated using the exchange rates ruling at the date of the transaction.

On consolidation, the results and financial position of foreign operations are translated into the presentation currency of the Group, as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- Income and expense items are translated at exchange rates ruling at the date of the transaction
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the income statement on disposal of the foreign operation
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

On loss of control or disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in other comprehensive income is reclassified from equity to profit or loss and included in the profit on loss of control.

Revenue recognition

Revenue consists of interest income, fee and commission income, investment income, trading income arising from customer flow, trading income arising from balance sheet management and other trading activities, share of post-taxation profit of associates and joint venture holdings and other operating income.

Interest income on debt instruments at amortised cost or FVOCI is recognised in the income statement using the effective interest method. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs.

The effective interest method is based on the estimated life of the underlying instrument and, where this estimate is not readily available, the contractual life. Interest on instruments at fair value through profit or loss is recognised based on the contractual rates.

Fee and commission income includes revenue from contracts with customers earned from providing advisory services as well as portfolio management.

Revenue from contracts with customers is recognised in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Investment advisory and management fees are earned over the period in which the services are provided. Performance fees can be variable and recognition is constrained until such time as it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

Investment income includes income, other than margin from securities held for the purpose of generating interest yield, dividends and capital appreciation.

Customer flow trading income includes income from trading activities arising from making and facilitating client activities.

Trading income arising from balance sheet management and other trading activities consists of proprietary trading income and other gains or losses arising from balance sheet management.

Trading profit includes the unrealised profit on trading portfolios, which are marked-to-market daily. Equity investments received in lieu of corporate finance fees are included in investment portfolio and valued accordingly.

Dividend income is recognised when the Group's right to receive payment is established and the cash is received.

Included in other operating income is incidental rental income, gains on realisation of properties, operating lease income, income from interests in associated undertakings and revenue from other investments. Operating costs associated with these investments are included in operating costs in the income statement.

ACCOUNTING POLICIES
CONTINUED

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of an asset or a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group classifies disclosed fair values according to a hierarchy that reflects the significance of observable market inputs.

A transfer is made between the hierarchy levels when the inputs have changed or there has been a change in the valuation method. Transfers are deemed to occur at the end of each semi-annual reporting period.

Financial instruments

Financial instruments are initially recognised at their fair value. For financial assets or financial liabilities not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities are included in the initial measurement. All other transaction costs are recorded in the income statement immediately. Regular way purchase and sales transactions in respect of financial assets that require delivery of a financial instrument within the time frame established by market convention are recorded at trade date.

Business model assessment

For financial assets, IFRS 9 requires that a business model assessment is carried out which reflects how the Group manages the assets in order to generate cash flows. The assessment is at a portfolio level, being the level at which the portfolio is managed. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported and how risks are assessed and managed.

The standard sets out different types of business models:

- **Hold to collect:** it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the customer. These assets are accounted for at amortised cost
- **Hold to collect and sell:** this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity to achieve the objectives of the business model. These assets are accounted for at FVOCI
- **Hold to sell/managed on a fair value basis:** the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation or the portfolio is managed on a fair value basis. These assets are accounted for at FVPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- Elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI
- A debt instrument that meets the amortised cost or FVOCI criteria as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The classification into one of these categories is based on the Group's business model for managing the assets and the contractual cash flow characteristics of the assets.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is classified and measured at FVPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

ACCOUNTING POLICIES CONTINUED

Financial assets and liabilities measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost.

The Group may commit to provide a loan which has not yet been drawn. When the loan that arises from the lending commitment is expected to meet the criteria to be measured at amortised cost, the undrawn commitment is also considered to be and is included in the impairment calculation.

The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognised over the life of the loan through the recognition of interest income, unless the loan is credit impaired.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. They are recognised on the trade date when the Group enters into contractual arrangements to purchase and are normally derecognised when they are either sold or redeemed.

They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognised in the income statement as 'Gains less losses arising from derecognition of debt instruments measured at fair value through other comprehensive income'.

Financial assets measured at FVOCI are included in the impairment calculations set out below and impairment is recognised in profit or loss.

Equity instruments measured at FVOCI

The Group measures equity instruments at FVOCI when it considers the investments to be strategic or held for long-term dividend yield. The equity instruments are not held for trading. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss.

Otherwise, equity instruments are measured at fair value through profit or loss (except for dividend income, which is recognised in profit or loss).

Impairment of financial assets held at amortised cost or FVOCI

At each balance sheet date, each financial asset or portfolio of advances categorised at amortised cost or at FVOCI, issued financial guarantee and loan commitment is measured for ECL impairment.

The costs of loss allowances on assets held at amortised cost and at FVOCI are presented as impairments in the income statement. Allowances in respect of financial guarantees and loan commitments are presented as other liabilities and charges recorded within income statement impairments. Financial assets held at amortised cost are presented net of allowances, except where the asset has been wholly or partially written off.

Stage 1

Financial assets that are considered performing and have not had a significant increase in credit risk are reported as Stage 1 assets. Stage 1 financial assets have loss allowances measured at an amount equal to a 12-month ECL.

Stage 2

Financial assets are considered to be in Stage 2 when their credit risk has increased significantly since initial recognition. A loss allowance equivalent to a lifetime ECL is required to be held.

The Group's primary indicator for Stage 2 assets are distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision from watchlist committees and are under management review.

Assets in forbearance are considered to be, at a minimum, Stage 2. Forbearance measures refer to concessions such as modification of the terms and conditions or refinancing that has been granted to a debtor in financial difficulty. These exposures are assessed on a case-by-case basis to determine whether the proposed modifications will be considered as forbearance. Where the Credit Committee considers it likely that the client will be able to return to perform against the original contractual obligations within a reasonable time frame these assets will be considered performing and in Stage 2. Forbearance is distinguished from commercial renegotiations which take place as part of normal business activity and standard banking practice.

ACCOUNTING POLICIES CONTINUED

In addition to loans under management review, an asset may also move from Stage 1 to Stage 2 if the model calculated probability of default (PD) has significantly increased since origination. This is tested on both a relative and absolute basis to assess whether a significant deterioration in lifetime risk of default has occurred. There is a common definition across the Bank's exposures regarding what constitutes a significant PD movement. The test involves both an absolute and relative movement threshold. An asset is considered to have been subjected to a significant increase in credit risk if the appropriate PD has doubled relative to the value at origination and on an absolute basis has increased by more than 1%. Any asset with an original rating that is classified as investment grade will be judged to have had a significant movement if the new PD would classify it as sub-investment grade and the equivalent rating has moved by more than three notches.

The Group adopts the view that all financial assets that are more than 30 days past due have experienced a significant increase in credit risk.

Exposures move back to Stage 1 once they no longer meet the criteria above for a significant increase in credit risk and as cure periods (specifically relating to forborne exposures) are met.

Stage 3

Financial assets are included in Stage 3 when there is objective evidence of credit impairment. The Group assesses a loan as Stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay and credit impaired, or the loan is otherwise considered to be in default, for example, due to the appointment of an administrator or the client is in receivership. Forborne loans that are considered non-performing, for example, if a loan is not expected to meet the original contractual obligations in a reasonable time frame, the loan will be classified as Stage 3. Loans which are 90 days or more past due are considered to be in default.

The Group calculates the credit adjusted effective interest rate on Stage 3 assets, which is calculated based on the amortised cost of the financial asset (i.e. gross carrying amount less ECL allowance) instead of its gross carrying amount and incorporates the impact of the ECLs in estimated future cash flows.

Definition of default

The Group has aligned the IFRS 9 and regulatory definitions of default, credit impaired and non-performing exposure. Assets that are more than 90 days past due, or considered by management as unlikely to pay their obligations in full without realisation of collateral are considered as exposures in default.

ECL

The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be forward-looking and therefore, potentially volatile.

Write-offs

The Group has developed specific guidelines on write-off aimed at granting full compliance with IFRS 9 and the document 'Guidance to banks on non-performing loans' issued by the European Central Bank.

A loan or advance is normally written off in full against the related ECL impairment allowance when the proceeds from realising any available security have been received or there is a reasonable amount of certainty that the exposure will not be recovered. This is assessed on a case-by-case basis with considerations to indicators such as whether the exposure has been restructured or the given financial position of the borrower and guarantors. Any recoveries of amounts previously written off decrease the amount of impairment losses.

Process to determine ECL

ECLs are calculated using three main components:

- A probability of default (PD)
- A loss given default (LGD)
- The exposure at default (EAD).

The 12-month and lifetime PDs represent the probability of a default occurring over the next 12 months or the lifetime of the financial exposures, respectively, based on conditions existing at the balance sheet date and future forecast macro-economic conditions that affect credit risk.

The LGD represents losses expected on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.The forecast value for the collateral is also affected by the range of forward-looking probability-weighted macro-economic scenarios.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a committed facility.

The calculation of the 12-month ECL is based on the 12-month PD and LGD along with the EAD and EIR for the asset. Lifetime ECL is calculated using the lifetime PD curve, and the appropriate LGDs and EADs and discount rates derived from the EIR based on the remaining life of the financial asset.

Expert judgement models or appropriate proxies for PD's are also utilised for certain portfolios where the ECL is found to be minimal, either due to the portfolio's small relative size or the low default nature of these portfolios, such as cash and balances held at central banks.

Management adjustments are made to modelled output to account for situations where additional information and known or expected risk factors have not been captured in the modelling process.

ACCOUNTING POLICIES
CONTINUED

Financial assets and liabilities held at fair value through profit or loss (FVPL)

Financial instruments held at fair value through profit or loss include all instruments classified as held for trading, those instruments designated as held at fair value through profit or loss and those financial assets which do not meet the criteria for amortised cost or FVOCI.

Financial instruments classified as FVPL are initially recorded at fair value on the balance sheet with changes in fair value subsequently recognised in the income statement. Financial instruments are classified as held for trading when they are held with the intention of short-term disposal, held with the intention of generating short-term profit, or are derivatives which are not designated as part of effective hedges. Financial instruments designated as held at fair value through profit or loss are designated as such on initial recognition of the instrument and remain in this classification until derecognition.

Financial assets and liabilities are designated as held at fair value through profit or loss only if:

- They eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A Group of financial liabilities or both financial assets and financial liabilities is managed and their performances evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to the Group's key management personnel; or
- A financial liability contract contains one or more embedded derivatives (which significantly modifies the cash flows that would be required by the contract and is not clearly prohibited from separation from the host contract) and the Group has designated the entire hybrid contract as a financial instrument at fair value through profit or loss.

Changes in own credit risk on financial liabilities designated at fair value are recognised in other comprehensive income. Any other changes are recognised in the income statement.

Securitisation/credit investment and trading activities exposures

The Group makes use of securitisation vehicles as a source of finance, as a means of risk transfer and to leverage returns through the retention of equity tranches in low default rate portfolios. The Group predominantly focuses on the securitisation of residential and commercial mortgages and lease receivables. The Group also trades in structured credit investments.

The structured entities are consolidated under IFRS 10 Consolidated Financial Statements when the Group has exposure to, or rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loans and advances that are originated are transferred to structured entities, and the structured entities issue debt securities to external investors to fund the purchase of the securitised assets. When the Group consolidates the structured entity, the Group recognises the assets and liabilities on a gross basis. When the Group does not consolidate the structured entity, the securitised assets are derecognised and only any position still held by the Group in the structured entity is reflected.

Day-one profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in the income statement.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised or over the life of the transaction.

Derecognition of financial assets and liabilities

A financial asset, or a portion thereof, is derecognised when the Group's rights to cash flows have expired or when the Group has transferred its rights to cash flows relating to the financial assets and either (a) the Group has transferred substantially all the risks and rewards associated with the financial assets or (b) the Group has neither transferred nor retained substantially all the risks and rewards associated with the financial assets but has transferred control of the assets.

The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depends upon whether the modification is done for commercial reasons, in which case if they are significant the old asset is derecognised and a new asset recognised, or because of financial difficulties of the borrower. Where such modifications are solely due to IBOR reform and result in an interest rate which is economically equivalent, they are treated as a change to the floating rate of interest and so do not result in any adjustment to the carrying value of the asset.

A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced or modified with substantially different terms, such a replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Reclassification of financial instruments

Financial assets are only reclassified where there has been a change in business model. Financial liabilities cannot be reclassified.

Derivative instruments

All derivative instruments of the Group are recorded on the balance sheet at fair value positive and negative fair values are reported as assets and liabilities, respectively.

Derivative positions are entered into either for trading purposes or as part of the Group's asset and liability management activities to manage exposures to interest rate and foreign currency risks. Both realised and unrealised profit or losses arising on derivatives are recognised in the income statement as part of trading income (other than circumstances in which cash flow hedging is applied as detailed in the hedge accounting section below).

Derivative instruments entered into as economic hedges which do not qualify for hedge accounting and derivatives that are entered into for trading purposes are treated in the same way as instruments that are held for trading.

ACCOUNTING POLICIES CONTINUED

Credit derivatives are entered into for trading purposes. Credit derivatives are initially recognised at their fair values, being the transaction price of the derivative. Subsequently the derivatives are carried at fair value, with movements in fair value through the income statement, based on the current market price or remeasured price. The counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the credit value adjustment (CVA).

Hedge accounting

When the Group first implemented IFRS 9, it made an election to continue to apply the hedge accounting requirements of IAS 39 as an accounting policy.

The Group applies either fair value or cash flow hedge or hedge accounting of net investments in foreign operations accounting when the transactions meet the specified hedge accounting criteria.

To qualify for hedge accounting treatment, the Group ensures that all of the following conditions are met:

- At inception of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the income statement
- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For qualifying fair value hedges, the change in fair value of the hedging instrument is recognised in the income statement. Changes in fair value of the hedged item that is attributable to the hedged risk are also recognised in the income statement.

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument relating to the effective portion is initially recognised directly in other comprehensive income in the cash flow hedge reserve and is included in the initial cost of any asset/liability recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit. If the forecast transaction or firm commitment is no longer expected to occur, the balance included in other comprehensive income is reclassified to the income statement immediately and recognised in trading income from balance sheet management and other trading activities.

For qualifying cash flow hedges in respect of financial assets and liabilities, the change in fair value of the hedging instrument, which represents an effective hedge, is initially recognised in other comprehensive income and is reclassified to the income statement in the same period during which the relevant financial asset or liability affects the income statement. Any ineffective portion of the hedge is immediately recognised in the income statement.

For qualifying hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recorded in other comprehensive income is reclassified to the income statement.

Hedge accounting is discontinued when it is determined that the instrument ceases to be highly effective as a hedge; when the derivative expires, or is sold, terminated or exercised; when the hedged item matures or is sold or repaid; when a forecasted transaction is no longer deemed highly probable or when the designation as a hedge is revoked.

Sources of hedge ineffectiveness may arise from basis risk, including but not limited to the discount rates used for calculating the fair value of derivatives, hedges using instruments with a non-fair value, and notional and timing differences between the zero hedged items and hedging instruments.

The Group applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform. A hedging relationship is affected if IBOR reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. Also, the Group is not required to discontinue the hedging relationship if the results of the assessment of retrospective hedge effectiveness fall outside the range of 80% to 125%, although any hedge ineffectiveness must be recognised in profit or loss, as normal.

The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

The Group also applies the IBOR reform Phase 2. IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation and are set out above.

Refer to page 172 for more detail on the impact of IBOR reform in the prior period.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a currently enforceable legal right to offset exists.

ACCOUNTING POLICIES
CONTINUED

Issued debt and equity financial instruments

Financial instruments issued by the Group are classified as liabilities if they contain a contractual obligation to deliver cash or another financial asset.

Financial instruments issued by the Group are classified as equity where they confer on the holder a residual interest in the Group, and the Group has no obligation to deliver either cash or another financial asset to the holder. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component.

Equity instruments issued by subsidiaries of Investec plc are recorded as non-controlling interests on the balance sheet.

Equity instruments are initially measured net of directly attributable issue costs.

Treasury shares represent Investec plc shares repurchased by the Group which have not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity.

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc shareholders.

Sale and repurchase agreements (including securities borrowing and lending)

Securities sold subject to a commitment to repurchase, at a fixed price or a selling price plus a lender's return, remain on-balance sheet. Proceeds received are recorded as a liability on the balance sheet under 'repurchase agreements and cash collateral on securities lent'. Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under 'reverse repurchase agreements and cash collateral on securities borrowed'.

Where sovereign debt securities have been purchased at the same time as derivatives with the same counterparty, such that the combined position has the economic substance similar to secured lending, an asset is recognised under 'reverse repurchase agreements and cash collateral on securities borrowed'..

The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest method.

Securities borrowing transactions that are not cash collateralised are not included on the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

Financial guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due, in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at fair value, adjusted for the transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amount recognised less cumulative amount of income recognised in accordance with IFRS 15 and the best estimate of expected credit loss calculated for the financial guarantee. Subsequent to initial measurement, all changes in the balance sheet carrying value are recognised in the income statement.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairments.

Cost is the cash equivalent paid or the fair value of the consideration given to acquire an asset and includes other expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the expected useful life of the asset.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the Group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life. The current and comparative annual depreciation rates for each class of property and equipment are as follows:

• Computer and related equipment	20% to 33%
• Motor vehicles	20% to 25%
• Furniture and fittings	10% to 20%
• Freehold buildings	2%
• Right-of-use assets*	
• Leasehold property and improvements*	

* Leasehold improvements depreciation rates are determined by reference to the appropriate useful life of its separate components, limited to the period of the lease. Leasehold property and right-of-use asset depreciation rates are determined by reference to the period of the lease.

Routine maintenance and service costs for Group assets are expensed as incurred. Subsequent expenditure is only capitalised if it is probable that future economic benefits associated with the item will flow to the Group.

Leases

At inception of a contract the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The Group has the right to direct the use of the asset.

As a lessee, the Group recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the rate implicit in the lease, or, where that is not available, at the Group's incremental borrowing rate.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any

ACCOUNTING POLICIES
CONTINUED

indirect costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is subsequently remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The Group has elected not to recognise ROU assets and lease liabilities for low value assets and short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

For the balance sheet, the ROU assets are included within property and equipment, finance lease receivables are included within loans and advances to customers and other assets and the lease liabilities are included within other liabilities.

Where the Group has a head lease and sublease arrangement with external partners, the finance lease receivable is recognised in other assets on the balance sheet.

Trading properties

Trading properties are carried at the lower of cost and net realisable value.

Software and intangible assets

Software and intangible assets are recorded at cost less accumulated amortisation and impairments. Software and intangible assets with a finite life are amortised over the useful economic life on a straight-line basis. Amortisation of each asset starts when it becomes available for use. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset.

The current and comparative annual amortisation rates for each class of intangible assets are as follows:

- Client relationships — 12 to 20 years
- Acquired software — 3 to 7 years
- Internally generated software — 5 years

Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying value of non-financial assets. The recoverable amount, being the higher of fair value less cost of disposal and value-in-use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversals of impairment losses are recognised in income in the period in which the reversals are identified, to the extent that the carrying value of the asset does not exceed the amount that would have been calculated without impairment.

Trust and fiduciary activities

The Group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and at the risk of clients. As these are not assets of the Group, they are not recognised on the balance sheet but are included at market value as part of third party assets under management.

Taxation and deferred taxation

Current taxation payable is provided for based on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- Temporary differences associated with the investments in subsidiaries and interests in associated undertakings and joint venture holdings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred taxation assets can be utilised.

Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Borrowing costs

Borrowing costs that are directly attributable to property developments which take a substantial period of time to develop are capitalised to qualifying properties.

ACCOUNTING POLICIES
CONTINUED

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement net of any reimbursement. Contingent assets and contingent liabilities are not recognised on the balance sheet.

Standards and interpretations issued but not yet effective

The following significant standards and interpretations, which have been issued but are not yet effective, are applicable to the Group. These standards and interpretations have not been applied in these annual financial statements. The Group intends to comply with these standards from the effective dates.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. It applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

IFRS 17 is effective for the Group for the year starting 1 April 2023 and has not been early adopted. The Standard will bring significant changes to the accounting for insurance and reinsurance contracts but is not expected to have a material impact on the Group.

All other standards and interpretations issued but not yet effective are not expected to have a material impact on the Group.

Key management assumptions

In preparation of the annual financial statements, the Group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year.

Key areas in which estimates are made include:

- In accordance with IFRS 13 Fair Value Measurement, the Group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 are determined using valuation techniques including discounted cash flow analysis and valuation models. The valuation techniques for level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. In particular, significant uncertainty exists in the valuation of unlisted investments and fair value loans in the private equity and direct investments portfolios. Key valuation inputs are based on the most relevant observable market information and can include expected cash flows, discount rates, earnings multiples and the underlying assets within a business, adjusted where necessary for factors that specifically apply to the individual investments and recognising market volatility. Further details of the Group's level 3 financial instruments and the sensitivity of the valuation including the effect of applying reasonably possible alternative assumptions in determining their fair value are also set out in note 15.

  Details of unlisted investments can be found in note 26 with further analysis contained in the notes to risk and capital management on page 161.
- The determination of ECL against assets that are carried at amortised cost and ECL relating to debt instruments at FVOCI involves a high degree of uncertainty as it involves using assumptions that are highly subjective and sensitive to risk factors. The most significant judgements relate to defining what is considered to be a significant increase in credit risk; determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) and future cash flows; incorporating information about forecast economic conditions and the weightings to be applied to economic scenarios. More detail relating to the methodology, judgements and estimates and results of the Group's assessment of ECLs, including our assessment of the impact of the Russian invasion of Ukraine, can be found on pages 156 to 158
- The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:
  - The assessment of a significant increase in credit risk;
  - A range of forward-looking probability-weighted macro-economic scenarios; and
  - Estimations of probabilities of default, loss given default and exposures at default using models.

  In addition to these drivers, some initial judgements and assumptions were required in the design and build of the Group's ECL methodology, which are not considered to have a material impact. These include the use of income recognition effective interest rates (EIRs), in accordance with accounting standards, as the discount factor in the ECL calculation as well as the use of contractual maturity to assess behavioural lives. In addition, where we have experienced limitations on the availability of probability of default origination data for the historic book, a portfolio average has been used in some instances.

  Following a detailed review of the outcome of the ECL models, management continue to hold an additional overlay provision in the UK of £4.9 million (31 March 2022: £16.8 million). Detail of the approach followed and management's assumptions are set out on page 154 of section 3.
- The Group's income tax charge and balance sheet provision are judgemental 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 has recognised in its current 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 and whether the proposed tax treatment will be accepted by the authorities. The carrying amount of this provision is sensitive to the resolution of issues, which is often dependent on the timetable and progress of discussion and negotiations with the relevant tax authorities, arbitration process 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 in order to determine if an exposure should be measured based on the most likely amount or expected value

ACCOUNTING POLICIES CONTINUED

- In making any estimates, management's judgement has been based on various factors, including:
  - The current status of tax audits and enquiries;
  - The current status of discussions and negotiations with the relevant tax authorities;
  - The results of any previous claims; and
  - Any changes to the relevant tax environments.
- The Group operates in a legal and regulatory environment that exposes it to litigation risks. As a result, the Group is involved in disputes and legal proceedings which arise in the ordinary course of business. The Group evaluates all facts, the probability of the outcome of legal proceedings, commercial outcomes and advice from internal and external legal counsel when considering the accounting implications
- The Group makes use of reasonable and supportable information to make accounting judgments and estimates related to climate change. This includes information about the observable impact of climate change on the current credit risk of clients and the valuation of assets. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty and have limited effect on accounting judgments and estimates for the current period.

  The following items represent the most significant effects:
  - The measurement of expected credit loss considers the ability of borrowers to make contractual payments as and when they become due. Investec performed an assessment of specific sectors that could be most impacted by climate risk in all jurisdictions, specifically focusing on the ability of the clients in these sectors to meet their financing needs. The assessment further included a review of Investec's appetite to fund clients in the respective sectors
  - The assessment of asset impairment, based on value in use, and the ability to recognise deferred tax assets are based on future expected cash flows. The expected cash flows are based on management's best estimate of the operational results, including the near-term impact of climate risk. The Group did not consider any additional adjustments to the cash flows to account for this risk given the time frame of the cash flows that were considered
  - The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk

Key areas in which judgement is applied include:

- The Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. For financial instruments measured at amortised cost, the Group first applies the practical expedient as described in the hedge accounting policy, to reflect the change in the referenced interest rate from an IBOR to a RFR. Secondly, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate
- The effective interest method as applied by the Group, as explained in the hedge accounting policy, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well as expected changes to the base rate and other fee income/expense that are integral parts of the instrument. The Group applies IBOR reform Phase 2 which requires as a practical expedient for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform, to be treated as a change to a floating rate of interest provided the transition from IBOR to RFR takes place on a basis that is economically equivalent. For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognised or adjust its carrying value as described in the hedge accounting policy. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgement to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors
- The Group has designated micro hedge relationships as fair value hedges. The Group applies temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. The Group applies IBOR reform Phase 2, which provides temporary reliefs to enable the Group's hedge accounting to continue upon the replacement of an IBOR with a risk-free rate (RFR). Under one of the reliefs, the Group may elect for individual RFRs designated as hedging the fair value of the hedged item for changes due to a non-contractually specified component of interest rate risk, to be deemed as meeting the IAS 39 requirement to be separately identifiable. For each RFR to which the relief has been applied, the Group judges that both the volume and market liquidity of financial instruments that reference the RFR and are priced using the RFR will increase during the 24-month period with the result that the hedged RFR risk component will become separately identifiable in the change in fair value of the hedged item
- On the basis of current financial projections and having made appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence up to 31 March 2026, which is a period greater than twelve months from the date of issue of the financial statements that aligns with internal budgeting processes. Accordingly, the going concern basis is adopted in the preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental business analysis – income statement

For the year to 31 March 2023 £'000	Specialist Banking: Private Client: Wealth & Investment	Specialist Banking: Private Client: Private Banking	Specialist Banking: Corporate, Investment Banking and Other	Group Investments	Group Costs	Total Group
Net interest income	28 150	128 945	579 893	—	—	736 988
Fee and commission income	333 192	2 120	121 391	—	—	456 703
Fee and commission expense	(691)	(174)	(14 577)	—	—	(15 442)
Investment income	7	141	4 865	13 210	—	18 223
Share of post-taxation profit of associates and joint venture holdings	—	—	4 950	—	—	4 950
Trading income/(loss) arising from						
– customer flow	1 252	4 449	81 665	—	—	87 366
– balance sheet management and other trading activities	10	13	13 111	—	—	13 134
Other operating income	—	—	6 879	—	—	6 879
Total operating income before expected credit loss impairment charges	**361 920**	**135 494**	**798 177**	**13 210**	**—**	**1 308 801**
Expected credit loss impairment charges	2	(6 344)	(60 410)	—	—	(66 752)
Operating income	**361 922**	**129 150**	**737 767**	**13 210**	**—**	**1 242 049**
Operating costs	(270 195)	(58 996)	(504 576)	—	(21 108)	(854 875)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	**91 727**	**70 154**	**233 191**	**13 210**	**(21 108)**	**387 174**
Loss attributable to other non-controlling interests	—	—	—	—	—	—
Adjusted operating profit/(loss) after non-controlling interests	**91 727**	**70 154**	**233 191**	**13 210**	**(21 108)**	**387 174**
Selected returns and key statistics						
Cost to income ratio	74.7%	43.5%	63.2%	n/a	n/a	65.3%
Total assets (£'mn)	1 061	5 202	21 951	172	n/a	28 386

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Segmental business analysis – income statement (continued)

For the year to 31 March 2022	Private Client	Private Client / Specialist Banking	Specialist Banking			
£'000	Wealth & Investment	Private Banking	Corporate, Investment Banking and Other	Group Investments	Group Costs	**Total Group**
Net interest income	2 268	70 692	409 759	—	—	482 719
Fee and commission income	344 685	1 579	163 964	—	—	510 228
Fee and commission expense	(656)	(23)	(14 234)	—	—	(14 913)
Investment income	(2)	816	10 033	20 408	—	31 255
Share of post-taxation profit of associates and joint venture holdings	—	—	13 878	—	—	13 878
Trading income/(loss) arising from						
– customer flow	1 194	2 228	56 950	—	—	60 372
– balance sheet management and other trading activities	(307)	2	(6 798)	—	—	(7 103)
Other operating income	—	—	11 533	—	—	11 533
Total operating income before expected credit loss impairment charges	**347 182**	**75 294**	**645 085**	**20 408**	**—**	**1 087 969**
Expected credit loss impairment charges	(5)	(2 432)	(22 722)	—	—	(25 159)
Operating income	**347 177**	**72 862**	**622 363**	**20 408**	**—**	**1 062 810**
Operating costs	(259 496)	(42 034)	(459 517)	—	(14 819)	(775 866)
Operating profit/(loss) before goodwill, acquired intangibles and strategic actions	**87 681**	**30 828**	**162 846**	**20 408**	**(14 819)**	**286 944**
Loss attributable to other non-controlling interests	—	—	—	—	—	—
Adjusted operating profit/(loss) after non-controlling interests	**87 681**	**30 828**	**162 846**	**20 408**	**(14 819)**	**286 944**
Selected returns and key statistics						
Cost to income ratio	74.7%	55.8%	71.2%	n/a	n/a	71.3%
Total assets (£'mn)*	1 137	4 528	21 925	356	n/a	27 946

* We have changed the total assets calculation for Group Investments whereby it now reflects total assets excluding the effects of intergroup. The prior period has been re-presented in line with this new calculation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. Net interest income

For the year to 31 March £'000	Notes	2023 Average balance sheet value	2023 Interest income	2023 Average yield	2022 Average balance sheet value	2022 Interest income	2022 Average yield
Cash, near cash and bank debt and sovereign debt securities	1	9 323 076	213 554	2.29%	8 071 461	24 441	0.30%
Loans and advances	2	15 268 494	915 987	6.00%	13 435 691	624 516	4.65%
Private client		5 085 272	214 368	4.22%	4 013 304	123 740	3.08%
Corporate, institutional and other clients		10 183 222	701 619	6.89%	9 422 387	500 776	5.31%
Other debt securities and other loans and advances		731 317	38 862	5.31%	609 114	18 047	2.96%
Other#	3	225 900	266 811	n/a	233 801	51 442	n/a
Total interest-earning assets		**25 548 787**	**1 435 214**	**5.62%**	**22 350 067**	**718 446**	**3.21%**

For the year to 31 March £'000	Notes	2023 Average balance sheet value	2023 Interest expense	2023 Average yield	2022 Average balance sheet value	2022 Interest expense	2022 Average yield
Deposits by banks and other debt-related securities	4	3 788 578	50 716	1.34%	3 308 178	32 971	1.00%
Customer accounts (deposits)		19 010 904	383 198	2.02%	16 761 883	93 235	0.56%
Subordinated liabilities		737 888	33 615	4.56%	870 954	49 497	5.68%
Other#	5	352 681	230 697	n/a	363 193	60 024	n/a
Total interest-bearing liabilities		**23 890 051**	**698 226**	**2.92%**	**21 304 208**	**235 727**	**1.11%**
Net interest income			**736 988**			**482 719**	
Net interest margin			**2.88%**			**2.16%**	

Notes:
1 Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.
2 Comprises (as per the balance sheet) loans and advances to customers.
3 Comprises (as per the balance sheet) lease receivables (housed in other assets on the balance sheet) as well as interest income from derivative financial instruments and off-balance sheet assets where there is no associated balance sheet value.
4 Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements and cash collateral on securities lent.
5 Comprises (as per the balance sheet) liabilities arising from lease liabilities (housed in other liabilities on the balance sheet) as well as interest expense from derivative financial instruments where there is no associated balance sheet value.
Includes interest income and interest expense on derivative assets and liabilities used for hedging purposes. This results in interest income and interest expense being recognised with no associated balance sheet value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Net fee and commission income

For the year to 31 March £'000	2023	2022
Wealth & Investment businesses net fee and commission income	**332 501**	**344 029**
Fund management fees/fees for assets under management	294 468	301 950
Private client transactional fees	38 724	42 735
Fee and commission expense	(691)	(656)
Specialist Banking net fee and commission income	**108 760**	**151 286**
Specialist Banking fee and commission income	123 511	165 543
Specialist Banking fee and commission expense	(14 751)	(14 257)
Net fee and commission income	**441 261**	**495 315**
Annuity fees (net of fees payable)	310 176	318 389
Deal fees	131 085	176 926

4. Investment income

For the year to 31 March £'000	2023	2022
Realised	13 159	28 988
Unrealised*	(15 557)	(26 726)
Dividend income	19 756	27 325
Funding and other net related income	865	1 668
	18 223	**31 255**

For the year to 31 March £'000	Listed equities	Unlisted equities	Warrants and profit shares	**Total investment portfolio**	Debt securities (sovereign, bank and other)	Investment and trading properties	Other asset categories	**Total**
2023								
Realised	(994)	53 495	1 062	53 563	(528)	(1 118)	(38 758)	13 159
Unrealised*	1 147	(51 323)	(1 281)	(51 457)	(5 649)	(2 325)	43 874	(15 557)
Dividend income	13 210	6 313	—	19 523	—	—	233	19 756
Funding and other net related income	—	—	—	—	—	865	—	865
	13 363	**8 485**	**(219)**	**21 629**	**(6 177)**	**(2 578)**	**5 349**	**18 223**
2022								
Realised	2 414	18 028	552	20 994	512	(4 383)	11 865	28 988
Unrealised*	(4 169)	2 350	1 176	(643)	(457)	4 274	(29 900)	(26 726)
Dividend income	20 445	6 667	—	27 112	—	—	213	27 325
Funding and other net related income	—	—	—	—	—	1 668	—	1 668
	18 690	**27 045**	**1 728**	**47 463**	**55**	**1 559**	**(17 822)**	**31 255**

* In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item and recognised in the realised line item.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

5. Other operating income

For the year to 31 March

£'000	2023	2022
Unrealised (losses)/gains on other investments	(3 773)	2 161
Income from operating leases	4 468	1 539
Income from government grants*	6 184	7 833
	6 879	**11 533**

* Government grants income includes Research and Development Expenditure Credits and income from the Capability and Innovation Fund from the Banking Competition Remedies Limited.

6. Expected credit loss impairment charges

For the year to 31 March

£'000	2023	2022
Expected credit losses have arisen on the following items:		
Loans and advances to customers	54 396	21 815
Other loans and advances	69	19
Other balance sheet assets	3 648	3 824
Undrawn commitments and guarantees	8 639	(499)
	66 752	**25 159**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Operating costs

For the year to 31 March £'000	**2023**	2022
Staff compensation costs	597 158	551 999
Salaries and wages (including directors' remuneration)**	486 700	448 874
Share-based payment expense	22 304	23 664
Social security costs	56 324	51 099
Pensions and provident fund contributions	31 830	28 362
Training and other costs	14 296	12 565
Staff costs	611 454	564 564
Premises expenses	40 565	41 071
Premises expenses (excluding depreciation and impairments)	20 119	16 933
Premises depreciation and impairments	20 446	24 138
Equipment expenses (excluding depreciation)	64 817	54 499
Business expenses*	114 362	94 041
Marketing expenses	17 299	13 686
Depreciation, amortisation and impairment on equipment, software and intangibles	6 378	8 005
	854 875	**775 866**
The following amounts were paid by the Group to the auditors in respect of the audit of the financial statements and for other services provided to the Group:		
Ernst & Young fees		
Total audit fees	**6 188**	**5 560**
Audit of the Group's accounts	438	404
Audit of the Group's subsidiaries	5 750	5 156
Total non-audit fees	**2 419**	**1 445**
Audit related assurance services[1]	1 326	671
Other assurance services[2]	640	512
Services related to corporate finance transactions[3]	87	128
Other non-audit services	366	134
Total auditor's remuneration	**8 607**	**7 005**

* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.
** Details of the directors' emoluments, pensions and their interests are disclosed in the Investec remuneration report 2023.
1. Audit related assurance fees consist of reviews of interim financial information and reporting accountant services.
2. Other assurance services relate to services required by law or regulation (including reporting on regulatory returns, agreed-upon-procedures relating to statutory and regulatory filings and reporting to regulators on client assets) and assurance on sustainability reporting.
3. Corporate finance transaction services relate to comfort letters on debt issuances.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments

The Group operates share option and long-term share incentive plans for employees, the majority of which are on an equity-settled basis. The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of Investec Group's performance and provide an incentive to maximise individual and Group performance by allowing all staff to share in the risks and rewards of the Investec Group.

Further information on the Investec Group share options and long-term incentive plans is provided in the remuneration report included in the Investec Group's 2023 integrated annual report and on the Investec Group website.

For the year to 31 March £'000	2023	2022
Share-based payment expense		
Equity-settled	**22 304**	**23 664**

For the year to 31 March £'000	2023	2022
Weighted average fair value of awards granted in the year		
UK schemes	**25 576**	**42 990**

	UK schemes			
	2023		2022	
Details of awards outstanding during the year	**Number of share awards**	**Weighted average exercise price £**	Number of share awards	Weighted average exercise price £
Outstanding at the beginning of the year	29 590 241	0.00	22 431 650	0.01
Sale of business	—	0.00	(94 076)	0.00
Granted during the year	5 542 176	0.00	14 657 836	0.00
Exercised during the year^	(4 788 744)	0.01	(5 595 039)	0.00
Awards forfeited during the year	(1 558 256)	0.00	(1 810 130)	0.04
Outstanding at the end of the year	**28 785 417**	**0.00**	**29 590 241**	**0.00**
Exercisable at the end of the year	**932 470**	**—**	**487 445**	**—**

^ The weighted average share price during the year was £4.59 (2022: £3.40).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. Share-based payments (continued)

Additional information relating to awards:	2023	2022
Options with strike prices		
Exercise price range	n/a	£3.58 – £4.18
Weighted average remaining contractual life	n/a	0.22 years
Long-term incentive grants with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.99 years	2.26 years
Weighted average fair value of awards and long-term grants at measurement date	£4.61	£2.93
The fair values of awards granted were calculated using a Black-Scholes option pricing model and shares granted were calculated at market price. For awards granted during the year, the inputs into the model were as follows:		
– Share price at date of grant	£4.70 – £4.81	£3.06 – £3.80
– Exercise price	£nil	£nil
– Expected volatility	n/a	n/a
– Award life	3.66 – 7.01 years	3 – 7.01 years
– Expected dividend yields	n/a	n/a
– Risk-free rate	n/a	n/a

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last six months, but also includes an element of forward expectation.

The expected attrition rates used were determined based on historical Group data with an adjustment to actual attrition on final vesting.

9. Long-term employment benefits

In March 2020, as part of the Investec Asset Management Limited (IAM) demerger, each participant of the Investec Group share option and long-term share incentive plans received the right to receive one Ninety One plc share award for every two Investec plc share awards they held. The Ninety One plc share awards were granted on the same terms and vesting period as the Investec plc awards they related to.

DLC has an obligation to deliver Ninety One plc shares to the holders of Investec plc share awards. Accordingly, this obligation was classified and measured as an other long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £7 263 000 was calculated as the fair value of the liability at the date of demerger for the portion of the awards already vested. The total value of the liability represented past service cost and as a result was accounted for in retained income. The liability was subsequently measured at fair value through profit and loss.

In the current year, on 30 May 2022, DLC's 15% shareholding in Ninety One DLC was distributed to ordinary shareholders. Each participant of the Investec share option and long-term share incentive plans for employees, received the right to receive 0.13751 Ninety One shares for each Investec share option they had.

In addition, management approved the acceleration of certain remaining Ninety One awards. Participants had 90 days to exercise the acceleration. The acceleration excluded awards made to senior management.

IAS 19 long-term employment benefit liability fair value movement recognised in the income statement for the year ended 31 March 2023 was £1.9 million (31 March 2022: £3.7 million).

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

9. Long-term employment benefits (continued)

Details of awards outstanding during the year	2023 Number of Ninety One awards	2023 Weighted average exercise price £	2022 Number of Ninety One awards	2022 Weighted average exercise price £
Outstanding at the beginning of the year	4 312 508	0.01	6 655 601	0.01
Sale of business	—	0.00	(30 412)	0.00
Grant linked to Ninety One Distribution	4 316 708	0.00	—	0.00
Granted during the year^	1 120	0.00	3 961	0.00
Exercised during the year	(5 706 136)	0.00	(2 058 445)	0.00
Lapsed during the year	(189 052)	0.17	(258 197)	0.12
Outstanding at the end of the year	**2 735 148**	**0.00**	**4 312 508**	**0.01**
Exercisable at the end of the year	**1 054 811**	**—**	**237 106**	**—**

^ The Ninety One shares granted are due to the Group reaching predetermined performance conditions. These awards are aligned with the uptick in Investec shares in the ratio of 1 Ninety One share for every 2 Investec shares.

The exercise price range and weighted average remaining contractual life for market strike options and long-term awards outstanding at 31 March 2023 were as follows:

Additional information relating to awards:	2023	2022
Options with strike price		
Exercise price range	n/a	£2.90 – £3.39
Weighted average remaining contractual life	n/a	0.25 years
Long-term awards with no strike price		
Exercise price range	£nil	£nil
Weighted average remaining contractual life	1.51 years	1.05 years

For the liability calculated, the inputs into the model were as follows:

Additional information relating to awards:	2023	2022
The fair value of the liability was calculated by using the Black-Scholes option pricing model.		
– Listed share price at 31 March	£1.85	£2.55
– Exercise price	Nil	Nil, £2.90 – £3.39
– Expected volatility	37.7%	35.0%
– Award life	0 – 5.41 years	0 – 4.42 years
– Expected dividend yields	0% – 9.82%	0% – 7.41%
– Risk-free rate	3.67% – 4.45%	0.69% – 2.03%

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation

For the year to 31 March £'000	2023	2022
Income statement taxation charge		
Current taxation		
UK		
Current taxation on income for the year	85 920	53 932
Adjustments in respect of prior years	(7 769)	1 170
Corporation tax before double tax relief	**78 151**	**55 102**
Double tax relief	(335)	(436)
	77 816	**54 666**
Europe	5 478	1 505
Australia	438	329
Other*	638	3 056
	6 554	**4 890**
Total current taxation	**84 370**	**59 556**
Deferred taxation		
UK	(9 674)	(21 407)
Europe	102	(2 447)
Australia	—	1 008
Other	(5)	(776)
Total deferred taxation	**(9 577)**	**(23 622)**
Total taxation charge for the year	**74 793**	**35 934**
Total taxation charge for the year comprises:		
Taxation on operating profit before goodwill	76 824	37 612
Taxation on acquired intangibles, goodwill and disposal of subsidiaries	(2 031)	(1 678)
	74 793	**35 934**
Deferred taxation comprises:		
Origination and reversal of temporary differences	(1 956)	(8 488)
Changes in taxation rates	(6 914)	(12 823)
Adjustment in respect of prior years	(707)	(2 311)
	(9 577)	**(23 622)**
The deferred taxation (credit)/charge in the income statement arose from:		
Deferred capital allowances	(11 616)	(8 371)
Income and expenditure accruals	(4 190)	(2 644)
Asset in respect of unexpired options	(2 025)	(12 485)
Unrealised fair value adjustment on financial instruments	220	(2 987)
Movement in deferred tax assets related to assessed losses	6 087	4 120
Liability/(asset) in respect of pension surplus	11	(68)
Deferred tax on acquired intangibles	1 805	(1 317)
Other temporary differences	131	130
	(9 577)	**(23 622)**
The deferred taxation charge in OCI/equity arose from:		
Asset in respect of unexpired options	(491)	(4 538)
Unrealised fair value adjustment on financial instruments	5 229	8 215
	4 738	**3 677**

* Where Other largely includes India and North America.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

10. Taxation (continued)

For the year to 31 March £'000	2023	2022
The rates of corporation tax for the relevant years are:	**%**	%
UK	19	19
Europe (average)	10	10
Australia	30	30
Profit before taxation	**367 924**	**271 788**
Taxation on profit before taxation	**74 793**	**35 934**
Effective tax rate	**20.3%**	**13.2%**
The taxation charge on activities for the year is different from the standard rate as detailed below:		
Taxation on profit on ordinary activities before taxation at UK rate of 19% (2022: 19%)	69 906	51 640
Taxation adjustments relating to foreign earnings	(3 607)	(1 723)
Taxation relating to prior years	(8 476)	(1 141)
Impairment of goodwill and non-operating items	1 239	(6)
Share options accounting expense/(income)	980	(2 658)
Non-taxable income	(1 956)	(4 507)
Net other permanent differences	(142)	(199)
Bank surcharge*	17 068	10 481
Capital gains – non-taxable/covered by losses	1 361	(4 426)
Movement in unrecognised trading losses	5 335	1 299
Change in tax rate	(6 915)	(12 826)
Total taxation charge as per income statement	**74 793**	**35 934**
Other comprehensive income taxation effects		
Gains on realisation of debt instruments at FVOCI recycled through the income statement	(314)	(307)
Pre-taxation	(431)	(429)
Taxation effect	117	122
Fair value movements on debt and equity instruments at FVOCI taken directly to other comprehensive income	(76 182)	20 588
Pre-taxation	(75 913)	20 207
Taxation effect	(269)	381
Own credit risk	—	11 059
Pre-taxation	—	15 792
Taxation effect**	—	(4 733)
Statement of changes in equity taxation effects		
Additional Tier 1 capital	(16 880)	(16 875)
Pre-taxation	(16 880)	(16 875)
Taxation effect	—	—
Share-based payment adjustment	491	4 538
Pre-taxation	—	—
Taxation effect	491	4 538
IFRS 9 transitional adjustments	(7)	617
Pre-taxation	—	—
Taxation effect	(7)	617

* The bank surcharge rate of 8% was reduced to 3% and the surcharge allowances available for the banking group was increased to £100 million from £25 million with effect from 1 April 2023. This increases the combined rate of corporation tax applicable to banking entities from 27% to 28% with effect from 1 April 2023.
** The UK rate of corporation tax increased to 25% from 19% from 1 April 2023.

Global Minimum Tax

To address concerns about uneven profit distribution and the tax contributions of large multinational corporations, various agreements have been reached at the global level, including an agreement by over 135 countries to introduce a global minimum tax rate of 15% for certain of the Group's subsidiaries. In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework, followed by detailed guidance in March 2022. This is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Enactment is currently expected to occur with effect from 1 January 2024. We are closely monitoring these developments.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Dividends

For the year to 31 March £'000	2023 Pence per share	2023 Total	2022 Pence per share	2022 Total
Ordinary dividend				
Final dividend for prior year	14.0	44 049	7.5	24 264
Interim dividend for current year	13.5	44 414	11.0	39 052
Total dividend attributable to ordinary shareholders	**27.5**	**88 463**	**18.5**	**63 316**

The directors have proposed a final dividend in respect of the financial year ended 31 March 2023 of 17.5 pence per ordinary share (31 March 2022: 14.0 pence).

This will be paid as follows:

- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 17.5 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment on the SA DAS share of 17.5 pence per ordinary share.

The final dividend to shareholders on the register at the close of business on 16 August 2023 is subject to the approval of the members of Investec plc at the annual general meeting which is scheduled to take place on 4 August 2023 and, if approved,will be paid on 4 September 2023.

For the year to 31 March £'000	2023 Pence per share	2023 Cents per share	2023 Total	2022 Pence per share	2022 Cents per share	2022 Total
Perpetual preference dividend						
Final dividend for prior year	21.58	490.94	200	5.48	331.59	174
Interim dividend for current year	11.44	329.08	340	5.52	333.41	173
Total dividend attributable to perpetual preference shareholders recognised in current financial year	**33.02**	**820.02**	**540**	**11.00**	**665.00**	**347**

The directors have declared a final dividend in respect of the financial year ended 31 March 2023 of 21.58904 pence (Investec plc shares traded on the JSE Limited) and 21.5894 pence (Investec plc shares traded on the Channel Island Stock Exchange), and 516.58687 cents per Rand-denominated perpetual preference share. The final Sterling dividend will be payable on 23 June 2023 to shareholders on the register at the close of business on 9 June 2023. The final Rand dividend will be payable on 23 June 2023 to shareholders on the register at the close of business on 9 June 2023.

For the year to 31 March £'000	2023	2022
Dividend attributable to Other Additional Tier 1 securities	**16 880**	**16 880**

The £250 000 000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities), issued on 5 October 2017, pay a distribution rate of 6.75% per annum quarterly.

12. Financial impact of strategic actions

For the year to 31 March £'000	2023	2022
Closure and rundown of the Hong Kong direct investments business*	(480)	(1 203)
Financial impact of Group restructures	(5 340)	(1 017)
Implementation costs on distribution of investment to shareholders	(402)	(1 017)
New transaction costs	(4 938)	—
Financial impact of strategic actions	**(5 820)**	**(2 220)**
Taxation on financial impact of strategic actions	—	633
Net financial impact of strategic actions	**(5 820)**	**(1 587)**

* In the prior year, included within the balance are fair value gains of £0.7 million.

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13. Analysis of income and impairments by category of financial instrument

For the year to 31 March £'000	At fair value through profit or loss		
	IFRS 9 mandatory		
	Trading**	Non-trading**	Designated at inception
2023			
Net interest income	7 620	70 562	—
Fee and commission income	15 457	1 054	—
Fee and commission expense	—	—	—
Investment income	(8 096)	18 575	(396)
Share of post-taxation profit of associates and joint venture holdings	—	—	—
Trading income/(loss) arising from			
– customer flow	87 721	(1 573)	1 218
– balance sheet management and other trading activities	624	20 981	(6 116)
Other operating income	—	—	—
Total operating income/(expense) before expected credit loss	**103 326**	**109 599**	**(5 294)**
Expected credit loss impairments charges*	—	—	—
Operating income/(expense)	**103 326**	**109 599**	**(5 294)**

For the year to 31 March £'000	Trading**	Non-trading**	Designated at inception
2022			
Net interest income	(17 200)	54 104	(26 472)
Fee and commission income	16 822	1 382	—
Fee and commission expense	—	—	—
Investment income	1 728	25 950	584
Share of post-taxation profit of associates and joint venture holdings	—	—	—
Trading income/(loss) arising from			
– customer flow	34 630	30 413	(4 671)
– balance sheet management and other trading activities	(102)	(6 611)	1 576
Other operating income	—	—	—
Total operating income/(expense) before expected credit loss	**35 878**	**105 238**	**(28 983)**
Expected credit loss impairments charges*	—	—	—
Operating income/(expense)	**35 878**	**105 238**	**(28 983)**

* Includes off-balance sheet items.
** Fair value through profit and loss income statement items have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of income and expenses from positions held for trading intent or to hedge elements of the trading book. Non-trading consists of income and expenses from positions that are expected to be held to maturity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

At fair value through comprehensive income					
Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
83 370	—	555 400	(63)	20 099	736 988
—	—	68 381	—	371 811	456 703
—	—	(2 594)	—	(12 848)	(15 442)
1 001	13 210	484	(6 555)	—	18 223
—	—	—	4 950	—	4 950
—	—	—	—	—	87 366
—	—	(2 355)	—	—	13 134
—	—	4 468	—	2 411	6 879
84 371	**13 210**	**623 784**	**(1 668)**	**381 473**	**1 308 801**
—	—	(66 752)	—	—	(66 752)
84 371	**13 210**	**557 032**	**(1 668)**	**381 473**	**1 242 049**

Debt instruments with a dual business model	Equity instruments	Amortised cost	Non-financial instruments	Other fee income and expenses	**Total**
36 558	—	432 466	1 538	1 725	482 719
—	—	69 311	—	422 713	510 228
—	—	(2 162)	—	(12 751)	(14 913)
1 134	20 408	1 214	(19 763)	—	31 255
—	—	—	13 878	—	13 878
—	—	—	—	—	60 372
—	—	(1 966)	—	—	(7 103)
—	—	1 539	—	9 994	11 533
37 692	**20 408**	**500 402**	**(4 347)**	**421 681**	**1 087 969**
—	—	(25 159)	—	—	(25 159)
37 692	**20 408**	**475 243**	**(4 347)**	**421 681**	**1 062 810**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March 2023 **£'000**	Trading*	Non-trading*	Designated at initial recognition
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	—	345 869	—
Sovereign debt securities	—	24 077	—
Bank debt securities	—	—	—
Other debt securities	—	93 992	—
Derivative financial instruments	634 123	—	—
Securities arising from trading activities	110 619	4 002	12 916
Investment portfolio	—	316 919	—
Loans and advances to customers	—	550 515	—
Other loans and advances	—	—	—
Other securitised assets	—	—	78 231
Interests in associated undertakings and joint venture holdings	—	—	—
Deferred taxation assets	—	—	—
Current taxation assets	—	—	—
Other assets	10 327	9 213	—
Property and equipment	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	—
	755 069	**1 344 587**	**91 147**
Liabilities			
Deposits by banks	—	—	—
Derivative financial instruments	704 816	—	—
Other trading liabilities	28 184	—	—
Repurchase agreements and cash collateral on securities lent	—	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	21 554
Liabilities arising on securitisation of other assets	—	—	81 609
Current taxation liabilities	—	—	—
Other liabilities	—	6 324	—
	733 000	**6 324**	**103 163**
Subordinated liabilities	—	—	—
	733 000	**6 324**	**103 163**

* Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.

For more information on hedges, please refer to note 51 on pages 128 to 129.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

At fair value through comprehensive income					
Debt instrument with dual business model	Equity instruments	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
—	—	—	5 400 401	—	5 400 401
—	—	—	893 297	—	893 297
—	—	345 869	992 830	—	1 338 699
1 141 745	—	1 165 822	55 922	—	1 221 744
199 737	—	199 737	4 954	—	204 691
—	—	93 992	603 283	—	697 275
—	—	634 123	—	—	634 123
—	—	127 537	—	—	127 537
—	172 285	489 204	—	—	489 204
843 428	—	1 393 943	14 173 866	—	15 567 809
—	—	—	142 626	—	142 626
—	—	78 231	—	—	78 231
—	—	—	—	52 320	52 320
—	—	—	—	112 347	112 347
—	—	—	—	34 324	34 324
—	—	19 540	612 778	333 131	965 449
—	—	—	—	121 014	121 014
—	—	—	—	255 267	255 267
—	—	—	—	9 415	9 415
—	—	—	—	40 550	40 550
2 184 910	**172 285**	**4 547 998**	**22 879 957**	**958 368**	**28 386 323**
—	—	—	2 172 171	—	2 172 171
—	—	704 816	—	—	704 816
—	—	28 184	—	—	28 184
—	—	—	139 529	—	139 529
—	—	—	19 121 921	—	19 121 921
—	—	21 554	1 427 991	—	1 449 545
—	—	81 609	—	—	81 609
—	—	—	—	5 370	5 370
—	—	6 324	645 612	580 793	1 232 729
—	**—**	**842 487**	**23 507 224**	**586 163**	**24 935 874**
—	—	—	731 483	—	731 483
—	**—**	**842 487**	**24 238 707**	**586 163**	**25 667 357**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. Analysis of financial assets and liabilities by category of financial instruments (continued)

	At fair value through profit or loss		
	IFRS 9 mandatory		
At 31 March 2022 **£'000**	Trading*	Non-trading*	Designated at initial recognition
Assets			
Cash and balances at central banks	—	—	—
Loans and advances to banks	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	89 889	540 570	38 649
Sovereign debt securities	—	33 658	—
Bank debt securities	—	—	—
Other debt securities	—	144 048	—
Derivative financial instruments	693 133	—	—
Securities arising from trading activities	138 032	4 780	20 353
Investment portfolio	—	338 523	—
Loans and advances to customers	—	609 083	—
Other loans and advances	—	—	—
Other securitised assets	—	—	93 087
Interests in associated undertakings and joint venture holdings	—	—	—
Deferred taxation assets	—	—	—
Current taxation assets	—	—	—
Other assets	9 606	17 478	—
Property and equipment	—	—	—
Goodwill	—	—	—
Software	—	—	—
Other acquired intangible assets	—	—	—
	930 660	**1 688 140**	**152 089**
Liabilities			
Deposits by banks	—	—	—
Derivative financial instruments	863 295	—	—
Other trading liabilities	42 944	—	—
Repurchase agreements and cash collateral on securities lent	—	—	—
Customer accounts (deposits)	—	—	—
Debt securities in issue	—	—	46 192
Liabilities arising on securitisation of other assets	—	—	95 885
Current taxation liabilities	—	—	—
Other liabilities	—	—	—
	906 239	**—**	**142 077**
Subordinated liabilities	—	—	—
	906 239	**—**	**142 077**

* Fair value through profit and loss balance sheet positions have been split as trading and non-trading, as defined by regulatory rules for the trading book and banking book requirements respectively. Trading consists of positions held for trading intent or to hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.

For more information on hedges, please refer to note 51 on pages 128 to 129.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

At fair value through comprehensive income					
Debt instrument with dual business model	Equity instruments	Total instruments at fair value	Amortised cost	Non-financial instruments or scoped out of IFRS 9	Total
—	—	—	5 379 994	—	5 379 994
—	—	—	1 467 770	—	1 467 770
—	—	669 108	778 365	—	1 447 473
1 132 119	—	1 165 777	—	—	1 165 777
61 714	—	61 714	—	—	61 714
—	—	144 048	283 713	—	427 761
—	—	693 133	—	—	693 133
—	—	163 165	—	—	163 165
—	355 801	694 324	—	—	694 324
685 386	—	1 294 469	13 132 006	—	14 426 475
—	—	—	122 717	—	122 717
—	—	93 087	—	—	93 087
—	—	—	—	66 895	66 895
—	—	—	—	110 377	110 377
—	—	—	—	33 448	33 448
—	—	27 084	823 227	289 128	1 139 439
—	—	—	—	155 055	155 055
—	—	—	—	249 836	249 836
—	—	—	—	7 066	7 066
—	—		—	40 807	40 807
1 879 219	**355 801**	**5 005 909**	**21 987 792**	**952 612**	**27 946 313**
—	—	—	2 026 601	—	2 026 601
—	—	863 295	—	—	863 295
—	—	42 944	—	—	42 944
—	—	—	154 828	—	154 828
—	—	—	18 293 891	—	18 293 891
—	—	46 192	1 601 985	—	1 648 177
—	—	95 885	—	—	95 885
—	—	—	—	2 460	2 460
—	—	—	813 958	565 369	1 379 327
—	**—**	**1 048 316**	**22 891 263**	**567 829**	**24 507 408**
—	—	—	758 739	—	758 739
—	**—**	**1 048 316**	**23 650 002**	**567 829**	**25 266 147**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are identified as follows:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Fair value category		
At 31 March 2023 **£'000**	**Total instruments at fair value**	Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	345 869	—	345 869	—
Sovereign debt securities	1 165 822	1 165 822	—	—
Bank debt securities	199 737	199 737	—	—
Other debt securities	93 992	—	60	93 932
Derivative financial instruments	634 123	—	580 939	53 184
Securities arising from trading activities	127 537	123 475	60	4 002
Investment portfolio	489 204	173 952	884	314 368
Loans and advances to customers*	1 393 943	—	90 297	1 303 646
Other securitised assets	78 231	—	—	78 231
Other assets	19 540	19 540	—	—
	4 547 998	**1 682 526**	**1 018 109**	**1 847 363**
Liabilities				
Derivative financial instruments	704 816	—	645 358	59 458
Other trading liabilities	28 184	28 184	—	—
Debt securities in issue	21 554	—	21 554	—
Liabilities arising on securitisation of other assets	81 609	—	—	81 609
Other liabilities	6 324	—	—	6 324
	842 487	**28 184**	**666 912**	**147 391**
Net assets at fair value	**3 705 511**	**1 654 342**	**351 197**	**1 699 972**

* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

Transfers between level 1 and level 2

During the current and prior year there were no transfers between level 1 and level 2.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

At 31 March 2022 £'000	Total instruments at fair value	Fair value category Level 1	Level 2	Level 3
Assets				
Reverse repurchase agreements and cash collateral on securities borrowed	669 108	—	669 108	—
Sovereign debt securities	1 165 777	1 165 777	—	—
Bank debt securities	61 714	61 714	—	—
Other debt securities	144 048	—	39 017	105 031
Derivative financial instruments	693 133	19	649 164	43 950
Securities arising from trading activities	163 165	158 213	172	4 780
Investment portfolio	694 324	357 836	6 552	329 936
Loans and advances to customers*	1 294 469	—	82 621	1 211 848
Other securitised assets	93 087	—	—	93 087
Other assets	27 084	27 084	—	—
	5 005 909	**1 770 643**	**1 446 634**	**1 788 632**
Liabilities				
Derivative financial instruments	863 295	—	817 526	45 769
Other trading liabilities	42 944	42 944	—	—
Debt securities in issue	46 192	—	46 192	—
Liabilities arising on securitisation of other assets	95 885	—	—	95 885
	1 048 316	**42 944**	**863 718**	**141 654**
Net assets at fair value	**3 957 593**	**1 727 699**	**582 916**	**1 646 978**

* Loans and advances to customers at fair value include instruments where the business model is either to sell the loan or where the business model is to hold to collect the contractual cash flows but the loan has failed the SPPI test.

Transfers between level 1 and level 2

During the current and prior year there were no transfers between level 1 and level 2.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Fair value hierarchy (continued)

Level 3 instruments

The following table is a reconciliation of the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy:

For the year to £'000	Investment portfolio	Loans and advances to customers	Other securitised assets	Other balance sheet assets[1]	Total
Assets					
Balance as at 1 April 2021	**341 984**	**1 045 663**	**107 259**	**135 369**	**1 630 275**
Total gains or (losses)	22 945	63 202	(657)	19 577	105 067
In the income statement	22 945	63 768	(657)	19 577	105 633
In the statement of comprehensive income	—	(566)	—	—	(566)
Purchases	33 602	1 845 044	—	59 165	1 937 811
Sales	(66 682)	(1 079 005)	—	(19 783)	(1 165 470)
Settlements	(8 498)	(695 450)	(13 515)	(49 392)	(766 855)
Transfers into level 3	621	—	—	—	621
Foreign exchange adjustments	5 964	32 394	—	8 825	47 183
Balance as at 31 March 2022	**329 936**	**1 211 848**	**93 087**	**153 761**	**1 788 632**
Total gains or (losses)	6 228	100 832	1 000	5 252	113 312
In the income statement	6 228	101 088	1 000	5 252	113 568
In the statement of comprehensive income	—	(256)	—	—	(256)
Purchases	23 416	1 692 584	—	26 056	1 742 056
Sales	(43 653)	(762 668)	—	(12 565)	(818 886)
Settlements	(13 648)	(981 996)	(15 856)	(31 148)	(1 042 648)
Transfers into level 3	6 304	—	—	4 746	11 050
Foreign exchange adjustments	5 785	43 046	—	5 016	53 847
Balance as at 31 March 2023	**314 368**	**1 303 646**	**78 231**	**151 118**	**1 847 363**

1. Comprises of other debt securities, derivative financial instruments and securities arising from trading.

The Group transfers between levels within the fair value hierarchy when the observability of inputs change, or if the valuation methods change. Transfers are deemed to occur at the end of each semi-annual reporting period.

For the year to 31 March 2023, investment portfolio of £6.3 million and derivative financial instruments assets of £4.7 million were transferred from level 2 to level 3, and derivative financial instruments liabilities of £8 000 were transferred from level 3 to level 2. In the prior year, investment portfolio of £0.6 million was transferred from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Fair value hierarchy (continued)

For the year to £'000	Liabilities arising on securitisation of other assets	Other balance sheet liabilities[2]	Total
Liabilities			
Balance as at 1 April 2021	**108 281**	**28 034**	**136 315**
Total (gains) or losses	(2 094)	16 148	14 054
In the income statement	(2 094)	16 148	14 054
Settlements	(10 303)	(270)	(10 573)
Foreign exchange adjustments	1	1 857	1 858
Balance as at 31 March 2022	**95 885**	**45 769**	**141 654**
Total losses	1 384	11 770	13 154
In the income statement	1 384	11 770	13 154
Purchases	—	6 324	6 324
Settlements	(15 660)	—	(15 660)
Transfers out of level 3	—	(8)	(8)
Foreign exchange adjustments	—	1 927	1 927
Balance as at 31 March 2023	**81 609**	**65 782**	**147 391**

2. Comprises level 3 derivative financial instruments and other liabilities.

The following table quantifies the gains or (losses) included in the income statement and other comprehensive income recognised on level 3 financial instruments:

For the year to 31 March £'000	Total	Realised	Unrealised
2023			
Total gains or (losses) included in the income statement for the year			
Net interest income	98 169	86 175	11 994
Investment income*	2 085	2 502	(417)
Trading income arising from customer flow	160	1	159
	100 414	**88 678**	**11 736**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	433	433	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(256)	—	(256)
	177	**433**	**(256)**
2022			
Total gains or (losses) included in the income statement for the year			
Net interest income	66 069	58 038	8 031
Investment income*	27 830	52 666	(24 836)
Trading loss arising from customer flow	(2 320)	(491)	(1 829)
	91 579	**110 213**	**(18 634)**
Total gains or (losses) included in other comprehensive income for the year			
Gains on realisation on debt instruments at FVOCI recycled through the income statement	440	440	—
Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income	(566)	—	(566)
	(126)	**440**	**(566)**

* In the prior year, included within the investment income statement balance are unrealised gains of £0.7 million presented within operational items in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

Level 2 financial assets and financial liabilities

The following table sets out the Group's principal valuation techniques as at 31 March 2023 used in determining the fair value of its financial assets and financial liabilities that are classified within level 2 of the fair value hierarchy:

	VALUATION BASIS/TECHNIQUES	MAIN INPUTS
Assets		
Reverse repurchase agreements and cash collateral on securities borrowed	Discounted cash flow model	Discount rates
Other debt securities	Discounted cash flow model	Discount rates, swap curves and negotiable certificate of deposit curves, external prices and broker quotes
Derivative financial instruments	Discounted cash flow model, Hermite interpolation and industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Securities arising from trading activities	Discounted cash flow model, Hermite interpolation and industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Investment portfolio	Discounted cash flow model and net asset value model	Discount rate and net assets
	Comparable quoted inputs	Discount rate and fund unit price
Loans and advances to customers	Discounted cash flow model	Yield curves
Liabilities		
Derivative financial instruments	Discounted cash flow model, Hermite interpolation and industry standard derivative pricing models including Black-Scholes and Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Other trading liabilities	Discounted cash flow model, Hermite interpolation and industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves
Debt securities in issue	Discounted cash flow model, Hermite interpolation and industry standard derivative pricing models including Local Volatility	Discount rate, risk-free rate, volatilities, forex forward points and spot rates, interest rate swap curves and credit curves

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Fair value hierarchy (continued)

Sensitivity of fair values to reasonably possible alternative assumptions by level 3 instrument type

The fair value of financial instruments in level 3 are measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable market data. The table below shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

At 31 March 2023	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	**Favourable changes £'000**	**Unfavourable changes £'000**
Assets					
Other debt securities	93 932	Potential impact on income statement		2 702	(5 253)
		Credit spreads	1.05%–1.87%	108	(254)
		Cash flow adjustments	CPR 14.81%	10	(10)
		Other	^	2 584	(4 989)
Derivative financial instruments	53 184	Potential impact on income statement		5 260	(5 136)
		Volatilities	7.5%–8.9%	13	(25)
		Cash flow adjustments	CPR 14.81%	6	(5)
		Underlying asset value	^^	3 999	(4 100)
		Other	^	1 242	(1 006)
Securities arising from trading activities	4 002	Potential impact on income statement			
		Cash flow adjustments	CPR 14.17%	206	(235)
Investment portfolio	314 368	Potential impact on income statement		33 129	(66 354)
		Price earnings multiple	5.5x–11.2x	11 718	(21 695)
		Underlying asset value	^^	9 378	(20 883)
		Other	^	12 033	(23 776)
Loans and advances to customers	1 303 646	Potential impact on income statement		21 222	(40 572)
		Credit spreads	0.28%–5.2%	10 994	(22 971)
		Price earnings multiple	3.5x–4x	4 276	(7 083)
		Underlying asset value	^^	1 564	(1 742)
		Other	^	4 388	(8 776)
		Potential impact on other comprehensive income		15 756	(31 758)
		Credit spreads	0.29%–5.5%	15 753	(31 751)
		Other	^	3	(7)
Other securitised assets	78 231	Potential impact on income statement			
		Cash flow adjustments	CPR 14.81%	701	(669)
Total level 3 assets	**1 847 363**			**78 976**	**(149 977)**
Liabilities					
Derivative financial instruments	59 458	Potential impact on income statement		(4 098)	4 099
		Volatilities	9%–18.9%	(1)	2
		Underlying asset value	^^	(4 097)	4 097
Liabilities arising on securitisation of other assets*	81 609	Potential impact on income statement			
		Cash flow adjustments	CPR 14.81%	(351)	363
Other liabilities	6 324	Potential impact on income statement			
		Other	^	(632)	632
Total level 3 liabilities	**147 391**			**(5 081)**	**5 094**
Net level 3 assets	**1 699 972**				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.
^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows and earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.
^^ Underlying asset values are calculated by reference to a tangible asset, for example, property, aircraft or shares.

NOTES TO THE FINANCIAL STATEMENTS
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15. Fair value hierarchy (continued)

At 31 March 2022	Balance sheet value £'000	Significant unobservable input	Range of unobservable input used	**Favourable changes £'000**	**Unfavourable changes £'000**
Assets					
Other debt securities	105 031	Potential impact on income statement		3 199	(5 851)
		Credit spreads	0.74%–2.75%	141	(286)
		Cash flow adjustments	CPR 8.4%	6	(8)
		Other	^	3 052	(5 557)
Derivative financial instruments	43 950	Potential impact on income statement		4 643	(5 266)
		Volatilities	5%–18.9%	15	(29)
		Cash flow adjustments	CPR 8.4%	—	(6)
		Underlying asset value	^^	4 026	(4 028)
		Other	^	602	(1 203)
Securities arising from trading activities	4 780	Potential impact on income statement			
		Cash flow adjustments	CPR 11%	481	(635)
Investment portfolio	329 936	Potential impact on income statement		34 755	(69 302)
		Price earnings multiple	5.5x–15x	9 505	(18 206)
		Underlying asset value	^^	9 636	(20 897)
		Other	^	15 614	(30 199)
Loans and advances to customers	1 211 848	Potential impact on income statement		24 838	(40 047)
		Credit spreads	0.15%–34.3%	10 656	(27 586)
		Price earnings multiple	3.5x–4.2x	7 824	(1 136)
		Underlying asset value	^^	3 528	(5 665)
		Other	^	2 830	(5 660)
		Potential impact on other comprehensive income			
		Credit spreads	0.14%–6.17%	8 440	(15 725)
Other securitised assets	93 087	Potential impact on income statement			
		Cash flow adjustments	CPR 8.4%	988	(1 057)
Total level 3 assets	**1 788 632**			**77 344**	**(137 883)**
Liabilities					
Derivative financial instruments	45 769	Potential impact on income statement		(4 046)	4 060
		Volatilities	5%–18.9%	(21)	35
		Underlying asset value	^^	(4 025)	4 025
Liabilities arising on securitisation of other assets*		Potential impact on income statement			
	95 885	Cash flow adjustments	CPR 8.4%	(292)	299
Total level 3 liabilities	**141 654**			**(4 338)**	**4 359**
Net level 3 assets	**1 646 978**				

* The sensitivity of the fair value of liabilities arising on securitisation of other assets has been considered together with other securitised assets.

^ Other – The valuation sensitivity has been assessed by adjusting various inputs such as expected cash flows and earnings multiples rather than a single input. It is deemed appropriate to reflect the outcome on a portfolio basis for the purposes of this analysis as the sensitivity of the assets cannot be determined through the adjustment of a single input.

^^ Underlying asset values are calculated by reference to a tangible asset, for example, property, aircraft or shares.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. Fair value hierarchy (continued)

In determining the value of level 3 financial instruments, the following are the principal inputs that can require judgement:

Credit spreads

Credit spreads reflect the additional yield that a market participant would demand for taking exposure to the credit risk of an instrument. The credit spread for an instrument forms part of the yield used in a discounted cash flow calculation. In general, a significant increase in a credit spread in isolation will result in a movement in fair value that is unfavourable for the holder of a financial instrument. It is an unobservable input into a discounted cash flow valuation.

Discount rates

Discount rates are used to adjust for the time value of money when using a discounted cash flow valuation method. Where relevant, the discount rate also accounts for illiquidity, market conditions and uncertainty of future cash flows.

Volatilities

Volatility is a key input in the valuation of derivative products containing optionality. Volatility is a measure of the variability or uncertainty in returns for a given derivative underlying. It represents an estimate of how much a particular underlying instrument, parameter or index will change in value over time.

Cash flows

Cash flows relate to the future cash flows that can be expected from the instrument and requires judgement. Cash flows are input into a discounted cash flow valuation.

Price earnings multiple

The price-to-earnings ratio is an equity valuation multiple used in the adjustment of underlying market prices. It is a key driver in the valuation of unlisted investments.

Underlying asset value

In instances where cash flows have links to referenced assets, the underlying asset value is used to determine the fair value. The underlying asset valuation is derived using observable market prices sourced from broker quotes, specialist valuers or other reliable pricing sources.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Fair value of financial instruments at amortised cost

At 31 March 2023 £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Assets							
Cash and balances at central banks	5 400 401	5 400 401	—	—	—	—	—
Loans and advances to banks	893 297	893 297	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	992 830	807 046	185 784	185 503	—	185 503	—
Sovereign debt securities	55 922	4 370	51 552	51 494	51 494	—	—
Bank debt securities	4 954	—	4 954	4 952	4 952	—	—
Other debt securities	603 283	42 611	560 672	554 892	—	554 892	—
Loans and advances to customers	14 173 866	611 611	13 562 255	13 426 192	—	1 016 299	12 409 893
Other loans and advances	142 626	69 727	72 899	72 976	—	72 976	—
Other assets	612 778	612 778	—	—	—	—	—
	22 879 957	**8 441 841**	**14 438 116**	**14 296 009**			
Liabilities							
Deposits by banks	2 172 171	373 944	1 798 227	1 804 116	—	1 804 116	—
Repurchase agreements and cash collateral on securities lent	139 529	85 070	54 459	52 486	—	52 486	—
Customer accounts (deposits)	19 121 921	10 426 685	8 695 236	8 654 686	—	8 654 686	—
Debt securities in issue	1 427 991	1 183	1 426 808	1 383 613	911 763	471 850	—
Other liabilities	645 612	642 983	2 629	1 572	—	—	1 572
Subordinated liabilities	731 483	—	731 483	713 119	713 119	—	—
	24 238 707	**11 529 865**	**12 708 842**	**12 609 592**			

For the year ended 31 March 2023, there were insignificant disposals of financial instruments measured at amortised cost.

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. These assets and liabilities include demand deposits, savings accounts without a specific maturity, which are included in customer accounts (deposits), and variable rate instruments.

Financial instruments for which fair value does not approximate carrying value

Differences in amortised cost and fair value occur in fixed rate instruments. The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the Group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted subordinated debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Fair value of financial instruments at amortised cost (continued)

At 31 March 2022 £'000	Carrying amount	Fair value approximates carrying amount	Balances where fair values do not approximate carrying amounts	Fair value of balances that do not approximate carrying amounts	Level within the fair value hierarchy Level 1	Level 2	Level 3
Assets							
Cash and balances at central banks	5 379 994	5 379 994	—	—	—	—	—
Loans and advances to banks	1 467 770	1 467 770	—	—	—	—	—
Reverse repurchase agreements and cash collateral on securities borrowed	778 365	662 151	116 214	115 088	—	115 088	—
Other debt securities	283 713	7 601	276 112	275 937	3 058	272 879	—
Loans and advances to customers	13 132 006	521 321	12 610 685	12 593 362	—	1 022 302	11 571 060
Other loans and advances	122 717	61 473	61 244	61 253	—	61 253	—
Other assets	823 227	823 227	—	—	—	—	—
	21 987 792	**8 923 537**	**13 064 255**	**13 045 640**			
Liabilities							
Deposits by banks	2 026 601	280 414	1 746 187	1 654 635	—	1 654 635	—
Repurchase agreements and cash collateral on securities lent	154 828	103 729	51 099	49 243	—	49 243	—
Customer accounts (deposits)	18 293 891	11 678 823	6 615 068	6 616 337	—	6 616 337	—
Debt securities in issue	1 601 985	1 183	1 600 802	1 599 831	1 006 663	593 168	—
Other liabilities	813 958	810 824	3 134	2 419	—	—	2 419
Subordinated liabilities	758 739	—	758 739	767 436	767 436	—	—
	23 650 002	**12 874 973**	**10 775 029**	**10 689 901**			

For the year ended 31 March 2022, there were insignificant disposals of financial instruments measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
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16. Fair value of financial instruments at amortised cost (continued)

Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing spreads earned on the transactions with spreads earned on similar new transactions entered into by the Group. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows, using prevailing money market interest rates for debts with similar credit risk and maturity.

For quoted subordinated debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Certain financial instruments that would normally be carried at fair value continue to be recognised at transaction price. This occurs when the fair value would normally be determined using valuation techniques which cannot be relied on due to insufficient external inputs. This results in gains or losses which have not been recognised on-balance sheet.

The following table sets out the Group's principal level 2 and 3 valuation techniques used in determining the fair value of its financial assets and financial liabilities:

Loans and advances to banks	Calculation of the present value of future cash flows, discounted as appropriate.
Other debt securities	Priced with reference to similar trades in an observable market.
Reverse repurchase agreements and cash collateral on securities borrowed	Calculation of the present value of future cash flows, discounted as appropriate.
Loans and advances to customers	Calculation of the present value of future cash flows, discounted as appropriate.
Other loans and advances	Calculation of the present value of future cash flows, discounted as appropriate.
Other assets	Calculation of the present value of future cash flows, discounted as appropriate.
Deposits by banks	Calculation of fair value using appropriate funding rates.
Repurchase agreements and cash collateral on securities lent	Calculation of the present value of future cash flows, discounted as appropriate.
Customer accounts (deposits)	Where the deposits are short-term in nature, carrying amounts are assumed to approximate fair value. Where deposits are of longer-term maturities, they are valued using a cash flow model discounted as appropriate.
Debt securities in issue	Where the debt securities are fully collateralised, fair value is equal to the carrying value. Other debt securities are valued using a cash flow model discounted as appropriate to the securities for funding and interest rates.
Other liabilities	Where the other liabilities are short term in nature, carrying amounts are assumed to approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS
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17. Designated at fair value

At 31 March £'000	Carrying value	Fair value adjustment		Change in fair value attributable to credit risk*		Maximum exposure to credit risk
		Current	Cumulative	Current	Cumulative	
Assets						
2023						
Securities arising from trading activities	12 916	930	(638)	(120)	(57)	12 916
Other securitised assets	78 231	(2 352)	(7 459)	(2 352)	(7 459)	78 927
	91 147	**(1 422)**	**(8 097)**	**(2 472)**	**(7 516)**	**91 843**
2022						
Reverse repurchase agreements and cash collateral on securities borrowed	38 649	89	284	—	—	—
Securities arising from trading activities	20 353	379	50	6	95	20 353
Other securitised assets	93 087	(4 106)	(6 382)	(4 106)	(6 382)	93 087
	152 089	**(3 638)**	**(6 048)**	**(4 100)**	**(6 287)**	**113 440**

At 31 March £'000	Carrying value	Remaining contractual amount to be repaid at maturity	Fair value adjustment		Change in fair value attributable to credit risk*	
			Current	Cumulative	Current	Cumulative
Liabilities						
2023						
Debt securities in issue	21 554	20 097	(274)	5 146	(85)	(67)
Liabilities arising on securitisation of other assets	81 609	86 985	250	(5 441)	250	(5 441)
	103 163	**107 082**	**(24)**	**(295)**	**165**	**(5 508)**
2022						
Debt securities in issue	46 192	41 266	5 139	9 452	7	(43)
Liabilities arising on securitisation of other assets	95 885	102 712	(2 286)	(6 854)	(2 286)	(6 854)
	142 077	**143 978**	**2 853**	**2 598**	**(2 279)**	**(6 897)**

* Changes in fair value due to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in other market inputs.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

18. Cash and balances at central banks

At 31 March £'000	2023	2022
Gross cash and balances at central banks	5 400 401	5 379 994
Expected credit loss	—	—
Net cash and balances at central banks	**5 400 401**	**5 379 994**
The country risk of cash and bank balances at central banks lies in the following geographies:		
United Kingdom	5 380 357	5 326 540
Europe (excluding UK)	20 044	53 454
	5 400 401	**5 379 994**

19. Loans and advances to banks

At 31 March £'000	2023	2022
Gross loans and advances to banks	893 368	1 467 863
Expected credit loss	(71)	(93)
Net loans and advances to banks	**893 297**	**1 467 770**
The country risk of loans and advances to banks lies in the following geographies:		
South Africa	7 265	10 543
United Kingdom	511 777	555 881
Europe (excluding UK)	287 673	706 940
Australia	14 313	41 096
North America	62 609	143 856
Asia	8 446	9 086
Other	1 214	368
	893 297	**1 467 770**

20. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

At 31 March £'000	2023	2022
Assets		
Gross reverse repurchase agreements and cash collateral on securities borrowed	1 338 711	1 447 485
Expected credit loss	(12)	(12)
Net reverse repurchase agreements and cash collateral on securities borrowed	**1 338 699**	**1 447 473**
Reverse repurchase agreements	1 328 235	1 408 503
Cash collateral on securities borrowed	10 464	38 970
	1 338 699	**1 447 473**
As part of the reverse repurchase and securities borrowing agreements the Group has received securities that it is allowed to sell or repledge. £90 million (2022: £76 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions.		
Liabilities		
Repurchase agreements	118 373	129 092
Cash collateral on securities lent	21 156	25 736
	139 529	**154 828**

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £61 million (2022: £13 million). They are pledged as security for the term of the underlying repurchase agreement.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

21. Sovereign debt securities

At 31 March £'000	2023	2022
Gross sovereign debt securities	1 221 744	1 165 777
Expected credit loss	—	—
Net sovereign debt securities	**1 221 744**	**1 165 777**
The country risk of sovereign debt securities lies in the following geographies:		
United Kingdom	348 827	378 941
Europe (excluding UK)*	190 232	93 004
North America	682 685	693 832
	1 221 744	**1 165 777**

* Where Europe (excluding UK) largely includes securities held in Germany and Denmark.

22. Bank debt securities

At 31 March £'000	2023	2022
Gross bank debt securities	204 691	61 714
Expected credit loss	—	—
Net bank debt securities	**204 691**	**61 714**
Bonds	200 590	57 844
Floating rate notes	4 101	3 870
	204 691	**61 714**
The country risk of bank debt securities lies in the following geographies:		
United Kingdom	122 690	46 622
Europe (excluding UK)	71 873	15 092
Australia	10 128	—
	204 691	**61 714**

23. Other debt securities

At 31 March £'000	2023	2022
Gross other debt securities	697 837	432 980
Expected credit loss	(562)	(5 219)
Net other debt securities	**697 275**	**427 761**
Bonds	120 510	119 766
Asset-backed securities	576 765	307 995
	697 275	**427 761**
The country risk of other debt securities lies in the following geographies:		
United Kingdom	108 175	104 452
Europe (excluding UK)	140 937	67 666
North America	400 496	207 392
Asia	47 667	48 251
	697 275	**427 761**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

24. Derivative financial instruments

The Group enters into various contracts for derivatives, both as principal for trading purposes and as a customer for hedging foreign exchange and interest rate exposures. These include financial futures, options, swaps and forward rate agreements. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the Group in an orderly market transaction at the balance sheet date.

	2023			2022		
At 31 March **£'000**	**Notional principal amounts**	**Positive fair value**	**Negative fair value**	Notional principal amounts	Positive fair value	Negative fair value
Foreign exchange derivatives						
Forward foreign exchange contracts	15 680 009	186 867	142 523	16 862 873	157 697	137 754
Currency swaps	678 329	9 484	8 724	1 117 700	12 176	10 113
OTC options bought and sold	1 877 070	24 153	22 865	2 212 297	11 820	18 665
	18 235 408	**220 504**	**174 112**	**20 192 870**	**181 693**	**166 532**
Interest rate derivatives						
Caps and floors	10 576 158	155 330	150 118	9 424 942	65 094	57 797
Swaps	46 254 022	28 842	160 283	40 601 552	28 534	81 495
OTC derivatives	**56 830 180**	**184 172**	**310 401**	**50 026 494**	**93 628**	**139 292**
Exchange traded futures	—	—	—	—	—	—
	56 830 180	**184 172**	**310 401**	**50 026 494**	**93 628**	**139 292**
Equity and stock index derivatives						
OTC options bought and sold	1 604 247	63 258	120 243	2 920 599	101 194	212 995
Equity swaps and forwards	6 343	173	—	392 379	2 875	11 138
OTC derivatives	**1 610 590**	**63 431**	**120 243**	**3 312 978**	**104 069**	**224 133**
Exchange traded futures	225 212	—	—	169 227	—	—
Exchange traded options	11 453 984	55 231	45	15 492 162	—	25 831
Warrants	—	—	—	—	19	—
	13 289 786	**118 662**	**120 288**	**18 974 367**	**104 088**	**249 964**
Commodity derivatives						
OTC options bought and sold	251 899	39 853	59 145	235 387	40 978	51 206
Commodity swaps and forwards	721 125	45 219	38 152	1 236 254	255 652	253 713
	973 024	**85 072**	**97 297**	**1 471 641**	**296 630**	**304 919**
Credit derivatives	**138 862**	**20 670**	**2 718**	**218 806**	**11 065**	**2 588**
Other derivatives		**5 043**			**6 029**	
Derivatives per balance sheet		**634 123**	**704 816**		**693 133**	**863 295**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Securities arising from trading activities

At 31 March £'000	**2023**	2022
Asset-backed securities	4 002	4 780
Bonds	24 106	17 936
Government securities	—	2 811
Listed equities	99 429	137 638
	127 537	**163 165**

26. Investment portfolio

At 31 March £'000	**2023**	2022
Listed equities*	173 949	357 838
Unlisted equities**	315 255	336 486
	489 204	**694 324**

* The movement in Listed equities includes a £107 million distribution to Investec ordinary shareholders during the year.

** Unlisted equities include loan instruments that are convertible into equity.

27. Loans and advances to customers and other loans and advances

At 31 March £'000	**2023**	2022
Gross loans and advances to customers at amortised cost	14 314 591	13 262 811
Gross loans and advances to customers at FVOCI^	843 428	685 386
Gross loans and advances to customers subject to expected credit losses	**15 158 019**	**13 948 197**
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	(140 725)	(130 805)
Net loans and advances to customers at amortised cost and FVOCI^	**15 017 294**	**13 817 392**
Loans and advances to customers at fair value through profit and loss	550 515	609 083
Net loans and advances to customers	**15 567 809**	**14 426 475**
Gross other loans and advances	142 702	122 736
Expected credit losses on other loans and advances	(76)	(19)
Net other loans and advances	**142 626**	**122 717**

^ Expected credit losses above do not include £5.3 million (31 March 2022: £3.3 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

For further analysis on loans and advances for the Group, refer to pages 150 to 155 in the notes to risk and capital management.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

27. Loans and advances to customers and other loans and advances (continued)

At 31 March £'000	2023
Expected credit losses on loans and advances to customers at amortised cost and FVOCI^	
Balance as at 1 April 2021	**164 373**
Charge to the income statement	24 204
Reversals and recoveries recognised in the income statement	(369)
Write-offs	(58 647)
Exchange adjustments	1 244
Balance as at 31 March 2022	**130 805**
Charge to the income statement	53 592
Reversals and recoveries recognised in the income statement	(1 094)
Write-offs	(45 684)
Exchange adjustments	3 106
Balance as at 31 March 2023	**140 725**
Expected credit loss of other loans and advances	
Balance as at 1 April 2021	**44**
Charge to the income statement	19
Exchange adjustments	(44)
Balance as at 31 March 2022	**19**
Charge to the income statement	69
Exchange adjustments	(12)
Balance as at 31 March 2023	**76**

^ Expected credit losses above do not include £5 million (31 March 2022: £3 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28. Securitised assets and liabilities arising on securitisation

At 31 March £'000	2023	2022
Other securitised assets are made up of the following categories of assets:		
Loans and advances to customers	74 226	88 004
Other debt securities	4 005	5 083
Total other securitised assets	**78 231**	**93 087**
The associated liabilities are recorded on-balance sheet in the following line items:		
Liabilities arising on securitisation of other assets	**81 609**	**95 885**

29. Interests in associated undertakings and joint venture holdings

At 31 March £'000	2023	2022
Interests in associated undertakings and joint venture holdings consist of:		
Net asset value	46 480	61 140
Goodwill	5 840	5 755
Investment in associated undertakings and joint venture holdings	**52 320**	**66 895**
Associated undertakings and joint venture holdings comprise unlisted investments		
Analysis of the movement in our share of net assets:		
At the beginning of the year	61 140	58 519
Exchange adjustments	228	135
Acquisitions	—	3 493
Disposals	(565)	—
Impairment	(282)	—
Share of post-taxation profits of associates and joint venture holdings^	5 371	14 164
Dividends received	(19 412)	(15 171)
At the end of the year	**46 480**	**61 140**
Analysis of the movement in goodwill:		
At the beginning of the year	5 755	139
Exchange adjustments	224	(104)
Acquisitions	—	5 720
Impairment	(139)	—
At the end of the year	**5 840**	**5 755**

^ Included within the share of post-taxation profit from associates and joint venture holdings in the income statement is an impairment (including goodwill) of £421 000 (31 March 2022: £nil). In the prior year, profit of £286 000 was presented within operational items in the income statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. Deferred taxation

At 31 March £'000	2023	2022
Deferred taxation assets	112 347	110 377
Deferred taxation liabilities	—	—
Net deferred taxation assets	**112 347**	**110 377**
The net deferred taxation assets arise from:		
Deferred capital allowances	60 249	48 634
Income and expenditure accruals	3 404	2 212
Asset in respect of unexpired options	30 859	28 342
Unrealised fair value adjustments on financial instruments	25 584	31 033
Losses carried forward	2 079	8 166
Asset in respect of pension deficit	372	383
Deferred tax on acquired intangibles	(10 200)	(8 393)
Net deferred taxation assets	**112 347**	**110 377**
Reconciliation of net deferred taxation assets		
At the beginning of the year	**110 377**	**90 766**
Release to income statement – current year taxation	9 577	23 622
Movement directly in other comprehensive income	(4 738)	(3 677)
Arising on acquisitions/disposals	(2 998)	(463)
Exchange adjustments	129	129
At the end of the year	**112 347**	**110 377**

Deferred tax assets are recognised to the extent it is likely that profits will arise in future periods. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred taxation assets are not recognised in respect of capital losses and excess management expenses as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £99.5 million (2022: £90.7 million), capital losses carried forward of £199.5 million (2022: £167.3 million) and excess management expenses of £2.5 million (2022: £2.5 million) on which deferred tax assets have not been recognised due to uncertainty regarding future profits against which these losses can be utilised. Of the £99.5 million trading losses, £12.0 million will expire in the next five years.

The UK rate of corporation tax increased to 25% from 19% from 1 April 2023.

The bank surcharge rate of 8% was reduced to 3% and the surcharge allowances available for the banking groups was increased to £100 million from £25 million with effect from 1 April 2023. This increases the combined rate of corporation tax applicable to banking entities from 27% to 28% with effect from 1 April 2023.

As these rates were substantively enacted at the year-end, deferred tax has been calculated based on these rates.

31. Other assets

At 31 March £'000	2023	2022
Gross other assets	965 449	1 139 439
Expected credit loss	—	—
Net other assets	**965 449**	**1 139 439**
Settlement debtors	500 959	736 688
Trading properties	75 000	4 287
Prepayments and accruals	54 765	55 635
Trading initial margin	10 327	9 606
Finance lease receivables	207 203	223 902
Indirect taxation assets receivable	1 043	1 109
Other	116 152	108 212
	965 449	**1 139 439**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

32. Property and equipment

At 31 March £'000	Freehold properties	Right-of-use assets^	Leasehold improvements	Furniture and vehicles	Equipment	Operating leases*	Total
2023							
Cost							
At the beginning of the year	36	139 730	77 402	7 062	23 507	3 466	251 203
Exchange adjustments	—	557	2 789	22	35	—	3 403
Acquisition of subsidiaries	—	—	—	—	183	—	183
Additions	—	7 165	2 222	72	3 318	—	12 777
Disposals	—	(5 622)	(24 045)	—	(252)	(2 035)	(31 954)
At the end of the year	**36**	**141 830**	**58 368**	**7 156**	**26 791**	**1 431**	**235 612**
Accumulated depreciation							
At the beginning of the year	(36)	(45 209)	(26 287)	(3 639)	(17 756)	(3 221)	(96 148)
Exchange adjustments	—	(228)	(50)	(18)	(29)	—	(325)
Acquisition of subsidiaries	—	—	—	—	(167)	—	(167)
Disposals	—	4 076	119	—	246	1 992	6 433
Depreciation and impairment charge for the year	—	(14 500)	(5 946)	(540)	(3 349)	(56)	(24 391)
At the end of the year	**(36)**	**(55 861)**	**(32 164)**	**(4 197)**	**(21 055)**	**(1 285)**	**(114 598)**
Net carrying value	**—**	**85 969**	**26 204**	**2 959**	**5 736**	**146**	**121 014**
2022							
Cost							
At the beginning of the year	36	141 376	81 830	7 421	26 158	5 721	262 542
Exchange adjustments	—	215	632	8	(1)	—	854
Additions	—	4 653	930	32	1 434	5	7 054
Disposals	—	(6 514)	(5 990)	(399)	(4 084)	(2 260)	(19 247)
At the end of the year	**36**	**139 730**	**77 402**	**7 062**	**23 507**	**3 466**	**251 203**
Accumulated depreciation							
At the beginning of the year	(36)	(29 319)	(22 022)	(3 354)	(17 114)	(5 195)	(77 040)
Exchange adjustments	—	(109)	(9)	(8)	(4)	—	(130)
Disposals	—	1 869	2 233	289	3 785	2 178	10 354
Depreciation and impairment charge for the year	—	(17 650)	(6 489)	(566)	(4 423)	(204)	(29 332)
At the end of the year	**(36)**	**(45 209)**	**(26 287)**	**(3 639)**	**(17 756)**	**(3 221)**	**(96 148)**
Net carrying value	**—**	**94 521**	**51 115**	**3 423**	**5 751**	**245**	**155 055**

* These are assets held by the Group, in circumstances where the Group is lessor.
^ Right-of-use assets primarily comprise property leases under IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

33. Goodwill

At 31 March £'000	2023	2022
Cost		
At the beginning of the year	280 194	289 969
Acquisition of subsidiaries	6 236	—
Disposal of subsidiaries	—	(9 775)
At the end of the year	**286 430**	**280 194**
Accumulated impairments		
At the beginning of the year	(30 358)	(40 133)
Impairments	(805)	—
Disposal of subsidiaries	—	9 775
At the end of the year	**(31 163)**	**(30 358)**
Net carrying value	**255 267**	**249 836**
Analysis of goodwill by line of business:		
Wealth & Investment	242 555	236 319
Specialist Banking	12 712	13 517
Total Group	**255 267**	**249 836**

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired, by comparing the carrying value to its recoverable amount.

The recoverable amount of goodwill is determined based on expected cash flows within the cash-generating units of the Group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue, and related expenditure and loan impairment rates.

Discount rates are based on pre-tax rates that reflect current market conditions, adjusted for the specific risks associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on the most recent financial budgets for the next financial year and are extrapolated for a period of three to five years, adjusted for expected future events.

The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment. For Investec Wealth & Investment, goodwill of £242.6 million has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 9.65% (2022: 9.2%) which incorporates an expected revenue growth rate of 2% in perpetuity (2022: 2%). The valuation is based on value in use of the business.

Sensitivity analysis has been carried out and it has been concluded that no reasonably possible change in the key assumptions would cause an impairment to be recognised.

For Investec Specialist Banking, the goodwill of £12.7 million is made up of a number of individual cash-generating units within the line of business. These cash-generating units are assessed for impairment considering current performance and budgets. There are no indications of impairment from the review of these balances except as discussed below in relation to Investec Capital Solutions.

Movement in goodwill

During the year ended 31 March 2023, goodwill increased by £6.2 million as a result of the acquisition within Investec Wealth & Investment of Murray Asset Management, and write-off of £0.8 million in relation to Investec Capital Solutions as a result of operating losses incurred by the business in the current and prior years.

NOTES TO THE FINANCIAL STATEMENTS
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34. Software and other acquired intangible assets

	Software			Other acquired intangible assets		
At 31 March £'000	Acquired software	Internally generated software	Total	Client relationships*	Total	**Total**
2023						
Cost						
At the beginning of the year	28 800	3 104	31 904	186 729	186 729	218 633
Exchange adjustments	230	—	230	—	—	230
Acquisition of subsidiaries	—	194	194	10 882	10 882	11 076
Additions	4 659	—	4 659	1 459	1 459	6 118
Disposals	(18)	—	(18)	—	—	(18)
At the end of the year	**33 671**	**3 298**	**36 969**	**199 070**	**199 070**	**236 039**
Accumulated amortisation and impairments						
At the beginning of the year	(24 321)	(517)	(24 838)	(145 922)	(145 922)	(170 760)
Exchange adjustments	(195)	—	(195)	—	—	(195)
Acquisition of subsidiaries	—	(105)	(105)	27	27	(78)
Disposals	18	—	18	—	—	18
Amortisation	(1 802)	(632)	(2 434)	(12 625)	(12 625)	(15 059)
At the end of the year	**(26 300)**	**(1 254)**	**(27 554)**	**(158 520)**	**(158 520)**	**(186 074)**
Net carrying value	**7 371**	**2 044**	**9 415**	**40 550**	**40 550**	**49 965**
2022						
Cost						
At the beginning of the year	28 266	1 702	29 968	186 267	186 267	216 235
Exchange adjustments	188	—	188	—	—	188
Additions	669	1 402	2 071	462	462	2 533
Disposals	(323)	—	(323)	—	—	(323)
At the end of the year	**28 800**	**3 104**	**31 904**	**186 729**	**186 729**	**218 633**
Accumulated amortisation and impairments						
At the beginning of the year	(22 177)	—	(22 177)	(132 986)	(132 986)	(155 163)
Exchange adjustments	(145)	—	(145)	—	—	(145)
Disposals	298	—	298	—	—	298
Amortisation	(2 297)	(517)	(2 814)	(12 936)	(12 936)	(15 750)
At the end of the year	**(24 321)**	**(517)**	**(24 838)**	**(145 922)**	**(145 922)**	**(170 760)**
Net carrying value	**4 479**	**2 587**	**7 066**	**40 807**	**40 807**	**47 873**

* Client relationships are acquired intangibles.

35. Acquisitions and disposals

During the year, the Group acquired Murray Asset Management for a net cash consideration of £9.7 million. There were no significant disposals of subsidiaries during the year.

There were no significant acquisitions nor any significant disposals of subsidiaries during the prior year.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

36. Other trading liabilities

At 31 March £'000	2023	2022
Short positions		
– Equities	28 184	42 944
	28 184	**42 944**

37. Debt securities in issue

At 31 March £'000	2023	2022
Repayable in:		
Less than three months	28 447	210 729
Three months to one year	138 265	71 796
One to five years	962 545	1 022 555
Greater than five years	320 288	343 097
	1 449 545	**1 648 177**

38. Other liabilities

At 31 March £'000	2023	2022
Settlement liabilities	411 824	612 767
Other creditors and accruals	356 993	303 703
Lease liabilities	322 767	344 802
Other non-interest-bearing liabilities	115 074	101 326
Indirect taxation liabilities payable	10 412	8 350
Expected credit losses on undrawn commitments and guarantees	15 659	8 379
	1 232 729	**1 379 327**

The maturity analysis of the lease liabilities is shown below:

	2023		2022	
At 31 March £'000	Undiscounted lease payments	Present value	Undiscounted lease payments	Present value
Lease liabilities included in other liabilities				
Lease liabilities payable in:				
Less than one year	60 631	57 770	54 032	51 272
One to five years	269 789	245 286	290 977	259 482
Later than five years	20 919	19 711	34 998	34 048
	351 339	**322 767**	**380 007**	**344 802**

Reconciliation from opening balance to closing balance

At 31 March £'000	2023
Balance as at 1 April 2021	**387 165**
Interest on lease liabilities	11 120
New leases	2 665
Disposals	(11 812)
Repayment of lease liabilities	(54 374)
Remeasurement of lease liabilities	(281)
Exchange adjustments	10 319
Balance as at 31 March 2022	**344 802**
Interest on lease liabilities	13 235
New leases	3 009
Repayment of lease liabilities	(57 324)
Remeasurement of lease liabilities	4 114
Exchange adjustments	14 931
Balance as at 31 March 2023	**322 767**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

39. Subordinated liabilities

At 31 March £'000	2023	2022
Issued by Investec Bank plc		
Subordinated fixed rate reset callable medium-term notes – amortised cost	71 060	427 019
Issued by Investec plc		
Subordinated fixed rate reset callable medium-term notes – amortised cost	660 422	331 720
	731 483	**758 739**
Remaining maturities:		
In one year or less, or on demand	—	—
In more than one year, but not more than two years	—	—
In more than two years, but not more than five years	—	—
In more than five years	731 483	758 739
	731 483	**758 739**
Reconciliation from opening balance to closing balance		
At the beginning of the year	**758 739**	**771 481**
New issue	345 590	347 536
Redemption	(347 926)	(307 962)
Fair value movement	—	(23 269)
Accrual of interest	32 501	48 505
Repayment of interest	(40 455)	(49 807)
Hedge accounting/amortisation of discount	(16 967)	(27 745)
At the end of the year	**731 482**	**758 739**

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the issuing entity. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

Medium-term notes

Subordinated fixed rate reset callable medium-term notes (denominated in Pound Sterling) – accounted for at amortised cost

On 24 July 2018, Investec Bank plc issued £420 000 000 of 4.25% subordinated notes due 2028 at a discount (2028 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 24 July 2028. The issuer has a one-time redemption option on the early redemption date of 24 July 2023 subject to conditions.
On 6 December 2022 Investec Bank plc completed a tender offer to purchase £350 000 000 aggregate nominal amount of the notes at a cash purchase price of 99.44644 pence plus an accrued interest payment. The total value of the debt redeemed was £353 605 000. The remaining notes in issue of £347 926 000 were redeemed on 6 December 2022.

Subordinated callable fixed rate resettable medium-term notes (denominated in Pound Sterling) – accounted for at amortised cost

On 4 October 2021, Investec plc issued £350 000 000 of 2.625% subordinated notes due 2032 at a discount (2032 notes). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 4 January 2032. The issuer may redeem the notes at par on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

Subordinated callable fixed rate resettable medium-term notes (denominated in Pounds Sterling) – accounted for at amortised cost

On 6 December 2022, Investec plc issued £350 000 000 of 9.125% subordinated notes due 2033 at a discount (2033 Notes). Interest, after the initial short period distribution paid on 6 March 2023, is paid annually commencing on 6 March 2024 and ending on the maturity date. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 6 March 2033. The issuer may redeem the notes on maturity date at par on the principal amount.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

40. Ordinary share capital

At 31 March £'000	2023	2022
Issued, allotted and fully paid		
Number of ordinary shares	**Number**	**Number**
At the beginning of the year	696 082 618	696 082 618
Issued during the year	—	—
At the end of the year	**696 082 618**	**696 082 618**
Nominal value of ordinary shares	**£'000**	**£'000**
At the beginning of the year	138	138
Issued during the year	—	—
At the end of the year	**138**	**138**
Number of special converting shares	**Number**	**Number**
At the beginning of the year	318 904 709	318 904 709
Issued during the year	—	—
At the end of the year	**318 904 709**	**318 904 709**
Nominal value of special converting shares	**£'000**	**£'000**
At the beginning of the year	64	64
Issued during the year	—	—
At the end of the year	**64**	**64**
Number of UK DAN shares	**Number**	**Number**
At the beginning and end of the year	1	1
Nominal value of UK DAN share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of UK DAS shares	**Number**	**Number**
At the beginning and end of the year	1	1
Nominal value of UK DAS share	**£'000**	**£'000**
At the beginning and end of the year	*	*
Number of special voting shares	**Number**	**Number**
At the beginning and end of the year	1	1
Nominal value of special voting shares	**£'000**	**£'000**
At the beginning and end of the year	*	*

* Less than £1 000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

40. Ordinary share capital (continued)

Staff share scheme

The Group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 8.

Movements in the number of share options (each option is in respect of one share) issued to employees are as follows:

At 31 March Number of shares	2023	2022
Opening balance	29 590 241	22 431 650
Sale of business	—	(94 076)
Granted during the year	5 542 176	14 657 836
Exercised	(4 788 744)	(5 595 039)
Lapsed	(1 558 256)	(1 810 130)
Closing balance	**28 785 417**	**29 590 241**

The purpose of the staff share scheme is to promote an esprit de corps within the organisation, create an awareness of Investec Group's performance and provide an incentive to maximise individual and Group performance by allowing all staff to share in the risks and rewards of the Group.

The Group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time, depending on taxation legislation and factors affecting the Group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the Group's share price.

At present, the practice of the Group is to grant all permanent staff members a share allocation, based on their annual package, after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from three to five years.

After the initial allocation referred to above, additional allocations are made to staff members at the discretion of Group management depending on the individual performance and contribution made by the respective staff members.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

41. Perpetual preference shares

At 31 March £'000	2023	2022
Perpetual preference share capital	29	29
Perpetual preference share premium	24 765	24 765
	24 794	**24 794**
Issued by Investec plc		
2 754 587 (2022: 2 754 587) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.58 per share.		
– Perpetual preference share capital	29	29
– Perpetual preference share premium	23 607	23 607
Perpetual preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the perpetual preference dividend has been declared.		
If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		
Issued by Investec plc – Rand-denominated		
131 447 (2022: 131 447) non-redeemable, non-cumulative, non-participating perpetual preference shares of ZAR0.001 each, issued at an average premium of ZAR99.999 per share.		
– Perpetual preference share capital	*	*
– Perpetual preference share premium	1 158	1 158
Rand-denominated perpetual preference shareholders will receive a dividend if declared, based on the coupon rate (being equivalent to South African prime rate multiplied by 95%), multiplied by the deemed value on a daily basis and payable in two semi-annual instalments.		
An ordinary dividend will not be declared by Investec plc unless the Rand-denominated perpetual preference dividend has been declared.		
If declared, perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.		

* Less than £1 000.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

42. Ordinary share premium

At 31 March £'000	2023	2022
Share premium account	**555 812**	**806 812**

The reduction in ordinary share premium in the current year primarily related to a transfer from share premium to retained income. This was to increase distributable reserves to facilitate the distribution of Ninety One shares to ordinary shareholders. This was done post obtaining court approval from the Business and Property Court of England and Wales Companies court to do so.

43. Treasury shares

At 31 March £'000	2023	2022
Treasury shares held by subsidiaries of Investec plc	**181 797**	**161 522**
	Number	**Number**
Investec plc ordinary shares held by subsidiaries	49 720 148	48 997 877
Reconciliation of treasury shares	**Number**	**Number**
At the beginning of the year	48 997 877	41 576 257
Purchase of own shares by subsidiary companies	7 823 716	15 730 542
Shares disposed of by subsidiaries	(7 101 445)	(8 308 922)
At the end of the year	**49 720 148**	**48 997 877**
Market value of treasury shares	**£'000**	**£'000**
Investec plc	223 542	246 753
	223 542	**246 753**

^ On 3 October 2022, the Group announced a share purchase programme pursuant to which Investec Limited would purchase Investec plc ordinary shares (the "PLC Share Purchase Programme"). Investec Limited acquired 42 485 632 shares during the current year. these shares are held as treasury shares in the Group.

Subsidiary companies which hold treasury shares are the staff share trusts which facilitate share-based awards within the Group.

44. Other Additional Tier 1 securities in issue

At 31 March £'000	2023	2022
Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities	**250 000**	**250 000**

On 5 October 2017, Investec plc issued £250 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities) at par. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment day, the Company can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate of 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the investors will lose their entire investment in the securities should the CET1 capital ratio of the Investec plc Group, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of the Company on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA.

45. Non-controlling interests

At 31 March £'000	2023	2022
Non-controlling interests in partially held subsidiaries	**951**	**833**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

46. Finance lease disclosures

At 31 March £'000	2023 Total future minimum payments	2023 Present value	2022 Total future minimum payments	2022 Present value
Finance lease receivables included in loans and advances to customers				
Lease receivables due in:				
Less than one year	234 669	194 458	230 003	193 281
One to five years	362 984	317 007	341 698	303 439
Later than five years	7 102	6 367	6 349	5 886
	604 755	**517 832**	**578 050**	**502 606**
Unearned finance income	**(86 923)**		**(75 444)**	
Net investment in the lease	**517 832**		**502 606**	

At 31 March 2023, unguaranteed residual values accruing to the benefit of the Group were £4.1 million (2022: £8.6 million). Finance leases in the Group mainly relate to leases on property, equipment and motor vehicles.

At 31 March £'000	2023 Total future minimum payments	2023 Present value	2022 Total future minimum payments	2022 Present value
Finance lease receivables included in other assets				
Lease receivables due in:				
Less than one year	40 746	37 282	38 401	37 647
One to five years	194 893	169 921	220 606	185 509
Later than five years	—	—	748	746
	235 639	**207 203**	**259 755**	**223 902**
Unearned finance income	**(28 436)**		**(35 853)**	
Net investment in the lease	**207 203**		**223 902**	

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

47. Notes to the cash flow statement

At 31 March £'000	2023	2022
Profit before taxation adjusted for non-cash items and other required adjustments is derived as follows:		
Profit before taxation	367 924	271 788
Adjustment for non-cash items included in net income before taxation:		
Impairment of goodwill	805	—
Amortisation of acquired intangibles	12 625	12 936
Net (gain)/loss on disposal of subsidiaries	(30)	632
Depreciation of operating lease assets	56	204
Depreciation and impairment of property, equipment, software and other intangibles	26 768	31 939
Expected credit loss impairment charges	66 752	25 159
Share of post-taxation profit of associates and joint venture holdings	(4 950)	(13 878)
Dividends received from associates and joint venture holdings	19 413	15 171
Share-based payments and employee benefit liability recognised	22 304	23 664
Profit before taxation adjusted for non-cash items	**511 667**	**367 615**
(Increase)/decrease in operating assets		
Loans and advances to banks	530	53 095
Reverse repurchase agreements and cash collateral on securities borrowed	108 774	617 764
Sovereign debt securities	(55 967)	(57 522)
Bank debt securities	(143 007)	(13 675)
Other debt securities	(273 114)	267 341
Derivative financial instruments	86 645	80 312
Securities arising from trading activities	35 628	118 480
Investment portfolio	37 007	40 489
Loans and advances to customers	(1 195 731)	(2 088 959)
Other loans and advances	(19 978)	800
Securitised assets	14 856	14 172
Other assets	174 360	217 997
	(1 229 997)	**(749 706)**
Increase/(decrease) in operating liabilities		
Deposits by banks	145 570	674 020
Derivative financial instruments	(158 479)	(51 568)
Other trading liabilities	(14 760)	(6 111)
Repurchase agreements and cash collateral on securities lent	(15 299)	(2 529)
Customer accounts	828 030	2 216 220
Debt securities in issue	(198 632)	45 593
Securitised liabilities	(14 276)	(12 396)
Other liabilities	(147 145)	171 988
	425 009	**3 035 217**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

48. Commitments

At 31 March £'000	2023	2022
Undrawn facilities	2 345 034	1 956 967
Other commitments	44 628	45 528
	2 389 662	**2 002 495**

Commitments include expected credit losses (ECL) of £16 million (2022: £8 million) reported in other liabilities.

The Group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on-balance sheet.

	Carrying amount of pledged assets		Related liability	
At 31 March £'000	2023	2022	2023	2022
Pledged assets				
Loans and advances to banks	44 670	48 273	39 810	40 589
Reverse repurchase agreements and cash collateral on securities borrowed	115 421	188 428	103 278	184 548
Sovereign debt securities	224 019	43 138	164 287	41 914
Bank debt securities	28 432	8 168	21 721	7 937
Securities arising from trading activities	35 139	47 957	34 031	46 114
Loans and advances to customers	708 860	612 670	494 892	595 290
Other loans and advances	8 121	7 998	7 160	6 724
	1 164 662	**956 632**	**865 179**	**923 116**

The assets pledged by the Group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

NOTES TO THE FINANCIAL STATEMENTS
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49. Contingent liabilities and legal matters

At 31 March £'000	2023	2022
Guarantees and assets pledged as collateral security:		
Guarantees and irrevocable letters of credit	502 251	464 110
	502 251	**464 110**

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Guarantees are issued by Investec plc and Investec Bank plc and its subsidiaries on behalf of third parties and other Group companies.

Support is provided by Investec plc to its subsidiaries where appropriate.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS), the UK's statutory fund of last resort, provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it.

The FSCS raises annual levies from participating members based on their level of participation (in the case of deposits, the proportion that their protected deposits represent to total protected deposits) as at 31 December of the year preceding the scheme year. Investec Bank plc and Investec Wealth & Investment Limited are participating members of the FSCS.

At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amount or timing of amount that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

Legal and regulatory matters

The Group operates in a legal and regulatory environment that exposes it to legal, regulatory and litigation risks. As a result, the Group is involved in disputes, legal proceedings and is subject to enquiries and examinations, requests for information, audits, investigations and other proceedings by regulators and competition authorities which arise in the ordinary course of business. The Group evaluates all facts, the probability of the outcome of the proceedings and advice from internal and external legal counsel when considering accounting and regulatory implications. At the present time the Group does not expect the ultimate resolution of any of these ongoing regulatory reviews and other matters to have a material adverse effect on its financial position.

Historical German dividend tax arbitrage transactions

Investec Bank plc has previously been notified by the Office of the Public Prosecutor in Cologne, Germany, that it and certain of its current and former employees may be involved in possible charges relating to historical involvement in German dividend tax arbitrage transactions (known as cum-ex transactions). Investigations are ongoing and no formal proceedings have been issued against Investec Bank plc by the Office of the Public Prosecutor. In addition, Investec Bank plc received certain enquiries in respect of client tax reclaims for the periods 2010-2011 relating to the historical German dividend arbitrage transactions from the German Federal Tax Office (FTO) in Bonn. Since issuing our 31 March 2022 Annual Report, the FTO has provided more information in relation to their claims and Investec Bank plc has sought further information and clarification.

Investec Bank plc is co-operating with the German authorities and continues to conduct its own internal investigation into the matters in question. A provision is held to reflect the estimate of financial outflows that could arise as a result of this matter. There are factual issues to be resolved which may have legal consequences, including financial penalties.

In relation to potential civil claims; whilst Investec Bank plc is not a claimant nor a defendant to any civil claims in respect of cum-ex transactions, Investec Bank plc has received third party notices in relation to two civil proceedings in Germany and may elect to join the proceedings as a third party participant. Investec Bank plc has itself served third party notices on various participants to these historic transactions in order to preserve the statute of limitation on any potential future claims that Investec Bank plc may seek to bring against those parties, should Investec Bank plc incur any liability in the future. Investec Bank plc has also entered into standstill agreements with some third parties in order to suspend the limitation period in respect of the potential civil claims. While Investec Bank plc is not a claimant nor a defendant to any civil claims at this stage, it cannot rule out the possibility of civil claims by or against Investec Bank plc in future in relation to the relevant transactions.

The Group has not provided further disclosure with respect to these historical dividend arbitrage transactions because it has concluded that such disclosure may be expected to seriously prejudice its outcome.

NOTES TO THE FINANCIAL STATEMENTS
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50. Related party transactions

At 31 March £'000	2023	2022
Compensation of key management personnel and directors		
Details of directors' remuneration and interest in shares, including the disclosures required by IAS 24		
Related party transactions for the compensation of key management personnel and directors have been included in the section marked as audited in the Investec remuneration report 2023.		
Transactions, arrangements and agreements involving directors and others:		
Transactions, arrangements and agreements involving directors and with directors and connected persons and companies controlled by them, and with officers of the Company, were as follows:		
Directors, key management and connected persons and companies controlled by them		
Loans		
At the beginning of the year	14 443	8 946
Increase in loans	6 217	6 728
Decrease in loans*	(4 636)	(1 231)
At the end of the year	**16 024**	**14 443**
Guarantees		
At the beginning of the year	78	1 951
Additional guarantees granted	32	4
Decrease in guarantees*	—	(1 877)
Exchange adjustments	(10)	—
At the end of the year	**100**	**78**
Deposits		
At the beginning of the year	(12 902)	(14 231)
Increase in deposits	(2 207)	(3 906)
Decrease in deposits*	4 192	5 235
At the end of the year	**(10 917)**	**(12 902)**

* Decrease primarily relates to normal course of business and changes in directorship during the current year.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable arm's length transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans has been impaired.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

50. Related party transactions (continued)

At 31 March £'000	Investec Limited and subsidiaries 2023	 2022
Balances with other related parties		
Assets		
Loans and advances to banks	4 263	8 179
Derivative financial instruments	473	158
Other assets	6 086	7 694
Liabilities		
Deposits by banks	3 375	3 921
Derivative financial instruments	3 534	3 373
Customer accounts (deposits)	6 366	7 848
Repurchase agreements and cash collateral on securities lent	20 208	16 331
Other liabilities	309	10 458

During the year to 31 March 2023, interest of £0.6 million (2022: £0.3 million) was paid to entities in the Investec Limited Group. Interest of £821 000 (2022: £110 000) was received from Investec Limited Group.

In the normal course of business, services are rendered between Investec plc and Investec Limited entities. In the year to 31 March 2023, this resulted in a net payment to Investec Limited Group of £21.8 million (2022: £15.2 million).

The Group has an investment in Grovepoint (UK) Limited in which a previous Investec director has significant influence. The Group has made an investment of £41.5 million (2022: £55.5 million) with no further committed funding. The terms and conditions of the transaction were no more favourable than those available, or which might be expected to be available, on similar transactions to non-related entities on an arm's length basis.

During the year to 31 March 2023, the Investec Group held £74 000 (2022: £35 000) of customer accounts (deposits) from the Ninety One Group on-balance sheet and a £36 000 debtor (2022: £29 000) for IFRS 2 recharges in relation to the share scheme. In addition, a lease guarantee of £8 million (2022: £8 million) has been provided by Investec plc on behalf of Ninety One, with income of £487 000 received during the year (2022: £531 000).

During the year to 31 March 2023, the Investec Group paid £761 000 (2022: £nil) for services rendered in the ordinary course of business and received £24 000 (2022: £nil) from associates and joint venture holdings.

Due to the nature of the Group's business, there could be transactions with entities where some of the Group's directors may be mutual directors. These transactions are in the ordinary course of business and are on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS
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51. Hedges

The Group uses derivatives for the management of financial risks relating to its asset and liability portfolios, mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the Central Treasury in the Specialist Bank. Once aggregated and netted, Central Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependent on the requirement to identify a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the Group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the Group.

Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

At 31 March £'000	Description of financial instrument designated as hedging instrument (All included within derivative financial instruments on the balance sheet)	Notional value of hedging instrument	Fair value of hedging instrument	Cumulative fair value gains or (losses) on hedging instrument	Current year fair value gains or (losses) on hedging instrument	Cumulative fair value gains or (losses) on hedged item*	Current year fair value gains or (losses) on hedged item
2023							
Assets	Interest rate swap	2 486 101	181 173	187 307	108 415	(158 293)	(96 153)
Liabilities	Interest rate swap	5 591 029	(97 127)	(97 240)	(57 321)	95 899	56 206
		8 077 130	**84 046**	**90 067**	**51 094**	**(62 394)**	**(39 947)**
2022							
Assets	Interest rate swap	3 439 311	93 874	99 731	119 195	(97 852)	(118 836)
Liabilities	Interest rate swap	2 455 015	(66 619)	(66 619)	(66 952)	66 460	66 764
		5 894 326	**27 255**	**33 112**	**52 243**	**(31 392)**	**(52 072)**

* Change in fair value used as the basis for recognising hedge effectiveness for the period.

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to retrospective and prospective testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:

- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- If a hedging relationship becomes over-hedged, for example, if the hedged item is partially redeemed but the original hedging instrument remains in place.

Included within balance sheet management and other trading activities in the income statement is a £10.9 million gain (2022: £0.2 million loss) arising from hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

At 31 March £'000	Carrying amount of hedged item 2023	2022
Hedged items		
Assets		
Sovereign debt securities	61 468	64 816
Other debt securities	15 363	2 977
Loans and advances to customers	2 152 411	3 250 658
Other assets*	91 662	116 704
Liabilities		
Debt securities in issue	679 656	1 094 388
Customer accounts (deposits)	4 501 412	951 517
Subordinated liabilities	312 872	331 753

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

51. Hedges (continued)

At 31 March £'000	Up to one month	One month to three months	Three months to six months	Six months to one year	One to five years	Greater than five years	Total
Maturity analysis of hedged items							
2023							
Assets – notionals							
Sovereign debt securities	—	—	—	—	65 000	—	**65 000**
Other debt securities	—	—	—	—	4 490	11 234	**15 724**
Loans and advances to customers	165	9 469	25 555	52 874	839 971	1 382 532	**2 310 566**
Other assets*	2 765	5 545	8 388	17 052	57 912	—	**91 662**
Liabilities – notionals							
Debt securities in issue	—	—	—	—	526 883	200 000	**726 883**
Customer accounts (deposits)	275 634	343 652	690 451	2 784 016	420 393	—	**4 514 146**
Subordinated liabilities	—	—	—	—	—	350 000	**350 000**
2022							
Assets – notionals							
Sovereign debt securities	—	—	—	—	38 000	32 000	70 000
Other debt securities	—	—	—	—	2 992	—	2 992
Loans and advances to customers	386	31 147	41 597	112 067	2 591 214	474 877	3 251 288
Other assets*	2 496	5 001	7 564	15 383	86 260	—	116 704
Liabilities – notionals							
Debt securities in issue	—	200 000	—	13 857	585 623	350 000	1 149 480
Customer accounts (deposits)	—	—	230 000	723 001	2 533	—	955 534
Subordinated liabilities	—	—	—	—	350 000	—	350 000

* Other assets includes aviation leasing related hedges.

Cash flow hedges

As the base rate of interest changes, the Group is exposed to variability in cash flows from both existing and highly probably future transactions. During the year the Group entered into interest rate swap transactions to mitigate that cash flow variability. The swaps were put into a formal hedge relationship, and accounted as cash flow hedges. There were no hedge relationships outstanding at year-end.

The aggregate expected cash flows were hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value were initially recognised in other comprehensive income and reclassified to the income statement when the cash flows affected the income statement.

A reconciliation of the cash flow hedge reserve can be found in the statement of changes in equity. There was no ineffective portion recognised in the income statement. Realisations to the income statement for cash flow hedges of £nil million (2022: £nil) are included in net interest income.

NOTES TO THE FINANCIAL STATEMENTS
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52. Liquidity analysis of financial liabilities based on undiscounted cash flows

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
2023								
Liabilities								
Deposits by banks	348 445	14 387	6 414	26 652	44 507	1 918 353	—	2 358 758
Derivative financial instruments	175 712	31 595	78 615	74 315	126 099	229 550	19 203	735 089
Derivative financial instruments – held for trading	165 152	—	—	—	—	—	—	165 152
Derivative financial instruments – held for hedging risk	10 560	31 595	78 615	74 315	126 099	229 550	19 203	569 937
Other trading liabilities	28 184	—	—	—	—	—	—	28 184
Repurchase agreements and cash collateral on securities lent	41 194	43 875	—	54 461	—	—	—	139 530
Customer accounts (deposits)	6 463 001	837 966	4 417 730	3 044 016	3 301 016	1 246 483	34	19 310 246
Debt securities in issue	—	3 348	35 179	88 916	83 172	909 991	557 979	1 678 585
Liabilities arising on securitisation of other assets	—	—	5 920	159	9 607	49 555	34 532	99 773
Other liabilities	40 059	488 904	14 198	34 926	37 347	29 531	6 971	651 936
Subordinated liabilities	—	—	7 963	2 975	9 188	246 400	855 312	1 121 838
Total on-balance sheet liabilities	**7 096 595**	**1 420 075**	**4 566 019**	**3 326 420**	**3 610 936**	**4 629 863**	**1 474 031**	**26 123 939**
Contingent liabilities	—	91	90 777	2 794	10 024	320 301	78 264	502 251
Commitments	167 414	72 597	55 524	167 819	218 945	1 382 284	400 955	2 465 538
Total liabilities	**7 264 009**	**1 492 763**	**4 712 320**	**3 497 033**	**3 839 905**	**6 332 448**	**1 953 250**	**29 091 728**

The balances in the above table will not agree directly to the balances in the consolidated balance sheet, as the table incorporates all cash flows on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet.

Trading liabilities and trading derivatives have been included in the 'Demand' time bucket and not by contractual maturity because trading liabilities are typically held for short periods of time.

For an unaudited analysis based on discounted cash flows, refer to page 170.

NOTES TO THE FINANCIAL STATEMENTS
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52. Liquidity analysis of financial liabilities based on undiscounted cash flows (continued)

At 31 March £'000	Demand	Up to one month	One month to three months	Three months to six months	Six months to one year	One year to five years	Greater than five years	Total
2022								
Liabilities								
Deposits by banks	368 416	2 413	—	4 858	16 686	1 734 261	—	2 126 634
Derivative financial instruments	170 207	37 722	138 148	83 427	203 310	228 740	1 945	863 499
Derivative financial instruments – held for trading	129 465	—	—	—	—	—	—	129 465
Derivative financial instruments – held for hedging risk	40 742	37 722	138 148	83 427	203 310	228 740	1 945	734 034
Other trading liabilities	42 944	—	—	—	—	—	—	42 944
Repurchase agreements and cash collateral on securities lent	42 092	61 637	—	—	—	51 099	—	154 828
Customer accounts (deposits)	7 940 372	614 090	3 506 209	3 303 112	1 991 948	970 828	18 146	18 344 705
Debt securities in issue	—	9 092	224 871	62 234	61 870	1 062 749	365 229	1 786 045
Liabilities arising on securitisation of other assets	—	—	3 459	3 322	6 632	43 125	62 856	119 394
Other liabilities*	77 822	641 466	18 073	10 737	49 861	6 735	9 396	814 090
Subordinated liabilities	—	—	—	17 850	9 188	108 150	851 638	986 826
Total on-balance sheet liabilities	**8 641 853**	**1 366 420**	**3 890 760**	**3 485 540**	**2 339 495**	**4 205 687**	**1 309 210**	**25 238 965**
Contingent liabilities	928	620	63 985	4 038	78 428	222 312	93 799	464 110
Commitments	170 177	116 393	73 050	108 002	202 980	1 084 019	378 336	2 132 957
Total liabilities	**8 812 958**	**1 483 433**	**4 027 795**	**3 597 580**	**2 620 903**	**5 512 018**	**1 781 345**	**27 836 032**

* In the prior year disclosure, included within other liabilities was £600.4 million of undiscounted non-financial instruments scoped out of IFRS 9.

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53. Principal subsidiaries, associated companies and joint venture holdings – Investec plc

			Interest	
At 31 March	Principal activity	Country of incorporation	**2023**	2022
Direct subsidiaries of Investec plc				
Investec 1 Limited	Investment holding	England and Wales	100%	100%
Indirect subsidiaries of Investec plc				
Investec Asset Finance PLC	Leasing	England and Wales	100%	100%
Investec Bank plc	Investment holding	England and Wales	100%	100%
Investec Bank (Channel Islands) Limited	Banking institution	Guernsey	100%	100%
Investec Bank (Switzerland) AG	Banking institution and wealth manager	Switzerland	100%	100%
Investec Group Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Holdings Australia Pty Limited	Holding company	Australia	100%	100%
Investec Investments (UK) Limited	Investment holding	England and Wales	100%	100%
Investec Europe Limited	MiFiD Firm	Ireland	100%	100%
Investec Securities (US) LLC	Financial services	USA	100%	100%
Investec Wealth & Investment Limited	Investment management services	England and Wales	100%	100%

All of the above subsidiary undertakings are included in the consolidated accounts.

The subsidiaries listed above are only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, have a significant impact on the financial statements.

For more details on associated companies and joint venture holdings refer to note 29.

A complete list of subsidiary, associated undertakings and joint venture holdings as required by the Companies Act 2006 is included in note j to the Investec plc company accounts on pages 187 to 191.

Consolidated structured entities

Investec plc has no equity interest in the following structured entities, which are consolidated. Typically, a structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. The judgements to assess whether the Group has control over these structures include assessing the purpose and design of the entity and considering whether the Group or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others.

Name of principal structured entity	Type of structured entity
Cavern Funding 2020 plc	Securitised auto receivables
Landmark Mortgage Securities No. 2 plc	Securitised residential mortgages
Tamarin Securities Limited	Structured debt and loan portfolios
Temese Funding 2 plc	Securitised receivables
Yorker Trust	Structured debt and loan portfolios

For additional detail on the assets and liabilities arising on securitisation, refer to note 28.

Details of the risks to which the Group is exposed through all of its securitisations are included in the notes to risk and capital management on page 162.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

53. Principal subsidiaries, associated companies and joint venture holdings – Investec plc (continued)

The key assumptions for the main types of structured entities which the Group consolidates are summarised below:

Securitised residential mortgages

The Group has securitised residential mortgages in order to provide investors with exposure to residential mortgage risk and to raise funding. These structured entities are consolidated due to the Group's holdings of equity notes combined with its control over servicing activities. The Group is not required to fund any losses above those incurred on the notes it has retained; such losses are reflected in any impairment of securitised mortgages as those assets have not been derecognised.

Structured debt and loan portfolios

The Group has structured debt and loan portfolios for the purpose of issuing asset-backed securities. These structured entities are consolidated due to the Group's retention of equity notes and because it continues to act as the collateral manager. The Group is not required to fund any losses above those incurred on the notes it has retained.

Securitised receivables

The Group has securitised portfolios of medium-term lease and hire purchase receivables. These structured entities are consolidated as the Group has retained the equity notes and control over servicing activities. The Group is not required to fund any losses above those incurred on the notes it has retained.

Other structured entities – commercial operations

The Group also consolidates a number of structured entities where control arises from rights attached to lending facilities and similar commercial involvement. These arise primarily in the areas of aircraft funds, where the Group has rights which allow it to maximise the value of the assets held and investments in mining projects due to its exposure to equity like returns and ability to influence the strategic and financial decision-making.

The Group is not required to fund any losses above those which could be incurred on debt positions held or swaps which exist with these structured entities. The risks to which the Group is exposed from these structured entities are related to the underlying assets held in the structures. The total assets held in structured entities arising from commercial operations is £1 million (2022: £26 million).

Significant restrictions

As is typical for a large group of companies, there are restrictions on the ability of the Group to obtain distributions of capital, access the assets or repay the liabilities of members of the Group due to the statutory, regulatory and contractual requirements of its subsidiaries.

These are considered below:

Regulatory requirements

Subsidiary companies are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital, leverage and exposure ratios restricting the ability of these entities to make distributions of cash or other assets to the parent company. Regulated subsidiaries of the Group are required to maintain liquidity pools to meet PRA and local regulatory requirements. The main subsidiaries affected are: Investec Bank plc, Investec Bank (Channel Islands) Limited and Investec Bank (Switzerland) AG, which must maintain compliance with the regulatory minimum.

Capital management within the Group is discussed in the notes to risk and capital management on pages 177 to 179.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits, and generally maintain solvency. These requirements restrict the ability of subsidiaries to remit dividends, except in the case of a legal capital reduction or liquidation.

Contractual requirements

Asset encumbrance – the Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks. Once encumbered, the assets are not available for transfer around the Group. The assets typically affected are disclosed in notes 20 and 56.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

53. Principal subsidiaries, associated companies and joint venture holdings – Investec plc (continued)

Structured associates

The Group has investments in a number of structured funds specialising in aircraft financing where the Group acts as adviser or fund manager in addition to holding units within the fund. As a consequence of these roles and funding, the Group has significant influence over the fund and therefore the funds are treated as associates.

The Group applies the venture capital exemption to these holdings and, as such, the investments in the funds are accounted for at fair value and held within the investment portfolio on the balance sheet.

Type of structured entity	Nature and purpose	Interest held by the Group/income earned
Aircraft investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees

The table below sets out an analysis of the carrying amounts of interests held by the Group in structured associate entities.

At 31 March 2023 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	21 164	Limited to the carrying value	Investment income	2 832

At 31 March 2022 £'000	Line on the balance sheet	Carrying value £'000	Maximum exposure to loss	Income earned from structured entity	£'000
Aircraft investment funds	Investment portfolio	15 297	Limited to the carrying value	Investment income	1 782

NOTES TO THE FINANCIAL STATEMENTS
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54. Unconsolidated structured entities

The table below describes the types of structured entities that the Group does not consolidate, but in which it holds an interest as originally set up. In making the assessment of whether to consolidate these structured entities, the Group has concluded that it does not have control after consideration in line with the accounting policies as set out on pages 64 to 75.

Type of structured entity	Nature and purpose	Interest held by the Group/income earned
Investment funds	To generate fees from managing assets on behalf of third party investors	Investments in units issued by the fund
	These vehicles are financed through the issue of units to investors	Management fees
Residential mortgage securitisations	To generate a return for investors by providing exposure to residential mortgage risk	Investments in notes
	These vehicles are financed through the issue of notes to investors	

The Group currently does not hold any exposure to structured entities. During the prior year, the Group sold its interest in a Residential mortgage structured entity and recognised £71 000 of net interest expense.

Financial support provided to the unconsolidated structured entities

There are no contractual agreements which require the Group to provide any additional financial or non-financial support to these structured entities.

During the year, the Group has not provided any such support and does not have any current intentions to do so in the future.

Sponsoring

The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity.

Interests in structured entities which the Group has not set up

Purchased securitisation positions

The Group buys and sells interests in structured entities that it has not originated as part of its trading activities, for example, residential mortgage securities, commercial mortgage securities, loans to corporates and resecuritisations. In such cases the Group typically has no other involvement with the structured entity other than the securities it holds as part of its trading activities, and its maximum exposure to loss is restricted to the carrying value of the asset.

Details of the value of these interests is included in the notes to risk and capital management on page 162.

NOTES TO THE FINANCIAL STATEMENTS
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55. Offsetting

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
At 31 March **£'000**	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2023						
Assets						
Cash and balances at central banks	5 400 401	—	5 400 401	—	—	5 400 401
Loans and advances to banks	893 297	—	893 297	—	(42 365)	850 932
Reverse repurchase agreements and cash collateral on securities borrowed	1 338 699	—	1 338 699	(18 976)	(51 104)	1 268 619
Sovereign debt securities	1 221 744	—	1 221 744	—	—	1 221 744
Bank debt securities	204 691	—	204 691	—	—	204 691
Other debt securities	697 275	—	697 275	—	—	697 275
Derivative financial instruments	634 123	—	634 123	(202 876)	(265 816)	165 431
Securities arising from trading activities	127 537	—	127 537	(33 902)	—	93 635
Investment portfolio	489 204	—	489 204	—	—	489 204
Loans and advances to customers	15 567 809	—	15 567 809	—	—	15 567 809
Other loans and advances	142 626	—	142 626	—	(4 959)	137 667
Other securitised assets	78 231	—	78 231	—	—	78 231
Other assets	965 449	—	965 449	—	—	965 449
	27 761 086	**—**	**27 761 086**	**(255 754)**	**(364 244)**	**27 141 088**
Liabilities						
Deposits by banks	2 172 171	—	2 172 171	—	(315 023)	1 857 148
Derivative financial instruments	704 816	—	704 816	(202 877)	(41 080)	460 859
Other trading liabilities	28 184	—	28 184	(10 337)	—	17 847
Repurchase agreements and cash collateral on securities lent	139 529	—	139 529	(20 986)	(6 244)	112 299
Customer accounts (deposits)	19 121 921	—	19 121 921	—	(1 897)	19 120 024
Debt securities in issue	1 449 545	—	1 449 545	(21 554)	—	1 427 991
Liabilities arising on securitisation of other assets	81 609	—	81 609	—	—	81 609
Other liabilities	1 232 729	—	1 232 729	—	—	1 232 729
Subordinated liabilities	731 483	—	731 483	—	—	731 483
	25 661 987	**—**	**25 661 987**	**(255 754)**	**(364 244)**	**25 041 989**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

55. Offsetting (continued)

	Amounts subject to enforceable netting arrangements					
	Effects of offsetting on-balance sheet			Related amounts not offset*		
At 31 March £'000	Gross amounts	Amounts offset	**Net amounts reported on the balance sheet**	Financial instruments (including non-cash collateral)	Cash collateral	**Net amount**
2022						
Assets						
Cash and balances at central banks	5 379 994	—	5 379 994	—	—	5 379 994
Loans and advances to banks	1 467 770	—	1 467 770	—	(45 950)	1 421 820
Reverse repurchase agreements and cash collateral on securities borrowed	1 447 473	—	1 447 473	(89 970)	(15 538)	1 341 965
Sovereign debt securities	1 165 777	—	1 165 777	—	—	1 165 777
Bank debt securities	61 714	—	61 714	—	—	61 714
Other debt securities	427 761	—	427 761	—	—	427 761
Derivative financial instruments	693 133	—	693 133	(272 446)	(209 749)	210 938
Securities arising from trading activities	163 165	—	163 165	(46 114)	—	117 051
Investment portfolio	694 324	—	694 324	—	—	694 324
Loans and advances to customers	14 426 475	—	14 426 475	—	—	14 426 475
Other loans and advances	122 717	—	122 717	—	(5 930)	116 787
Other securitised assets	93 087	—	93 087	—	—	93 087
Other assets	1 139 439	—	1 139 439	—	—	1 139 439
	27 282 829	—	**27 282 829**	**(408 530)**	**(277 167)**	**26 597 132**
Liabilities						
Deposits by banks	2 026 601	—	2 026 601	—	(215 054)	1 811 547
Derivative financial instruments	863 295	—	863 295	(298 340)	(47 482)	517 473
Other trading liabilities	42 944	—	42 944	(38 287)	—	4 657
Repurchase agreements and cash collateral on securities lent	154 828	—	154 828	(25 761)	(4 348)	124 719
Customer accounts (deposits)	18 293 891	—	18 293 891	—	(10 233)	18 283 658
Debt securities in issue	1 648 177	—	1 648 177	(46 142)	(50)	1 601 985
Liabilities arising on securitisation of other assets	95 885	—	95 885	—	—	95 885
Other liabilities	1 379 327	—	1 379 327	—	—	1 379 327
Subordinated liabilities	758 739	—	758 739	—	—	758 739
	25 263 687	—	**25 263 687**	**(408 530)**	**(277 167)**	**24 577 990**

* The Group enters into derivatives and repurchase and reverse repurchase agreements with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides cash and securities collateral in respect of derivatives transactions covered by these agreements. The right to set off balances under these master netting agreements or to set off cash and securities collateral only arises in the event of non-payment or default and, as a result, these arrangements do not qualify for offsetting under IAS 32.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

56. Derecognition

Transfer of financial assets that do not result in derecognition

The Group has been party to securitisation transactions whereby assets continue to be recognised on-balance sheet (either fully or partially) although they have been subject to legal transfer to another entity. Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction.

	2023		2022	
No derecognition achieved £'000	**Carrying amount of assets that continue to be recognised**	**Carrying amount of associated liabilities**	Carrying amount of assets that continue to be recognised	Carrying amount of associated liabilities
Loans and advances to customers	1 613 838	—	730 310	—
Loans and advances to banks	80 799	—	53 192	—
	1 694 637	**—**	**783 502**	**—**

The transferred assets above in both the current and prior year are held within structured entities which are wholly-owned and consolidated by the Group. There are no external parties participating in these vehicles and therefore the Group continues to have full exposure to the risks and rewards associated with the assets and the associated liabilities are eliminated on consolidation. There are no restrictions or limitations on the Group's recourse to the assets held within the structured entities.

For transfer of assets in relation to repurchase agreements refer to note 20.

57. Subsequent events

Proposed combination of Investec Wealth & Investment UK and Rathbones Group

It was announced on 4 April 2023 that Investec plc and Rathbones Group Plc (Rathbones) have entered into a definitive agreement regarding an all-share combination of Investec Wealth & Investment Limited (IW&I UK) and Rathbones.

Under the terms of the combination, Rathbones will issue new Rathbones shares in exchange for 100% of Investec IW&I UK's share capital. On completion, Investec Group will own 41.25% of the economic interest in the enlarged Rathbones Group's share capital, with Investec Group's voting rights limited to 29.9%.

The combination is conditional, among other things, on:

i. The Financial Conduct Authority and London Stock Exchange agreeing to admit the ordinary share element of the consideration shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities,

ii. No material adverse change having occurred in respect of either Rathbones or Investec IW&I UK,

iii. The Competition and Markets Authority (CMA) confirming in response to a briefing note that it has no further questions, or alternatively, CMA approval, and

iv. Relevant regulatory approvals and notifications being obtained, including in the UK, Jersey, Guernsey and South Africa.

At the completion date of the sale, Investec will deconsolidate its 100% investment in IW&I UK. Going forward the investment in the enlarged Rathbones Group will be equity accounted.

At the date of this report, the transaction has not yet become effective. The financial effect of deconsolidation will be dependent on the net asset value of the IW&I UK business and the fair value of the Rathbones shares on the date of deconsolidation, a reliable estimate cannot be made at this point.

58. Credit and counterparty risk management

Credit and counterparty risk arises primarily from three types of transactions:

- Lending transactions, through loans and advances to clients and counterparties, creating the risk that an obligor will be unable or unwilling to repay capital and/or interest on loans and advances granted to them. This category includes bank placements, where we have placed funds with other financial institutions
- Financial instrument transactions, producing issuer risk where payments due from the issuer of a financial instrument may not be received
- Trading transactions, giving rise to settlement and replacement risk (collectively counterparty risk):
  - Settlement risk is the risk that the settlement of a transaction does not take place as expected, with one party making required settlements as they fall due but not receiving the performance to which they are entitled
  - Replacement risk is the risk following default by the original counterparty resulting in the contract holder having to enter into a replacement contract with a second counterparty in order to fulfil the transaction.

The relevant credit committees will also consider wrong-way risk at the time of granting credit limits to each counterparty. In the banking book environment, wrong-way risk occurs where the value of collateral to secure a transaction decreases as the probability of default of the borrower or counterparty increases. For counterparty credit risk resulting from transactions in traded products (such as OTC derivatives), wrong-way risk is defined as exposure to a counterparty that is adversely correlated with the credit quality of that counterparty. It arises when default risk and credit exposure increase together.

Credit and counterparty risk may also arise in other ways and it is the role of the risk management functions and the various independent credit committees to identify risks falling outside these definitions.

Credit and counterparty risk governance structure

To manage, measure, monitor and mitigate credit and counterparty risk, independent credit committees exist in the UK. These committees also have oversight of regions where we assume credit risk and operate under Board-approved delegated limits, policies and procedures. There is a high level of executive involvement and oversight in the credit decision-making forums depending on the size and complexity of the deal. It is our policy that all credit committees include voting members who are independent of the originating business unit. All decisions to enter into a transaction are based on unanimous consent.

In addition to the credit committees, the following processes assist in managing, measuring and monitoring credit and counterparty risk:

- Day-to-day arrears management and regular arrears reporting ensure that individual positions and any potential adverse trends are dealt with in a timely manner
- Watchlist Forums review the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision. These committees review ECL impairments and staging at an asset level as well as potential fair value adjustments to loans and advances to customers. They provide recommendations for the appropriate staging and level of ECL impairment where required
- The Forbearance Forum reviews and monitors counterparties who have been granted forbearance measures
- The Impairment Decision Committee reviews recommendations from underlying Watchlist Forums and considers and approves the appropriate level of ECL impairments and staging
- The Models Forum provides an internal screening and validation process for credit models. We have established independent model validation teams who review the models and provide feedback on the accuracy and operation of the models and note items for further development through the forum.

Credit and counterparty risk appetite

The Board has set risk appetite limit frameworks which regulate the maximum exposures we would be comfortable to tolerate in order to diversify and mitigate risk. These limit frameworks, approved at least annually, are monitored on an ongoing basis by IBP BRCC, DLC BRCC and the respective Boards. Should there be any breaches to limits, or where exposures are nearing limits, these exceptions are specifically highlighted for attention, with remedial actions agreed.

Our assessment of our clients and counterparties includes consideration of their character, integrity, core competencies, track record and financial strength. A strong emphasis is placed on the historic and ongoing stability of income and cash flow streams generated by the clients. Our primary assessment method is therefore the ability of the client to meet their payment obligations.

Target clients include high net worth individuals, active wealth creators, high-income professionals, self-employed entrepreneurs, owner managers in small to mid-cap corporates, sophisticated investors, established corporates, small and medium-sized enterprises, financial institutions and sovereigns. Corporates should demonstrate scale and relevance in their market, an experienced management team, able Board members, strong earnings and cash flow.

We are client-centric in our approach and originate loans mainly with the intent of holding these assets to maturity, thereby developing a 'hands-on' and long-standing relationship.

Interbank lending is largely reserved for those banks and institutions in the Group's core geographies of activity, which are systemic and highly rated.

Concentration risk

Concentration risk, with respect to credit and counterparty risk, is when large exposures exist to a single client or counterparty, group of connected counterparties, or to a particular geography, asset class or industry. An example of this would be where a number of counterparties are affected by similar economic, legal, regulatory or other factors that could mean their ability to meet contractual obligations are correlated.

Credit and counterparty risk is always assessed with reference to the aggregate exposure to a single counterparty or group of related parties

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

to manage concentration risk. In order to manage concentration, we will consider a sell-down of exposures to market participants if required.

Concentration risk can also exist where portfolio loan maturities are clustered to single periods in time. Loan maturities are monitored on a portfolio and a transaction level by Group risk management, Group lending operations as well as the originating business units.

Country risk

Country risk, with respect to credit and counterparty risk, refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in a sovereign exposure, i.e. the risk of exposure to loss caused by events in that country. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments. This can include geopolitical risks, transfer and convertibility risks, and the impact on the borrower's credit profile due to local economic and political conditions.

To mitigate country risk, there is a preference for primary exposure in the Group's main operating geography. The Group will accept exposures where we have a branch or local banking subsidiary, and tolerate exposures to other countries where we are facilitating a transaction for a client who requires facilities in a foreign geography and where we have developed a local understanding and capability.

The Group's credit risk appetite with regard to country risk is characterised by the following principles:

- Preference is to have exposure only to politically stable jurisdictions that we understand and have preferably operated in before
- There is little specific appetite for exposures outside of the Group's pre-existing core geographies or target markets
- The legal environment should be tested, have legal precedent in line with OECD standards and have good corporate governance
- In certain cases, country risk can be mitigated by taking out political risk insurance with suitable counterparties where deemed necessary and where considered economic.

While we do not have a separate country risk committee, the relevant credit committees as well as investment committees, IBP ERC and where necessary, Group ERC will consider, analyse and assess the appropriate foreign jurisdiction limits.

In the UK, following the official exit from the European Union, it remains necessary to avoid exposures to certain European countries due to the resulting legal implications. This relates specifically to countries in which borrowers are legally incorporated and any deal will be thoroughly assessed on a case by case basis to ensure compliance with current regulations.

ESG risk

The greatest socio-economic and environmental impact we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world.

Our sustainability strategy focuses on two core UN Sustainable Development Goals which are climate action (SDG 13) and reducing inequalities (SDG 10). This is key when integrating ESG considerations into our day-to-day operations and credit decision-making.

ESG risks are considered by the credit committee or investment committee when making lending or investment decisions. Transactions that fall into the high-risk ESG category require extra due diligence from the Group sustainability team and are presented to the DLC SEC.

The following ESG risk matters are taken into account when assessing high-risk transactions:

- Environmental considerations (including animal welfare)
- Social considerations (including human rights)
- Macro-economic considerations (including poverty, growth and unemployment).

We recognise the complexity and urgency of climate change. We are committed to supporting the transition to a clean and energy efficient world while preserving biodiversity, nature and the wellbeing of our people and our planet.

When making lending or investment decisions, the credit committee or investment committee will review risks with regard to climate change, nature and biodiversity with additional input from the Group sustainability team and/or the DLC SEC should the deal be of a high-risk category.

Refer to page 159 for further detail.

Climate, nature and biodiversity risk

We recognise the complexity and urgency of climate change. We are committed to supporting the transition to a clean and energy efficient world while preserving biodiversity, nature and the wellbeing of our people and our planet.

When making lending or investment decisions, the credit committee or investment committee will review risks with regard to climate change, nature and biodiversity with additional input from the Group sustainability team and/or the DLC SEC should the deal be of a high-risk category.

Refer to page 159 for further detail.

Stress testing and portfolio management

The Investec Group's stress testing framework is designed to identify and assess vulnerabilities under stress. The process comprises a bottom-up analysis of the Group's material business activities, incorporating views from risk management teams, business and the executive. Stress scenarios are designed based on findings from the bottom-up process, taking into consideration the broader macro-economic and political risk backdrop.

These Investec-specific stress scenarios form an integral part of our capital planning process and IFRS 9 reporting. The stress testing process also informs the risk appetite review process, and the management of risk appetite limits and is a key risk management tool of the Group. This process allows the Group to identify underlying risks and manage them accordingly.

The Group also performs ad hoc stress tests and reverse stress testing. Ad hoc stress tests are conducted in response to any type of material and/or emerging risks, with reviews undertaken of impacted portfolios to assess any migration in quality and highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations such as a reduction in risk appetite limits. Reverse stress tests are conducted to stress the Group's business plan to failure and consider a broad variety of extreme and remote events.

Reviews are also undertaken of all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Management and measurement of credit and counterparty risk

Fundamental principles employed in the management of credit and counterparty risk include:

- A clear definition of our target market
- A quantitative and qualitative assessment of the creditworthiness of our counterparties
- Analysis of risks, including concentration risk (concentration risk considerations include asset class, industry, counterparty and geographical concentration)
- Decisions being made with reference to risk appetite limits
- Prudential limits
- Regular monitoring and review of existing and potential exposures once facilities have been approved
- A high level of executive involvement in decision-making with non-executive review and oversight
- Portfolio reviews and stress testing.

Within the credit approval process, internal and external ratings are included in the assessment of client quality.

A large proportion of the Group's portfolio is not rated by external rating agencies. We place reliance upon internal consideration of counterparties and borrowers and use ratings prepared externally where available to support our decision-making process.

Regular reporting of credit and counterparty risk exposures within our operating units are made to management, the executives and the Board through the DLC BRCC and IBP BRCC. The Board reviews and approves the appetite for credit and counterparty risk, which is documented in risk appetite statements and policy documents. This is implemented and reviewed by the credit risk management teams in each jurisdiction.

Portfolio reviews and stress testing are undertaken on all material businesses, where the exposures are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.

Credit and counterparty risk – nature of activities

Credit and counterparty risk is assumed through a range of client-driven lending activities to private and corporate clients as well as other counterparties, such as financial institutions and sovereigns. These activities are diversified across a number of business activities.

- **Core loans and advances:** the majority of credit and counterparty risk is through core loans and advances, which account for almost all ECL allowances across our portfolio, which are detailed on pages 143 to 149
- Treasury function: there are also certain exposures, outside of core loans and advances, where we assume credit and counterparty risk. These arise from treasury investments in high-quality liquid assets, including highly rated government, supranational, sovereign and agency and covered bonds, and treasury placements where the treasury function, as part of the daily management of the Group's liquidity, places funds with central banks and other commercial banks and financial institutions. These transactions are typically short-term (less than one month) money market placements or secured repurchase agreements. These market counterparties are mainly investment grade rated entities that occupy dominant and systemic positions in their domestic banking markets and internationally. These counterparties are located mainly in the UK, Western Europe, Asia, North America, Southern Africa and Australia.

In addition, credit and counterparty risk arises through the following exposures:

- **Customer trading activities to facilitate hedging of client risk positions:** our customer trading portfolios consist of derivative contracts in interest rates, foreign exchange, commodities, credit derivatives and equities that are entered into, to facilitate a client's hedging requirements. The counterparties to such transactions are typically corporates, in particular where they have an exposure to interest rates or foreign exchange due to operating in sectors that include imports and exports of goods and services. These positions are marked-to-market, typically with daily margin calls to mitigate credit exposure in the event of counterparty default
- **Structured credit:** these are bonds secured against a pool of assets, mainly UK residential mortgages or European or US corporate leverage loans. The bonds are typically highly rated (single 'A' and above), which benefit from a high level of credit subordination and can withstand a significant level of portfolio default
- **Debt securities:** from time to time we take on exposures by means of corporate debt securities rather than loan exposures. These transactions arise on the back of client relationships or knowledge of the corporate market and are based on our analysis of the credit fundamentals
- **Corporate advisory and investment banking activities:** counterparty risk in this area is modest. The business also trades shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits. Settlement trades are largely on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any fair value losses on the underlying security
- **Wealth & Investment:** primarily an agency business with a limited amount of principal risk. Its core business is discretionary investment management services. Settlement risk can arise due to undertaking transactions in an agency capacity on behalf of clients. However, the risk is not considered to be material as most transactions are undertaken on recognised exchanges, with large institutional clients, monitored daily, with trades usually settled within two to three days.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Credit risk mitigation

Credit risk mitigation techniques can be defined as all methods by which the Group seeks to decrease the credit risk associated with an exposure. The Investec Group considers credit risk mitigation techniques as part of the credit assessment of a potential client or business proposal and not as a separate consideration of mitigation of risk. Credit risk mitigants can include any collateral item over which the Group has a charge over assets, netting and margining agreements, covenants, or terms and conditions imposed on a borrower with the aim of reducing the credit risk inherent to that transaction.

As the Group has limited appetite for unsecured debt, the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. Collateral is assessed with reference to the sustainability of value and the likelihood of realisation.

Acceptable collateral generally exhibits characteristics that allow for it to be easily identified and appropriately valued and assists the Group to recover outstanding exposures.

Where a transaction is supported by a mortgage or charge over property, the primary credit risk is still taken on the borrower. In addition, the relevant credit committee normally requires a suretyship or guarantee in support of a transaction in our private client business.

For property-backed lending we also consider the client's overall balance sheet. The following characteristics of the property are also considered: the type of property; its location; and the ease with which the property could be relet and/or resold. Where the property is secured by lease agreement, the credit committee prefers not to lend for a term beyond the maximum term of the lease. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. Residential and commercial property valuations will continue to form part of our ongoing focus on collateral assessment. It is our policy to obtain a formal valuation of every commercial property offered as collateral for a lending facility before advancing funds. Residential properties are valued by desktop valuation and/or approved valuers, where appropriate.

Other common forms of collateral in the retail asset class are motor vehicles, cash and share portfolios. Primary collateral in private client lending transactions can also include a high net worth individual's share/investment portfolio. This is typically in the form of a diversified pool of equity, fixed income, managed funds and cash. Often these portfolios are managed by Investec Wealth & Investment. Lending against investment portfolios is typically geared at conservative loan-to-value (LTV) ratios, after considering the quality, diversification, risk profile and liquidity of the portfolio.

Our corporate, government and institutional clients provide a range of collateral including cash, corporate assets, debtors (accounts receivable), trading stock, debt securities (bonds), listed and unlisted shares and guarantees.

The majority of credit mitigation techniques linked to trading activity is in the form of netting agreements and daily margining. Primarily, the market standard legal documents that govern this include the International Swaps and Derivatives Association (ISDA) Master Agreements, Global Master Securities Lending Agreement (GMSLA) and Global Master Repurchase Agreement (GMRA). In addition to having ISDA documentation in place with market and trading counterparties in over-the-counter (OTC) derivatives, the credit committee may require a Credit Support Annex (CSA) to ensure that mark-to-market credit exposure is mitigated daily through the calculation and placement/receiving of cash collateral. Where netting agreements have been signed, the enforceability is supported by an external legal opinion within the legal jurisdiction of the agreement.

Set-off is applied between assets, subject to credit risk and related liabilities in the annual financial statements, where:

- A legally enforceable right to set-off exists
- There is the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

In addition to the above accounting set-off criteria, banking regulators impose the following additional criteria:

- Debit and credit balances relate to the same obligor/counterparty
- Debit and credit balances are denominated in the same currency and have identical maturities
- Exposures subject to set-off are risk-managed on a net basis
- Market practice considerations.

For this reason, there will be instances where credit and counterparty exposures are displayed on a net basis in these annual financial statements but reported on a gross basis to regulators.

The Group places minimal reliance on credit derivatives in its credit risk mitigation techniques. Periodically the Group will enter into Credit Default Swaps (CDS) in order to hedge a specific asset held or to create a more general or macro hedge against a group of exposures in one industry or geography. In these instances, the Group is deemed to be 'buying protection' against the assets. Depending on the perceived risk, or 'spread', of the underlying exposure, the CDS will fluctuate in value; increasing in value when the asset has become more risky and decreasing when risk has reduced. Occasionally, the Group will enter into trading/investment CDS positions where we buy protection or sell protection without owning the underlying asset. The total amount of net credit derivatives outstanding at 31 March 2023 amounts to -£0.2 million, of which all is used for credit mitigation purposes. Total protection bought amounts to -£0.4 million and total protection sold amounts to £0.2 million relating to credit derivatives used in credit mitigation.

Further information on credit derivatives is provided on page 108.

The Group implements robust processes to minimise the possibility of legal and/or operational risk through good quality tangible collateral. The legal risk function ensures the enforceability of credit risk mitigants under the laws of the relevant jurisdictions. When assessing the potential concentration risk in its credit portfolio, consideration is given to the types of collateral and credit protection that form part of the portfolio.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

An analysis of gross core loans, asset quality and ECL

The tables that follow provide information with respect to the asset quality of our gross core loans on a statutory basis.

Stage 3 exposures total £343 million at 31 March 2023 or 2.3% of gross core loans subject to ECL (2.1% at 31 March 2022). The underlying loan portfolios continue to perform well with no evident signs of deteriorating trends in specific sectors.

Overall coverage for Stage 1 and Stage 2 remains elevated at 31 March 2023 reflecting current pressures in the macro-economic environment.

Stage 2 exposures total £1 321 million or 8.7% of gross loans subject to ECL. The increase is mainly driven by idiosyncratic exposures requiring closer attention rather than assets where we are concerned about default or loss.

£'million	31 March 2023	31 March 2022
Gross core loans	**15 709**	**14 557**
Gross core loans at FVPL	551	609
Gross core loans subject to ECL*	**15 158**	**13 948**
Stage 1	13 494	12 665
Stage 2	1 321	992
of which past due greater than 30 days	35	28
Stage 3	343	291
ECL	**(146)**	**(134)**
Stage 1	(39)	(32)
Stage 2	(32)	(35)
Stage 3	(75)	(67)
Coverage ratio		
Stage 1	0.29%	0.25%
Stage 2	2.4%	3.5%
Stage 3	21.9%	23.0%
Credit loss ratio	**0.37%**	**0.17%**
ECL impairment charges on core loans	(54)	(22)
Average gross core loans subject to ECL	14 553	12 969
An analysis of Stage 3 gross core loans subject to ECL		
Stage 3 net of ECL	268	224
Aggregate collateral and other credit enhancements on Stage 3	280	230
Stage 3 as a % of gross core loans subject to ECL	2.3%	2.1%
Stage 3 net of ECL as a % of net core loans subject to ECL	1.8%	1.6%

Note: Our exposure (net of ECL) to the UK Legacy portfolio* has reduced from £43 million at 31 March 2022 to £37 million at 31 March 2023. These Legacy assets are predominantly reported in Stage 3 and make up 12.6% of Stage 3 gross core loans. These assets have been significantly provided for and coverage remains high at 55.3%.
* Refer to definitions on page 193.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

An analysis of staging and ECL movements for core loans subject to ECL

The table below indicates underlying movements in gross core loans subject to ECL from 31 March 2022 to 31 March 2023. The transfers between stages of gross core loans indicate the impact of stage transfers upon the gross exposure and associated opening ECL. The increase in transfers into Stage 2 is mainly driven by idiosyncratic exposures that have deteriorated compared to when the exposures originated, but where there is no specific concern with respect to loss. There was a slight uptick in transfers into Stage 3 over the period, however this is broadly in line with the prior year when considered as a proportion of the opening book.

The net remeasurement of ECL arising from stage transfers represents the (increase)/decrease in ECL due to these transfers. New lending net of repayments comprises new originations, further drawdowns, repayments and sell-downs as well as, with respect to ECLs, Stage 3 ECLs that have been written off, typically when an asset has been sold.

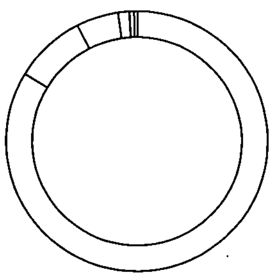
The ECL impact of changes to risk parameters and models during the year largely relates to the changes in the macro-economic scenarios as well as the release of management ECL overlay. The foreign exchange and other category largely comprises the impact on the closing balance as a result of movements and translations in foreign exchange rates since 31 March 2022.

	Stage 1		Stage 2		Stage 3		Total	
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**
At 31 March 2021	**10 415**	**(27)**	**1 242**	**(42)**	**332**	**(101)**	**11 989**	**(170)**
Transfer from Stage 1	(433)	1	379	(1)	54	—	—	—
Transfer from Stage 2	397	(6)	(473)	8	76	(2)	—	—
Transfer from Stage 3	1	—	3	—	(4)	—	—	—
ECL remeasurement arising from transfer of stage	—	3	—	(3)	—	(9)	—	(9)
New lending net of repayments (includes assets written off)	2 253	(3)	(163)	5	(167)	45	1 923	47
Changes to risk parameters and models	—	—	—	(2)	—	—	—	(2)
Foreign exchange and other	32	—	4	—	—	—	36	—
At 31 March 2022	**12 665**	**(32)**	**992**	**(35)**	**291**	**(67)**	**13 948**	**(134)**
Transfer from Stage 1	(774)	4	678	(4)	96	—	—	—
Transfer from Stage 2	226	(2)	(282)	3	56	(1)	—	—
Transfer from Stage 3	3	—	4	—	(7)	—	—	—
ECL remeasurement arising from transfer of stage	—	2	—	(7)	—	(16)	—	(21)
New lending net of repayments (includes assets written off)	1 297	(12)	(81)	—	(94)	10	1 122	(2)
Changes to risk parameters and models	—	1	—	11	—	—	—	12
Foreign exchange and other	77	—	10	—	1	(1)	88	(1)
At 31 March 2023	**13 494**	**(39)**	**1 321**	**(32)**	**343**	**(75)**	**15 158**	**(146)**

An analysis of gross core loans by country of exposure

31 March 2023

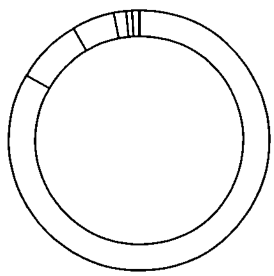
£15 709 million



United Kingdom	83.6%
Europe (excluding UK)	8.8%
North America	5.2%
Asia	1.4%
Other	0.6%
Australia	0.4%

31 March 2022

£14 557 million



United Kingdom	83.3%
Europe (excluding UK)	8.2%
North America	5.4%
Asia	1.5%
Other	0.7%
Australia	0.9%

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

An analysis of credit quality by internal rating grade

The Group uses a 25-grade internal rating scale which measures the risk of default to an exposure without taking into account any credit mitigation, such as collateral. This internal rating scale allows the Group to measure credit risk consistently across portfolios. The internal rating scale is derived from a mapping to PDs and can also be mapped to external rating agency scales.

PD range	Investec internal rating scale	Indicative external rating scale
less than 0.538%	IB01 – IB12	AAA to BBB-
0.538% - 6.089%	IB13 – IB19	BB+ to B-
greater than 6.089%	IB20 – IB25	B- and below
	Stage 3	D

The internal credit rating distribution below is based on the 12-month PD at 31 March 2023 for gross core loans subject to ECL by stage. The staging classifications are not only driven by the absolute PD, but on factors that determine a significant increase in credit risk, including relative movement in PD since origination. There is therefore no direct correlation between the credit quality of an exposure and its stage classification as shown in the table below:

At 31 March 2023 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**8 816**	**5 850**	**149**	**343**	**15 158**
Stage 1	8 460	4 996	38	—	13 494
Stage 2	356	854	111	—	1 321
Stage 3	—	—	—	343	343
ECL	**(12)**	**(50)**	**(9)**	**(75)**	**(146)**
Stage 1	(10)	(28)	(1)	—	(39)
Stage 2	(2)	(22)	(8)	—	(32)
Stage 3	—	—	—	(75)	(75)
Coverage ratio	**0.1%**	**0.9%**	**6.0%**	**21.9%**	**1.0%**

At 31 March 2022 £'million	IB01-IB12	IB13-IB19	IB20-IB25	Stage 3	Total
Gross core loans subject to ECL	**7 925**	**5 542**	**190**	**291**	**13 948**
Stage 1	7 643	4 934	88	—	12 665
Stage 2	282	608	102	—	992
Stage 3	—	—	—	291	291
ECL	**(9)**	**(46)**	**(12)**	**(67)**	**(134)**
Stage 1	(6)	(25)	(1)	—	(32)
Stage 2	(3)	(21)	(11)	—	(35)
Stage 3	—	—	—	(67)	(67)
Coverage ratio	**0.1%**	**0.8%**	**6.3%**	**23.0%**	**1.0%**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

An analysis of core loans by risk category – Lending collateralised by property

Client quality and expertise are at the core of our credit philosophy. We provide senior debt and other funding for property transactions, with a preference for income-producing assets, supported by an experienced sponsor providing a material level of cash equity investment into the asset. Our exposure to the property market is well diversified with strong bias towards prime locations for residential exposure and focus on property fundamentals, tenant quality and income diversity for commercial assets. Debt service cover ratios are a key consideration in the lending process supported by reasonable loan-to-security value ratios.

Commercial real estate reduced by 2.9% over the year to 31 March 2023 to £1.6 billion. Lending collateralised by property totalled £2.3 billion or 15.0% of net core loans at 31 March 2023, which remains in line with the Group's risk appetite to maintain a reduced proportion of net core loan exposures in property-related lending. New lending is diversified by underlying asset classes at conservative LTVs. Weighted average LTV* on lending collateralised by property remains conservative at 58%. Development exposures are typically undertaken at lower LTVs. These LTVs do not take into account guarantees provided by borrowers which provide additional security to our lending and would reduce LTV metrics further. The bulk of property collateralised assets are located in the UK.

The portfolio has diverse underlying assets, experienced sponsors behind the exposures and limited direct exposure to sectors more vulnerable to cyclicality. Underwriting criteria remains conservative and we are committed to following a client-centric approach to lending, only supporting counterparties with strong balance sheets and requisite expertise.

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Commercial real estate	**1 241**	**(6)**	**231**	**(8)**	**76**	**(16)**	**1 548**	**(30)**	**43**	**1 591**
Commercial real estate – investment	920	(4)	212	(8)	70	(13)	1 202	(25)	40	1 242
Commercial real estate – development	308	(2)	13	—	—	—	321	(2)	3	324
Commercial vacant land and planning	13	—	6	—	6	(3)	25	(3)	—	25
Residential real estate	**611**	**(2)**	**112**	**(4)**	**45**	**(18)**	**768**	**(24)**	**37**	**805**
Residential real estate – investment	359	(1)	39	(2)	11	(1)	409	(4)	35	444
Residential real estate – development	244	(1)	69	(1)	9	(3)	322	(5)	—	322
Residential vacant land and planning	8	—	4	(1)	25	(14)	37	(15)	2	39
Total lending collateralised by property	**1 852**	**(8)**	**343**	**(12)**	**121**	**(34)**	**2 316**	**(54)**	**80**	**2 396**
Coverage ratio		**0.43%**		**3.5%**		**28.1%**		**2.3%**		
At 31 March 2022										
Commercial real estate	**1 334**	**(3)**	**152**	**(6)**	**105**	**(21)**	**1 591**	**(30)**	**46**	**1 637**
Commercial real estate – investment	1 104	(2)	108	(4)	99	(18)	1 311	(24)	42	1 353
Commercial real estate – development	222	(1)	38	(1)	—	—	260	(2)	4	264
Commercial vacant land and planning	8	—	6	(1)	6	(3)	20	(4)	—	20
Residential real estate	**676**	**(2)**	**3**	**—**	**34**	**(16)**	**713**	**(18)**	**29**	**742**
Residential real estate – investment	394	(1)	3	—	4	(1)	401	(2)	27	428
Residential real estate – development	276	(1)	—	—	6	(3)	282	(4)	—	282
Residential vacant land and planning	6	—	—	—	24	(12)	30	(12)	2	32
Total lending collateralised by property	**2 010**	**(5)**	**155**	**(6)**	**139**	**(37)**	**2 304**	**(48)**	**75**	**2 379**
Coverage ratio		**0.25%**		**3.9%**		**26.6%**		**2.1%**		

* Excludes a small portion of Legacy exposures that are predominately reported in Stage 3.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

An analysis of core loans by risk category – High net worth and other private client lending

Our Private Banking activities target high net worth individuals, active wealth creators, high-income professionals, self-employed entrepreneurs, owner managers in small to mid-cap corporates and sophisticated investors.

Lending products are tailored to meet the requirements of our clients and deliver solutions to enable target clients to create and manage their wealth. Central to our credit philosophy is ensuring the sustainability of cash flow and income throughout the cycle. As such, the client base has been defined to include high net worth clients (who, through diversification of income streams, should reduce income volatility) and individuals in defined professions which have historically supported a sustainable income base, irrespective of the stage in the economic cycle.

Credit risk arises from the following activities:

- Mortgages: provides residential mortgage loan facilities to target market clients
- Other high net worth lending: provides credit facilities to high net worth individuals and their controlled entities as well as portfolio loans to high net worth clients against their investment portfolios typically managed by Investec Wealth & Investment.

Year in review

High net worth and other private client lending totalled £5.6 billion or 36.0% of UK net core loans at 31 March 2023. Growth in mortgages slowed to 12.7% in the year to 31 March 2023 (31 March 2022: 30.3%) in line with market conditions, particularly in the second half of the year due to the higher interest rate environment.

Growth in this area has been achieved with strong adherence to our lending criteria. Weighted average LTVs on mortgages remain in line with the prior year at 68%.

	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
£'million	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Mortgages	4 480	(2)	128	—	64	(7)	4 672	(9)	25	4 697
Other high net worth lending	863	(2)	36	(1)	20	(6)	919	(9)	3	922
Total high net worth and other private client lending	**5 343**	**(4)**	**164**	**(1)**	**84**	**(13)**	**5 591**	**(18)**	**28**	**5 619**
Coverage ratio		**0.07%**		**0.6%**		**15.5%**		**0.3%**		
At 31 March 2022										
Mortgages	3 995	(1)	86	—	57	(4)	4 138	(5)	25	4 163
Other high net worth lending	938	(2)	42	(1)	6	(2)	986	(5)	3	989
Total high net worth and other private client lending	**4 933**	**(3)**	**128**	**(1)**	**63**	**(6)**	**5 124**	**(10)**	**28**	**5 152**
Coverage ratio		**0.06%**		**0.8%**		**9.5%**		**0.2%**		

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

An analysis of core loans by risk category – Corporate and other lending

We focus on traditional client-driven corporate lending activities. The credit risk management functions approve specific credit and counterparty limits that govern the maximum credit exposure to each individual counterparty. In addition, further risk management limits exist through industry and country limits to manage concentration risk. The credit appetite for each counterparty is based on the financial strength of the principal borrower, its business model and market positioning, the underlying cash flow to the transaction, the substance and track record of management, and the security package. Political risk insurance, and other insurance is taken where deemed appropriate.

The Group has limited appetite for unsecured credit risk and facilities are typically secured by the assets of the underlying borrower as well as shares in the borrower.

A summary of the nature of the lending and/or credit risk assumed within some of the key areas in our corporate lending business is provided below:

- **Corporate and acquisition finance:** provides senior secured loans to proven management teams and sponsors running mid-cap, as well as some large-cap companies. Credit risk is assessed against debt serviceability based upon robust cash generation of the business demonstrated by both historical and forecast information. We typically act as a transaction lead arranger or on a club or bi-lateral basis, and have a close relationship with management and sponsors
- **Asset-based lending:** provides working capital and secured corporate loans to mid-caps. These loans are secured by the assets of the business, for example, the accounts receivable, inventory and plant and machinery. In common with our corporate lending activities, strong emphasis is placed on supporting companies with scale and relevance in their industry, stability of cash flow, and experienced management
- **Fund finance:** provides debt facilities to asset managers and fund vehicles, principally in private equity. The geographical focus is the UK, Western Europe and North America where the Group can support experienced asset managers and their funds which show strong, long-term value creation and good custodianship of investors' money. Debt facilities are typically to a fund entity and secured against undrawn limited partner commitments and/or the fund's underlying assets
- **Other corporate and financial institutions and governments:** provides senior secured loans to mid-to-large cap companies where credit risk is typically considered with regard to robust cash generation from an underlying asset and supported by performance of the overall business based on both historical and forecast information
- **Small ticket asset finance:** provides funding to small- and medium-sized corporates to support asset purchases and other business requirements. The portfolio is highly diversified by industry and number of clients and is secured against the asset being financed
- **Motor finance:** provides specialised motor vehicle financing originated through Mann Island Finance Limited (MIVF). The portfolio is composed predominantly of private motor vehicles to individuals attributing to a granular book with low concentration risk
- **Aviation finance**: structures, arranges and provides financing for airlines, leasing companies, operators and corporates secured by aircraft at conservative LTVs. Counterparties include flag and commercial airline carriers, leading aircraft lessors and corporates/operators with strong contracted cash flows
- **Power and infrastructure finance:** arranges and provides typically long-term financing for power and infrastructure assets, in particular renewable and traditional power projects as well as transportation assets, typically against contracted future cash flows of the project(s) from well-established and financially sound off-take counterparties. There is a requirement for a strong upfront equity contribution from an experienced sponsor.

Year in review

Corporate and other lending increased by 9.6% from £7.0 billion at 31 March 2022 to £7.6 billion at 31 March 2023. There has been diversified growth across multiple corporate and other lending areas including corporate and acquisition finance, fund finance and motor finance. We continue to remain client-focused in our approach, with good quality corporates exhibiting strong cash flows and balance sheets.

Asset quality remains stable with no evident signs of deteriorating trends in specific sectors.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

£'million	Gross core loans at amortised cost and FVOCI								Gross core loans at FVPL	Gross core loans
	Stage 1		Stage 2		Stage 3		Total			
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	**Gross exposure**	**ECL**		
At 31 March 2023										
Corporate and acquisition finance	1 794	(9)	212	(5)	53	(7)	2 059	(21)	125	2 184
Asset-based lending	271	(1)	44	—	—	—	315	(1)	—	315
Fund finance	1 359	(1)	33	—	—	—	1 392	(1)	75	1 467
Other corporate and financial institutions and governments	391	(2)	70	(1)	4	(1)	465	(4)	32	497
Small ticket asset finance	1 142	(9)	279	(6)	30	(11)	1 451	(26)	—	1 451
Motor finance	905	(3)	46	(3)	8	(3)	959	(9)	—	959
Aviation finance	115	(1)	32	(1)	—	—	147	(2)	176	323
Power and infrastructure finance	322	(1)	98	(3)	43	(6)	463	(10)	35	498
Total corporate and other lending	**6 299**	**(27)**	**814**	**(19)**	**138**	**(28)**	**7 251**	**(74)**	**443**	**7 694**
Coverage ratio		**0.43%**		**2.3%**		**20.3%**		**1.0%**		
At 31 March 2022										
Corporate and acquisition finance	1 528	(7)	207	(13)	10	(1)	1 745	(21)	125	1 870
Asset-based lending	352	(1)	27	—	—	—	379	(1)	12	391
Fund finance	1 194	(1)	18	—	—	—	1 212	(1)	44	1 256
Other corporate and financial institutions and governments	379	(2)	37	(2)	3	(1)	419	(5)	11	430
Small ticket asset finance	1 183	(8)	242	(7)	29	(18)	1 454	(33)	—	1 454
Motor finance	628	(2)	121	(3)	6	(2)	755	(7)	—	755
Aviation finance	96	(1)	10	(1)	—	—	106	(2)	244	350
Power and infrastructure finance	362	(2)	47	(2)	41	(2)	450	(6)	70	520
Total corporate and other lending	**5 722**	**(24)**	**709**	**(28)**	**89**	**(24)**	**6 520**	**(76)**	**506**	**7 026**
Coverage ratio		**0.42%**		**3.9%**		**27.0%**		**1.2%**		

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

The tables that follow provide further analysis of the Group's gross credit and counterparty exposures.

An analysis of gross credit and counterparty exposures

Gross credit and counterparty exposure totalled £29.1 billion at 31 March 2023. Cash and near cash balances amounted to £8.6 billion and are largely reflected in the following line items in the table below: cash and balances at central banks, loans and advances to banks and sovereign debt securities. These exposures are all Stage 1. There are immaterial Stage 2 and Stage 3 exposures outside of loans and advances to customers which are small relative to the balance sheet. Loans and advances to customers (including committed facilities) account for greater than 98% of overall ECLs.

An analysis of gross credit and counterparty exposures

£'million	31 March 2023	31 March 2022
Cash and balances at central banks	5 400	5 380
Loans and advances to banks	893	1 468
Reverse repurchase agreements and cash collateral on securities borrowed	1 339	1 447
Sovereign debt securities	1 222	1 166
Bank debt securities	205	62
Other debt securities	698	433
Derivative financial instruments	528	645
Securities arising from trading activities	28	26
Loans and advances to customers	15 709	14 557
Other loans and advances	143	123
Other securitised assets	5	6
Other assets	38	116
Total on-balance sheet exposures	**26 208**	**25 429**
Guarantees	118	138
Committed facilities related to loans and advances to customers	2 345	1 957
Contingent liabilities, letters of credit and other	384	326
Total off-balance sheet exposures	**2 847**	**2 421**
Total gross credit and counterparty exposures	**29 055**	**27 850**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

A further analysis of gross credit and counterparty exposures

The table below indicates in which class of asset (on the face of the consolidated balance sheet) credit and counterparty exposures are reflected. Not all assets included in the balance sheet bear credit and counterparty risk.

At 31 March 2023 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	5 400	—	5 400	—	—	5 400
Loans and advances to banks	893	—	893	—	—	893
Reverse repurchase agreements and cash collateral on securities borrowed	1 339	346	993	—	—	1 339
Sovereign debt securities	1 222	24	1 198	—	—	1 222
Bank debt securities	205	—	205	—	—	205
Other debt securities	698	94	604	(1)	—	697
Derivative financial instruments	528	528	—	—	106	634
Securities arising from trading activities	28	28	—	—	100	128
Investment portfolio	—	—	—	—	489*	489
Loans and advances to customers	15 709	551	15 158	(146)	—	15 563
Other loans and advances	143	—	143	—	—	143
Other securitised assets	5	5	—	—	73^	78
Interest in associated undertakings and joint venture holdings	—	—	—	—	52	52
Deferred taxation assets	—	—	—	—	112	112
Current taxation assets	—	—	—	—	34	34
Other assets	38	—	38	—	927**	965
Property and equipment	—	—	—	—	121	121
Goodwill	—	—	—	—	255	255
Software	—	—	—	—	9	9
Other acquired intangible assets	—	—	—	—	41	41
Total on-balance sheet exposures	**26 208**	**1 576**	**24 632**	**(147)**	**2 319**	**28 380**
Guarantees	118	—	118	—	—	118
Committed facilities related to loans and advances to customers	2 345	147	2 198	(13)	—	2 332
Contingent liabilities, letters of credit and other	384	—	384	(2)	121	503
Total off-balance sheet exposures	**2 847**	**147**	**2 700**	**(15)**	**121**	**2 953**
Total exposures	**29 055**	**1 723**	**27 332**	**(162)**	**2 440**	**31 333**

Includes £5.3 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers) and the statutory balance sheet.

* Relates to exposures that are classified as investment risk in the banking book.

^ While the Group manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the Group. The net credit exposure that the Group has in the vehicles is reflected in the 'total credit and counterparty exposure'.

** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

A further analysis of gross credit and counterparty exposures (continued)

At 31 March 2022 £'million	Total gross credit and counterparty exposure	of which FVPL	of which amortised cost and FVOCI	ECL#	Assets that we deem to have no legal credit exposure	Total assets
Cash and balances at central banks	5 380	—	5 380	—	—	5 380
Loans and advances to banks	1 468	—	1 468	—	—	1 468
Reverse repurchase agreements and cash collateral on securities borrowed	1 447	669	778	—	—	1 447
Sovereign debt securities	1 166	34	1 132	—	—	1 166
Bank debt securities	62	—	62	—	—	62
Other debt securities	433	144	289	(5)	—	428
Derivative financial instruments	645	645	—	—	48	693
Securities arising from trading activities	26	26	—	—	137	163
Investment portfolio	—	—	—	—	694*	694
Loans and advances to customers	14 557	609	13 948	(134)	—	14 423
Other loans and advances	123	—	123	—	—	123
Other securitised assets	6	6	—	—	87^	93
Interest in associated undertakings and joint venture holdings	—	—	—	—	67	67
Deferred taxation assets	—	—	—	—	110	110
Current taxation assets	—	—	—	—	33	33
Other assets	116	—	116	—	1 023**	1 139
Property and equipment	—	—	—	—	155	155
Goodwill	—	—	—	—	250	250
Software	—	—	—	—	7	7
Other acquired intangible assets	—	—	—	—	41	41
Total on-balance sheet exposures	**25 429**	**2 133**	**23 296**	**(139)**	**2 652**	**27 942**
Guarantees	138	—	138	—	—	138
Committed facilities related to loans and advances to customers	1 957	53	1 904	(7)	—	1 950
Contingent liabilities, letters of credit and other	326	—	326	(1)	181	506
Total off-balance sheet exposures	**2 421**	**53**	**2 368**	**(8)**	**181**	**2 594**
Total exposures	**27 850**	**2 186**	**25 664**	**(147)**	**2 833**	**30 536**

Includes £3.3 million of ECL held against financial assets held at FVOCI, which is reported on the balance sheet within the fair value reserve. This will result in minor differences between certain balance sheet lines reported above (largely loans and advances to customers and sovereign debt securities) and the statutory balance sheet.

* Relates to exposures that are classified as investment risk in the banking book.

^ While the Group manages all risks (including credit risk) from a day-to-day operational perspective, certain assets are within special purpose vehicles that ring-fence the assets to specific credit providers and limit security to the assets in the vehicle. This balance reflects the credit exposure to credit providers external to the Group. The net credit exposure that the Group has in the vehicles is reflected in the 'total credit and counterparty exposure'.

** Other assets include settlement debtors which we deem to have no credit risk exposure as they are settled on a delivery against payment basis.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Gross credit and counterparty exposures by residual contractual maturity

At 31 March 2023 £'million	Up to three months	Three to six months	Six months to one year	One to five years	Five to 10 years	>10 years	Total
Cash and balances at central banks	5 400	—	—	—	—	—	5 400
Loans and advances to banks	888	—	—	5	—	—	893
Reverse repurchase agreements and cash collateral on securities borrowed	808	85	120	73	—	253	1 339
Sovereign debt securities	488	338	153	196	25	22	1 222
Bank debt securities	54	—	12	132	7	—	205
Other debt securities	7	1	12	54	390	234	698
Derivative financial instruments	88	58	118	234	25	5	528
Securities arising from trading activities	—	—	1	—	11	16	28
Loans and advances to customers	1 570	1 148	1 799	7 941	1 880	1 371	15 709
Other loans and advances	8	—	—	65	58	12	143
Other securitised assets	—	—	—	—	—	5	5
Other assets	38	—	—	—	—	—	38
Total on-balance sheet exposures	**9 349**	**1 630**	**2 215**	**8 700**	**2 396**	**1 918**	**26 208**
Guarantees	92	—	—	26	—	—	118
Committed facilities related to loans and advances to customers	63	151	221	1 482	410	18	2 345
Contingent liabilities, letters of credit and other	88	—	5	262	29	—	384
Total off-balance sheet exposures	**243**	**151**	**226**	**1 770**	**439**	**18**	**2 847**
Total gross credit and counterparty exposures	**9 592**	**1 781**	**2 441**	**10 470**	**2 835**	**1 936**	**29 055**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Gross credit and counterparty exposures by industry

£'million	High net worth and other professional individuals	Lending collateralised by property	Agriculture	Electricity, gas and water (utility services)	Public and non-business services	Business services	Finance and insurance
At 31 March 2023							
Cash and balances at central banks	—	—	—	—	5 400	—	—
Loans and advances to banks	—	—	—	—	—	—	893
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	253	—	1 086
Sovereign debt securities	—	—	—	—	1 213	—	9
Bank debt securities	—	—	—	—	—	—	205
Other debt securities	—	—	—	—	6	15	561
Derivative financial instruments	—	—	1	20	—	8	427
Securities arising from trading activities	—	—	—	—	—	1	23
Loans and advances to customers	5 619	2 396	17	513	232	1 275	2 157
Other loans and advances	—	—	—	—	—	—	130
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	29
Total on-balance sheet exposures	**5 619**	**2 396**	**18**	**533**	**7 104**	**1 299**	**5 520**
Guarantees	6	—	—	1	—	—	89
Committed facilities related to loans and advances to customers	175	427	—	393	85	185	722
Contingent liabilities, letters of credit and other	—	—	—	246	—	11	108
Total off-balance sheet exposures	**181**	**427**	**—**	**640**	**85**	**196**	**919**
Total gross credit and counterparty exposures	**5 800**	**2 823**	**18**	**1 173**	**7 189**	**1 495**	**6 439**
At 31 March 2022							
Cash and balances at central banks	—	—	—	—	5 380	—	—
Loans and advances to banks	—	—	—	—	—	—	1 468
Reverse repurchase agreements and cash collateral on securities borrowed	—	—	—	—	485	—	962
Sovereign debt securities	—	—	—	—	1 166	—	—
Bank debt securities	—	—	—	—	—	—	62
Other debt securities	—	—	—	9	10	13	239
Derivative financial instruments	—	—	—	32	—	2	469
Securities arising from trading activities	—	—	—	—	3	2	16
Loans and advances to customers	5 152	2 379	14	619	233	1 333	1 661
Other loans and advances	—	—	—	—	—	—	112
Other securitised assets	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	39
Total on-balance sheet exposures	**5 152**	**2 379**	**14**	**660**	**7 277**	**1 350**	**5 028**
Guarantees	7	—	—	11	—	—	97
Committed facilities related to loans and advances to customers	131	436	—	262	66	205	596
Contingent liabilities, letters of credit and other	18	—	—	191	—	8	104
Total off-balance sheet exposures	**156**	**436**	**—**	**464**	**66**	**213**	**797**
Total gross credit and counterparty exposures	**5 308**	**2 815**	**14**	**1 124**	**7 343**	**1 563**	**5 825**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Retailers and wholesalers	Manufacturing and commerce	Construction	Other residential mortgages	Corporate commercial real estate	Mining and resources	Leisure, entertainment and tourism	Transport	Motor finance	Com-munication	**Total**
—	—	—	—	—	—	—	—	—	—	5 400
—	—	—	—	—	—	—	—	—	—	893
—	—	—	—	—	—	—	—	—	—	1 339
—	—	—	—	—	—	—	—	—	—	1 222
—	—	—	—	—	—	—	—	—	—	205
—	—	—	70	—	—	—	46	—	—	698
18	16	2	—	1	6	—	27	—	2	528
—	—	—	4	—	—	—	—	—	—	28
293	803	139	—	119	136	76	645	959	330	15 709
—	2	—	11	—	—	—	—	—	—	143
—	—	—	5	—	—	—	—	—	—	5
—	—	—	—	—	—	—	—	—	9	38
311	**821**	**141**	**90**	**120**	**142**	**76**	**718**	**959**	**341**	**26 208**
—	—	—	—	3	—	—	19	—	—	118
12	119	4	—	8	4	3	15	—	193	2 345
—	17	—	—	—	—	1	1	—	—	384
12	**136**	**4**	**—**	**11**	**4**	**4**	**35**	**—**	**193**	**2 847**
323	**957**	**145**	**90**	**131**	**146**	**80**	**753**	**959**	**534**	**29 055**
—	—	—	—	—	—	—	—	—	—	5 380
—	—	—	—	—	—	—	—	—	—	1 468
—	—	—	—	—	—	—	—	—	—	1 447
—	—	—	—	—	—	—	—	—	—	1 166
—	—	—	—	—	—	—	—	—	—	62
—	—	—	99	—	—	—	55	—	8	433
6	11	—	—	—	111	1	13	—	—	645
—	—	—	5	—	—	—	—	—	—	26
285	797	110	—	123	96	85	656	755	259	14 557
—	—	—	11	—	—	—	—	—	—	123
—	—	—	6	—	—	—	—	—	—	6
20	1	—	—	—	—	—	53	—	3	116
311	**809**	**110**	**121**	**123**	**207**	**86**	**777**	**755**	**270**	**25 429**
2	—	—	—	3	—	—	18	—	—	138
7	104	7	—	40	32	2	9	—	60	1 957
—	—	—	—	—	4	—	1	—	—	326
9	**104**	**7**	**—**	**43**	**36**	**2**	**28**	**—**	**60**	**2 421**
320	**913**	**117**	**121**	**166**	**243**	**88**	**805**	**755**	**330**	**27 850**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

59. Additional credit and counterparty risk information

Credit risk classification and provisioning policy

IFRS 9 requirements have been embedded into our Group credit risk classification and provisioning policy. A framework has been established to incorporate both quantitative and qualitative measures.

For further detail on our credit risk classification and provision policy please refer to pages 68 and 69.

Internal credit rating models and ECL methodology

Internal credit rating models cover all material asset classes. These internal credit rating models are also used for IFRS 9 modelling after adjusting for key differences. Internal credit models calculate through the economic cycle losses whereas IFRS 9 requires 12-month or lifetime point-in-time losses based on conditions at the reporting date and multiple economic scenario forecasts of the future conditions over the expected lives.

Further information on internal credit ratings is provided on page 145.

Key judgements

The measurement of ECL has reliance on expert credit judgement. Key judgemental areas are highlighted below and are subject to robust governance processes. Key drivers of measurement uncertainty include:

- The assessment of a significant increase in credit risk
- A range of forward-looking probability weighted macro-economic scenarios
- Estimations of probabilities of default, loss given default and exposures at default using models.

For further detail on our process for determining ECL please refer to page 69.

Key judgements at 31 March 2023

Key judgemental areas under IFRS 9 are subject to robust governance processes. At 31 March 2023, the composition and weightings of the forward-looking macro-economic scenarios were revised to reflect the current pressures in the macro-economic environment, however there remains reliance on expert credit judgements to ensure that the overall level of ECL is reasonable.

Given the models' improved ability to capture macro-economic factors based on factored-in historical experience compared to the prior period and the resultant increase in modelled ECL over the year to 31 March 2023, we released a portion of the overlay that was designed to capture the ongoing macro-economic uncertainty.

A remaining management overlay of £4.9 million at 31 March 2023 (£16.8 million at 31 March 2022, £8 million at 31 March 2019) is considered appropriate in addition to the Bank's calculated model-driven ECL to capture specific areas of model uncertainty. The overlay is apportioned to Stage 2 assets.

Macro-economic sensitivities

IFRS 9 may result in an increase in the volatility of provisions going forward, particularly for Stage 1 and Stage 2 assets as a result of macro-economic scenario changes. Sensitivities to macro-economic scenarios and factors form part of our overall risk monitoring, in particular the Group's potential ECLs if each scenario were given a 100% weighting. In these instances all non-modelled ECLs, including credit assessed ECLs and other management judgements remain unchanged.

The UK Bank's most severe 100% scenario sensitivity was to the downside 2 - global shock scenario which, if applied, would result in an increase in ECLs, excluding credit assessed ECL and other management judgements, of approximately £29 million. The base case scenario, if 100% weighted, would result in a decrease in ECLs, holding all else equal, of approximately £7 million reflecting the current view of the overall weighted average scenarios, skewed to the downside.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Forward-looking macro-economic scenarios

The measurement of ECL also requires the use of multiple economic scenarios to calculate a probability weighted forward-looking estimate. These scenarios are updated at least twice a year, or more frequently if there is a macro-economic shock or significant shift in expectations. The weighting of these scenarios for IFRS 9 as well as the scenarios themselves are discussed and presented at the relevant BRCCs as well as the relevant capital committees for approval, which form part of the principal governance framework for macro-economic scenarios. They are also reviewed by the relevant Audit Committees.

A number of forecast economic scenarios are considered for capital planning, stress testing (including Investec-specific stress scenarios) and IFRS 9 ECL measurement.

For Investec plc, four macro-economic scenarios were used in the measurement of ECL. These scenarios incorporate a base case, an upside case and two downside cases.

Taking into account the current macro-economic environment, adjustments have been made to the composition of the downside scenarios. The downside 1 – inflation scenario has been updated to reflect entrenched inflation remaining until the end of the time horizon, rather than a high, temporary peak. Similarly to March 2022 and September 2022, the scenarios also incorporate a downside 2 – global shock scenario which captures deflationary tail risks in a world economic downturn.

In addition to a reassessment of the macro-economic scenarios, a review of the weightings for the new scenarios also took place, to take into account the latest economic circumstances and the associated risks to the outlook. On this basis, the weightings stand at; 10% upside; 50% base case; 20% downside 1 – inflation; and 20% downside 2 – global shock. The risks are skewed to the downside with these weights calibrated to take into account the risks to the outlook including the ongoing war in Ukraine, global financial sector weakness and tight labour markets, considering the potential impact on key economic variables such as inflation and growth.

Under the base case scenario assumption, the UK economy recovers from a period of weakness, a trajectory which is followed by a number of other western economies, while inflation falls sharply. The scenario is underpinned by the absence of sharp energy price increases with UK natural gas prices expected to remain materially lower than in 2022. The resulting recession over 2023 is expected to be relatively short and shallow with a peak to trough drop in output of around 0.5%. The Bank rate rises to 4.50% before falling later in the 2023 calendar year as inflation declines and the economy remains weak. The unemployment rate increases from a starting point of 4% to 5.3% as a result of unfavourable economic conditions, as well as the gradual reversal in decline of labour participation rates. The housing market goes through a difficult period in 2023 with national house prices experiencing a peak-to-trough decline of 7% with no recovery before the end of the year. Globally, the situation is projected to be similar to that of the UK with many economies struggling, inflation pressures falling and with some central banks easing monetary policy this year.

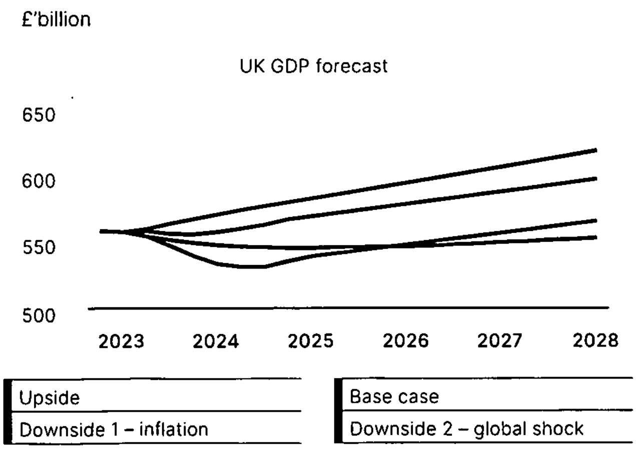
Downside 1 - inflation scenario assumes that the rise in inflation proves more sustained and protracted as wages rise to compensate for higher prices, in turn adding to cost price pressures for companies. Central banks respond by raising interest rates faster and further and holding the new levels for a significant period of time. They also reduce their asset holdings. This sharp tightening of monetary conditions triggers a period of contraction in GDP, rising unemployment and a correction in equity and bond markets. In the UK, inflation moderates from a double-digit rate, but underlying pressures are persistent and entrenched. Inflation expectations adjust to a new regime of higher inflation and interest rates. Inflation averages 4% at the end of the forecast horizon and the bank rate rises to a peak of 4.50%, remaining at that level throughout the forecast horizon. The economy fails to achieve any meaningful recovery and activity stagnates over the five-year period.

Downside 2 – global shock scenario is a hypothetical scenario designed to encapsulate a variety of tail risks. It models a synchronised global V-shaped economic downturn and a sharp repricing of all asset classes, particularly those where valuations are most elevated. Although the shock is assumed to take place early on in the forecasting horizon, lasting headwinds mean the economic and asset price recovery that follows is a slow one. Partly this also reflects the assumption that fiscal support is not as substantial as it was during the initial phase of the COVID-19 pandemic. Faced by a major disinflationary shock, central banks loosen policy. The BoE does so via a cut in the bank rate to a low of 0.25% and a renewal of asset purchases. Over time, an economic recovery prompts a slow rise in policy rates.

The down case scenarios are severe but plausible scenarios created based on Investec specific bottom-up stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity.

In the upside case, economic activity expands more briskly, as renewed business confidence coupled with an easing of COVID-19 related supply disruptions boosts business investment. In turn that triggers an acceleration in labour productivity, which sustains faster growth for longer. Accordingly medium-term GDP growth averages 2% per annum. Inflation subsides because higher wages merely reflect faster labour productivity growth rather than adding to cost pressures. Amid a positive environment for corporates, unemployment falls even further. This stronger than expected rebound is seen globally, and monetary policy normalises gradually enough so as not to subdue growth.

The graph below shows the forecasted UK GDP under each macro-economic scenario applied at 31 March 2023.



NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

The table that follows shows the key factors that form part of the UK and Other macro-economic scenarios and their relative applied weightings.

	At 31 March 2023 average 2023 – 2028				At 31 March 2022 average 2022 – 2027			
Macro-economic scenarios	**Upside %**	**Base case %**	**Downside 1 inflation %**	**Downside 2 global shock %**	Upside %	Base case %	Downside 1 L-shape %	Downside 2 fiscal crisis %
UK								
GDP growth	1.9	1.2	(0.2)	0.2	2.6	1.9	0.8	0.3
Unemployment rate	3.6	4.6	5.4	6.8	3.3	3.7	5.4	6.4
CPI inflation	2.5	2.2	5.8	2.1	2.4	3.1	3.2	1.6
House price growth	2.1	0.5	(1.7)	(4.6)	3.5	2.9	1.5	(3.6)
BoE – Bank rate (end year)	2.8	2.8	4.5	1.0	1.8	1.9	2.0	(0.2)
Euro area								
GDP growth	2.1	1.4	0.1	0.2	2.8	2.1	1.1	0.1
US								
GDP growth	2.6	1.5	0.6	0.5	3.1	2.1	1.4	0.6
Scenario weightings	**10**	**50**	**20**	**20**	**10**	**45**	**30**	**15**

The following table shows annual averages of economic factors for the base case over a five-year period based on the economic forecasts in place as at 31 March 2023.

	Financial years				
Base case %	**2023/2024**	**2024/2025**	**2025/2026**	**2026/2027**	**2027/2028**
UK					
GDP growth	(0.3)	1.4	1.8	1.6	1.6
Unemployment rate	4.7	5.0	4.6	4.4	4.3
CPI inflation	3.6	1.4	1.9	2.0	2.0
House price growth	(5.0)	0.4	2.3	2.4	2.4
BoE – Bank rate (end year)	3.5	2.8	2.5	2.5	2.5
Euro area					
GDP growth	0.3	1.5	1.8	1.6	1.6
US					
GDP growth	0.6	1.2	1.8	1.8	2.1

The following table outlines the extreme point forecast for each economic factor across the scenarios as at 31 March 2023. Baseline represents the five-year base case average. Upside scenario values represent the best outcomes, namely the highest quarterly level of GDP, house price growth (year on year), lowest level of unemployment and Bank rate. Upside scenario value for CPI inflation is represented by the five-year average. Downside scenario values represent the worst outcomes being lowest quarterly level of GDP, house price growth (year on year). For Bank rate and CPI inflation the most extreme point is listed, the highest level reflective in downside 1 – inflation scenario and the lowest level in downside 2 – global shock scenario.

Five-year extreme points At 31 March 2023	**Upside %**	**Baseline: Base case five-year average %**	**Downside 1 inflation %**	**Downside 2 global shock %**
UK				
GDP growth	2.5	1.2	(1.8)	(4.3)
Unemployment rate	3.5	4.6	5.8	7.8
CPI inflation	2.5	2.2	9.4	0.8
House price growth	5.1	0.5	(6.1)	(20.2)
BoE – Bank rate (end year)	2.5	2.8	4.5	0.3
Euro area				
GDP growth	3.2	1.4	(0.9)	(4.3)
US				
GDP growth	3.1	1.5	(0.8)	(3.9)

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

60. ESG Risk

Our sustainability strategy focuses on two core UN Sustainable Development Goals which are climate action (SDG 13) and reducing inequalities (SDG 10). This is key when integrating ESG considerations into our day-to-day operations and credit decision-making.

With regards to climate action (SDG 13):

- We embrace our responsibility to understand and manage our own carbon footprint and maintain carbon neutrality within our direct operations
- The greatest socio-economic and environmental influence we can have is to partner with our clients and stakeholders to accelerate a cleaner, more resilient and inclusive world
- We have a number of Investec Group environmental policies that also guide credit decision-making from an ESG perspective
- We have been signatories of the Net-Zero Banking Alliance since 2021, strengthening our commitment to a net-zero carbon world
- We support the key provisions of the Equator Principles (EP). All transactions in non-designated countries are EP monitored and compliant.

With regards to reducing inequalities (SDG 10):

- We support a number of internationally recognised principles, guidelines and voluntary standards which reflect our commitment to respecting human rights, building inclusive communities and supporting activities that reduce inequality.

When assessing high-risk transactions, a number of ESG risks are taken into consideration including:

- Environmental impacts (including animal welfare and nature-related impacts) to support SDG 13
- Social impacts (including human rights, diversity and inclusion) to support SDG 10
- Macro-economic impacts (including poverty, growth and unemployment) to support SDG 13 and SDG 10.

61. Climate, nature and biodiversity risk

We believe that as a specialised financial services organisation and given our positioning in the developed and emerging worlds, we can make a meaningful impact in addressing climate change and biodiversity.

Our climate change framework takes into account our commitment to a net-zero carbon economy. In addition, our biodiversity statement strengthens our commitment to protecting our natural environment. As such we adopt a precautionary approach towards managing climate, nature-related and biodiversity risks in all decision-making processes.

We support the Paris Agreement aims of holding the increase in global average temperature to well below 2°C above pre-industrial levels and continue to pursue efforts towards limiting it to 1.5°C.

We acknowledge the clear link between climate change and biodiversity loss, and our exposure to multiple types of biodiversity nature-related risks through our business and operational activities.

Nature and biodiversity are the foundation of all that sustains our world and society. Healthy, biodiverse, and resilient ecosystems play a key role in preventing disruption to society and the markets within which our businesses operate. We recognise the need to conserve biodiversity, ecosystems and living organisms.

The Investec Group is a founding member of the African Natural Capital Alliance (ANCA), a collaborative forum for mobilising the financial community's response to the risk of nature loss in Africa. We have also signed up to the Partnership for Biodiversity Accounting Financials (PBAF) that will enable us to assess and disclose our impact and dependencies on nature-related loans and investments.

In principle:

- We have zero tolerance for activities that exploit conservation areas or have an irreversible negative impact on the environment, indigenous people or natural assets
- We are committed to integrating climate change, nature-related and biodiversity risk considerations into our day-to-day operations and in our lending and investment decisions
- We use our specialised skills to advise clients and stakeholders on reducing negative impacts and enhancing biodiversity enrichment
- The Investec Group makes a positive impact on biodiversity through our environmental philanthropy activities and reduces negative effects by addressing financial crimes related to illegal wildlife trade.

Our approach to net-zero

We embrace our responsibility to understand and manage our own carbon footprint. We upheld our commitment and maintained carbon neutrality in our direct operational carbon emissions status for the fourth financial year by sourcing 100% of our Scope 2 energy consumption from renewable energy through the purchase of Renewable Energy Certificates and offsetting the remaining unavoidable residual emissions of 84% through the purchase of verified and high-quality carbon credits.

We acknowledge that the widest and most impactful influence we can have is to manage and reduce our carbon emissions in the business we conduct and more specifically in our lending and investing portfolios (Scope 3-financed activities). As such, we are members of the Net-Zero Banking Alliance (NZBA) and continue to work with the Partnership for Carbon Accounting Financials (PCAF) to measure our financed emissions. Last year we established a base line towards a net-zero path and will continue to refine our assumptions around Scope 3 emissions.

We continue to build capacity within our specialist skills in advisory, lending and investing to support our clients and stakeholders to move as quickly and smoothly as possible towards a zero carbon economy.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Nature-related financial disclosures (TNFD)

We have incorporated a high-level approach according to the recommendations of the TNFD within our TCFD report. As our knowledge and the recommended guidance on TNFD matures, we aim to enhance these disclosures over time The table below illustrates a summary of progress in terms of the recommendations according to the TCFD and TNFD.

Climate-related financial disclosures (TCFD)

We publish a separate TCFD report that aligns with the Financial Stability Board Taskforce on Climate-related Financial Disclosures recommendations. The table below illustrates a summary of progress in terms of the TCFDs.

Refer to detailed information in the Investec Group's 2023 climate and nature-related disclosures which are published and available on our website: www.investec.com

	Governance	Strategy	Risk management	Metrics
Achievements in prior years	• Established an Investec Group ESG Executive Committee to align and monitor the Group's climate action • Assigned Board and senior management responsibility and oversight for climate-related risks and opportunities • Became members of the Net-Zero Banking Alliance (NZBA) • IW&I submitted their first UN PRI report • IW&I joined Climate Action 100+ • The Investec Group tabled a voluntary climate resolution at the August 2021 AGM, receiving 99.9% support.	• Acknowledged the Paris Agreement's aim of holding the increase in the global average temperature to well below 2°C compared to pre-industrial levels and of pursuing efforts towards limiting it to 1.5°C • Created a sustainable finance framework • Launched a number of ESG and climate-specific products and services.	• Evaluated our lending and investment portfolios for climate-related risks and opportunities • Automated ESG screening incorporated into our risk management process • Assessed climate-related risks within our operations and lending activities.	• Achieved carbon neutrality across our direct operational activities • Joined PCAF and measured our Scope 3 emissions within our lending and investing activities • Assessed net-zero pathways according to SBTi guidance.
Achievements for the financial year ended March 2023	• Reviewed our ESG framework linked to executive KPIs for remuneration • Engaged with stakeholders on our disclosures to get feedback on how we can improve our governance and oversight • Provided some targeted training to board members, executive management, and staff.	• Joined the Partnership for Biodiversity Accounting Financials (PBAF) • Performed a Pro-Climate assessment to identify gaps within our strategy • Increased stakeholder engagement from our IW&I business on climate-related matters • Participated in a £110 million facility for electric vehicle charging company, Instavolt • Incorporated high-level disclosures as recommended by the TNFD.	• Strengthened our climate focus in the Investec plc and IBP risk appetite assessment resulting in a net-zero aligned target set towards zero coal exposure by 31 March 2027 • Reviewed and updated our fossil fuel policy with the primary change being managing our thermal coal exposure in line with our risk appetite assessment • Reviewed the recommendations from the SBTi on financial sector science based target setting.	• Continued to refine our assumptions around Scope 3 emissions • Engaged with SBTi on their recently released recommendations for Financial Institutions with the aim of reporting on verified climate-related targets.
Looking forward	• Activate a focused learning pathway for management and staff, targeted towards their unique requirements within their respective areas • Stronger focus on ESG and sustainability (including climate and nature-related) matters in the DLC BRCC.	• Further engagements with our clients to assist them in their net-zero carbon ambitions • Continue providing innovative climate-related product offerings • Review and assess the integration of climate-related matters into business strategy • Monitor the progress in terms of the Group's net-zero carbon ambition • Continue to strengthen the Group's climate-related and sustainability disclosures.	• Review developments with regards to climate-related disclosure guidance in specific recommendations by the International Sustainability Standards Board (ISSB) and the Financial Reporting Council (FRC) • Enhanced focus on reporting on biodiversity and nature-related risks according to the TNFD recommendations.	• Engage with stakeholders to get feedback on how we can improve our measurement and methodologies used • Continue to monitor progress on the Group's net-zero carbon ambitions • Reporting verified SBTi targets.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

62. Investment risk in the banking book

Investment risk in the banking book comprises 2.0% of total assets at 31 March 2023. We have refocused our principal investment activities on clients where we have and can build a broader relationship through other areas of activity in the Group.

We partner with management and other co-investors by bringing capital raising expertise, working capital management, merger and acquisition and investment experience into client-driven private equity transactions as well as leveraging third party capital into the Group's funds that are relevant to the Group's client base. Investments are selected based on:

- The track record and credibility of management
- Attractiveness of the industry and the positioning therein
- Valuation/pricing fundamentals
- Sustainability analyses
- Exit possibilities and timing thereof
- The ability to build value by implementing an agreed strategy.

Investments in listed shares may arise on an IPO, or sale of an investment to a listed company. There is limited appetite for listed investments.

Additionally, from time to time, the manner in which certain lending transactions are structured results in equity, warrants or profit shares being held, predominantly in unlisted companies. We also source development, investment and trading opportunities to create value within agreed risk parameters.

Following the distribution that took place on 31 May 2022, Investec plc retains a c.10% shareholding in Ninety One (previously known as Investec Asset Management) as an investment (31 March 2022: c.15%).

Management of investment risk

As investment risk arises from a variety of activities conducted by the Group, the monitoring and measurement thereof varies across transactions and/or type of activity. Investment committees exist in the UK which provide oversight of the regions where we assume investment risk.

Risk appetite limits and targets are set to manage our exposure to equity and investment risk. An assessment of exposures against limits and targets is reported to IBP and DLC BRCCs.

As a matter of course, concentration risk is avoided and investments are spread across geographies and industries.

Valuation and sensitivity assumptions and accounting methodologies

For a description of our valuation principles and methodologies refer to pages 67 to 73 and pages 94 to 101 for factors and sensitivities taken into consideration in determining fair value.

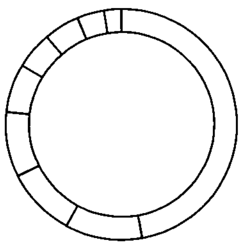
An analysis of income and revaluations of these investments can be found in the investment income note on page 79.

Summary of investments

£'million Category	On-balance sheet value of investments 31 March 2023	On-balance sheet value of investments 31 March 2022
Unlisted investments	315	336
Listed equities	2	2
Ninety One	172	356
Total investment portfolio	**489**	**694**
Trading properties	75	4
Warrants and profit shares	5	6
Total	**569**	**704**

An analysis of the investment portfolio (excluding Ninety One), warrants and profit shares

31 March 2023
£322 million



Finance and insurance	47.2%
Manufacturing and commerce	10.8%
Retailers and wholesalers	9.7%
Transport	9.1%
Real estate	6.8%
Construction	5.1%
Business services	5.0%
Other	3.8%
Communication	2.5%

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

63. Securitisation/ structured credit activities exposures

Overview

The Group's definition of securitisation/ structured credit activities is wider than the definition applied for regulatory capital purposes. The regulatory capital definition focuses largely on positions we hold in an investor capacity and includes securitisation positions we have retained in transactions in which the Group has achieved significant risk transfer. We believe, however, that the information provided below is meaningful in that it groups all these related activities in order for a reviewer to obtain a full picture of the activities that we have conducted in this space. Some of the information provided below overlaps with the Group's credit and counterparty exposure information.

In the UK, capital requirements for securitisation positions are calculated using either the standardised approach (SEC-SA) or the external ratings-based approach (SEC-ERBA). Given risk-weightings under the SEC-SA approach do not rely on external ratings, a breakdown by risk-weight has also been provided in the analysis below.

Securitisation transactions provide the bank with a cost-effective, alternative source of financing either through sale to the market or through use of the notes issued as collateral for other funding mechanisms.

We hold rated structured credit instruments. These are UK, US and European exposures and amounted to £650 million at 31 March 2023 (31 March 2022: £381 million) with 99% being AAA and AA rated. Of the total structured credit exposures, 99% have a risk weighting of less than 40%.

For accounting methodologies refer to page 70.

Risk management

All existing or proposed exposures to a securitisation are analysed on a case-by-case basis, with approval required from credit. The analysis looks through to the historical and expected future performance of the underlying assets, the position of the relevant tranche in the capital structure as well as analysis of the cash flow waterfall under a variety of stress scenarios. External ratings and risk-weightings are presented, but only for information purposes since the Group principally relies on its own internal risk assessment. Overarching these transaction level principles is the Board-approved risk appetite policy, which details the Group's appetite for such exposures, and each exposure is considered relative to the Group's overall risk appetite. We can use explicit credit risk mitigation techniques where required; however, the Group prefers to address and manage these risks by approving exposures for which the Group has explicit appetite through the consistent application of the risk appetite policy.

In addition, securitisations of Investec own originated assets are assessed in terms of the credit risk management philosophies and principles as set out above.

Credit analysis

In terms of our analysis of our credit and counterparty risk, exposures arising from securitisation/structured credit activities reflect only those exposures to which we consider ourselves to be at risk.

Nature of exposure/activity	**31 March 2023 £'million**	31 March 2022 £'million	Balance sheet and credit risk classification
Structured credit (gross exposure)	715	429	
<40% RWA	709	423	Other debt securities and other loans and advances
>40% RWA	6	6	

Analysis of gross structured credit exposure

£'million	AAA	AA	A	BBB	BB	B and below	Total rated	Total unrated	Total
US corporate loans	382	53	7	—	—	—	442	61	503
UK RMBS	58	23	1	—	—	—	82	4	86
European corporate loans	124	2	—	—	—	—	126	—	126
Total at 31 March 2023	**564**	**78**	**8**	**—**	**—**	**—**	**650**	**65**	**715**
<40% RWA	564	77	7	—	—	—	648	61	709
>40% RWA	—	1	1	—	—	—	2	4	6
Total at 31 March 2022	**282**	**83**	**16**	**—**	**—**	**—**	**381**	**48**	**429**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

64. Market risk in the trading book

Traded market risk profile

The focus of our trading activities is primarily on supporting our clients. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate client flow. Within our trading activities, we act as principal with clients or the market. Market risk exists where we have taken on principal positions resulting from market making, underwriting and facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets.

Traded market risk year in review

The financial year in review has been characterised by significant central bank tightening and inflation, with associated macro-driven market fluctuations, as well as the more recent volatility from the banking sector crisis. Although inflation has started to temper, the impact of the banking sector stress and the higher interest rates is likely to feed into the global economy over the next year. Global yield curves are considerably higher and more inverted than as at 31 March 2022.

In the UK, equity markets fell over the first half of the financial year, with declines in the FTSE100 and FTSE250 peaking at -9% and -21% during October 2022, whereafter they recovered to +1.5% and -10.5% for the full year to 31 March 2023. The UK Bank continues to wind down its structured products book with IBP executive management, risk management and the business closely monitoring the risk in the substantially reduced remaining book. The macro hedge remains in place and continues to be updated to ensure that it continues to provide downside protection in the event of an extreme market dislocation.

The primary focus of all trading activity continues to be managing and hedging the market risk arising from client-related activity, and directional exposures remain at a minimum. Utilisation of risk limits have remained moderate, and the desks have remained prudent during the year.

Traded market risk governance structure

Traded market risk is governed by policies that cover the management, identification, measurement and monitoring of market risk. We have independent market risk teams to identify, measure, monitor and manage market risk.

The market risk teams have reporting lines that are separate from the trading function, thereby ensuring independent oversight. The Market Risk Forum, mandated by the IBP ERC, manages market risk in accordance with approved principles, policies and risk appetite. Trading desk risk limits are reviewed by the Market Risk Forum and approved by IBP ERC in accordance with the risk appetite defined by the Board. Any significant changes in risk limits are then taken to Group ERC, IBP and DLC BRCCs as well as IBP and DLC Boards for review and approval. The appropriateness of limits is continually reassessed, with limits reviewed at least annually, in the event of a significant market event or at the discretion of senior management.

Measurement of traded market risk

A number of quantitative measures are used to monitor and limit exposure to traded market risk. These measures include:

- Value at Risk (VaR) and Expected Shortfall (ES) as portfolio measures of market risk exposure
- Scenario analysis, stress tests and tools based on extreme value theory (EVT) that measure the potential impact on portfolio values of extreme moves in markets
- Sensitivity analysis that measures the impact of individual market risk factor movements on specific instruments or portfolios, including interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices. We use sensitivity measures to monitor and limit exposure across portfolios, products and risk types.

Stress and scenario analyses are used to add insight into the possible outcomes under severe market disruptions. The stress testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk. Stress scenarios based on historical experience as well as hypothetical scenarios are considered and are reviewed regularly for relevance in the ever-changing market environment. Stress scenarios are run daily with analysis presented to IBP Review Executive Risk Review Forum (IBP Review ERRF) weekly and IBP BRCC when the committees meet or more often should market conditions require this.

Traded market risk management, monitoring and control

Market risk limits are set according to our risk appetite policy. Limits are set at trading desk level with aggregate risk across all desks also monitored against overall market risk appetite limits. Current market conditions as well as stressed market conditions are taken into account when setting and reviewing these limits.

Market risk teams review the market risks in the trading book with detailed risk reports produced daily for each trading desk and for the aggregate risk of the trading book. The material risks identified are summarised in daily reports that are distributed to, and discussed with senior management when required. The production of risk reports allows for the monitoring of all positions in the trading book against prescribed limits. Documented policies and procedures are in place to ensure there is a formal process for recognition and authorisation for risk excesses incurred.

The risk management software is fully integrated with source trading systems, allowing valuation in risk and trading systems to be fully aligned. All valuation models are subject to independent validation by market risk ensuring models used for valuation and risk are validated independently of the front office.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Value at Risk

VaR is a technique that estimates the potential losses as a result of movements in market rates and prices over a specified time horizon at a given level of confidence. The VaR model derives future scenarios from a historic time series of market rates and prices, taking into account inter-relationships between the different markets such as interest rates and foreign exchange rates. The VaR model is based on a full revaluation historical simulation and incorporates the following features:

- Two-year historical period based on an unweighted time series
- Daily movements in each risk factor e.g. foreign exchange rates, interest rates, equity prices, credit spreads and associated volatilities are simulated with reference to historical market rates and prices, with proxies only used when no or limited historical market data is available
- Risk factor movements are based on both absolute and relative returns as appropriate for the different types of risk factors.

VaR numbers using a one-day holding period are monitored daily at the 95% and 99% confidence intervals, with limits set at the 95% confidence interval. Expected shortfalls are also monitored daily at the 95% and 99% levels, being the average of the losses in the tail of the VaR distribution.

The table below contains the 95% one-day VaR figures for the trading businesses.

95% one-day VaR	**31 March 2023**				31 March 2022			
£'000	**Year end**	Average	High	Low	**Year end**	Average	High	Low
Equities	295	324	762	124	381	479	742	335
Foreign exchange	8	13	76	3	5	9	69	1
Interest rates	43	33	73	15	21	28	172	8
Credit	64	14	67	1	1	13	89	1
Consolidated*	**352**	**331**	**770**	**103**	**370**	**469**	**699**	**340**

* The consolidated VaR for each entity is lower than the sum of the individual VaRs. This arises from the correlation offset between various asset classes (diversification).

Expected shortfall

The ES measure overcomes some of VaR's shortcomings. ES seeks to quantify losses encountered in the tail beyond the VaR level. The 95% one-day ES is the average loss given that the 95% one-day VaR level has been exceeded. The table below contains the 95% one-day ES figures.

95% one-day ES **£'000**	**31 March 2023**	31 March 2022
Equities	366	530
Foreign exchange	15	7
Interest rates	68	36
Credit	163	1
Consolidated*	**472**	**525**

* The consolidated ES for each entity is lower than the sum of the individual ESs. This arises from the correlation offset between various asset classes.

Stressed VaR

Stressed VaR (sVaR) is calculated using the VaR model but is based on a one-year period through which the relevant market factors experienced stress. The information in the table below contains the 99% one-day sVaR.

£'000	**31 March 2023**	31 March 2022
99% one-day sVaR	**672**	**858**

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

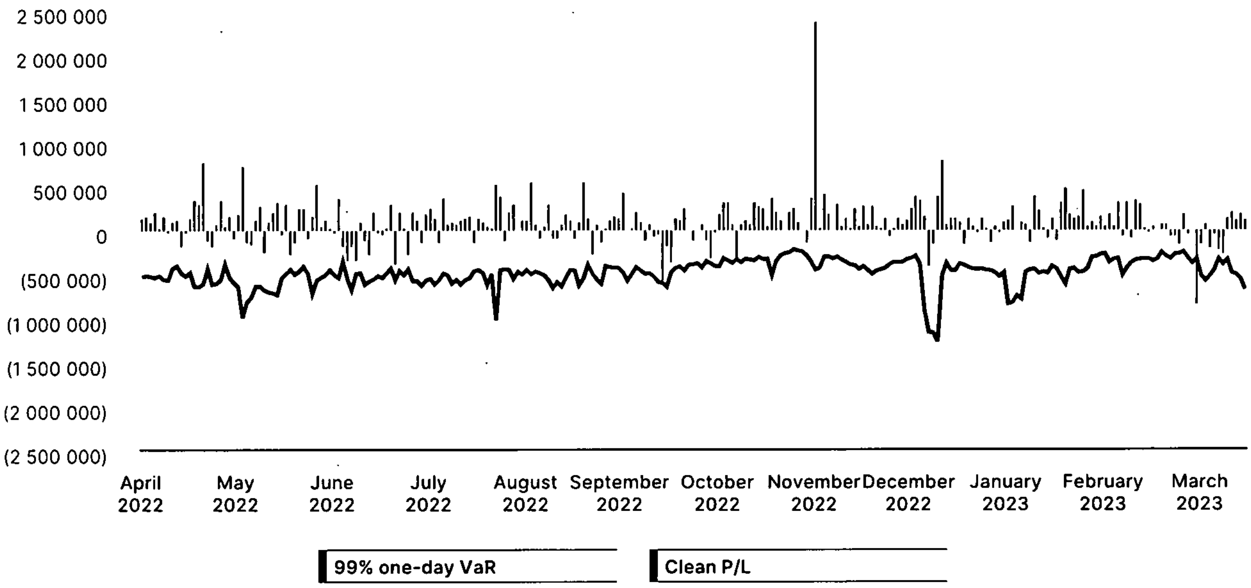
Backtesting

The performance of the VaR model is regularly monitored through backtesting. This is done by comparing daily clean profit and loss against one-day VaR based on a 99% confidence level. Clean profit and loss excludes items such as intra-day transactions, valuation adjustments, provisions, recoveries, commission, fees and hedge costs included in the new trade revenue. If a loss exceeds the one-day VaR, a backtesting exception is considered to have occurred. Over time we expect the average rate of observed backtesting exceptions to be consistent with the percentile of the VaR statistic being tested. This is conducted at an aggregate and desk level on a daily basis.

The graph that follows shows the result of backtesting the total daily 99% one-day VaR against the clean profit and loss data for our trading activities over the reporting period. Based on these graphs, we can gauge the accuracy of the VaR figures, i.e. 99% of the time, losses are not expected to exceed the 99% one-day VaR.

The average VaR for the year ended 31 March 2023 was lower than for the year ended 31 March 2022. Using clean profit and loss data for backtesting resulted in one exception over the period at the 99% confidence level, i.e. where the loss was greater than the 99% one-day VaR. This is less than the two to three exceptions expected over a one-year period which reflects the continued de-risking in the structured product book and the limited net market risk exposure in the trading book, as well as the volatility experienced in 2020 still being captured in the historic two-year period of the VaR model for a portion of the reporting period.

99% one-day VaR backtesting (£)



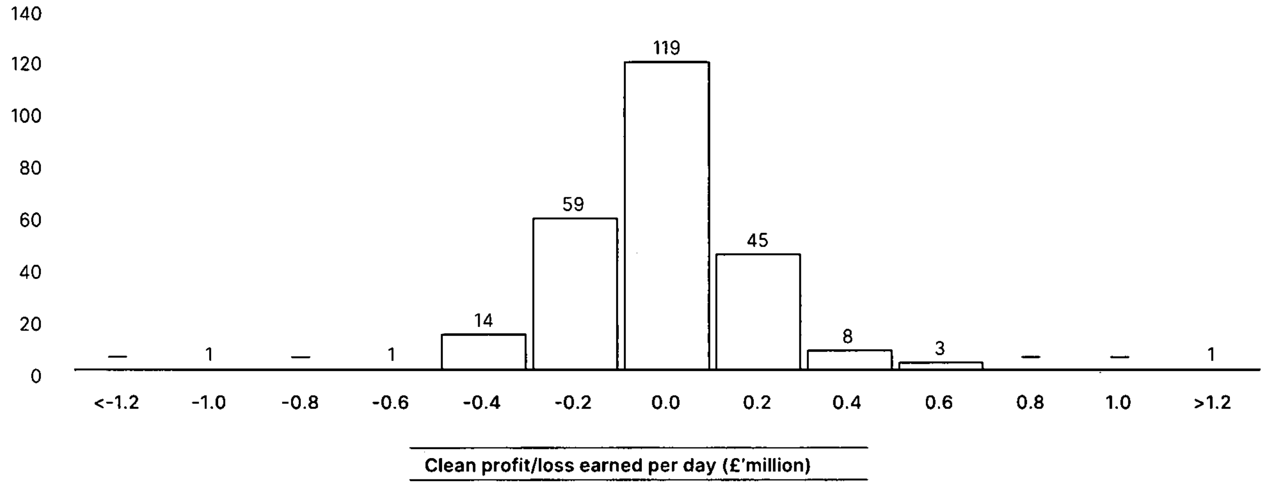
NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Clean profit and loss histogram

The histogram below illustrates the distribution of clean profit and loss during the financial year for our trading businesses. The graph shows that a clean profit was realised on 176 days out of a total of 251 days in the trading business. The average daily clean profit and loss generated for the year to 31 March 2023 was £87 798 (31 March 2022: £55 676).

Clean profit and loss

Frequency: Days in the year



Market risk – derivatives

The Group enters into various derivatives contracts, largely on the back of customer flow. These are used for hedging foreign exchange, interest rates, commodity, equity and credit exposures and to a small extent as principal for trading purposes. Traded instruments include financial futures, options, swaps and forward rate agreements.

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 108.

The notional principal indicates our activity in the derivatives market and represents the aggregate size of total outstanding contracts at year end. The fair value of a derivative financial instrument represents the present value of the positive or negative cash flows which would have occurred had we closed out the rights and obligations arising from that instrument in an orderly market transaction at year end. Both these amounts reflect only derivatives exposure and exclude the value of the physical financial instruments used to hedge these positions.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

65. Balance sheet risk management

Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and IRRBB.

Balance sheet risk governance structure and risk mitigation

Investec plc (and its subsidiaries, including IBP) are ring-fenced from Investec Limited (and its subsidiaries), and vice versa. Both legal entities (and their subsidiaries) are therefore required to be self-funded, and manage their funding and liquidity as separate entities.

Risk appetite limits are set at the relevant Board level and reviewed at least on an annual basis. The size, materiality, complexity, maturity and depth of the market as well as access to stable funds are all inputs considered when establishing the liquidity and non-trading interest rate risk appetite for each relevant region. Specific regulatory requirements may further dictate additional restrictions to be adopted in a region.

Under delegated authority of the respective Boards, the Group has established ALCOs within each banking entity, using regional expertise and local market access as appropriate. The ALCOs are mandated to ensure independent supervision of liquidity risk and non-trading interest rate risk within the risk appetite.

ALCOs meet on at least a monthly basis to review the exposures within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and interest rate risk. The Treasury function within each banking entity is mandated to holistically manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios on a day-to-day basis.

The Treasury function, by banking entity, is required to exercise tight control of liquidity, funding, concentration, encumbrance and non-trading interest rate risk within the Board-approved risk appetite limits. IRRBB and asset funding requirements are transferred from the originating business to the Treasury function.

The Treasury function, by banking entity, directs pricing for all deposit products, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, thus providing prudential management and a flexible response to volatile market conditions.

We maintain an internal funds transfer pricing system based on prevailing market rates. Our funds transfer pricing system charges the businesses the price of liquidity taking into account the behavioural duration of the asset. The costs and risks of liquidity are clearly and transparently attributed to business lines thereby ensuring that price of liquidity is integrated into business level decision-making and drives the appropriate mix of sources and uses of funds.

Balance sheet risk management is based within Group risk management and is responsible for identifying, quantifying, monitoring and communicating risks while providing daily independent governance and oversight of the treasury activities and the execution of the Group's policies.

There is a regular internal audit of the balance sheet risk management function, the frequency of which is determined by internal audit.

Daily, weekly and monthly reports are independently produced highlighting Group activity, exposures and key measures against thresholds and limits and are distributed to management, ALCO, Treasury, IBP Review ERRF, IBP ERC, IBP BRCC, and DLC BRCC as well as summarised reports for Board meetings.

Liquidity risk

Liquidity risk is further broken down into:

- **Funding liquidity risk:** this relates to the risk that the Group will be unable to meet current and/or future cash flows or collateral requirements in the normal course of business, without adversely affecting its solvency, financial position or its reputation
- **Market liquidity risk:** this relates to the risk that the Group may be unable to trade in specific markets or that it may only be able to do so with difficulty due to market disruptions or a lack of market liquidity.

Management and measurement of liquidity risk

Cohesive liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. As such, the Group considers ongoing access to appropriate liquidity for all its operations to be of paramount importance, and our core liquidity philosophy is reflected in day-to-day practices which encompass the following robust and comprehensive set of policies and procedures for assessing, measuring and controlling liquidity risk:

- Our liquidity management processes encompass requirements set out within BCBS guidelines and by the regulatory authorities in each jurisdiction, namely the PRA, EBA,GFSC and FINMA
- The risk appetite is clearly defined by the Board and each geographic entity must have its own Board-approved policies with respect to liquidity risk management
- We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the regulatory requirements as protection against unexpected disruptions in cash flows
- Funding is diversified with respect to currency, term, product, client type and counterparty to ensure a varied overall funding mix
- We monitor and evaluate each banking entity's maturity ladder and funding gap (cash flow maturity mismatch) on a 'liquidation', 'going concern' and 'stress' basis
- The balance sheet risk management team independently monitors and communicates key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential market disruptions
- The maintenance of sustainable prudent liquidity resources takes precedence over profitability
- The Group maintains contingency funding plans designed to protect depositors, creditors and shareholders and maintain market confidence during adverse liquidity conditions.

We measure liquidity risk by quantifying and calculating various liquidity risk metrics and ratios to assess potential risks to the liquidity position. These include:

- An internal 'survival horizon' metric which models the number of days it takes before the Group's cash position is depleted under an internally defined worst-case liquidity stress
- Regulatory metrics for liquidity measurement:
  - Liquidity Coverage ratio (LCR)
  - Net Stable Funding ratio (NSFR)
- An array of liquidity stress tests, based on a range of scenarios and using historical analysis, documented

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

experience and prudent judgement to model the impact on the Group's balance sheet

- Contractual run-off based actual cash flows with no modelling adjustments
- Additional internally defined funding and balance sheet ratios
- Any other local regulatory requirements.

This suite of metrics ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that we are able to generate sufficient liquidity to withstand a range of liquidity stresses or market disruptions.

The parameters used in stress scenarios are reviewed at least annually, taking into account changes in the business environments and input from business units. The objective is to analyse the possible impact of an economic event on the Group's balance sheet, so as to maintain sufficient liquidity and to continue to operate for a minimum period as detailed in the Board-approved risk appetite.

We further carry out reverse stress tests to identify business model vulnerabilities which tests 'tail risks' that can be missed in normal stress tests. The Group has calculated the severity of stress required to breach the liquidity requirements. This scenario is considered highly unlikely given the Group's strong liquidity position, as it requires an extreme withdrawal of deposits combined with the inability to take any management actions to breach liquidity minima that threaten the Group's liquidity position.

The Group operates an industry-recognised third party risk modelling system in addition to custom-built management information systems designed to measure and monitor liquidity risk on both a current and forward-looking basis.

Funding strategy

We maintain a funding structure of stable customer deposits and long-term wholesale funding well in excess of funded assets. We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. As a result, we are able to generate funding from a broad range of sources in each geographic location, which ensures a varied overall funding mix to support loan growth.

We acknowledge the importance of our retail deposit client base as the principal source of stable and well diversified funding. We continue to develop products to attract and service the investment needs of our client base in line with our risk appetite.

Entities within the Group actively participate in global financial markets and our relationship is continuously enhanced through regular investor presentations internationally. Entities are only allowed to have funding exposure to wholesale markets where they can demonstrate that the market is sufficiently deep and liquid, and then only relative to the size and complexity of their business as part of a diversified funding mix.

The Group's ability to access funding at cost-effective levels is influenced by maintaining or improving the entity's credit rating. A reduction in these ratings could have an adverse effect on the Group's funding costs, and access to wholesale term funding. Credit ratings are dependent on multiple factors, including operating environment, business model, strategy, capital adequacy levels, quality of earnings, risk appetite and exposure and control framework.

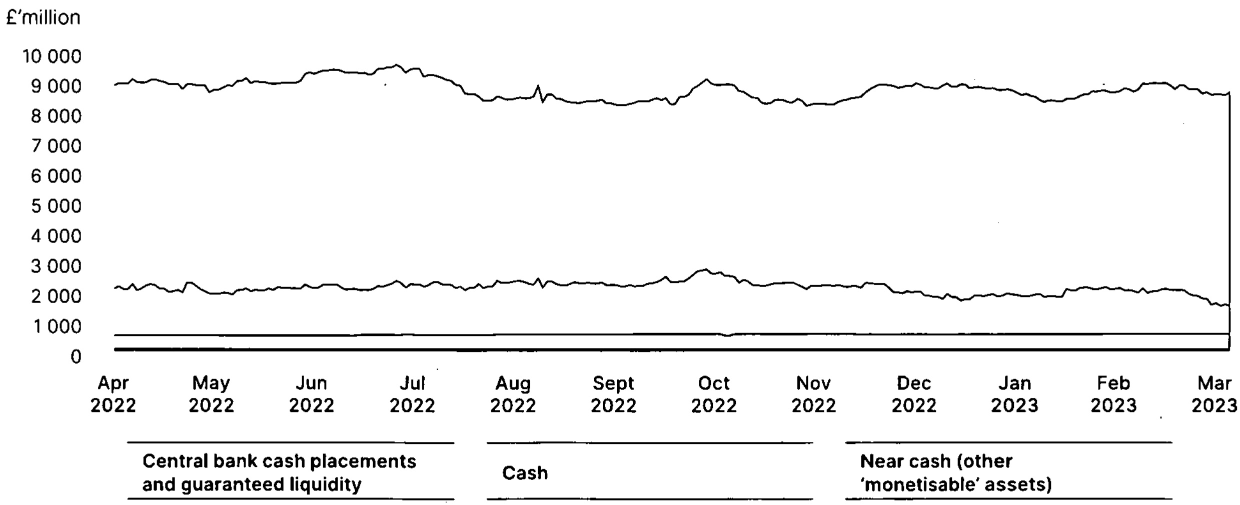
We remain confident in our ability to raise funding appropriate to our needs.

Liquidity buffer

To protect against potential shocks, we hold a liquidity buffer in the form of cash, unencumbered high-quality liquid assets (typically in the form of government or rated securities eligible for repurchase with the central bank), and near cash, well in excess of the regulatory requirements as protection against disruptions in cash flows. These portfolios are managed within Board-approved targets, and as well as providing a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy. The Group remains a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. We do not rely on overnight interbank deposits to fund term lending.

From 1 April 2022 to 31 March 2023 average cash and near cash balances over the period amounted to £8.7 billion.

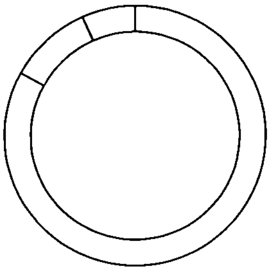
Cash and near cash trend



NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

An analysis of cash and near cash at 31 March 2023

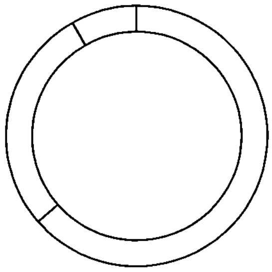
£8 550 million



Central bank cash placements and guaranteed liquidity	83.0%
Cash	10.3%
Near cash (other 'monetisable' assets)	6.7%

Customers accounts (deposits) by type at 31 March 2023

£19 122 million



Individuals	63.6%
Other financial institutions and corporates	28.2%
Small business	8.2%

Contingency planning

We maintain a contingency funding plan which details the course of actions that can be taken in the event of a liquidity stress. The plan helps to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse bank-specific events, while minimising detrimental long-term implications for the business. The plan includes:

- Details on the required daily monitoring of the liquidity position
- Description of the early warning indicators to be monitored, and process of escalation if required
- Liquidity stress scenarios to be modelled for Contingency Funding Plan (CFP) purposes (over and above daily stress testing scenarios)
- Funding and management actions available for use in a stress situation
- Roles and responsibilities
- Details of specific escalation entities and key contacts
- Internal and external communication plans.

The plan have been tested within our core jurisdictions via an externally facilitated liquidity crisis simulation exercise which assess the Group's sustainability and ability to adequately contain a liquidity stress.

Further information on recovery and resolution planning can be found on page 176.

Asset encumbrance

An asset is defined as encumbered if it has been pledged as collateral against an existing liability and, as a result, is no longer available to the Group to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

Risk management monitors and manages total balance sheet encumbrance within a Board-approved risk appetite limit. Asset encumbrance is one of the factors considered in the discussion of new products or new funding structures, and the impact on risk appetite is assessed.

The Group uses secured transactions to manage short-term cash and collateral needs, and utilises securitisations in order to raise external term funding as part of its diversified liability base. Securitisation notes issued are also retained by the Group which are eligible for the Bank of England's Single Collateral Pool to support central bank liquidity facilities.
Encumbered assets are identified in accordance with the definitions under European Capital Requirements Regulation (CRR), and regular reporting is provided to the PRA. Further disclosures on encumbered and unencumbered assets can be found within the Investec plc Pillar III document.

On page 106 we disclose further details of assets that have been received as collateral under reverse repurchase agreements and securities borrowing transactions where the assets are allowed to be resold or pledged.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Liquidity mismatch

The tables that follow show the contractual and behavioural liquidity mismatch.

With respect to the contractual liquidity table that follows, we record all assets and liabilities with the underlying contractual maturity as determined by the cash flow profile for each deal.

With respect to the behavioural liquidity gap, we adjust the contractual profile of certain assets and liabilities:

- **Liquidity buffer:** the actual contractual profile of the assets in the liquidity buffer is of little consequence, as practically the Group would meet any unexpected net cash outflows by repo'ing or selling these highly liquid securities. Consequently, for the liquidity buffer:
  - The time horizon to monetise our regulatory liquid assets which are guaranteed by the central bank has been adjusted to 'on demand'
  - The time horizon for the cash and near cash portfolio of discretionary treasury assets has been set to one month where there are deep secondary markets for this elective asset class.
- **Customer deposits:** the contractual repayments of many deposits are on demand, or at notice, but in reality withdrawals vary significantly from this. Historical observations of the products are used to model the behavioural lives, and this analysis has identified significant additional sources of structural liquidity in the form of core deposits that exhibit stable behaviour.

Contractual liquidity at 31 March 2023

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Cash and short-term funds – banks	6 196	93	—	—	—	5	—	6 294
Investment/trading assets	272	987	489	485	457	807	1 269	4 766
Securitised assets	—	—	1	—	1	23	53	78
Advances	110	686	756	1 148	1 799	7 890	3 321	15 710
Other assets	1	560	59	41	44	466	367	1 538
Assets	**6 579**	**2 326**	**1 305**	**1 674**	**2 301**	**9 191**	**5 010**	**28 386**
Deposits – banks	(347)	—	(1)	(5)	—	(1 819)	—	(2 172)
Deposits – non-banks	(6 401)	(682)	(4 534)	(2 970)	(3 127)	(1 404)	(4)	(19 122)
Negotiable paper	(1)	(3)	(26)	(67)	(71)	(796)	(485)	(1 449)
Securitised liabilities	—	(8)	(1)	—	(1)	(23)	(49)	(82)
Investment/trading liabilities	(137)	(589)	(7)	—	(54)	(21)	(65)	(873)
Subordinated liabilities	—	—	—	(70)	—	—	(661)	(731)
Other liabilities	(8)	(471)	(212)	(39)	(107)	(329)	(72)	(1 238)
Liabilities	**(6 894)**	**(1 753)**	**(4 781)**	**(3 151)**	**(3 360)**	**(4 392)**	**(1 336)**	**(25 667)**
Total equity	—	—	—	—	—	—	(2 719)	(2 719)
Contractual liquidity gap	**(315)**	**573**	**(3 476)**	**(1 477)**	**(1 059)**	**4 799**	**955**	**—**
Cumulative liquidity gap	(315)	258	(3 218)	(4 695)	(5 754)	(955)	—	

Behavioural liquidity at 31 March 2023

As discussed above.

£'million	Demand	Up to one month	One to three months	Three to six months	Six months to one year	One to five years	>Five years	Total
Behavioural liquidity gap	**5 712**	**419**	**(3 586)**	**(1 815)**	**(1 941)**	**303**	**908**	**—**
Cumulative	5 712	6 131	2 545	730	(1 211)	(908)	—	

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Interest rate risk in the banking book (IRRBB)

Measurement and management of IRRBB

IRRBB is an inherent consequence of conducting banking activities, and arises from the provision of non-trading banking products and services. The Group considers the management of banking margin of vital importance, and our non-trading interest rate risk philosophy is reflected in our day-to-day practices.

The aim of IRRBB management is to protect and enhance net interest income and economic value of equity in accordance with the Board-approved risk appetite and to ensure a high degree of stability of the net interest margin over an interest rate cycle. IRRBB is measured and analysed by utilising standard tools of traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors:

- Income metrics capture the change in accruals expected over a specified time horizon in response to a change in interest rates
- Economic value metrics capture all future cash flows in order to calculate the Group's net worth and therefore can highlight risks beyond the short-term earnings time horizon.

These metrics are used to assess and to communicate to senior management the financial impact of possible future interest rate scenarios, covering:

- Interest rate expectations and perceived risks to the central view
- Standard shocks to levels and shapes of interest rates and yield curves.

The repricing gap provides a simple representation of the balance sheet, with the sensitivity of fair values and earnings to changes to interest rates calculated off the repricing gap. This also allows for the detection of interest rate risk concentration in specific repricing buckets. Net interest income sensitivity measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, while economic value sensitivity and stress testing to macro-economic movement or changes to the yield curve measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore assess the risk beyond the earnings horizon.

Sources of IRRBB include:

- **Repricing risk:** arises from the timing differences in the fixed rate maturity and floating rate repricing of Group assets, liabilities and off-balance sheet derivative positions. This affects the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive portfolios
- **Yield curve risk:** repricing mismatches also expose the Group to changes in the slope and shape of the yield curve
- **Basis risk:** arises from imperfect correlation in the adjustments of the rates earned and paid on different instruments with otherwise similar repricing characteristics
- **Embedded option risk:** arises from optional elements embedded in items where the Group or its customers can alter the level and timing of their cash flows
- **Endowment risk:** refers to the interest rate risk exposure arising from the net differential between interest rate insensitive assets, interest rate insensitive liabilities and capital.

The above sources of interest rate risk affect the interest rate margin realised between lending income and borrowing costs when applied to our rate sensitive asset and liability portfolios, which has a direct effect on future net interest earnings and the economic value of equity.

Each banking entity has its own Board-approved IRRBB appetite, which is clearly defined in relation to both income risk and economic value risk. The Group has limited appetite for IRRBB.

Operationally, daily management of interest rate risk is centralised within the Treasury of each banking entity and is subject to local independent risk and ALCO review. Treasury mitigates any residual undesirable risk where possible, by changing the duration of the banking book's discretionary liquid asset portfolio, or through derivative transactions. The Treasury mandate allows for a tactical response to market volatility which may arise during changing interest rate cycles, in order to hedge residual exposures. Any resultant interest rate position is managed under the market risk limits. Balance sheet risk management independently monitors a broad range of interest rate risk metrics to changes in interest rate risk factors, detailing the sources of interest rate exposure.

Automatic optionality arising from variable rate products with an embedded minimum lending rate serves as an income protection mechanism for the Group against falling interest rates, while behavioural optionality risk from customers of fixed rate products is mitigated by early repayment charges.

In December 2022 IBP and DLC Board approved the initiation of a structural hedging programme to reduce the sensitivity of earnings to short term interest rate movements. The Group assigned an evenly amortising profile to an eligible amount of tangible equity with average duration of 2.5 years evenly distributed over the period. The termed equity is then hedged on a matched basis. Given the short duration of time in which the hedge has existed and the path of interest rates to date, there has been no material earnings impact.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Net interest income sensitivity at 31 March 2023

IRRBB is measured and monitored using an income sensitivity approach. The tables below reflect an illustrative annualised net interest income value sensitivity to a 0.25% parallel shift in interest rates, based on modelled assumptions, assuming no management intervention.

million	All (GBP)
25bps down	(13.7)
25bps up	12.7

Economic value (EV) sensitivity at 31 March 2023

IRRBB is measured and monitored using the EV sensitivity approach. The tables below reflect an illustrative economic value sensitivity to a 2% parallel shift in interest rates, based on modelled assumptions, assuming no management intervention. This sensitivity effect would only have a negligible direct impact on our equity.

million	All (GBP)
200bps down	16.6
200bps up	(13.1)

Interest rate risk - IBOR reform

During the financial year, the Group has progressed the transition of the remaining USD assets referencing IBOR to referencing alternative rates. We still continue to monitor the transition of the remaining USD LIBOR linked products to alternative rates, ahead of the cessation of the remaining USD IBORs on 30 June 2023 with progress updates to DLC BRCC and IBP BRCC.

Given progress to date, the Group has limited remaining risks with respect to the ongoing IBOR reform. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Business risk to the Group and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and risk-free rates are illiquid and unobservable
- Operational risk arising from changes to the Group's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Accounting risk if the Group's hedging relationships fail and from unrepresentative income statement volatility as financial instrument.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Regulatory requirements

Liquidity risk

The two minimum BCBS standards for funding liquidity are:

- The Liquidity Coverage ratio (LCR) which is designed to ensure that banks have sufficient high-quality liquid assets to meet their liquidity needs throughout a 30-calendar day severe stress
- The Net Stable Funding ratio (NSFR) which is designed to capture structural issues over a longer time horizon by requiring banks to have a sustainable maturity structure of assets and liabilities.

Following the UK's departure from the EU and subsequent temporary transitional power (TTP), liquidity and capital regulations have been fully subsumed into UK legislation.

As such, the Investec plc and IBP (solo basis) LCRs are calculated based on the rules contained in the PRA rulebook and our own interpretations where the regulation calls for it. Banks are required to maintain a minimum LCR of 100%. As at 31 March 2023 the LCR was 383% for Investec plc and 432% for IBP (solo basis).

Within the UK, the NSFR has become a binding requirement for banks since January 2022. Banks are now required to maintain a minimum NSFR of 100%. The NSFR at 31 March 2023 was 147% for Investec plc and 138% for IBP (solo basis).

Investec plc undertakes an annual ILAAP SS 24/15 which documents the approach to liquidity management across the firm, including IBP (solo basis). This document is reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC Boards before being provided to the PRA for use, alongside the Liquidity Supervisory Review and Evaluation Process, to determine the bank's Individual Liquidity Guidance, also known as a Pillar II requirement.

IRRBB

In 2016, the BCBS finalised their standards for IRRBB which recommended the risk is assessed as part of the Bank's capital requirements, outlined six prescribed shock scenarios, and recommended enhanced disclosure requirements for supervisors to implement.

The regulatory framework requires banks to assess their Pillar II requirements, including those related to IRRBB, as part of their ICAAP in accordance with PS22/21 and SS31/15. This is reviewed on at least an annual basis and reviewed and approved by IBP BRCC, DLC BRCC and by the IBP and DLC Boards.

Balance sheet risk year in review

The Group maintained its strong liquidity position and continues to hold high levels of surplus liquid assets. Our liquidity risk management process remains robust and comprehensive.

Funding continues to be dynamically raised through a mix of customer liabilities diversified by customer type, currency, channel and tenor, avoiding reliance on any particular channel and ensuring continued access to a wide range of depositors. Those diversified funding channels have proven to be capable of raising funding throughout the year supporting both strong asset growth and the conclusion of our strategy to transition our retail deposits to the new lower cost platform and despite the ongoing geopolitical uncertainties, inflationary pressures and recent market volatility. The new retail deposit products have continued to demonstrate strong growth in the market and have been complemented by the launch of our Notice Saver product in July 2022.

We have limited reliance on wholesale funding but we maintain access and presence, using such wholesale issuance to strategically diversify our funding base and complement the other liability channels by focusing, where appropriate, on tenor and currency.

Wholesale issuance in the year took advantage of market windows to focus on both additional opportunities and refinance maturities to lengthen term, with the added benefit of continuing to diversify the debt capital markets investor base. As a result we have no requirement to issue in the wholesale markets in the financial year to end March 2024. As of March 2023, the preferred resolution strategy for IBP remained Modified Insolvency with no MREL requirement in excess of its minimum capital requirements. However the BoE informed IBP at a meeting held in June 2023 that the preferred resolution strategy will be changed to bail-in and as such a new, revised increased MREL requirement will be imposed. End-state MREL will apply from 1 January 2032. Any additional requirements will be met as part of increasing wholesale market issuance from the existing established base.

As at 31 March 2023, IBP had £1.2 billion of drawings under the BoE Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME) maturing in late 2025.

Funding consists primarily of customer deposits, with loans and advances to customers as a percentage of customer deposits at 81.4% at 31 March 2023. We are therefore well positioned from a funding and liquidity perspective if there was to be further disruption to financial markets given both the highly diversified nature of Investec plc's deposit base and the reliance on term and notice deposits rather than demand deposits. Deposits grew by 4.5% over the year to £19.1 billion. Granularity of deposits is a key area of focus and Investec plc has a substantial portion of eligible deposits that are covered by FSCS protection. The FSCS is a UK government-backed scheme designed to provide protection to eligible customers, to the maximum value of £85 000, in the event that a financial institution is unable to meet its financial obligations.

Cash and near cash balances at 31 March 2023 amounted to £8.6 billion (31 March 2022: £8.9 billion).

This overall approach has enabled the Group to maintain a strong liquidity position at the year end across a range of metrics in line with our conservative approach to balance sheet risk management.

Looking forward, the focus remains on maintaining a strong liquidity position in light of overall market volatility. Funding continues to be actively raised, across a diverse funding base, in line with a medium- to long-term strategy to reduce the overall tenor-adjusted cost of the liability base supported by stable credit ratings.

Refer to page 12 for further detail on credit ratings.

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

66. Operational risk

Operational risk is an inherent risk in the ordinary course of business activity. The impact could be financial as well as non-financial. Possible non-financial impacts could include customer detriment, reputational or regulatory consequences.

Management and measurement of operational risk

The Group manages operational risk through an operational risk management framework that is embedded across all levels of the organisation and is supported by a strong risk management culture. The key purpose of the operational risk management framework is to define the policies and practices that provide the foundation for a structured and integrated approach to identify, assess, mitigate/manage, monitor and report on operational risks.

The key operational risk practices are as follows:

Identify and assess	
Risk and control assessments	• Risk and control assessments are forward-looking, qualitative assessments of inherent and residual risk that are performed on key business processes using a centrally defined risk framework • These assessments enable business to identify, manage and monitor operational risks, incorporating other elements of the operational risk management framework such as risk events and key indicators • Detailed control evaluations are performed, and action plans developed and implemented where necessary to ensure that risk exposure is managed within acceptable levels.
Internal risk events	• Internal risk events provide an objective source of information relating to failures in the control environment • The tracking of internal risk event data provides an opportunity to improve the control environment and to minimise the occurrence of future risk events • In addition, internal risk event data is used as a direct input into the Pillar II capital modelling process.
External risk events	• External risk events are operational risk related events originating outside the organisation • The Group is an active member of a global external data service used to benchmark our internal risk event data against other local and international financial service organisations • The external data is analysed to enhance the control environment, inform scenario analysis and provide insight into emerging operational risks.
Mitigate/manage	
Risk exposures	• Risk exposures are identified through the operational risk management processes, including but not limited to risk assessments, internal risk events, key indicators and audit findings • Residual risk exposure is evaluated in terms of the Group's risk appetite and mitigated where necessary by improving the control environment, transferring through insurance, terminating the relevant business activity or accepting the risk exposure for a period of time subject to formal approval and monitoring.
Monitor	
Key risk indicators	• Indicators are metrics used to monitor risk exposures against identified thresholds • The output provides predictive capability in assessing the risk profile of the business.

Operational risk governance framework

The operational risk governance structures form an integral part of the operational risk management framework. Key components of the governance structures are:

Roles and responsibilities

The Group, in keeping with sound governance practices, has defined roles and responsibilities for the management of operational risk in accordance with the three lines of defence model, i.e. business line management, an independent operational risk function and an independent internal audit function.

Specialist control functions are responsible for the management of key operational risks. These include, but are not limited to: compliance (including financial crime compliance), cyber, finance, fraud, legal, technology and information security risks.

Committees

Operational risk is managed and monitored through various governance forums and committees that are integrated with the Group's risk management governance structure and report to Board level committees.

The Group's operational risk profile is reported to the governance forums and committees on a regular basis, which contributes to sound risk management and decision-making by the Board and management.

- Operational risk:

Management forums and committees are in place at each entity level. Key responsibilities include the monitoring of operational risk and oversight of the operational risk management framework, including approval of the operational risk management policies.

- Technology, information security and cyber risk:

The DLC IT Risk and Governance Committee is responsible for the monitoring of current and emerging technology and information security risks. In addition, this committee considers the strategic alignment of technology within the business.

The UK Technology Management Committees monitor technology risks for the UK entities and escalate current and emerging risks to the DLC IT Risk and Governance Committee and relevant local risk governance forums and committees.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Risk appetite

Operational risk appetite is defined as the level of risk exposure that is acceptable to the Board in order to achieve its business and strategic objectives. The Board is responsible for setting and regularly reviewing the risk appetite. The operational risk appetite policy defines the amount of operational risk exposure, or potential adverse impact of a risk event, that the Group is willing to accept.

Operational risks are managed in accordance with the approved risk appetite. Any breaches of limits are escalated in accordance with the appropriate governance structures.

Operational risk year in review

Key operational risk themes

During the year the Group remained focused on the management of the following key operational risks:

Business disruption and operational resilience risk

- The growing global regulatory requirements for operational resilience increased the compliance expectations and delivery of stakeholder value.

Information security and cyber risk

- Cognisant of the increasing volume and sophistication of cyber-related attacks, information security and cyber risk continue to represent a key concern for the Group
- New business models for ransomware and cyber extortion were observed. In response, the Group's performed targeted attack assessments and control adequacy evaluations by independent specialists
- Geopolitical tensions have resulted in an increase in nation state cyber-warfare risk
- The Group's risk exposure was well managed and no material impact or losses attributed to cyber events were recorded.

People risk

- An increasingly competitive skills market necessitated targeted strategies to source and retain human capital.

Regulatory compliance risk

- Increasingly stringent regulatory compliance obligations continued to be a focus for the Group
- There has been a sustained focus by regulators on resilience in the financial services sector and emphasis placed on working towards ensuring a financial system that is fair, efficient and resilient
- Material regulatory developments in the UK for the Group are:
  - The implementation of the new Consumer Duty Act, which requires higher standards of consumer protection and ensures that firms prioritise good customer outcomes
  - The Edinburgh Reforms (c.30 policy initiatives) which include a review of the Senior Managers and Certification Regime, consumer credit legislation, retail investment disclosures regime (PRIIPs), and various wholesale regulations including Short Selling, Prospectus Regime and MiFIDII
  - The implementation of the Basel 3.1 standards impacting the amount of capital banks need to hold against risks they are exposed to.

Third party risk

- The Group's strategic intent towards digitalisation placed increased reliance on third party services and cloud providers
- Enhanced third party review, due diligence and risk management practices were a key focus area
- Monitoring of financial health, adverse media, and cyber posture of key third parties was implemented
- Process improvements and staff training remain areas of focus to mitigate risk events in this category
- The Group enhanced its focus on operational resilience, as well as concentration risk, associated with our third parties and their fourth parties.

Operational risk events

The Group continued to manage internal risk events against the agreed Board-approved operational risk appetite. Causal analysis is performed on risk events to determine the reason for the failure and to assist with the effective identification of actions required to mitigate the reoccurrence of events.

Insurance

The Group maintains adequate insurance to cover key insurable risks. The insurance process and requirements are managed by the Group insurance risk manager. Regular interaction between operational risk management and insurance risk management ensures that there is an exchange of information in order to enhance the mitigation of operational risk.

Please refer to pages 78 to 81 of the Investec Group's 2023 risk and governance report for additional information regarding compliance, reputational risk and legal risk.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

67. Recovery and resolution planning

The purpose of the recovery plans are to document how the Board and management will plan for Investec plc to recover from extreme financial stress to avoid liquidity and capital difficulties. The plans are reviewed and approved by the Board on an annual basis.

The recovery plan:

- Integrates with existing contingency planning
- Identifies roles and responsibilities
- Identifies early warning indicators and trigger levels
- Analyses how the Group could be affected by the stresses under various scenarios
- Includes potential recovery actions available to the Board and management to respond to the situation, including immediate, intermediate and strategic actions
- Identify the recovery capacity available to avoid resolution actions
- Run externally facilitated simulations or firedrill exercises as required by the regulations.

The Bank Recovery and Resolution Directive (BRRD) was implemented in the UK via the UK Banking Act 2009. It was amended by the BRRD (Amendment) (EU Exit) Regulation 2020, which implemented into UK law certain amendments to the BRRD.

The BoE, the UK resolution authority has the power to intervene in and resolve a financial institution that is no longer viable. This is achieved through the use of various resolution tools, including the transfer of business and creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency.

The PRA has made rules that require authorised institutions to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery options that authorised institutions could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the services provided, as well as the structure and operation of the authorised institution in question which will be used by the BoE to develop resolution strategies for that specific institution, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

In line with PRA and onshored EU requirements, Investec plc maintains a resolution pack and a recovery plan. Even though the recovery plan is framed at Investec plc level, given that IBP constitutes over 76% of Investec plc's balance sheet, the focus of this document is the recovery of IBP and the protection of its depositors and other clients.

Similarly, the resolution pack is drafted for Investec plc. As Investec plc is an approved UK Financial Holding Company (FHC) and IBP is its most significant entity, the Investec plc resolution strategy is expected to be driven and determined by IBP's resolution strategy.

The BoE confirmed in March 2021 the preferred resolution strategy for IBP remains Modified Insolvency and the Minimum Requirement for own funds and Eligible Liabilities (MREL) requirement is set as equal to IBP's Total Capital Requirement (Pillar 1 plus Pillar 2A). The BoE informed IBP at a meeting held in June 2023 that IBP's preferred resolution strategy will change to Bail-in and as such a revised increased MREL requirement will be imposed. End-state MREL will apply from 1 January 2032. Further details will be shared once the formal letter has been received from the BoE confirming the change.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

68. Capital management and allocation

Current regulatory framework

Investec plc is an approved UK Financial Holding Company (FHC), responsible for ensuring compliance with consolidated prudential requirements on a consolidated basis. Investec Bank plc, the main banking subsidiary of the Investec plc Group, continues to be authorised by the PRA and regulated by the FCA and the PRA. Investec plc calculates capital resources and requirements using the Basel III framework, as implemented in the European Union through the CRR and CRD IV, as amended by CRR II and CRD V. Following the end of the Brexit transitional period, the EU rules (including binding technical standards) were onshored and now form part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018.

A summary of capital adequacy and leverage ratios

	Investec plc °*	**IBP °***	Investec plc °*	IBP °*
	31 March 2023		31 March 2022	
Common Equity Tier 1 ratio**	11.7%	12.7%	11.4%	12.0%
Common Equity Tier 1 ratio (fully loaded)***	11.4%	12.4%	11.0%	11.6%
Tier 1 ratio**	13.1%	14.1%	12.8%	13.6%
Total Capital ratio**	17.2%	18.5%	16.5%	18.2%
Risk-weighted assets (£'million)**	17 767	17 308	16 980	16 462
Leverage exposure measure (£'million)^	25 216	24 945	24 181	23 874
Leverage ratio^	9.2%	9.8%	9.0%	9.3%
Leverage ratio (fully loaded)^ ***	9.0%	9.6%	8.7%	9.1%

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.
* The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures differ from the capital adequacy disclosures included in Investec Group's 2023 and 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 31bps (31 March 2022: 28bps) and 21bps (31 March 2022: 37bps) higher, respectively on this basis.
** The CET1, Tier 1, Total Capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).
*** The CET1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).
^ The leverage ratios are calculated on an end-quarter basis.

Investec plc applies the Standardised Approach to calculate credit risk and counterparty credit risk, securitisation risk, operational risk and market risk capital requirements. Effective 1 January 2022, Investec plc implemented the outstanding CRR II changes to be implemented in the UK, most notably the new Standardised Approach for measuring Counterparty Credit Risk (SA-CCR) and changes to the large exposure regime.

Investec plc is not subject to the minimum leverage ratio requirement of 3.25% under the UK leverage ratio framework, but is subject to a 'supervisory expectation' to manage excessive leverage by ensuring the leverage ratio does not fall below 3.25%. For simplicity, the same leverage ratio exposure measure and capital measure applies to all UK banks (including the exemption of central bank reserves and reflect updated international standards).

Subsidiaries of Investec plc may be subject to additional regulations as implemented by local regulators in their respective jurisdictions. Where capital is a relevant consideration, management within each regulated entity pays close attention to prevailing local regulatory rules as determined by their respective regulators.

Year under review

During the year under review, Investec plc complied with the capital adequacy requirements imposed on it by the PRA. Investec plc continues to hold capital in excess of all the capital and buffer requirements. At 31 March 2023, the CET1 ratio increased to 11.7% from 11.4% at 31 March 2022. CET1 capital increased by £140 million to £2 billion, mainly as a result of:

- CET1 capital generation of £293 million through profit after taxation
- A decrease of £164 million in the deduction applied to financial sector entities which exceed the 10% threshold

The increases were partially offset by:

- A decrease in other comprehensive income of £71 million, including the fair value uplift on our investment in Ninety One and the reversal of the cash flow hedge reserve which is not recognised in CET1 capital
- Dividends paid to ordinary shareholders and Additional Tier 1 security holders of £197 million, including the Ninety One distribution to shareholders of £91 million
- An increase in foreseeable charges and dividends of £11 million
- An increase in treasury shares of £20 million
- A decrease of £28 million in the IFRS 9 transitional add-back adjustment.

Risk-weighted assets (RWAs) increased by 5% or £787 million to £17.8 billion over the period, predominantly within credit risk RWAs.

Credit risk RWAs, which include equity risk, increased by £788 million. Exchange rate differences caused a net increase in RWAs of £228 million in the period, reflecting mainly the strengthening of the US Dollar and Euro against the British Pound. The remaining increase reflects asset growth in Fund Solutions, Growth and Leveraged Finance and Corporate Secured Project Finance.

Counterparty credit risk RWAs (including credit valuation adjustment risk) decreased by £144 million compared to 31 March 2022, primarily driven by a decrease in repurchase agreements and derivative financial instruments.

Market risk RWAs decreased by £95 million, mainly due to a decrease in the collective investment undertaking position risk.

Operational risk RWAs increased by £238 million, due to an increase in the three-year average operating income used to determine the capital requirement.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

The Group's leverage ratio increased to 9.2% from 9.0% at 31 March 2022. The increase is primarily driven by an increase in CET1 capital of £140 million, offset by an increase of £1 billion in the leverage exposure measure. The leverage exposure measure increase is predominantly attributable to foreign exchange movements as well as asset growth across multiple balance sheet line items, most notably in derivative financial instruments, loans to customers and repurchase agreements.

Minimum capital requirement

Investec plc's minimum CET1 requirement at 31 March 2023 is 7.9% comprising a 4.5% Pillar 1 minimum requirement, a 2.5% Capital Conservation Buffer (CCB), a 0.31% Pillar 2A requirement and a 0.63% Countercyclical Capital Buffer (CCyB). The Group's institution-specific CCyB requirement is calculated based on the relevant exposures held in jurisdictions in which a buffer rate has been set. As at 31 March 2023 the UK CCyB rate is 1%.

Philosophy and approach

Investec plc Group's approach to capital management utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. Capital management primarily relates to management of the interaction of both, with the emphasis on regulatory capital for managing portfolio level capital sufficiency and on internal capital for ensuring that returns are appropriate given the level of risk taken at an individual transaction or business unit level.

We intend to maintain a sufficient level of capital to satisfy regulatory requirements and our internal target ratios. On a consolidated basis for Investec plc and Investec Limited, we target a Total Capital ratio range of between 14% and 17%, and we target a minimum Tier 1 ratio of 11% and a CET1 ratio above 10%. The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the Group. At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the Group's risk profile and optimisation of shareholder returns. Our internal capital framework is designed to manage and achieve this balance.

The internal capital framework is based on the Group's risk identification, review and assessment processes and is used to provide a risk-based approach to capital allocation, performance and structuring of our balance sheet. The objectives of the internal capital framework are to quantify the minimum capital required to:

- Maintain sufficient capital to satisfy the Board's risk appetite across all risks faced by the Group
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the Group is able to retain its going concern basis under relatively severe operating conditions
- Inform the setting of minimum regulatory capital through the ICAAP and subsequent Supervisory Review and Evaluation Process (SREP). The ICAAP documents the approach to capital management, including the assessment of the regulatory and internal capital position of each Group
- The ICAAP is reviewed and approved by DLC BRCC and the Board

The framework has been approved by the Board and is managed by the DLC Capital Committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.

Significant regulatory developments in the period

On 30 November 2022, the PRA published a consultation paper on the Implementation of the Basel 3.1 standards, which set out the proposed rules and expectations that cover parts of the Basel 3 standards that remain to be implemented in the UK and relate to the calculation of RWAs. The rule changes are expected to take effect from 1 January 2025. The Basel 3.1 standards aim to restore credibility in risk-weighted ratios, by introducing more robust and risk-sensitive Standardised Approaches, whilst curtailing the RWA benefits Internal Models can provide. The proposals aim to advance the PRA's primary objective to promote the safety and soundness of the firms that it regulates. By improving the measurement of risk, the PRA are of the view that it will help ensure firms are adequately capitalised given the risks they are exposed to. Whilst the PRA are proposing limited adjustments to the international standards in order to adhere to the global reforms, they have proposed the removal of several onshored EU discretions, such as the SME supporting factor. The consultation closed for comment on 31 March 2023.

On 12 December 2022, the Financial Policy Committee (FPC) increased the UK CCyB rate from 0% to 1%. On 5 July 2022, the FPC announced that it is further increasing the UK CCyB rate from 1% to 2%, with effect from 5 July 2023. From the FPC meetings held on 28 November 2022, 8 December 2022 and 23 March 2023 the FPC noted that, despite the global and UK economic outlooks having deteriorated and financial conditions having tightened, the UK banking system can absorb the impact of the expected weakening in the economic situation while continuing to meet credit demand from creditworthy households and businesses. The FPC therefore confirmed they will be maintaining the UK CCyB rate at 2% (effective 5 July 2023).

Pillar 3 disclosure requirement

The 31 March 2023 Pillar 3 disclosures for the Investec plc Group are published in a standalone disclosure report and can be found on the Investec Group's website.

Capital planning and stress/scenario testing

A capital plan is prepared for Investec plc and is maintained to facilitate discussion of the impact of business strategy and market conditions on capital adequacy. This plan is designed to assess capital adequacy under a range of economic and internal conditions over the medium term (three years), with the impact on earnings, asset growth, risk appetite and liquidity considered. The plan provides the Board with an input into strategy and the setting of risk appetite by considering business risks and potential vulnerabilities, capital usage and funding requirements given constraints where these exist.

Capital plans are prepared and presented to the capital committees on a monthly basis. The plans are updated with the actual month-end position and forecast out to the end of the fiscal year, taking into account updated profit and loss and asset growth forecasts. The goal of capital planning is to provide insight into potential sources of vulnerability of capital adequacy by way of market, economic or internal events. As such, the three-year capital plans are stressed based on conditions most likely to cause Investec plc duress. The conditions are agreed by the Investec plc Capital Committee after the key vulnerabilities have been determined through the stress testing workshops. Such plans are used by management to formulate balance sheet strategy and agree management actions, trigger points and influence the determination of our risk appetite. At a minimum level, each capital plan assesses the impact on our capital

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

adequacy in an expected case and in downturn scenarios. On the basis of the results of this analysis, the PLC Capital Committee, DLC Capital Committee and DLC BRCC are presented with the potential variability in capital adequacy and are responsible, in consultation with the Board, for considering the appropriate response.

Reverse stress testing is performed annually as part of the ICAAP process.

Capital structure and capital adequacy

£'million	Investec plc °*	IBP °*	Investec plc °*	IBP °*
	31 March 2023		31 March 2022	
Shareholders' Equity	**2 373**	**2 486**	**2 340**	**2 215**
Shareholders' equity excluding non-controlling interests	2 468	2 539	2 429	2 296
Foreseeable charges and dividends	(55)	(36)	(44)	(61)
Perpetual preference share capital and share premium	(25)	—	(25)	—
Deconsolidation of special purpose entities	(15)	(17)	(20)	(20)
Non-controlling interests	**—**	**—**	**—**	**—**
Non-controlling interests per balance sheet	1	1	1	1
Non-controlling interests excluded for regulatory purposes	(1)	(1)	(1)	(1)
Regulatory adjustments to the accounting basis	**16**	**15**	**71**	**71**
Additional value adjustments	(5)	(5)	(6)	(6)
Cash flow hedging reserve	(28)	(28)	—	—
Adjustment under IFRS 9 transitional arrangements	49	48	77	77
Deductions	**(318)**	**(306)**	**(480)**	**(304)**
Goodwill and intangible assets net of deferred taxation	(312)	(300)	(303)	(291)
Investment in capital of financial entities above 10% threshold	—	—	(164)	—
Deferred taxation assets that rely on future profitability excluding those arising from temporary difference	(2)	(2)	(8)	(8)
Securitisation positions which can alternatively be subject to a 1 250% risk weight	(4)	(4)	(5)	(5)
Amount of insufficient coverage for non-performing exposures	—	—	(3)	—
Common Equity Tier 1 capital**	**2 071**	**2 195**	**1 931**	**1 982**
Additional Tier 1 instruments	250	250	250	250
Tier 1 capital **	**2 321**	**2 445**	**2 181**	**2 232**
Tier 2 capital**	**739**	**764**	**628**	**766**
Tier 2 instruments	764	764	766	766
Non-qualifying surplus capital attributable to non-controlling interests	(25)	—	(138)	—
Total regulatory capital**	**3 060**	**3 209**	**2 809**	**2 998**
Risk-weighted assets**	**17 767**	**17 308**	**16 980**	**16 462**

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.

* The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2023 and 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 31bps (31 March 2022: 28bps) and 21bps (31 March 2022: 37bps) higher, respectively on this basis.

** The CET1, Tier 1, Total Capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

NOTES TO RISK AND CAPITAL MANAGEMENT
CONTINUED

Risk-weighted assets and capital requirements

£'million	Investec plc °	IBP °	Investec plc °*	IBP °*
	31 March 2023		31 March 2022	
Risk-weighted assets**	**17 767**	**17 308**	**16 980**	**16 462**
Credit risk	14 122	14 118	13 366	13 332
Equity risk	594	153	562	57
Counterparty credit risk	477	487	555	591
Credit valuation adjustment risk	37	37	103	103
Market risk	513	511	608	608
Operational risk	2 024	2 002	1 786	1 771
Capital requirements	**1 421**	**1 385**	**1 358**	**1 317**
Credit risk	1 130	1 129	1 069	1 066
Equity risk	47	13	45	5
Counterparty credit risk	38	39	44	47
Credit valuation adjustment risk	3	3	8	8
Market risk	41	41	49	49
Operational risk	162	160	143	142

Leverage

£'million	Investec plc °	IBP °	Investec plc °*	IBP °*
	31 March 2023		31 March 2022	
Total exposure measure^	25 216	24 945	24 181	23 874
Tier 1 capital * **	2 321	2 445	2 181	2 232
Leverage ratio ^	**9.2%**	**9.8%**	**9.0%**	**9.3%**
Total exposure measure (fully loaded)	25 168	24 896	24 104	23 797
Tier 1 capital (fully loaded)***	2 273	2 396	2 104	2 155
Leverage ratio (fully loaded)* ^**	**9.0%**	**9.6%**	**8.7%**	**9.1%**

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.

* The capital adequacy disclosures for Investec plc and IBP include the deduction of foreseeable charges and dividends when calculating CET1 capital. These disclosures are different to the capital adequacy disclosures included in Investec Group's 2023 and 2022 integrated and strategic annual report, which follow our normal basis of presentation and do not include this deduction when calculating CET1 capital. Investec plc and IBP's CET1 ratios would be 31bps (31 March 2022: 28bps) and 21bps (31 March 2022: 37bps) higher, respectively on this basis.

** The CET1, Tier 1, Total Capital ratios and RWAs are calculated applying the IFRS 9 transitional arrangements (including the CRR II changes introduced by the 'quick fix' regulation adopted in June 2020).

*** The CET1 and Tier 1 ratio (fully loaded) and the leverage ratio (fully loaded) assumes full adoption of IFRS 9 (including the 'quick fix' regulation in the UK).

^ The leverage ratios are calculated on an end-quarter basis.

NOTES TO RISK AND CAPITAL MANAGEMENT CONTINUED

Total regulatory capital flow statement

£'million	Investec plc ° 31 March 2023	IBP ° 31 March 2023	Investec plc °* 31 March 2022	IBP °* 31 March 2022
Opening Common Equity Tier 1 capital	**1 931**	**1 982**	**1 796**	**1 868**
Dividends paid to ordinary shareholders and Additional Tier 1 security holders	(106)	(112)	(81)	(73)
Profit after taxation	293	314	236	233
Foreseeable charges and dividends	(11)	25	(19)	(36)
Treasury shares	(15)	—	(23)	—
Distribution to shareholders	(91)	—	3	—
Share-based payment adjustments	5	—	—	4
Movement in other comprehensive income	(43)	34	37	15
Investment in capital of financial entities above 10% threshold	164	—	15	—
Cash flow hedging reserve	(28)	(28)		
Goodwill and intangible assets (deduction net of related taxation liability)	(9)	(9)	4	7
Deferred tax that relies on future profitability (excluding those arising from temporary differences)	6	6	4	4
Deconsolidation of special purpose entities	5	3	(12)	(12)
Gains or losses on liabilities at fair value resulting from changes in own credit standing	—	—	(12)	(12)
IFRS 9 transitional arrangements	(28)	(29)	(16)	(16)
Other, including regulatory adjustments and other transitional arrangements	(2)	9	(1)	—
Closing Common Equity Tier 1 capital	**2 071**	**2 195**	**1 931**	**1 982**
Opening Additional Tier 1 capital	250	250	274	250
Grandfathered Additional Tier 1 capital instrument	—	—	(24)	—
Closing Additional Tier 1 capital	250	250	250	250
Closing Tier 1 capital	**2 321**	**2 445**	**2 181**	**2 232**
Opening Tier 2 capital	628	766	370	472
Issued capital	346	346	348	348
Redeemed capital	(348)	(348)	—	—
Other, including regulatory adjustments and other transitional arrangements	113	—	(90)	(54)
Closing Tier 2 capital	**739**	**764**	**628**	**766**
Closing total regulatory capital	**3 060**	**3 209**	**2 809**	**2 998**

° Where: IBP is Investec Bank plc consolidated. The information for Investec plc includes the information for IBP.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS

Balance sheet

At 31 March £'000	Notes	2023	2022
Assets			
Fixed assets			
Investments in subsidiary undertakings	b	1 701 774	1 701 774
Securities and subordinated liabilities issued by subsidiary undertaking	c	1 115 737	599 967
		2 817 511	**2 301 741**
Current assets			
Investments in listed equities		172 285	355 801
Amounts owed by Group undertakings		541 948	523 320
Taxation		17 886	15 006
Prepayments and accrued income		2 740	1 471
Cash at bank and in hand			
– with subsidiary undertakings		17 503	261 089
– balances with other banks		503	578
		752 865	**1 157 265**
Current liabilities			
Creditors: amounts falling due within one year			
Other liabilities		6 189	3 748
Accruals and deferred income		12 438	10 533
Net current assets		**734 238**	**1 142 984**
Creditors: amounts falling due after one year			
Debt securities in issue	d	475 811	537 215
Subordinated liabilities	e	698 591	349 967
Net assets		**2 377 347**	**2 557 543**
Capital and reserves			
Ordinary share capital	h	202	202
Ordinary share premium	h	555 812	806 812
Capital reserve		180 606	180 606
Fair value reserve		34 943	159 661
Retained earnings		1 330 990	1 135 468
Ordinary shareholders' equity		**2 102 553**	**2 282 749**
Perpetual preference share capital and premium	h	24 794	24 794
Shareholders' equity excluding non-controlling interests		**2 127 347**	**2 307 543**
Other Additional Tier 1 securities in issue	h	250 000	250 000
Total capital and reserves		**2 377 347**	**2 557 543**

The notes on pages 184 to 191 form an integral part of the financial statements.

The Company's profit for the year, determined in accordance with the Companies Act 2006, was £114 940 942 (2022: £76 115 356). Approved and authorised for issue by the Board of Directors on 27 June 2023 and signed on its behalf by:

Fani Titi
Group Chief Executive
27 June 2023

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

Statement of changes in shareholders' equity

£'000	Ordinary share capital	Ordinary share premium	Capital reserve	Fair value reserve	Retained earnings	**Ordinary shareholders' equity**	Perpetual preference share capital and premium	**Shareholders' equity excluding non-controlling interests**	Other Additional Tier 1 securities in issue	**Total equity**
At 31 March 2021	**202**	**806 812**	**180 606**	**136 798**	**1 139 904**	**2 264 322**	**24 794**	**2 289 116**	**250 000**	**2 539 116**
Total comprehensive income	—	—	—	22 863	76 107	98 970	—	98 970	—	98 970
Dividends paid to preference shareholders	—	—	—	—	(347)	(347)	—	(347)	—	(347)
Dividends paid to ordinary shareholders	—	—	—	—	(63 316)	(63 316)	—	(63 316)	—	(63 316)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 880)	(16 880)
At 31 March 2022	**202**	**806 812**	**180 606**	**159 661**	**1 135 468**	**2 282 749**	**24 794**	**2 307 543**	**250 000**	**2 557 543**
Total comprehensive income	—	—	—	(124 718)	158 556	33 838	—	33 838	—	33 838
Employee benefit liability recognised	—	—	—	—	(1 033)	(1 033)	—	(1 033)	—	(1 033)
Dividends paid to preference shareholders	—	—	—	—	(540)	(540)	—	(540)	—	(540)
Dividends paid to ordinary shareholders	—	—	—	—	(88 463)	(88 463)	—	(88 463)	—	(88 463)
Dividends declared to Other Additional Tier 1 security holders	—	—	—	—	(16 880)	(16 880)	—	(16 880)	16 880	—
Dividends paid to Other Additional Tier 1 security holders	—	—	—	—	—	—	—	—	(16 880)	(16 880)
Transfer from share premium to retained income	—	(251 000)	—	—	251 000	—	—	—	—	—
Distribution to shareholders	—	—	—	—	(107 118)	(107 118)	—	(107 118)	—	(107 118)
At 31 March 2023	**202**	**555 812**	**180 606**	**34 943**	**1 330 990**	**2 102 553**	**24 794**	**2 127 347**	**250 000**	**2 377 347**

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

a. Basis of preparation

The parent accounts of Investec plc are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company is incorporated and domiciled in England and Wales and the Company's accounts are presented in Pound Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

The accounts have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The Company has taken advantage of the following disclosure exemptions under FRS 101, where applicable to the Company:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Investec plc in which the entity is consolidated
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirements of paragraphs 91 - 99 of IFRS 13 Fair Value Measurement
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment, (iii) paragraph 118(e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture
- The requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D,111 and 134 - 136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) – 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirements of paragraph 58 of IFRS 16, provided that the disclosures of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separated for lease liabilities and other liabilities, and in total
- The requirements of paragraph 24(b) of IFRS 6 Exploration for and Evaluation of Mineral Resources to disclose the operating and investing cash flows arising from the exploration for and evaluation of mineral resources
- The requirements of paragraph 74A(b) of IAS 16.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in consolidated financial statements of the Group.

On the basis of current financial projections and having made appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 31 March 2025, which is a period greater than twelve months from the date of issue of the financial statements that aligns with internal budgeting processes. Accordingly, the going concern basis is adopted in the preparation of the financial statements.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pound Sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into Pound Sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Investments

Investments in subsidiaries and interests in associated undertakings are stated at cost less any accumulated impairment in value.

Equity instruments measured at FVOCI

The Group measures equity instruments at FVOCI when it considers the investments to be strategic or held for long-term dividend yield. The equity instruments are not held for trading. Gains or losses on the derecognition of these equity securities are not transferred to profit or loss.

Otherwise, equity instruments are measured at fair value through profit or loss (except for dividend income, which is recognised in profit or loss).

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

Income

Dividends from subsidiaries are recognised when received. Interest is recognised on an accrual basis.

Taxation

Current tax payable is provided on the amount expected to be payable on taxable profit at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement or taxable profit
- In respect of temporary differences associated with the investments in subsidiaries and interests in associated undertakings, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
- Deferred tax assets or liabilities are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date
- Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised
- Items recognised directly in other comprehensive income are net of related current and deferred taxation.

Company's own profit and loss account

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 to not present its own profit and loss account.

Financial assets

Financial assets are recorded at amortised cost applying the effective interest rate method where they are classified as amortised cost or fair value through profit and loss.

Financial liabilities

Financial liabilities are recorded at amortised cost applying the effective interest rate method.

b. Investments in subsidiary undertakings

At 31 March £'000	2023	2022
At the beginning of the year	1 701 774	1 701 774
Additions	—	—
Disposals	—	—
At the end of the year	**1 701 774**	**1 701 774**

c. Securities issued by subsidiary undertaking

On 16 October 2017, the Company acquired £200 million Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (AT1 securities) issued by Investec Bank plc. The securities are perpetual and pay a distribution rate on 5 March, June, September and December, commencing from 5 December 2017. At each distribution payment date, Investec Bank plc can decide whether to pay the distribution rate, which is non-cumulative, in whole or in part. The distribution rate is 6.75% per annum until 5 December 2024; thereafter, the distribution rate resets every five years to a rate 5.749% per annum plus the benchmark gilts rate. The AT1 securities will be automatically written down and the Company will lose their entire investment in the securities should the CET1 capital ratio of the Investec Bank plc Group, as defined in the PRA's rules, fall below 7%. The AT1 securities are redeemable at the option of Investec Bank plc on 5 December 2024 or on each distribution payment date thereafter. No such redemption may be made without the consent of the PRA. On 22 January 2019, the Company acquired a further £50 million of AT1 securities issued by Investec Bank plc.

On 4 October 2021, Investec Bank plc entered into a £350 000 000 subordinated loan with Investec plc at a fixed interest rate of 2.625% (2032 Loan). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The loan will mature on 4 January 2032. The borrower may prepay the loan in full on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

On 6 December 2022 Investec Bank Plc entered into a £350 million loan with Investec plc at a fixed interest rate of 9.1265% (2033 Loan). Interest, after the initial short period distribution paid on 6 March 2023, is paid annually commencing on 6 March 2024 and ending on the maturity date. The loan will mature on 6 March 2033. The borrower may prepay the loan in full on any date in the period from 6 December 2027 to (and including) 6 March 2028.

On 13 February 2023 Investec Bank plc entered into a £200 million senior loan with Investec plc at a fixed interest rate of 1.875%. The loan matures on 16 July 2028 and pays interest at a fixed rate annually in arrears. The borrower may prepay the loan in full on 16 July 2027.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

d. Debt securities in issue

On 5 May 2015, the company issued £300 million 4.50% Senior Unsecured Notes from its European Medium Term Note programme (EMTN). On 7 August 2017 the company issued a further £100 million of the 4.5% Senior Unsecured Notes due 2022, at a premium of 108.479 per cent, which has been consolidated with and formed a single series with the existing Notes. The notes were subject to a liability management exercise in July 2021 leaving £200m outstanding, These remaining notes matured on 5 May 2022 and paid interest at a fixed rate annually in arrears.

On 16 July 2021, the company issued £350 million 1.875% Senior Unsecured Notes from its EMTN. The notes mature on 16 July 2028 and pay interest at a fixed rate annually in arrears. On 13 February 2023 the company issued a further £200 million of the 1.875% Senior Unsecured Notes due 2022, at a discount of 17.4070%, which has been consolidated with and formed a single series with the existing Notes. The issuer may redeem the notes at par on 16 July 2027.

e. Subordinated liabilities

On 4 October 2021, Investec plc issued £350 000 000 of 2.625% subordinated notes due 2032 at a discount (2032 Notes). Interest, after the initial short period distribution paid on 4 January 2022, is paid annually commencing on 4 January 2023 and ending on the maturity date. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 4 January 2032. The issuer may redeem the notes at par on any date in the period from 4 October 2026 to (and including) 4 January 2027 subject to conditions.

On 6 December 2022, Investec plc issued £350 000 000 of 9.125% subordinated notes due 2033 at a discount (2033 Notes). Interest, after the initial short period distribution paid on 6 March 2023, is paid annually commencing on 6 March 2024 and ending on the maturity date. The notes are listed on the London Stock Exchange. The notes will be redeemed at par on 6 March 2033. The issuer may redeem the notes at par on any date in the period from 6 December 2027 to (and including) 6 March 2028 subject to conditions.

f. Audit fees

Details of the Company's audit fees are set out in note 7 of the Group financial statements.

g. Dividends

Details of the Company's dividends are set out in note 11 of the Group financial statements.

h. Share capital

Details of the company's ordinary share capital are set out in note 40 of the Group financial statements. Details of the perpetual preference shares are set out in note 41 of the Group financial statements. Details of the Other Additional Tier 1 securities are set out in note 44 of the Group financial statements.

i. Audit opinion

The audit opinion on the financial statements of the Investec plc parent company is included within the independent auditor's report to the members of Investec plc within the Investec Group's integrated annual report for the year ended 31 March 2023.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

j. Subsidiaries

At 31 March 2023	Principal activity	Interest held
United Kingdom **Registered office: 30 Gresham Street, London, EC2V 7QP, UK**		
Investec 1 Limited*	Investment holding company	100%
Investec Holding Company Limited*	Investment holding company	100%
Investec (UK) Limited	Holding company	100%
Guinness Mahon Group Limited	Dormant	100%
Investec Bank plc	Banking institution	100%
PIF Investments Limited	Dormant	100%
Beeson Gregory Index Nominees Limited	Dormant	100%
EVO Nominees Limited	Dormant	100%
Evolution Securities Nominees Limited	Dormant	100%
Investec Finance Limited	Dormant	100%
Investec Group Investments (UK) Limited	Investment holding company	100%
Investec Capital Solutions Limited	Lending company	100%
Diagonal Nominees Limited	Nominee	100%
GFT Holdings Limited	Dormant	100%
Investec Investment Trust plc	Debt issuer	100%
Investec Investments (UK) Limited	Investment holding company	100%
Inv-German Retail Ltd	Property company	100%
Investec Securities Limited	Dormant	100%
Technology Nominees Limited	Nominee	100%
Torteval LM Limited	Investment holding company	100%
Torteval Funding LLP	Financing company	100%
Nars Holdings Limited	Property company	100%
Tudor Tree Properties Limited	Property company	100%
Willbro Nominees Limited	Nominee	100%
Evolution Capital Investment Limited	Dormant	100%
Investec Investments Limited	Investment holding company	100%
PSV Marine Limited	Shipping holding company	100%
PSV Anjali Limited	Shipping holding company	100%
PSV Randeep Limited	Shipping holding company	100%
Investec India Holdco Limited	Investment holding company	80.48%
Investec Alternative Investment Management Limited	Fund management activities	100%
Investec-Capitalmind Investment Limited	Non-trading	100%

* Directly owned by Investec plc.

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

j. Subsidiaries (continued)

At 31 March 2023	Principal activity	Interest held
Registered office: 30 Gresham Street, London EC2V 7QN, UK		
Investec Wealth & Investment Limited	Investment management services	100%
Anston Trustees Limited	Non-trading	100%
Bell Nominees Limited	Non-trading	100%
Carr Investment Services Nominees Limited	Non-trading	100%
Carr PEP Nominees Limited	Non-trading	100%
Click Nominees Limited	Non-trading	100%
Ferlim Nominees Limited	Nominee	100%
Investec Wealth & Investment Trustees Limited	Trustee services	100%
Investment Administration Nominees Limited	Non-trading	100%
PEP Services (Nominees) Limited	Non-trading	100%
R & R Nominees Limited	Non-trading	100%
Rensburg Client Nominees Limited	Nominee	100%
Scarwood Nominees Limited	Non-trading	100%
Spring Nominees Limited	Non-trading	100%
Tudor Nominees Limited	Non-trading	100%
Murray Asset Management UK Limited	Investment management and financial planning	100%
Murray Asset Nominees Limited	Nominee	100%
Murray Asset Nominees UK Limited	Nominee	100%
Castle Street Nominees UK Limited	Nominee	100%
Registered office: Reading International Business Park, Reading, RG2 6AA, UK		
Mann Island Finance Limited	Leasing company	100%
CF Corporate Finance Limited	Leasing company	100%
MI Vehicle Finance Limited	Leasing company	100%
Quantum Funding Limited	Leasing company	100%
Investec Asset Finance plc	Leasing company	100%
Registered office: Quartermile One, Lauriston Place, Edinburgh, Scotland, EH3 9EN		
Murray Investment Management Limited	Non-trading	100%
Murray Asset Management Limited	Non-trading	100%
Castle Street Nominees Limited	Nominee	100%
Australia **Registered office: Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000, Australia**		
Investec Holdings Australia Pty Limited	Holding company	100%
Investec Australia Finance Pty Limited	Lending company	100%
Investec Australia Pty Limited	Financial services	100%
Bowden (Lot 32) Direct Pty Limited	Development company	100%
IWPE Nominees Pty Limited	Custodian	100%
British Virgin Islands **Registered office: Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands**		
Finistere Directors Limited	Corporate director	100%
GFT Directors Limited	Corporate director	100%
Registered office: Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands		
Fertile Sino Global Development Limited	Holding company	100%
France **Registered office: 27 Rue Maurice Flandin – 69003 Lyon Cedex 03, France**		
SCI CAP Philippe	Property company	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

j. Subsidiaries (continued)

At 31 March 2023	Principal activity	Interest held
Guernsey **Registered office: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 1WR, Guernsey, Channel Islands**		
Investec Wealth & Investment (Channel Islands) Limited	Investment management services	100%
Torch Nominees Limited	Nominee	100%
Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands		
Investec Bank (Channel Islands) Limited	Banking institution	100%
Investec Bank (Channel Islands) Nominees Limited	Nominee	100%
Investec Asset Finance (Channel Islands) Limited	Leasing company	100%
Registered office: PO Box 290, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3RP, Channel Islands		
Hero Nominees Limited	Nominee	100%
Bayeux Limited	Corporate director	100%
Finistere Limited	Corporate nominee	100%
Finistere Secretaries Limited	Corporate secretary	100%
ITG Limited	Corporate director	100%
Registered office: Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4JH, Channel Islands		
Investec Captive Insurance Limited	Captive insurance company	100%
Jersey **Registered office: 2nd Floor One The Splanade, St Helier, Channel Islands, Jersey, JE2 3QA**		
Appleton Resources (Jersey) Limited	Holding company	100%
India **Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, India**		
Investec Credit Finance Private Limited	Lending platform	99%
Investec Global Services (India) Private Limited	ITES Outsourcing	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

j. Subsidiaries (continued)

At 31 March 2023	Principal activity	Interest held
Ireland **Registered office: The Harcourt Building, Harcourt Street, Dublin 2, Ireland**		
Aksala Limited	Property company	100%
Investec Holdings (Ireland) Limited	Holding company	100%
Investec Ireland Limited	Financial services	100%
Investec International Limited	Aircraft leasing	100%
Neontar Limited	Holding company	100%
Investec Securities Holdings Ireland Limited	Holding company	100%
Investec Private Finance Ireland Limited	Loan credit servicing	100%
Investec Ventures Ireland Limited	Investment management services	100%
Venture Fund Private Principals Limited	Investment services	100%
Investec Europe Limited	MiFiD firm	100%
Luxembourg **Registered office: 20 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg**		
Investec Finance SARL	Dormant	100%
Luxembourg **Registered office: 15 Boulevard Friedrich Wilhelm Raiffeisen L-2411 Luxembourg**		
PDF II GP s.a.r.l.	Fund management activities	100%
Singapore **Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095**		
Investec Singapore Pte Limited	Securities services	100%
Switzerland **Registered office: 23 Avenue de France, CH – 1202, Geneva, Switzerland**		
Reichmans Geneva SA	Trading company	100%
Registered offices: Löwenstrasse 29, CH-8001 Zurich, Switzerland		
Investec Bank (Switzerland) AG	Banking institution and wealth manager	100%
United States of America **Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA**		
US Multifamily GP LLC	Investment holding company	100%
Investec USA Holdings Corp	Holding company	100%
Investec Inc	Investment holding company	100%
Fuel Cell IP 1 LLC Investment	Investment holding company	100%
Fuel Cell IP 2 LLC Investment	Investment holding company	100%
Investec Securities (US) LLC	Financial services	100%
Registered office: One Carbon Center-Suite 501, 13905 McCorkle Ave. SE, Chesapeake, WV 25315		
Appleton Coal LLC	Investment holding company	100%
Carbon Resources Development Inc	Mining company	100%
Maben Coal LLC	Investment holding company	100%

PARENT COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

j. Subsidiaries (continued)

Associates and joint venture holdings

At 31 March 2023	Principal activity	Interest held
British Virgin Islands **Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands**		
imarkets (Holdings) Limited	Online trading platform	33%
British Virgin Islands **Registered office: Wattley Building, 2nd Floor, 160 Main Street, P.O. Box 3410, Road Town, Tortola, British Virgin Islands**		
Templewater Holdings Limited	Holding company	50%
France **Registered Office: 151 Boulevard Haussman, 75008 Paris, France**		
Capitalmind SAS	Advisory services	30%
Guernsey **Registered office: 1st Floor Tudor House Le Bordage, St Peter Port, Guernsey, GY1 1DB**		
Grovepoint Limited	Investment and advisory	41.9%
Germany **Registered Office: Sonnenberger Strabe 16, 65193 Wiesbaden**		
Capitalmind GmbH	Advisory services	30%
India **Registered office: 32/1. 14th Cross, 9th Main, 6th Sector H.S.R. Layout, Bangalore, Karnataka 560102, India**		
JSM Advisers Private Limited	Fund management	55.0%
Registered office: B Wing, 11th floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai-400051		
Investec Capital Services (India) Private Limited	Merchant banking & Stock broking	80.3%
Netherlands **Registered Office: Reitschweg 49, 5232BX's-Hertogenbosch, the Netherlands**		
Capitalmind Partner B.V.	Advisory services	30%

ALTERNATIVE PERFORMANCE MEASURES

We supplement our IFRS figures with alternative performance measures used by management internally and which provide valuable, relevant information to readers. These measures are used to align internal and external reporting, identify items management believes are not representative of the underlying performance of the business and provide insight into how management assesses period-on-period performance. A description of the Group's alternative performance measures and their calculation, where relevant, is set out below.

Alternative performance measures are not measures within the scope of IFRS and are not a substitute for IFRS financial measures. Alternative performance measures constitute pro-forma financial information. The pro-forma financial information is the responsibility of the Board of Directors and is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, and results in operations or cash flows.

Adjusted operating profit	Refer to the calculation in the table below

£'000	31 March 2023	31 March 2022
Operating profit before goodwill, acquired intangibles and strategic actions	387 174	286 944
Add: Loss attributable to other non-controlling interests	—	—
Adjusted operating profit	**387 174**	**286 944**

Annuity income	Net interest income plus net annuity fees and commissions Refer to pages 78 and 79.
Core loans	The table below describes the differences between "loans and advances to customers" as per the balance sheet and gross core loans

£'million	31 March 2023	31 March 2022
Loans and advances to customers per the balance sheet	15 568	14 426
ECL held against FVOCI loans reported on the balance sheet within reserves	(5)	(3)
Net core loans	**15 563**	**14 423**
of which amortised cost and FVOCI ("subject to ECL")	15 012	13 814
of which FVPL	551	609
Add: ECL	146	134
Gross core loans	**15 709**	**14 557**
of which amortised cost and FVOCI ("subject to ECL")	15 158	13 948
of which FVPL	551	609

Cost to income ratio	Refer to calculation in the table below

£'000	31 March 2023	31 March 2022
Operating costs (A)	854 875	775 866
Total operating income before expected credit loss impairment charges	1 308 801	1 087 969
Add: Loss attributable to other non-controlling interests	—	—
Total (B)	1 308 801	1 087 969
Cost to income ratio (A/B)	**65.3%**	**71.3%**

Coverage ratio	ECL as a percentage of gross core loans subject to ECL
Credit loss ratio	ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL
Gearing ratio	Total assets divided by total equity
Loans and advances to customers as a % of customer deposits	Loans and advances to customers as a percentage of customer accounts (deposits)
Net interest margin	Interest income net of interest expense, divided by average interest-earning assets Refer to calculation on page 78.
Return on average assets	Adjusted earnings attributable to ordinary shareholders divided by average total assets excluding assurance assets
Return on risk-weighted assets	Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets

DEFINITIONS

Cash and near cash

Includes cash, near cash (other 'monetisable' assets) and central bank cash placements and guaranteed liquidity

ECL

Expected credit loss

Funds under management

Consists of third party funds managed by the Wealth & Investment business, and by the Property business (which forms part of the Specialist Bank) in the prior year

FVOCI

Fair value through other comprehensive income

FVPL

Fair value through profit and loss

Legacy business in the UK Specialist Bank ('Legacy')

Legacy, as separately disclosed from 2013 to 2018, comprises pre-2008 assets held on the UK bank's balance sheet, that had very low/negative margins and assets relating to business we are no longer undertaking

Net-zero

Balancing the amount of emitted greenhouse gases with equivalent emissions that are either offset or sequestered.

Ninety One and Ninety One group

All references to Ninety One and Ninety One group refer to Ninety One plc and its subsidiaries plus Ninety One Limited and its subsidiaries

Ongoing basis

Ongoing information, as separately disclosed from 2013 to 2018, excludes Legacy assets (refer to definition), as well as the following businesses sold in previous years: Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited

Strategic actions

Comprises the closure and rundown of the Hong Kong direct investments business and financial impact of group restructures

Structured credit

Reflects the gross exposure of rated and unrated structured credit classified within other debt securities and other loans and advances on the balance sheet.

Refer to page 162 for detail.

Subject to ECL

Includes financial assets held at amortised cost and FVOCI

GLOSSARY

The following abbreviations have been used throughout this report:

AGM	Annual general meeting
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
BCBS	Basel Committee of Banking Supervision
BCR	Banking Competition Remedies Limited
BID	Belonging, Inclusion and Diversity
BoE	Bank of England
BRCC	Board Risk and Capital Committee
BRRD	Bank Recovery and Resolution Directive
BSE	Botswana Stock Exchange
CA	Chartered Accountant
CAM	Combined Assurance Matrix
CCB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CDO	Collateralised debt obligation
CDS	Credit default swap
CEO	Chief Executive
CET1	Common Equity Tier 1
CFP	Contingency Funding Plan
CLO	Collateralised loan obligation
CLR	Credit Loss Ratio
COO	Chief Operating Officer
COVID	Corona Virus Disease
CPI	Consumer Price Index
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CRS	Common Reporting Standard
CSA	Credit Support Annex
CVA	Credit valuation adjustment
DCF	Discounted cash flow
DFM	Discretionary Fund Management
DLC	Dual listed company
DLC BRCC	DLC Board Risk and Capital Committee
DLC Nomdac	DLC Nominations and Directors Affairs Committee
DLC Remco	DLC Remuneration Committee
DLC SEC	DLC Social and Ethics Committee
EAD	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECL	Expected credit loss
EIR	Effective interest rate
EP	Equator Principles
EQAR	Engagement Quality Assurance Review
ERV	Expected rental value
ES	Expected shortfall
ESG	Environmental, social and governance
EU	European Union
EVT	Extreme value theory
FATCA	Foreign Account Tax Compliance Act
FCA	Financial Conduct Authority
FINMA	Swiss Financial Market Supervisory Authority
FPC	Financial Policy Committee
FRC	Financial Reporting Council
FRTB	Fundamental Review of the Trading Book
FSCS	Financial Services Compensation Scheme
FUM	Funds under management
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit and loss
G-SIB	Global systemically important banks
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GFSC	Guernsey Financial Services Commission
GM	Guinness Mahon
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
Group ERC	Group Executive Risk Committee
GRRRMF	Group Risk Review and Reserves Matters Forum
HNW	High net worth
HR	Human resources
HQLA	High quality liquid assets
IAM	Investec Asset Management Limited
IASs	International Accounting Standards
IBL	Investec Bank Limited
IBOR	Interbank offered rate
IBP	Investec Bank plc
IBP BRCC	IBP Board Risk and Capital Committee
IBP ERC	IBP Executive Risk Committee
IBP Review ERRF	IBP Review Executive Risk Review Forum
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Adviser
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IIA	Institute of Internal Auditors
ILAAP	Internal Liquidity Adequacy Assessment Process
IRB	Internal Ratings Based
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
IT	Information technology
IW&I	Investec Wealth & Investment
JSE	Johannesburg Stock Exchange
LCR	Liquidity Coverage ratio
LGD	Loss given default
LHS	Left hand side
LIBOR	London Inter-bank Offered Rate
LSE	London Stock Exchange
LTI	Long-term incentive
LTV	Loan-to-value
MDR	Mandatory Disclosure Rules
MLRO	Money Laundering Reporting Officer
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
MRT	Material Risk Taker
NCI	Non-controlling interests
NSFR	Net Stable Funding ratio
NSX	Namibian Stock Exchange
NZBA	Net-Zero Banking Alliance
OCI	Other comprehensive income
OD	Organisation development
OECD	Organisation for Economic Co-operation and Development
OTC	Over the counter

GLOSSARY CONTINUED

PBAF	Partnership for Biodiversity Accounting Financials
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PRA	Prudential Regulation Authority
RHS	Right hand side
ROU	Right of use asset
RPA technologies	Robotic Process Automation technologies
RRP	Recovery Resolution Plan
RWA	Risk-weighted asset
RFR	Risk-free rate
SA-CCR	Standardised Approach for measuring Counterparty Credit Risk
S&P	Standard & Poor's
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk
SIPP	Self Invested Personal Pension
SME	Small and Medium-sized Enterprises
SMMEs	Small, Medium & Micro Enterprises
SPPI	Solely payments of principal and interest
SREP	The Supervisory Review and Evaluation Process
STI	Short-term incentive
sVaR	Stressed VaR
TCFD	Task Force on Climate-related Financial Disclosures
tCO2e	Tonnes of CO2 emissions
TFSME	Bank of England Term Funding Scheme for Small and Medium Enterprises
UN	United Nations
UN GISD	United Nations Global Investment for Sustainable Development
UK	United Kingdom
UKLA	United Kingdom Listing Authority
VaR	Value at Risk
YES	Youth Employment Service

CORPORATE INFORMATION

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Directorate as at 22 June 2023

Executive directors

Fani Titi (Chief Executive)
Nishlan Samujh (Group Finance Director)
Richard Wainwright (Executive Director)
Ciaran Whelan (Executive Director)

Non-Executive directors

Philip Hourquebie(Chair)
Zarina Bassa (Senior Independent Director)
Henrietta Baldock
Stephen Koseff
Nicky Newton-King
Jasandra Nyker
Vanessa Olver
Philisiwe Sibiya
Khumo Shuenyane
Brian Stevenson

Contact details

Contact details for all our offices can be found on the group's website at: www.investec.com

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