OUT OF THE ORDINARY

# Unlocking future possibilities

## Investec annual report 2022

Investec annual financial statements

**Alternative performance measures**
We supplement our IFRS 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.

**Audited information**
Denotes information in the risk and remuneration reports that forms part of the Group's audited annual financial statements.

**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 2022 sustainability report which will be available on our website at the end of June 2022: www.investec.com

**Reporting standard**
Denotes our consideration of a reporting standard.

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# DIRECTORS' RESPONSIBILITIES

## Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report set out on pages 18 to 38, 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 required by the UK Companies Act and South African Companies Act to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards which comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU. At 31 March 2022, 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 FCA's Disclosure Guidance and Transparency Rules (DTR), Group financial statements are required to be prepared in accordance with UK adopted international accounting standards which comply with IFRS as issued by the IASB and with IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the EU.

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 IFRSs, 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 and South African 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 109 to 111 of Investec Group's 2022 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 which comply with the IFRS as issued by the IASB, and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, 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 2022 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 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.

DIRECTORS RESPONSIBILITIES
CONTINUED

## Chief Executive and Group Finance Director responsibility statement

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 39 to 156, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements. We have fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV™ Code. Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

**Fani Titi**
Chief Executive
22 June 2022

**Nishlan Samujh**
Group Finance Director
22 June 2022

## Financial results

The combined consolidated results of Investec plc and Investec Limited are set out in the annual financial statements and accompanying notes for the year ended 31 March 2022.

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

## Approval of annual financial statements

The directors' report and the annual financial statements of the companies and the Group, which appear on pages 125 to 133 in Investec Group's 2022 integrated and strategic annual report, and pages 39 to 156 of the Investec Group's 2022 annual financial statements, respectively were approved by the Board of Directors on 22 June 2022.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' 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 Boards of Investec plc and Investec Limited

**Philip Hourquebie**
Chair
22 June 2022

**Fani Titi**
Chief Executive
22 June 2022

## Declaration by the Company secretary

In terms of Section 88(2)(e) of the South African Companies Act, I hereby certify that, to the best of my knowledge and belief, Investec Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2022, all such returns and notices as are required in terms of the Act and that all such returns and notices are true, correct and up to date.

**Niki van Wyk**
Company secretary, Investec Limited
22 June 2022

# DLC AUDIT COMMITTEE REPORT

**Zarina Bassa**
Chair of the DLC
Audit Committee

| Members | Member since | Meetings attended | Eligible to attend |
|---|---|---|---|
| Zarina Bassa (Chair) | 1 Nov 2014 | 7 | 7 |
| Philip Hourquebie[1] | 14 Aug 2017 | 5 | 5 |
| Philisiwe Sibiya | 9 Aug 2019 | 7 | 7 |
| David Friedland | 5 Aug 2021 | 2 | 2 |

1. Philip Hourquebie stepped down as member of the Committee on 5 August 2021.

Four DLC Audit Committee meetings and three combined Investec Limited and Investec plc Audit Committee meetings were held during the year.Three audit quality meetings were held in April 2022, in respect of Ernst & Young, KPMG Inc and internal audit. Formal meetings were held to consider, discuss and conclude on internal and external audit quality.

**Introduction**
I am pleased to present the DLC Audit Committee's report for the financial year ended 31 March 2022 which provides details on how we accomplished our various statutory obligations, as well as on the Key Audit Matters (KAMs) we considered during the period. The Committee has further discharged its responsibilities and provided assurance on the integrity of the 2021/22 annual report and financial statements.

This report has been compiled in accordance with the requirements of the South African Companies Act of 71 of 2008 (South African Companies Act) (as amended), the UK Companies Act (UK Companies Act), the King Report on Governance for South Africa 2016 (King IV™), the UK Corporate Governance Code 2018 (the Code), the JSE Listings Requirements, the UK Listing Rules and any other applicable regulatory requirements.

**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 the Group's financial reporting process, ensuring the integrity thereof and satisfying itself that any 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 of 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.

Further detailed responsibilities are in the terms of reference of the Committee as available on the website www.investec.com.

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

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

Philip Hourquebie stepped down as a member of the Committee in August 2022, following his appointment as Chair of the Group. The DLC Nomdac and the Board reviewed and confirmed that it is satisfied that David Friedland possesses recent and relevant financial experience and is independent and subsequently appointed him as a member of the Committee. David will step down from the Board at the AGM in August 2022. In May 2022 Vanessa Olver was appointed to the DLC Audit Committee on her appointment as a Non-Executive Director of the Board. The DLC Nomdac and the Board have commenced a process to appoint an additional member of the Committee. The DLC Nomdac assessed the independence, skill, competency and experience of the Committee and concluded that it had the appropriate balance of knowledge and skills to discharge its duties.

Further details of the experience of the members can be found in their biographies on pages 109 to 111 of the Investec Group's 2022 integrated and strategic report.

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 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 get 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, during the year, on any matter that they regard as

# DLC AUDIT COMMITTEE REPORT
CONTINUED

relevant to the fulfilment of the Committee's responsibilities.

**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 and 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 DLC Audit Committee Chair is also the Chair of the following Audit Committees:

- Investec plc
- Investec Limited
- Investec Bank Limited
- Investec Bank Mauritius (IBM).

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

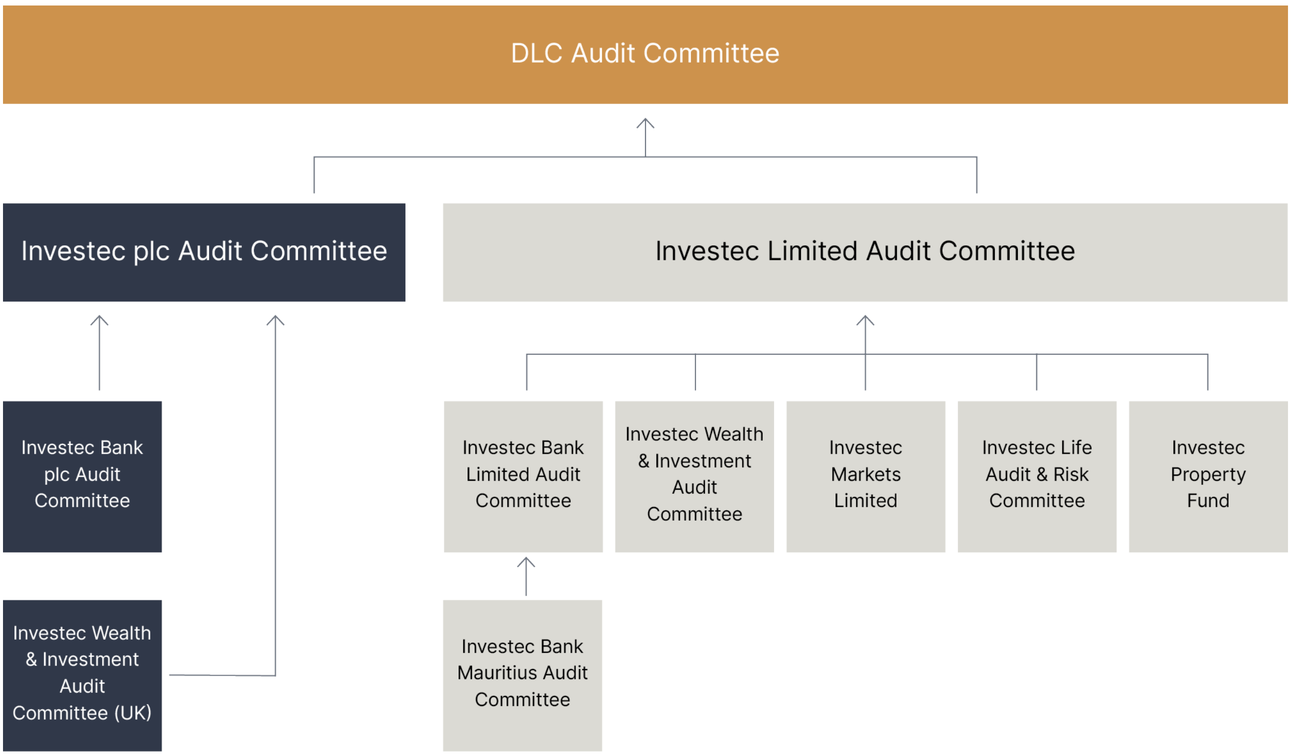
- Investec Bank plc
- Investec Life
- Investec Wealth and Investments UK

The DLC Audit Committee Chair attends the following Committee meetings:

- Operational Risk Committee
- DLC IT Risk and Governance Committee
- Investec Limited Customer Market and Conduct Committee
- Investec Wealth and Investments South Africa Audit Committee

**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 mission, 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 Limited Customer Market and Conduct Committee (Investec Limited CMCC)**
The Investec Limited CMCC ensures that the best standards of market conduct, in its broadest form, are applied and monitors reports thereon. The Committee is chaired by the Head of Compliance of Investec Limited and Investec Bank Limited. The Committee reports to both the DLC BRCC and the DLC Audit Committee. The Investec Limited CMCC is attended by the DLC Audit Committee and the DLC BRCC Chairs.



DLC AUDIT COMMITTEE REPORT
CONTINUED

## Areas covered by the DLC 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 |
|---|---|
| **Impact of COVID-19 and the indirect impact of the Russian invasion of Ukraine**<br>• COVID-19 impacted the global economy and businesses across all industries. | • Considered the known accounting and operational impact of COVID-19 and the Russian invasion of Ukraine on the economy and business, mitigating actions by management in both geographies together with the resulting impact on the macro-economic scenarios and the judgements and estimates used by management to prepare the annual financial statements<br>• The areas most impacted by COVID-19 include:<br>– Going concern and the Viability Statement, including liquidity<br>– Expected Credit Losses (ECL) assessment (International Financial Reporting Standards (IFRS) 9 macro-economic scenarios, probabilities and staging, impact on specific sectors such as aviation, hospitality and retail)<br>– Quality of earnings<br>– Impact of work from home on the overall control environment and operational risk and resilience<br>– The financial control environment. |
| **Expected Credit Losses (ECL) assessment**<br>• The appropriateness of the allowance for ECL is highly subjective and judgemental. The impact of COVID-19, the Russian-Ukraine war in the Ukraine and the resultant economic impacts have resulted in additional key judgements and assumptions being made during the current year. | • Challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the Group<br>• Evaluated the impact of ECL on the interim results and annual results<br>• 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<br>• Assessed the appropriateness of the ECL model overlays raised for emerging risks for which there was not sufficient 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<br>• Assessed ECL experienced against forecasts and considered whether the level of ECL was appropriate<br>• Evaluated the IFRS 9 disclosures for relevance and compliance with IFRS<br>• Assessed the appropriateness of the ECL provision raised by the Group for large exposures in entities publicly perceived to be in financial distress<br>• Reviewed the appropriateness of the ECL models and the forward-looking macro-economic scenarios applied in the UK and South Africa<br>• Reviewed for reasonableness the benchmarking of macro-economic scenarios, ECLs, Credit Loss Ratio (CLR) and coverage ratios against relevant South African and UK peers<br>• Considered the impact of easing of restrictions and levels of lockdown on impacted sectors and the consequent impact on ECL and overlays. |

## DLC AUDIT COMMITTEE REPORT
CONTINUED

| Key audit matters | What we did |
|---|---|
| **Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure**<br>• 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. 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, and approved the valuation adjustments proposed by management for the year ended 31 March 2022<br>• Challenged and debated significant subjective exposures and assumptions including:<br>– The valuation principles applied for the valuation of level 3 investments (unlisted and private equity investments) and fair value loans. Particular focus was given to the impact of COVID-19 and the Russian invasion of Ukraine on these valuation principles<br>– Fair value of instruments with higher characteristics and associated income<br>– The appropriateness of the IFRS 13 disclosures regarding fair value. |
| **Uncertain tax and other legal matters**<br>• Considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements, including in respect of historical German dividend tax arbitrage transactions. | • Received regular updates from the Group Executive, Group Tax, Group Finance and Group Legal 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<br>• 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<br>• 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<br>• Considered Post Balance Sheet Events considerations, including external developments on the accounting and disclosures of historical German dividend arbitrage transactions taking note of correspondence received from the Federal Tax Office in Germany. Refer to note 53 in the annual financial statements. |
| **Investments in associates**<br>• Evaluated the appropriateness of the carrying amount of investments in associates<br>• Evaluated the appropriateness of the valuation and the accounting treatment of the investment in Ninety One at a DLC level, Investec Limited level and Investec plc level. | • Reviewed the technical accounting memorandum prepared by Group Finance regarding the accounting treatment of material investments of the Group. The memorandum addressed the carrying value of the investments and management's impairment assessment. This included an analysis of the key judgements and assumptions applied<br>• Evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied<br>• Considered a detailed business analysis based on the results of the IEP Group. Valuation scenarios were calculated through evaluating the impact of the COVID-19 pandemic on the business<br>• Assessed the appropriateness of the overall accounting treatment of investments transferred between entities within the Group. |
| **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<br>• 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<br>• Recommended the approval of the going concern and the Group Viability Statement assumption underlying the annual financial statements to the DLC Board for approval<br>• Noted the Investec Bank plc Viability Statement as recommended for approval by the IBP Audit Committee to the IBP Board. |
| **Cyber, IT Security, IT systems and controls impacting financial reporting** | • Received and reviewed reports in respect of IT security, cyber security, IT systems and controls impacting financial reporting<br>• Received regular reports from internal audit on the effectiveness of IT controls tested as part of the internal audit process<br>• Considered broader IT and Governance matters, including security, IT strategy and operations through the Audit Committee Chair’s attendance of the DLC IT Risk and Governance Committee. |

# DLC AUDIT COMMITTEE REPORT
CONTINUED

| Key audit matters | What we did |
|---|---|
| **External Audit, audit quality and Mandatory Audit Firm Rotation (MAFR)** | • Managed the relationship with the external auditors, Ernst & Young LLP, Ernst & Young Inc. and KMPG Inc., including their re-appointment<br>• Monitored the rotation in lead Ernst & Young audit partners at an Investec Limited, Investec Bank Limited, Investec Life, Investec Bank plc and Private Bank level. Considered the credentials of and approved the KPMG Inc. partner to be rotated in during 2023 in respect of Investec Bank Limited and Investec Limited<br>• Approved the external audit plan, audit fee and the main areas of focus<br>• 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<br>• Monitored audit quality and audit partner accreditation as specified by the JSE. In line with the conditions set out in Section 94(8) of the Companies Act and based on its assessment using the criteria set out by the King IV™ Code and the JSE Listings Requirements, the DLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners<br>• Met with key members of Ernst & Young LLP and Ernst & Young Inc. (auditors of DLC), Ernst & Young LLP (auditors of Investec plc) and Ernst & Young Inc. and KPMG Inc. (auditors of Investec Limited) prior to every Audit Committee meeting to discuss the 2021/22 audit plan, key areas of focus, findings, scope and conclusions<br>• Obtained feedback from the cross-reviews performed between the joint firms at an Investec Limited level, and by the DLC team across Investec Limited and Investec plc. Furthermore KPMG International conducted a cross-review of KPMG South Africa<br>• Pre-approved all non-audit services provided by External Audit and confirmed the services to be within the approved non-audit services policy<br>• Met separately with the leadership of Ernst & Young Inc., KPMG Inc., and Ernst & Young LLP to discuss JSE auditor accreditation, independence, firm quality control, results of internal and external regulator inspections of the firm and individual partners<br>• Discussed external audit feedback on the Group's critical accounting estimates and judgements<br>• Assessed the independence and objectivity of the external auditors<br>• Noted the unqualified independent auditor's report in relation to the Group<br>• 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 2022<br>• Recommended to the Board the re-appointment of Ernst & Young LLP as the External Auditors of Investec plc and Investec Bank plc and the re-appointment of Ernst & Young Inc. and KPMG Inc. as the external auditors of Investec Limited and Investec Bank Limited for the year ending 31 March 2023<br>• Considered the commencement of the shadow audit process by PwC Inc. for the audit of Investec Limited starting during the 2023 financial year<br>• Concluded the comprehensive competitive tender process for the first joint audit firm rotation for Investec Limited which will take place on 1 April 2022 by PwC Inc. The second audit firm will be appointed to commence the audit for the financial year starting 1 April 2025, in accordance with the MAFR rules as published by the Independent Regulatory Board for Auditors (IRBA). The tender process to appoint the second firm for the audit starting 1 April 2025 will commence during the 2023 financial year. The first rotation will commence on 1 April 2023 by PwC Inc. after the one-year shadow period commencing 1 April 2022. |

DLC AUDIT COMMITTEE REPORT
CONTINUED

## Other matters considered by the DLC Audit Committee:

The Committee considered the following matters during the year:

| Key audit matters | What we did |
|---|---|
| **Regulatory compliance and reporting** | • Received regular reports from the Group 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<br>• Requested specific updates or presentations from management on areas considered high risk or where exceptions had been identified<br>• 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. |
| **Post balance sheet disclosure** | • Considered any post balance sheet disclosures that may require the AFS to be adjusted or require additional disclosure including in respect of the distribution of Ninety One shares and external developments on accounting and disclosures of dividend arbitrage transactions<br>• Reviewed and approved the publication of a no-change statement. |
| **Environmental, Social and Governance (ESG)** | • Reviewed ESG reporting and disclosures<br>• Considered the level of external assurance obtained on ESG reporting and disclosures<br>• Considered the Task Force for Climate Related Disclosures (TFCD) reporting requirements. |

DLC AUDIT COMMITTEE REPORT
CONTINUED

| Key audit matters | What we did |
| --- | --- |
| **Internal controls**<br>• 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 the DLC BRCC, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment<br>• 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<br>• Reviewed reports from the independent audit committees of the Group's subsidiaries<br>• Evaluated the impact of work from home on the overall control environment and operational risk<br>• 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<br>• 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<br>• Reviewed and approved the combined assurance model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage<br>• Attended and reviewed the reports of the Investec Limited Customer Market and Conduct Committee<br>• Evaluated reports on cyber security within the Group<br>• Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and CFO as required by the JSE Listings Requirements 3.84(k) that supports the effectiveness of the internal control environment and the combined assurance matrix. |

DLC AUDIT COMMITTEE REPORT
CONTINUED

| Key audit matters | What we did |
|---|---|
| **Fair, balanced and understandable reporting**<br>• 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<br>• Met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate<br>• Conducted an in-depth critical review of the annual financial statements and, where necessary, requested amendments to disclosure<br>• Reviewed the accounting treatment of key judgements and the quality of earnings assessment<br>• Assessed disclosure controls and procedures<br>• Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made<br>• Obtained input and assurance from the external auditors and considered the level of and conclusion on the summary of audit differences<br>• Took note of the areas highlighted to the Audit Committee by the JSE through its Pro-active Monitoring Process of the AFS of listed companies. Ensured these were appropriately considered in the AFS.<br>• Considered feedback from Group Finance in respect of a project launched to amend the annual integrated report in order to improve disclosures, improve financial control and reporting processes<br>• Concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2022 were appropriate in ensuring that those statements were fair, balanced and understandable<br>• Reviewed feedback received from analysts in respect of the annual report as provided by Investor Relations and incorporated the feedback into the annual report<br>• Reviewed the outcomes of the combined assurance coverage model as discussed below<br>• Reviewed the process put in place to provide assurance on the Chief Executive and Chief Financial Officer attestation. |
| **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, Operational Risk, Legal, Regulatory Compliance, internal audit, external audit and other assurance providers<br>• 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<br>• 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<br>• 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.<br>• Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and CFO as required by the JSE Listings Requirements 3.84(k) that supports the effectiveness of the internal control environment and the combined assurance matrix. |

# DLC AUDIT COMMITTEE REPORT
CONTINUED

| Other matters | What we did |
|---|---|
| **Business control environment**<br>• 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<br>• Attended the audit committees of all significant subsidiaries<br>• Assessed reports on individual businesses and their control environments, scrutinised any identified control failures and closely monitored the status of remediation plans<br>• Received updates from senior management and scrutinised action plans following Internal Audit findings<br>• Reviewed the process for reporting to the DLC Audit Committee key subsidiaries and associates and considered regular reports from such entities, for example, Investec Property Fund, IEP and Investec Life. |
| **Finance function** | • Considered a report from Group Finance on the interim results for the period ended 30 September 2021 and final results for the 31 March 2022 year end<br>• In a closed session, discussed and concluded that the finance functions of both Investec plc and its subsidiaries and Investec Limited 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<br>• Concluded that the Group FD, Nishlan Samujh, had the appropriate expertise and experience to meet the responsibilities of the position<br>• Reviewed the work performed by Group Finance to support the control attestation made by the Chief Executive and Financial Director as required by the JSE Listings Requirements 3.84(k). Considered the reports from internal audit on the effectiveness of the internal control environment and the combined assurance matrix in concluding on the attestation. |
| **IFRS** | • Reviewed various accounting papers prepared by Group Finance addressing subjective accounting treatment and significant accounting judgements<br>• 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<br>• Reviewed and obtained confirmation from Group Finance that the recommendations in the JSE proactive monitoring report and the FRC annual review had been implemented in the preparation of the annual financial statements<br>• Concluded on the reasonableness of the significant accounting judgements. |
| **Related party disclosures** | • Considered and reviewed related party disclosures for the Group<br>• DLC Nomdac reviewed key related party transactions during the year and ensured Investec related party policies are being complied with. This was supported by a governance audit carried out by internal audit. |

# DLC AUDIT COMMITTEE REPORT
CONTINUED

| Other matters | What we did |
|---|---|
| **Internal audit**<br>• 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<br>• The Committee is responsible for assessing audit quality and the effectiveness of the Internal Audit function. | • Scrutinised and reviewed internal audit plans,  risk assessments, methodology and staffing, and approved the annual plan<br>• Deliberated on and approved the revised Group internal audit charter<br>• 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<br>• Monitored and followed up internal audit control findings, including IT, and ensured appropriate mitigation and timeous close-out by management<br>• Tracked high and moderate risk findings, and monitored related remediation plans<br>• 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<br>• 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<br>• Confirmed our satisfaction with the performance of the internal audit function<br>• Reviewed the Investec Limited and 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<br>• 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)<br>• Discussed and considered the engagement 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<br>• 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<br>• Internal Audit developed automated test scripts, allowing for more frequent testing of controls covering the full population. This full population testing will provide greater coverage than the current traditional audit methodology which calls for a sample testing approach. Reviewed and considered the implications of the approach on the audit for the Group<br>• Held a closed session with internal audit where the capacity, appropriate skill, independence and quality of the internal audit function was assessed<br>• Considered succession and the skills matrix for internal audit<br>• Reviewed the framework as prepared as part of the Continuous Improvement Programme, in respect of the general engagement with co-source providers and the utilisation and reliance on IT skills within the UK team. |

DLC 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 2022 amounted to £15.6 million (2021: £14.1 million), of which £0.9 million (2021: £1.0 million) related to the provision of non-audit services. The non-audit services related to services required to be provided by the external auditor, for example, regulatory audits. 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 PwC Inc. to ensure the independence of the firm prior to its appointment as external auditor for the financial year starting 1 April 2023.

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 (Investec plc) and Ernst & Young Inc., KPMG Inc. (Investec Limited) and PwC Inc. (Investec Limited).

**Audit quality, interdependencies and partner accreditation**
The Committee held a closed meeting with the external auditors to discuss auditor accreditation, independence, firm quality control and results of internal and external regulator inspections of the firms and individual partners.

The closed meetings in respect of audit quality took place between the Committee and Ernst & Young Inc. (the Group and Investec Ltd), KPMG Inc. (Investec Limited) and Ernst & Young LLP (the Group and Investec plc) for the current year.

The following matters were covered during these discussions:

- Transparency reports and reviews by each of the firms covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria
- Any reputational, legal or impending legal issues impacting the firm, including the implications of publicly observable information from regulatory investigations or the media
- The independence processes of the firm, including partner reward and remuneration criteria
- Interrogation of international and local firm audit quality control processes
- Detailed profiles of the partners, managers and technical support staff, including their relevant audit experience and specific Investec experience, especially where partners rotations were envisaged
- Details in relation to each firm's respective succession plans in order to provide assurance as to the partner rotation, transition and continuity process
- The results of the last firm-wide reviews carried out by the regulatory body, the IRBA in South Africa and the Financial Reporting Council (FRC) in the UK
- The results of the latest individual partner quality reviews carried out by the regulator and internal firm-wide quality control reviews carried out in respect of each partner.

**Auditor independence and objectivity**
- 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
- Manprit Dosanjh was appointed as lead engagement partner for Ernst & Young LLP and the Group on 1 April 2019
- Gail Moshoeshoe stepped down as lead Ernst & Young Inc. engagement partner for Investec Bank Limited, Investec Limited and the Group. Ranesh Hariparsad replaced Gail from 1 April 2021
- Tracy Middlemiss will step down as lead KPMG Inc. engagement partner for Investec Limited after the March 2022 audit. A new designated lead audit partner has been appointed for the financial year ending 31 March 2023 pending PA approval.

The following is a summary of the key audit partner changes for the Group:

- Jaco du Plessis from Ernst & Young Inc. was replaced by Shaun Jackson as the signing partner of the Investec Private Bank
- Zaheer Wadee from Ernst & Young Inc. will replace Janneman Labuschagne for the March 2023 audit
- Chris Brouard from Ernst & Young LLP replaced Ken Eglinton as audit partner of Investec Bank plc.

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

**Audit quality and independence**
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 reports were received and evaluated.

## Mandatory Audit Firm Rotation (MAFR)

**Investec plc**
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

# DLC AUDIT COMMITTEE REPORT
CONTINUED

end of March 2024 at the latest. A competitive tender process will commence during 2022 with the incoming audit firm to perform the first audit for the financial year starting 1 April 2024.

**Investec Limited**
Investec Limited is required to appoint joint auditors. The rule on MAFR as issued by the IRBA requires that an audit firm shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive financial years. Thereafter, the audit firm will only be eligible for re-appointment as the auditor after the expiry of at least five financial years. The requirement is effective for financial years commencing on or after 1 April 2023. If, at the effective date, the entity has appointed joint auditors and both have had audit tenure of 10 years or more, then only one audit firm is required to rotate at the effective date and the remaining audit firm will be granted an additional two years before rotation is required.

The Investec Limited Audit Committee considered the implications of the MAFR rule as issued by IRBA, the requirements of the South African Companies Act and the state of the audit profession in South Africa including reputational or apparent audit failure perceptions. The views expressed by shareholders have been a key consideration balanced with the implications of having joint auditors and the risks inherent in an audit transition. Based on this assessment, following a comprehensive tender process PwC Inc. was nominated as one of the new joint external auditors for the financial year starting 1 April 2023.

The appointment of PwC Inc. in a shadow capacity, for the 2022 financial year, will be recommended to ordinary shareholders at the AGM to be held in August 2022. A formal transition process will commence during 2022, whereby PwC Inc. will shadow the full audit cycle performed by the incumbent joint external auditors. The purpose of the shadow period is for PwC Inc. to obtain sufficient information about the Group, the financial control environment and the audit process to ensure a smooth transition as external auditor in the following year i.e for the audit commencing 1 April 2023. Non-audit services provided by PwC Inc. will be reviewed and considered in advance of their appointment as external auditors to ensure their continued independence.

A competitive tender process for the second rotation will commence during 2022, with the second incoming audit firm to perform the first audit for the financial year starting 1 April 2025, in accordance with the MAFR rules as published by the IRBA. The timing of the tender process was extended from 2021 to 2022 to provide the Committee with additional time to consider developments in respect of matters raised during the initial tender process and to give the Audit Committee time to to assess how potential firms deal with actual or perceived audit quality challenges reflected in the media or IRBA or Financial Reporting Council (FRC) rankings. The Committee believes that the new timing will still allow for sufficient opportunity to facilitate a comprehensive shadow audit process.

**Re-election of auditors**
The Committee has considered the following in proposing the appointment of external auditors:

- The regulatory need for joint auditors
- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of Bank or financial services group which is of systemic importance
- 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.

In line with the conditions set out in Section 94(8) of the South African Companies Act, and based on its assessment, using the criteria set out by the King IV™ Code and the JSE, and considering the guidance provided in the FRC guide on audit committees, the DLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

In making the recommendation for the re-election of Investec Limited's auditors, the Board and the DLC Audit Committee have taken into consideration the South African Companies Act and the South African PA requirements with respect to joint auditors and MAFR together with the results of the Audit Committee's extensive, formalised process to satisfy itself as to auditor independence and audit quality. The Board and the Committee is recommending the re-election of KPMG Inc. and Ernst & Young Inc. as joint auditors of Investec Limited at the AGM in August 2022 for the financial year ending 31 March 2023. In addition, the Board and the Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2022 for the financial year ending 31 March 2023. The Board and the Committee will be recommending PwC Inc. to replace KPMG Inc. as joint auditor for the financial year ending 31 March 2024. A second firm to replace Ernst & Young Inc for the year ending 31 March 2025 will be considered during 2022/2023 in line with IRBA MAFR requirements.

**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
- The appointment of the second external audit firm as part of MAFR in South Africa
- The appointment of an external audit firm in the UK as part of the audit rotation cycle
- 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
- Monitoring the impact of COVID-19 and the Russia-Ukraine war, on the economy and the consequent impact on financial systems and reporting, including viability, results of operations and financial position of the Group
- Continuing to exercise oversight over subsidiary audit committees, including in remote locations
- Monitoring the implementation of the amended JSE Listings Requirements, including the effectiveness of internal financial controls.

**Zarina Bassa**
Chair, DLC Audit Committee
22 June 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC PLC

# Opinion

In our opinion:

- Investec plc's combined consolidated Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards which comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.
- the Parent Company financial statements have been properly prepared in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Under the contractual arrangements implementing the dual listed companies structure, Investec plc and Investec Limited and their subsidiaries effectively form a single economic enterprise (the 'Group'), in which the economic and voting rights of shareholders are equalised. We have audited the financial statements of Investec plc (the "Parent Company") and the Group for the year ended 31 March 2022 which comprise:

| Group | Parent Company |
|---|---|
| Combined consolidated balance sheet as at 31 March 2022 | Balance sheet as at 31 March 2022 |
| Combined consolidated income statement for the year then ended | Statement of changes in shareholder's equity for the year then ended |
| Combined consolidated statement of total comprehensive income for the year then ended | Related notes a to i to the financial statements |
| Combined consolidated statement of changes in equity for the year then ended | |
| Combined consolidated cash flow statement for the year then ended | |
| Related notes 1 to 62 to the Annual financial statements, including accounting policies | |
| Information identified as 'audited' in the Investec Group's 2022 remuneration report | |
| Information identified as 'audited' in the Investec Group's 2022 risk and governance report | |

The financial reporting framework that has been applied in the preparation of the combined consolidated Group financial statements is applicable law and UK adopted international accounting standards which comply with IFRS as issued by the IASB and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and section 408 of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

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 Councils ('FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

## 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.

Due to the nature of the dual listed companies' structure and there being no cross-guarantees in place between Investec plc and Investec Limited, we assessed the going concern assumption for the Investec plc silo and for the Investec Limited silo as well as for the Group.

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

Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- understanding management's going concern assessment process, including the impact of the COVID-19 pandemic ('COVID-19') and the current macro-economic environment in which both silos and the Group operates;
- assessing the Board approved budgets, including the reasonableness and completeness of assumptions. In assessing these assumptions, we considered the impact of COVID-19 and the current macro-economic environment, the trading environment, current operating performance, principal risks and appropriate mitigating factors;
- assessing the information used in the going concern assessment for consistency with the information obtained through auditing other areas of the business, obtaining an understanding of the business planning process and challenging the central assumptions;
- 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;
- assessing the Group's compliance with external debt covenants;
- inspecting correspondence with the Prudential Regulatory Authority ('PRA'), Financial Conduct Authority ('FCA') and South African Prudential Authority ('PA') 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 period of 12 month from when the financial statements are authorised for issue.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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.

**Overview of our audit approach**

| | |
|---|---|
| **Audit scope** | • We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further three components.<br>• The components where we performed full or specific audit procedures accounted for 99% of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions, 99% of Revenue and 99% of Total assets. |
| **Key audit matters** | • Adequacy of the provision for expected credit losses on loans and advances to customers;<br>• Valuation of fair value instruments with higher risk characteristics and associated income;<br>• Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and related potential civil and tax claims; and<br>• IT systems and controls impacting financial reporting. |
| **Materiality** | • We applied Group materiality of £36.4m which represents 5% of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ('operating profit'). |

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

## An overview of the scope of our audit

**Tailoring the scope**
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each Company within the Group. Taken together, this enables us to form an opinion on the combined consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, and changes in the business environment when assessing the level of work to be performed at each Company.

Of the seven components selected, we performed an audit of the complete financial information of four components ('full scope components') which were selected based on their size or risk characteristics. For the remaining three components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

| Component | Scoping |
|---|---|
| Investec Bank Limited | Full |
| Investec Bank plc | Full |
| Investec Limited (consolidation)* | Full |
| Investec Property Fund Limited | Full |
| Investec Markets Proprietary Limited | Specific |
| Investec Property Group Holding Proprietary Limited | Specific |
| Investec Wealth and Investment International Proprietary Limited (formerly Investec Securities Proprietary Limited) | Specific |

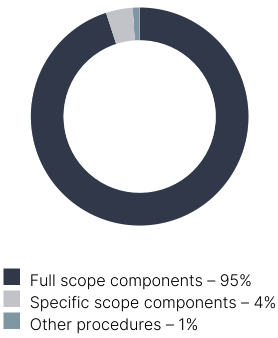
* While not a legal entity, this component comprises of the consolidation adjustments and other material balances at Investec Limited level which relate to Investec Limited the Company.

The reporting components where we performed audit procedures accounted for 99% (2021: 99%) of the Group's operating profit, 99% (2021: 99%) of the Group's revenue and 99% (2021: 99%) of the Group's total assets. For the current year, the full scope components contributed 95% (2021: 97%) of the Group's operating profit, 97% (2021: 99%) of the Group's revenue and 98% (2021: 99%) of the Group's total assets. The specific scope component contributed 4% (2021: 3%) of the Group's operating profit, 3% (2021: 1%) of the Group's revenue and 1% (2021: 1%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

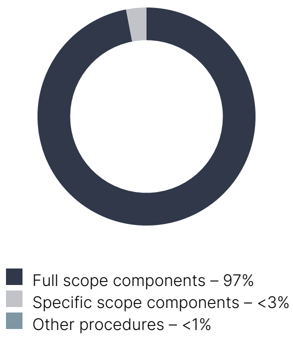
The remaining components together represent 1% of the Group's operating profit. For these components, we performed other procedures, including analytical review and testing of journals to respond to potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams .

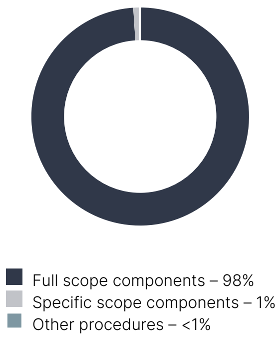
**Adjusted operating profit**




**Revenue**




**Total assets**



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

### Changes from the prior year

The scope of Investec Markets Proprietary Limited and Investec Wealth and Investment International Proprietary Limited changed from full in the prior year to specific in the current year. Investec Life Limited changed from specific in the prior year to being out of scope in the current year. The primary driver for these changes was the relative contribution of these components to the Group's operating profit.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms and other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

During the current year's audit cycle, the primary audit team followed a programme of in-person visits and virtual oversight reviews that has been designed to ensure that the Senior Statutory Auditor, visits all full scope and specific scope locations in the UK and South Africa. These in-person visits and virtual reviews involved discussing the audit approach with the component team and significant issues arising from their work. The primary audit engagement team interacted regularly with the component audit teams, where appropriate, throughout the course of the audit, which included attending planning meetings, maintaining regular communication on the status of the audits, attending closing meetings and reviewing relevant audit working papers on risk areas and taking responsibility for the scope and direction of the audit process. We also attended audit team meetings with component management and component Audit Committee meetings.

In response to developments in prior years we enhanced the oversight procedures performed over components audited by other firms in South Africa. These enhancements have continued in the current year including additional virtual and in person reviews of working papers, by the primary team and the independent review partner.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

### Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on their operations will be from credit risk, operational risk, conduct risk, regulatory risk and reputational risk. These are explained in the Climate-related disclosures overview section within the Annexures to the Investec Group's 2022 integrated and strategic annual report, and ESG (including climate) risk section within the Investec Group's 2022 risk and governance report, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Accounting policies note, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of (IFRS) as issued by the IASB and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In the Accounting policies note, explanation of the impact of certain transition and physical risks were provided for the key assumptions and significant judgements and estimates.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and ensuring that the effects of material climate risks disclosed in the Accounting policies note have been appropriately reflected in the asset and liability values and the nature and timing of future cash flows. Details of our procedures and results on the valuation of financial instruments with higher risk characteristics and expected credit losses are included in our key audit matters below. We also challenged the directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Group have stated their commitment to the aspirations to achieve net zero emissions is aligned with the Paris Agreement, the Group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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

CONTINUED

| Risk | Our response to the risk |
| --- | --- |
| **Adequacy of the provision for expected credit losses on loans and advances to customers**<br><br>Refer to the DLC Audit Committee Report (page 8); Accounting policies (pages 57 and 58); Note 6 and 29 of the Consolidated Financial Statements (page 73 and 105).<br><br>The determination of the provision for expected credit losses ('ECL') is highly subjective. The subjectivity relates to the path to recovery from COVID-19, the impact of the Russian invasion of Ukraine and the impacts of climate change.<br><br>At year-end the Group reported gross loans and advances to customers subject to expected credit losses of £29,142 million (2021: £25,749 million); expected credit losses on loans and advances to customers at amortised cost and fair value through other comprehensive income ('FVOCI') of £270 million (2021: £297 million); and expected credit loss impairment charges of £23 million (2021: £89 million).<br><br>Given the subjective nature of the calculation of ECL there is a heightened risk that the provisions could be misstated.<br><br>We focused on the following:<br><br>• Staging/assessment of significant increase in credit risk: Allocation of assets recognised in stages 1, 2 and 3, including the triggers for an asset moving between stages;<br>• Multiple economic scenarios: The appropriateness of the economic scenarios determined by management, the probability weights assigned to each and the inputs and assumptions used to estimate their impact;<br>• ECL models: The assumptions used in the models to calculate ECL, including:<br>– The accounting interpretations, modelling assumptions and data used in the Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') models;<br>– Key model assumptions and techniques, including in-model adjustments.<br>• Post model adjustments: Adequacy and completeness of post model adjustments, including those in relation to the effect of COVID-19 and macro factors relating to the Russian invasion of Ukraine;<br>• Individually assessed provisions: Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit value, timing of cash flows, the recovery strategies and discount rates.<br><br>The level of risk has remained consistent with the prior year. | To address the risks we performed the following key procedures, amongst others:<br><br>**Staging/assessment of significant increase in credit risk**<br>We assessed the design and tested the operating effectiveness of key controls focusing on the following:<br><br>• assessment and approval of a significant increase or reduction in credit risk and monitoring of asset in each stage;<br>• assessment of manual overrides to staging outcomes; and<br>• data accuracy and completeness.<br><br>On a sample basis we analysed the assets in stages 1, 2 and 3 to assess if they were allocated to the appropriate stage and performed sensitivity analysis to assess the impact of different criteria on the ECL.<br><br>**Multiple economic scenarios**<br>We assessed the design and tested the operating effectiveness of key controls focusing on the following:<br><br>• generation and approval of the base case scenario, the methodology and output of alternative scenarios, including the probability weights assigned;<br>• production and approval of models used to calculate the ECL impact of the scenarios; and<br>• the governance processes that the Group have put in place to review and approve the economic scenarios.<br><br>We involved economists to assist us to assess the base case and alternative scenarios generated, including the probability weights applied to each scenario. This included independent analysis on management's economic forecasts, which incorporated the use of third-party data. This assessment included developments related to COVID-19 and the Russian invasion of Ukraine at 31 March 2022.<br><br>We involved our modelling specialists to assess the correlation of the forecast macroeconomic factors to the ECL and to test the translation of the macroeconomic factors to the ECL.<br><br>**ECL model**<br>We assessed the design and tested the operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of relevant models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9.<br><br>We involved modelling specialists to test assumptions used in the in-scope ECL models including the in-model adjustments.<br><br>This included performing an assessment of:<br><br>• the model design documentation against accepted industry principles;<br>• the appropriateness of the methodology, considering alternative techniques including the in-model adjustments; and<br>• the programming code to review its consistency with the design documentation.<br><br>We also tested a sample of the reporting date data used in the models by tracing back to the source systems.<br><br>**Post model adjustments**<br>We obtained an understanding of the model limitations to evaluate the completeness and appropriateness of the related adjustments. We also independently recalculated these adjustments.<br><br>We assessed the governance processes that the Group has put in place to review and approve the post model adjustments. |

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

| **Risk** continued | **Our response to the risk** continued |
|---|---|
| | For the Investec plc silo COVID-19 and Management overlays, we assessed the adjustment made by management to reflect the impact from COVID-19 and the Russian invasion of Ukraine by considering the data, judgements, methodology and sensitivity analysis of these adjustments with our modelling specialists.<br><br>For the Investec Limited silo, we assessed the COVID-19 overlay in relation to emerging risks identified for certain categories of borrowers within the commercial real estate and mortgage portfolios.<br><br>**Individually assessed provisions**<br>We selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors including retail, hotel and leisure properties, and transport including aviation. For each sample selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies.<br><br>We also considered management's potential alternative scenarios and the probability weights assigned. We assessed the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences arising.<br><br>**Disclosures**<br>We evaluated the adequacy of disclosures in the financial statements including the assumptions and sensitivities disclosed. We tested the data and calculations supporting the disclosures.<br><br>**Overall stand-back assessment**<br>We performed a stand-back assessment of the ECL provisions and coverage at an overall level and by stage to determine if provision levels were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, and the impacts of the COVID-19 pandemic, climate change, from the cost of living crisis and geopolitical factors. We performed peer benchmarking where available to assess overall staging and provision coverage levels. |

We performed full scope audit procedures over this risk area in three components. These three components covered 99% (2021: 99%) of the risk amount.

**Key observations communicated to the Audit Committee**

Based on the testing performed we concluded that the ECL provision made by management is within a reasonable range of outcomes and in compliance with IFRS 9.

We highlighted the following matters to the Audit Committee:

- Our stand-back assessment of the overall provision balance in light of the current economic environment and through peer benchmarking analysis of key indicators, such as coverage ratios, indicated the provision recorded as at year end was reasonable;
- Where the design of key controls was effective, we tested those key controls and concluded they had operated effectively. We identified a limited number of design deficiencies that required us to perform compensating substantive procedures to conclude that the account was not materially misstated;
- Our testing of models and model assumptions highlighted some design deficiencies resulting in judgemental differences that led to both over and under provision; however, these did not result in a material impact on the financial statements;
- Overall, the in-model and post-model adjustments applied were reasonable and addressed model shortcomings identified; and
- For individually assessed impairments and the COVID-19 and Management overlays, judgemental differences both increasing and decreasing impairment levels were identified; however, none of these individually or in aggregate were material to the financial statements.

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

| Risk | Our response to the risk |
|---|---|
| **Valuation of fair value instruments with higher risk characteristics and associated income**<br><br>Refer to the DLC Audit Committee Report (page 9); Accounting policies (page 57); Note 17 and 35 of the Consolidated Financial Statements (page 90 and 111).<br><br>As at 31 March 2022, the Group held financial instruments assets of £12,956 million and liabilities of £6,231 million (2021: assets £12,342 million and liabilities £4,499 million) and Investment properties of £821 million (2021: £832 million). This included certain level 2 and level 3 assets and liabilities with higher risk characteristics whose values are dependent upon unobservable inputs, where management's significant judgement is applied.<br><br>There are also interests in associated undertakings and joint venture holdings with underlying investments held at fair value that have the same higher risk characteristics and are valued using the same techniques as the Group's unlisted investment portfolio.<br><br>The valuation of those financial instruments with higher risk characteristics can include significant judgement and therefore the risk of inappropriate revenue recognition through incorrect valuation as outlined below exists.<br><br>The judgement in estimating the fair value of these instruments can involve complex valuation models or techniques, or significant fair value adjustments. Both of which may be reliant on inputs where there is limited market observability or liquidity.<br><br>Management's estimates which required significant judgement included:<br>• Complex models – complex model-dependent derivatives and debt securities, which include structured equity derivatives with exotic features;<br>• Valuation techniques – illiquid investments in, and fair valued loans to, unquoted private companies valued using different valuation techniques (e.g. price-earnings multiples, discounted cashflow, net asset valuations);<br>• Illiquid inputs – pricing inputs, calibrations and discounts for illiquid instruments, which include securities, unlisted equity investments and profit shares, and fair valued loans referencing the corporate, aviation and property sectors.<br><br>The level of risk has remained consistent with the prior year. | We obtained an understanding of management's processes and tested the design and operating effectiveness of controls relating to financial instrument valuation and related income statement measurement.<br><br>We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions, contractual obligations and exit values on a sample basis. In addition, we assessed whether there were any indicators of aggregate bias in financial instrument valuation pricing sources and methodology assumptions.<br><br>We considered the impact of, and economic recovery from, the COVID-19 pandemic as well as the impact of the Russian invasion of Ukraine throughout the procedures performed on the higher risk characteristic financial instruments by challenging whether the valuation methodologies and assumptions used remained appropriate. Throughout our audit procedures, we considered the appropriateness of modelling changes in relation to IBOR reform and impact of climate change on the valuation of financial instruments.<br><br>**Complex models**<br>We involved valuation and modelling specialists where appropriate to assist in testing complex model-dependent valuations for derivatives, fair value loans and debt securities by performing independent revaluation, on a sample basis, to assess the appropriateness of models and the adequacy of assumptions and inputs used. We performed back-testing analysis of recent trade activity to evaluate the drivers of significant differences between book value and trade value and to assess the impact on the fair value of similar instruments within the portfolio.<br><br>**Valuation techniques**<br>We performed procedures on key judgements made by management in the calculation of fair value on illiquid unlisted investments (including those held within interests in associated undertakings), fair value loans and profit sharing arrangements, including:<br>• assessing the suitability, applicability and completeness of the comparable companies used in the calculation of the earnings multiples in price-earnings multiple valuations, and obtained supporting evidence and explanation for any adjustments made to the multiples;<br>• performing calculations to assess the appropriateness of discount rates used in discounted cash flow valuations, with reference to relevant industry and market data;<br>• assessing external valuation reports received by management, where an external valuer has been engaged, and assessed their competence and objectivity in valuations which reference a net asset valuation; and<br>• confirming that the accuracy of information provided by management was free from manipulation or amendment, including management accounts and reporting, unaudited financial information, and market pricing sources.<br><br>**Illiquid inputs**<br>We performed procedures on key judgements made by management on inputs used in the valuation of equity investments, illiquid securities, fair value corporate, aviation and property loans and unlisted investment portfolios and investment properties, including:<br>• for equity investments and illiquid securities, independently re-pricing instruments that had been valued using illiquid pricing inputs, using alternative pricing sources where available, to evaluate management's valuation;<br>• for the fair value corporate, aviation and property loans and unlisted investment portfolios: we involved aircraft, real estate, and business valuation specialists to independently assess the valuations of a sample of positions undertaken by management. We derived a range of acceptable fair values through our analysis including taking account of other qualitative risk factors, such as company specific risk factors; and |

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

| **Risk** continued | **Our response to the risk** continued |
|---|---|
| | • for investment properties which involve real estate valuations, we assessed capitalisation rates to derive rental income yields and involved our valuation specialists to independently assess the valuations for a sample of positions.<br>For all positions, we compared our determined ranges and estimates to management's fair values. |

We performed full audit procedures over this risk area for five components, which covered 100% (2021: 99%) of the risk amount.

**Key observations communicated to the Audit Committee**

We are satisfied that the assumptions used by management to reflect the fair value of financial instruments with higher risk characteristics and the recognition of related income are reasonable and in accordance with IFRS. We highlighted the following matters to the Audit Committee:

- Complex-model dependent valuations and techniques were appropriate based on the output of our independent re-valuations, including the analysis of any trade activity during the year, peer benchmarking; sales and/or exits;
- The fair value estimates of higher risk characteristic financial instruments appropriately reflected pricing information available at 31 March 2022.

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

CONTINUED

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td>Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and related potential civil and tax claims<br><br>Refer to the DLC Audit Committee Report (page 9); Accounting policies (page 58); and Note 53 of the Consolidated Financial Statements (page 131).<br><br>There are ongoing investigations into historical German dividend tax arbitrage transactions where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne. Additional enquiries have also been made, subsequent to year end, by the German Federal Tax Office related to reclaims of tax related to the dividend tax arbitrage transactions.<br><br>Further, whilst the Group is not a claimant nor a defendant to any civil claims in respect of dividend arbitrage transactions, it cannot rule out the possibility of civil claims by or against the Group in the future.<br><br>Consequently, management made judgements about the adequacy of provisions which are subject to change in future periods as more information becomes available. Management have also assessed the need to disclose these matters as contingent liabilities.<br><br>The level of risk has increased compared to the prior year, as a result of the recent enquiries made by the German Federal Tax Office.</td><td>We examined the latest court rulings and analysis performed by management which set out the basis for the judgements in relation to the historical German dividend tax arbitrage transactions and related provision.<br><br>We also inspected the correspondence between the Group and its external advisors, between the Group and Office of the Public Prosecutor in Cologne, and between the Group and the German Federal Tax Office. In addition, we obtained legal confirmations from, and spoke directly with, the Group's external legal counsels to confirm the current status of the matters.<br><br>We have obtained and evaluated the minutes of internal committees overseeing management's response to the matters.<br><br>With the assistance of Tax specialists, we have considered the matters in dispute and compared with externally available information to challenge management's assessment.<br><br>We also evaluated the appropriateness of management's accounting treatment and disclosure in relation to the investigation by the Office of the Public Prosecutor in Cologne, the German Federal Tax Office enquiries, and the potential related civil claims.</td></tr>
<tr><td colspan="2">We performed full scope audit procedures over this risk area in the component impacted by the risk.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee</td></tr>
<tr><td colspan="2">Based on the information that is currently available we are satisfied with management's assessment, calculation and recognition of the provision in relation to the investigation by the Office of the Public Prosecutor in Cologne. Based on the information currently available we are satisfied with management's conclusions in relation to the German Federal Tax Office enquiries and the potential related civil claims arising from the investigation by the office of the Public prosecutor in Cologne. We are also satisfied with the adequacy of the disclosure presented in the financial statements for these matters.</td></tr>
</table>

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

| Risk | Our response to the risk |
|---|---|
| **IT systems and controls impacting financial reporting**<br>The IT environment is complex and pervasive to the operations of the Group due to the large volume of transactions processed in numerous locations on a daily basis with extensive reliance on automated controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. As part of our audit we rely upon the IT control environment, in particular in relation to:<br>• User access management across application, database and operating systems;<br>• Controls over changes to the IT environment, including transformation that changes the IT landscape;<br>• IT operational controls; and<br>• IT application or IT-dependent controls.<br>These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data.<br>While the Group have implemented a series of remediation programmes during the year to address previously identified control deficiencies, the risk of inappropriate access and unauthorised changes to in-scope applications and production environments remains.<br>The level of risk has remained consistent with the prior year. | We evaluated the design and tested the operating effectiveness of IT general controls in the access management and change management IT processes for key applications, operating systems and databases that are material to financial reporting. We tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations and, the completeness and accuracy of system and data feeds.<br>Certain systems are outsourced to third party service providers. For these systems, we tested IT general controls through evaluating the relevant Service Organisation Controls reports (where available). This included assessing the timing of the reporting, the controls tested by the service auditor and whether they address relevant IT risks.<br>In response to control deficiencies identified during the year, where we could not rely on compensating IT controls we performed substantive testing procedures to address the resulting risk to the financial statements. Where these IT substantive procedures were not possible, we performed the following additional testing procedures to mitigate the risks identified:<br>• we understood the nature of the deficiency and, where possible, obtained further evidence to support the appropriateness of any activities performed using the impacted IT application;<br>• tested downstream compensating business controls; and<br>• performed incremental substantive testing in relation to external confirmations and key year-end reconciliations. |
| We have considered the impact of IT systems and controls impacting financial reporting throughout the audit. | |
| **Key observations communicated to the Audit Committee** | |
| We identified certain control deficiencies predominately in relation to user access controls and the segregation of IT duties in the change management process. However, based on the initial and additional testing outlined above, we concluded that the findings identified in relation to the IT control environment relevant to the financial statements did not give rise to a material misstatement. | |

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

# Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £36.4 million (2021: £23.1 million), which is 5% (2021: 5%) of operating profit before impairment of goodwill and amortisation of acquired intangibles and strategic actions ('operating profit') (£727.5 million). We believe that operating profit provides us with the most appropriate measure to reflect the performance of the Group, as this is also the level at which management considers the financial performance of the Group when reporting externally in profit announcements and pre-close meetings with market analysts and shareholders.

During the course of our audit, we reassessed initial materiality and determined no significant changes were required to our materiality calculations.

We determined materiality for the Parent Company to be £5.7 million (2021: £6.7 million), which is 1% (2021: 1%) of distributable equity.

There has been no change in the basis from the prior year. We believe this reflects the most useful measure for users of the financial statements as the Parent Company's primary purpose is to act as a holding Company with investments in the Group's subsidiaries.

### Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £18.2 million (2021: £11.6 million). We have set performance materiality at this percentage based on our understanding of the entity and past experience with the audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £3.6 million to £10.0 million (2021: £2.3 million to £6.4 million).

### Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.8 million (2021: £1.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the annual report and accounts, including the Directors' Report (set out on pages 125 to 133 of Investec Group's 2022 integrated and strategic report), Strategic Report (set out on pages 24 to 37 of Investec Group's 2022 integrated and strategic report), Sustainability (set out on pages 94 to 105 of Investec Group's 2022 integrated and strategic report), Risk disclosures (set out on pages 4 to 92 of Investec Group's 2022 risk and governance report), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report which includes reporting based on the Task Force on Climate-related Financial Disclosure ('TCFD') recommendations (set out on pages 148 to 150 of Investec Group's 2022 integrated and strategic 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 this gives rise to 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.

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

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

## Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 129, Directors' report in the Investec Group's 2022 integrated and strategic report);
- Directors' explanation as to its assessment of the Group and Company's prospects, the period this assessment covers and why the period is appropriate (set out on page 129 Directors report in the Investec Group's 2022 integrated and strategic report);
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities (set out on page 129, Directors report in the Investec Group's 2022 integrated and strategic report);
- Directors' statement on fair, balanced and understandable (set out on page 13);
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 8 Principal Risk in the Investec Group's 2022 risk and governance report);
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on page12); and
- The section describing the work of the Audit Committee (set out on page 6).

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on pages 4 to 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## 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 Company 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

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

requirements of the PRA, FRC, FCA, PA and other overseas regulatory requirements, including but not limited to regulations in markets such as South Africa, Switzerland, Ireland, Guernsey, Australia, India, Singapore, the United States of America, and the relevant tax compliance regulations in the jurisdictions in which the Group operates.

- We understood how Group and parent 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 Parent Company and UK and South African regulatory bodies; reviewed minutes of the Board, Audit Committee and Risk and Capital Committee; and gained an understanding of the Group and Parent Company's approach to governance, demonstrated by the Board's approval of the Group and Parent Company's governance framework and the Board's review of the Group's risk management framework and internal control processes.
- 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 for 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, inquiring about the Group and Parent Company's methods of enforcing and monitoring compliance with such policies and inspecting correspondence with the PRA, FCA and PA.
- The Group and 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 Parent Company has established to address risks identified by the Group and 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; as well as focused testing referred to in the Key Audit Matters section above. In addition, we performed procedures to identify significant items inappropriately held in suspense and tested journal entries with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

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 matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Parent Company on 27 November 2000 to audit the financial statements for the year ending 31 March 2001 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 22 years, covering the years ending 31 March 2001 to 31 March 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

## Use of our report

This report is made solely to the Group and Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

**Manprit Dosanjh (Senior statutory auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
22 June 2022

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED

## To the Shareholders of Investec Limited

### Report on the Audit of the Combined Consolidated Financial Statements

**Opinion**
We have audited the accompanying combined consolidated financial statements of Investec Limited, incorporating Investec plc, ('the Group') which comprise:

| Combined consolidated financial statements | Reference |
|---|---|
| Combined consolidated income statement for the year ended | Page 39 |
| Combined consolidated statement of total comprehensive income for the year | Page 40 |
| Combined consolidated balance sheet as at 31 March 2022 | Page 41 |
| Combined consolidated statement of changes in equity for the year then ended | Pages 42 – 45 |
| Combined consolidated cash flow statement for the year then ended | Page 46 |
| Related notes 1 to 63 to the Annual financial statements, including accounting policies | Pages 47 – 146 |
| Information identified as 'audited' in the Investec Group's 2022 remuneration report | 2022 remuneration report |
| Information identified as 'audited' in the Investec Group's 2022 risk and governance Report | 2022 risk and governance Report |

In our opinion, the combined consolidated financial statements present fairly, in all material respects, the combined consolidated balance sheet of the Group as at 31 March 2022, and its combined consolidated income statement and combined consolidated statement of comprehensive income and combined consolidated cash flow statement for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the combined consolidated financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the Group and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the combined consolidated financial statements of the current period. These matters were addressed in the context of our audit of the combined consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the combined consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the combined consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying combined consolidated financial statements.

The following Key Audit Matters apply equally to the audit of the consolidated financial statements:

- Adequacy of the provision for expected credit losses on loans and advances to customers;
- Valuation of fair value instruments with higher risk characteristics and associated income;
- Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and potential related civil and tax claims (Investec plc); and
- IT systems and controls impacting financial reporting (Investec plc).

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED

CONTINUED

## Risk

**Adequacy of the provision for expected credit losses on loans and advances to customers**

Refer to the DLC Audit Committee Report (page 8); Accounting policies (pages 57 and 58); Note 6 and 29 of the Consolidated Financial Statements (page 73 and 105).

The determination of the allowance for expected credit losses ('ECL') is highly subjective. The subjectivity relates to the path to recovery from COVID-19, the impact of the Russian invasion of Ukraine and the impacts of climate change.

At year-end the Group reported gross loans and advances to customers subject to expected credit losses of £29,142 million (2021: £25,749 million); expected credit losses on loans and advances to customers at amortised cost and fair value through other comprehensive income ('FVOCI') of £270 million (2021: £297 million); and expected credit loss impairment charges of £23 million (2021: £89 million).

Given the subjective nature of the calculation of ECL there is a heightened risk that the provisions could be misstated.

We focused on the following:

- Staging/assessment of significant increase in credit risk: Allocation of assets recognised in stages 1, 2 and 3, including the triggers for an asset moving between stages;
- Multiple economic scenarios: The appropriateness of the economic scenarios determined by management, the probability weights assigned to each and the inputs and assumptions used to estimate their impact;
- ECL models: The assumptions used in the models to calculate ECL, including:
  – the accounting interpretations, modelling assumptions and data used in the Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') models;
  – Key model assumptions and techniques, including in-model adjustments.
- Post model adjustments: Adequacy and completeness of post model adjustments, including those in relation to the effect of COVID-19 and macro factors relating to the Russian invasion of Ukraine;
- Individually assessed provisions: Individually assessed provisions where the measurement of the provision is dependent on the valuation of collateral, estimates of exit value, timing of cash flows, the recovery strategies and discount rates.

## Our response to the risk

To address the risks we performed the following key procedures, amongst others:

**Staging/assessment of significant increase in credit risk**
We assessed the design and tested the operating effectiveness of key controls focusing on the following:

- assessment and approval of a significant increase or reduction in credit risk and monitoring of asset in each stage;
- assessment of manual overrides to staging outcomes; and
- data accuracy and completeness.

On a sample basis we analysed the assets in stages 1, 2 and 3 to assess if they were allocated to the appropriate stage and performed sensitivity analysis to assess the impact of different criteria on the ECL.

**Multiple economic scenarios**
We assessed the design and tested operating effectiveness of key controls focusing on the following:

- generation and approval of the base case scenario, the methodology and output of alternative scenarios, including the probability weights assigned;
- production and approval of models used to calculate the ECL impact of the scenarios; and
- the governance processes that the Group have put in place to review and approve the economic scenarios.

We involved economists to assist us to assess the base case and alternative scenarios generated, including the probability weights applied to each scenario. This included independent analysis on management's economic forecasts, which incorporated the use of third-party data. This assessment included developments related to COVID-19 and the Russian invasion of Ukraine at 31 March 2022.

We involved our modelling specialists to assess the correlation of the forecast macroeconomic factors to the ECL and to test the translation of the macroeconomic factors to the ECL.

**ECL models**
We assessed the design and tested the operating effectiveness of key controls, focusing on model governance, including the design, build, testing, review, and approval of relevant models. As part of this we assessed the accounting interpretations made for compliance with IFRS 9.

We involved modelling specialists to test assumptions used in the in-scope ECL models including the in-model adjustments.

This included performing an assessment of:

- the model design documentation against accepted industry principles;
- the appropriateness of the methodology, considering alternative techniques including the in-model adjustments; and
- the programming code to review its consistency with the design documentation.

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

| **Risk** continued | **Our response to the risk** continued |
|---|---|
| | We also tested a sample of the reporting date data used in the models by tracing back to the source systems.<br><br>**Post model adjustments**<br>We obtained an understanding of the model limitations to evaluate the completeness and appropriateness of the related adjustments. We also independently recalculated these adjustments.<br><br>We assessed the governance processes that the Group has put in place to review and approve the post model adjustments.<br><br>For the Investec plc silo COVID-19 and Management overlays, we assessed the adjustment made by management to reflect the impact from COVID-19 and the Russian invasion of Ukraine by considering the data, judgements, methodology and sensitivity analysis of these adjustments with our modelling specialists.<br><br>For the Investec Limited silo, we assessed the COVID-19 overlay in relation to emerging risks identified for certain categories of borrowers within the commercial real estate and mortgage portfolios.<br><br>**Individually assessed provisions**<br>We selected a sample of loans to recalculate the ECL with the involvement of our valuation specialists, where appropriate. Our sample considered high-risk sectors including retail, hotel and leisure properties, and transport including aviation. For each sample selected we formed an independent view of collateral or exit values, cash flow assumptions and exit strategies.<br><br>We also considered management's potential alternative scenarios and the probability weights assigned. We assessed the discount rate used, re-performed the discounted cash flow calculations and compared our measurement outcomes to those prepared by management, investigating any differences arising.<br><br>**Disclosures**<br>We evaluated the adequacy of disclosures in the financial statements including the assumptions and sensitivities disclosed. We tested the data and calculations supporting the disclosures.<br><br>**Overall stand-back assessment**<br>We performed a stand-back assessment of the ECL provisions and coverage at an overall level and by stage to determine if provision levels were reasonable by considering the overall credit quality of the Group's portfolios, risk profile, and the impacts of the COVID-19 pandemic, climate change, from the cost-of-living crisis and geopolitical factors. We performed peer benchmarking where available to assess |

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

| Risk | Our response to the risk |
| --- | --- |
| **Valuation of fair value instruments with higher risk characteristics and associated income**<br><br>Refer to the DLC Audit Committee Report (page 9); Accounting policies (page 57); Note 17 and 35 of the Consolidated Financial Statements (page 90 and 111).<br><br>As at 31 March 2022, the Group held financial instruments assets of £12,956 million and liabilities of £6,231 million (2021: assets £12,342 million and liabilities £4,499 million) and Investment properties of £821 million (2021: £832 million). This included certain level 2 and level 3 assets and liabilities with higher risk characteristics whose values are dependent upon unobservable inputs, where management's significant judgement is applied.<br><br>There are also interests in associated undertakings and joint venture holdings with underlying investments held at fair value that have the same higher risk characteristics and are valued using the same techniques as the Group's unlisted investment portfolio.<br><br>The valuation of those financial instruments with higher risk characteristics can include significant judgement and therefore the risk of inappropriate revenue recognition through incorrect valuation as outlined below.<br><br>The judgement in estimating the fair value of these instruments can involve complex valuation models or techniques, or significant fair value adjustments, both of which may be reliant on inputs where there is limited market observability or liquidity.<br><br>Management's estimates which required significant judgement included:<br><br>• Complex models – complex model-dependent derivatives and debt securities, which include structured equity derivatives with exotic features;<br>• Valuation techniques – illiquid investments in, and fair valued loans to, unquoted private companies valued using different valuation techniques (e.g. price-earnings multiples, discounted cash flow, net asset valuations);<br>• Illiquid inputs – pricing inputs, calibrations and discounts for illiquid instruments, which include securities, unlisted equity investments and profit shares, and fair valued loans referencing the corporate, aviation and property sectors. | We obtained an understanding of management's processes and tested the design and operating effectiveness of controls relating to financial instrument valuation and related income statement measurement.<br><br>We performed a detailed examination of management's valuation methodologies and assessed the appropriateness and consistency of model inputs, key assumptions, contractual obligations and exit values on a sample basis. In addition, we assessed whether there were any indicators of aggregate bias in financial instrument valuation pricing sources and methodology assumptions.<br><br>We considered the impact of, and economic recovery from, the COVID-19 pandemic as well as the impact of the Russian invasion of Ukraine throughout the procedures performed on the higher risk characteristic financial instruments by challenging whether the valuation methodologies and assumptions used remained appropriate. Throughout our audit procedures, we considered the appropriateness of modelling changes in relation to IBOR transition and impact of climate change on the valuation of financial instruments.<br><br>**Complex models**<br>We involved valuation and modelling specialists to assist in testing complex model-dependent valuations for derivatives, fair valued loans and debt securities by performing independent revaluation, on a sample basis, to assess the appropriateness of models and the adequacy of assumptions and inputs used. We performed back-testing analysis of recent trade activity to evaluate the drivers of significant differences between book value and trade value and to assess the impact on the fair value of similar instruments within the portfolio.<br><br>**Valuation techniques**<br>We performed procedures on key judgements made by management in the calculation of fair value on illiquid unlisted investments (including those held within interests in associated undertakings), fair value loans and profit sharing arrangements, including:<br><br>• assessing the suitability, applicability and completeness of the comparable companies used in the calculation of the earnings multiples in price-earnings multiple valuations, and obtained supporting evidence and explanation for any adjustments made to the multiples;<br>• performing calculations to assess the appropriateness of discount rates used in discounted cash flow valuations, with reference to relevant industry and market data;<br>• assessing external valuation reports received by management, where an external valuer has been engaged, and assessed their competence and objectivity in valuations which reference a net asset valuation; and<br>• confirming the accuracy of information provided by management was free from manipulation or amendment, including management accounts and reporting, unaudited financial information, and market pricing sources. |

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

| **Risk** continued | **Our response to the risk** continued |
|---|---|
| | **Illiquid inputs**<br>We performed procedures on key judgements made by management on inputs used in the valuation of equity investments, illiquid securities, fair value corporate, aviation and property loans and unlisted investment portfolios and investment properties, including:<br>• for equity investments and illiquid securities, independently re-pricing instruments that had been valued using illiquid pricing inputs, using alternative pricing sources where available, to evaluate management's valuation;<br>• for the fair value corporate, aviation and property loans and unlisted investment portfolios: we involved aircraft, real estate, and business valuation specialists to independently assess the valuations of a sample of positions undertaken by management. We derived a range of acceptable fair values through our analysis including taking account of other qualitative risk factors, such as Company specific risk factors; and<br>• for investment properties which involve real estate valuations, we assessed capitalisation rates to derive rental income yields and involved our valuation specialists to independently assess the valuations for a sample of positions.<br>For all positions, we compared our determined ranges and estimates to management's fair values. |

| **Risk** | **Our response to the risk** |
|---|---|
| **Adequacy of the provision held relating to the investigation by the Office of the Public Prosecutor in Cologne and related potential civil and tax claims (Investec Plc)**<br>Refer to the DLC Audit Committee Report (page 9); Accounting policies (page 58); and Note 53 of the Consolidated Financial Statements (page 131).<br>There are ongoing investigations into historical German dividend tax arbitrage transactions where the outcome is dependent on the resolution of the investigation by the Office of the Public Prosecutor in Cologne. Additional enquiries have also been made, subsequent to year end, by the German Federal Tax Office related to reclaims of tax related to the dividend tax arbitrage transactions.<br>Further, whilst the Group is not a claimant nor a defendant to any civil claims in respect of dividend arbitrage transactions, it cannot rule out the possibility of civil claims by or against the Group in the future.<br>Consequently, management made judgements about the adequacy of provisions which are subject to change in future periods as more information becomes available. Management have also assessed the need to disclose these matters as contingent liabilities.<br>The level of risk has increased compared to the prior year, as a result of the recent enquiries made by the German Federal Tax Office. | We examined the latest court rulings and analysis performed by management which set out the basis for the judgements in relation to the historical German dividend tax arbitrage transactions and related provision.<br>We also inspected the correspondence between the Group and its external advisors, between the Group and Office of the Public Prosecutor in Cologne, and between the Group and the German Federal Tax Office. In addition, we obtained legal confirmations from, and spoke directly with, the Group's external legal counsels to confirm the current status of the matters.<br>We have obtained and evaluated the minutes of internal committees overseeing management's response to the matters.<br>With the assistance of specialists, we have considered the matters in dispute and compared with externally available information to challenge management's assessment.<br>We also evaluated the appropriateness of management's accounting treatment and disclosure in relation to the investigation by the Office of the Public Prosecutor in Cologne, the German Federal Tax Office enquiries, and the potential related civil claims. |

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

| Risk | Our response to the risk |
|---|---|
| **IT systems and controls impacting financial reporting (Investec Plc)**<br><br>The IT environment is complex and pervasive to the operations of the Group due to the large volume of transactions processed in numerous locations on a daily basis with extensive reliance on automated controls. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. As part of our audit we rely upon the IT control environment, in particular in relation to:<br>• User access management across application, database and operating systems;<br>• Controls over changes to the IT environment, including transformation that changes the IT landscape;<br>• IT operational controls; and<br>• IT application or IT-dependent controls.<br>These controls contribute to mitigating the risk of potential fraud or error in the financial accounting and reporting records as a result of changes to IT systems, applications or data.<br><br>While the Group have implemented a series of remediation programmes during the year to address previously identified control deficiencies, the risk of inappropriate access and unauthorised changes to in-scope applications and production environments remains. | We evaluated the design and tested the operating effectiveness of IT general controls in the access management and change management IT processes for key applications, operating systems and databases that are relevant to financial reporting. We tested the operating effectiveness of key automated controls for in-scope business processes, including automated calculations and, the completeness and accuracy of system and data feeds.<br><br>Certain systems are outsourced to third party service providers. For these systems, we tested IT general controls through evaluating the relevant Service Organisation Controls reports (where available). This included assessing the timing of the reporting, the controls tested by the service auditor and whether they address relevant IT risks.<br><br>In response to control deficiencies identified during the year, where we could not rely on compensating IT controls we performed substantive testing procedures. to address the resulting risk to the financial statement. Where these IT substantive procedures were not possible, we performed the following additional testing procedures to mitigate the risks identified:<br>• We understood the nature of the deficiency and, where possible, obtained further evidence to support the appropriateness of any activities performed using the impacted IT application;<br>• Tested downstream compensating business controls; and<br>• Performed incremental substantive testing in relation to external confirmations and key year-end reconciliations. |

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

## Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Directors' Responsibility Statement, the DLC Audit Committee Report and the Declaration by the Company secretary as required by the Companies Act of South Africa, and all other information included in the report that is not marked as audited. The other information does not include the combined consolidated financial statements, the sections marked as audited in the report and our auditor's report thereon.

Our opinion on the combined consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the combined consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Combined Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the combined consolidated financial statements in accordance with the basis of presentation described in the accounting policies to the financial statements and for such internal control as the directors determine is necessary to enable the preparation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the financial reporting process.

## Auditor's Responsibilities for the Audit of the Combined Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined consolidated 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 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 combined consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined consolidated financial statements, including the disclosures, and whether the combined consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined consolidated financial statements.
- We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTEC LIMITED
CONTINUED

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the combined consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Investec Limited for 47 years.

Ernst & Young Inc

**Ernst & Young Inc.**
Registered Auditor
Per Ranesh P Hariparsad
Chartered Accountant (SA)
Registered Auditor
Director

22 June 2022

# COMBINED CONSOLIDATED INCOME STATEMENT

| For the year to 31 March<br>£'000 | Notes | 2022 | 2021 |
|---|---|---|---|
| Interest income | 2 | 1 951 209 | 1 922 299 |
| Interest income calculated using the effective interest method | | 1 717 776 | 1 695 812 |
| Other interest income | | 233 433 | 226 487 |
| Interest expense | 2 | (1 005 939) | (1 144 193) |
| **Net interest income** | 2 | **945 270** | **778 106** |
| Fee and commission income | 3 | 864 639 | 791 153 |
| Fee and commission expense | 3 | (46 423) | (42 275) |
| Investment income | 4 | 27 974 | 32 002 |
| Share of post-taxation profit of associates and joint venture holdings | | 79 556 | 42 459 |
| Trading income/(loss) arising from | | | |
| – customer flow | | 128 277 | 35 566 |
| – balance sheet management and other trading activities | | (21 128) | (18 903) |
| Other operating income | 5 | 12 190 | 22 953 |
| **Total operating income before expected credit loss impairment charges** | | **1 990 355** | **1 641 061** |
| Expected credit loss impairment charges | 6 | (28 828) | (99 438) |
| **Operating income** | | **1 961 527** | **1 541 623** |
| Operating costs | 7 | (1 233 948) | (1 164 513) |
| **Operating profit before goodwill, acquired intangibles and strategic actions** | | **727 579** | **377 110** |
| Impairment of goodwill | 36 | (1 962) | (11 599) |
| Impairment of associates and joint venture holdings | 31 | — | (16 773) |
| Amortisation of acquired intangibles | 37 | (15 477) | (15 287) |
| Amortisation of acquired intangibles of associates | 31 | (9 249) | (9 268) |
| Closure and rundown of the Hong Kong direct investments business | 13 | (1 203) | 7 386 |
| **Operating profit** | | **699 688** | **331 569** |
| Implementation costs on distribution of associate to shareholders | 13 | (2 427) | — |
| **Profit before taxation** | | **697 261** | **331 569** |
| Taxation on operating profit before goodwill, acquired intangibles and strategic actions | 10 | (143 309) | (74 539) |
| Taxation on acquired intangibles and strategic actions | 10 | 2 422 | 1 712 |
| **Profit after taxation** | | **556 374** | **258 742** |
| (Profit)/loss attributable to non-controlling interests | 49 | (40 170) | 472 |
| Loss attributable to other non-controlling interests relating to impairments of associates | 49 | — | 9 126 |
| **Earnings attributable to shareholders** | | **516 204** | **268 340** |
| Earnings attributable to ordinary shareholders | | 475 469 | 231 153 |
| Earnings attributable to perpetual preferred securities and other Additional Tier 1 security holders | | 40 735 | 37 187 |

# COMBINED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

| **For the year to 31 March**<br>**£'000** | Notes | **2022** | 2021 |
|---|---|---|---|
| Profit after taxation | | 556 374 | 258 742 |
| **Other comprehensive income:** | | | |
| **Items that may be reclassified to the income statement:** | | | |
| Fair value movements on cash flow hedges taken directly to other comprehensive income | 10 | (4 311) | 242 |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | 10 | (301) | 152 355 |
| Gain on realisation of debt instruments at FVOCI recycled through the income statement | 10 | (2 010) | (717) |
| Foreign currency adjustments on translating foreign operations | | 173 160 | 111 779 |
| **Items that will not be reclassified to the income statement:** | | | |
| Effect of rate change on deferred taxation relating to adjustment for IFRS 9 | | 617 | 380 |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | 10 | 3 420 | 1 778 |
| Remeasurement of net defined benefit pension liability | | 40 | (39) |
| Net gain/(loss) attributable to own credit risk | 10 | 11 095 | (850) |
| **Total comprehensive income** | | **738 084** | **523 670** |
| Total comprehensive income attributable to ordinary shareholders | | 629 300 | 448 637 |
| Total comprehensive income attributable to non-controlling interests | | 68 049 | 37 846 |
| Total comprehensive income attributable to perpetual preferred securities | | 40 735 | 37 187 |
| **Total comprehensive income** | | **738 084** | **523 670** |

# COMBINED CONSOLIDATED BALANCE SHEET

| At 31 March<br>£'000 | Notes | 2022 | 2021^ |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | 20 | 5 998 270 | 3 517 100 |
| Loans and advances to banks | 21 | 2 552 061 | 2 637 436 |
| Non-sovereign and non-bank cash placements | | 684 983 | 439 841 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 22 | 4 609 778 | 3 575 713 |
| Sovereign debt securities | 23 | 4 148 867 | 3 711 623 |
| Bank debt securities | 24 | 1 515 210 | 1 121 730 |
| Other debt securities | 25 | 1 229 287 | 1 364 235 |
| Derivative financial instruments | 26 | 1 617 240 | 1 714 743 |
| Securities arising from trading activities | 27 | 683 329 | 1 024 671 |
| Investment portfolio | 28 | 912 872 | 909 050 |
| Loans and advances to customers | 29 | 29 561 088 | 26 041 087 |
| Own originated loans and advances to customers securitised | 30 | 375 763 | 401 912 |
| Other loans and advances | 29 | 128 284 | 102 135 |
| Other securitised assets | 30 | 123 888 | 140 087 |
| Interests in associated undertakings and joint venture holdings | 31 | 734 434 | 679 157 |
| Current taxation assets | | 33 653 | 60 325 |
| Deferred taxation assets | 32 | 259 370 | 246 622 |
| Other assets | 33 | 2 068 615 | 2 165 438 |
| Property and equipment | 34 | 335 420 | 329 972 |
| Investment properties | 35 | 820 555 | 832 061 |
| Goodwill | 36 | 258 404 | 259 805 |
| Software | 37 | 9 443 | 12 574 |
| Other acquired intangible assets | 37 | 44 152 | 58 968 |
| Non-current assets classified as held for sale | | 79 229 | 51 783 |
| | | **58 784 195** | **51 398 068** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | 39 | 59 549 | 52 405 |
| | | **58 843 744** | **51 450 473** |
| **Liabilities** | | | |
| Deposits by banks | | 3 178 668 | 2 403 712 |
| Derivative financial instruments | 26 | 2 537 303 | 2 190 487 |
| Other trading liabilities | 40 | 275 589 | 326 189 |
| Repurchase agreements and cash collateral on securities lent | 22 | 863 285 | 1 003 312 |
| Customer accounts (deposits) | | 40 118 412 | 34 449 430 |
| Debt securities in issue | 41 | 2 043 640 | 1 892 319 |
| Liabilities arising on securitisation of own originated loans and advances | 30 | 238 370 | 160 646 |
| Liabilities arising on securitisation of other assets | 30 | 95 885 | 108 281 |
| Current taxation liabilities | | 41 631 | 78 790 |
| Deferred taxation liabilities | 32 | 19 624 | 40 333 |
| Other liabilities | 42 | 2 315 841 | 1 951 122 |
| | | **51 728 248** | **44 604 621** |
| Liabilities to customers under investment contracts | 39 | 56 475 | 49 798 |
| Insurance liabilities, including unit-linked liabilities | 39 | 3 074 | 2 607 |
| | | **51 787 797** | **44 657 026** |
| Subordinated liabilities | 43 | 1 316 191 | 1 480 951 |
| | | **53 103 988** | **46 137 977** |
| **Equity** | | | |
| Ordinary share capital | 44 | 247 | 247 |
| Ordinary share premium | 46 | 1 516 024 | 1 517 852 |
| Treasury shares | 47 | (318 987) | (267 508) |
| Other reserves | | (650 228) | (788 222) |
| Retained income | | 4 069 776 | 3 772 628 |
| **Ordinary shareholders' equity** | | **4 616 832** | **4 234 997** |
| Perpetual preference share capital and premium | 45 | 174 869 | 174 053 |
| **Shareholders' equity excluding non-controlling interests** | | **4 791 701** | **4 409 050** |
| Other Additional Tier 1 securities in issue | 48 | 411 683 | 335 111 |
| Non-controlling interests | 49 | 536 372 | 568 335 |
| – Perpetual preferred securities issued by subsidiaries | | — | 72 750 |
| – Non-controlling interests in partially held subsidiaries | | 536 372 | 495 585 |
| **Total equity** | | **5 739 756** | **5 312 496** |
| **Total liabilities and equity** | | **58 843 744** | **51 450 473** |

^ Restated as detailed in note 61.

# COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| £'000 | Ordinary share capital | Ordinary share premium | Treasury shares |
|---|---|---|---|
| **At 1 April 2020** | **247** | **1 517 852** | **(272 881)** |
| **Movement in reserves 1 April 2020 – 31 March 2021** | | | |
| Profit after taxation | — | — | — |
| 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 | — | — | — |
| Gain on realisation of debt instruments at FVOCI recycled through the income statement | — | — | — |
| Foreign currency adjustments on translating foreign operations | — | — | — |
| Effect of rate change on deferred taxation relating to adjustment for IFRS 9 | — | — | — |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | — | — | — |
| Remeasurement of net defined benefit pension liability | — | — | — |
| Net loss attributable to own credit risk | — | — | — |
| **Total comprehensive income for the year** | **—** | **—** | **—** |
| Issue of Other Additional Tier 1 Security instruments | — | — | — |
| Net equity movements in interests in associated undertakings | — | — | — |
| Movement of treasury shares | — | — | 4 323 |
| Share-based payments adjustments | — | — | — |
| Transfer from share-based payments reserve to treasury shares | — | — | 1 050 |
| Transfer from regulatory risk reserve | — | — | — |
| Transfer to foreign currency reserve | — | — | — |
| Repurchase of perpetual preference share capital | — | — | — |
| Net equity impact of non-controlling interest movement | — | — | — |
| Transfer from capital reserve | — | — | — |
| Dividends declared to other equity holders including other Additional Tier 1 securities | — | — | — |
| Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities | — | — | — |
| Dividends paid to ordinary shareholders | — | — | — |
| Dividends paid to non-controlling interests | — | — | — |
| **At 31 March 2021** | **247** | **1 517 852** | **(267 508)** |

## COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

| **Other reserves** | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital reserve account | Fair value reserve | Regulatory general risk reserve | Cash flow hedge reserve | Foreign currency reserves | Own credit risk reserve | Retained income | **Ordinary shareholders' equity** | Perpetual preference share capital | **Shareholders' equity excluding non-controlling interests** | Other Additional Tier 1 securities in issue | Non-controlling interests | **Total equity** |
| **(6 797)** | **(152 882)** | **41 346** | **(99 144)** | **(748 225)** | **(10 595)** | **3 593 384** | **3 862 305** | **168 518** | **4 030 823** | **295 593** | **571 216** | **4 897 632** |
| | | | | | | | | | | | | |
| — | — | — | — | — | — | 268 340 | 268 340 | — | 268 340 | — | (9 598) | 258 742 |
| — | — | — | 242 | — | — | — | 242 | — | 242 | — | — | 242 |
| — | 152 355 | — | — | — | — | — | 152 355 | — | 152 355 | — | — | 152 355 |
| — | (717) | — | — | — | — | — | (717) | — | (717) | — | — | (717) |
| — | — | — | — | 47 687 | — | — | 47 687 | 12 638 | 60 325 | 4 010 | 47 444 | 111 779 |
| — | (19) | — | — | — | 399 | — | 380 | — | 380 | — | — | 380 |
| — | 1 778 | — | — | — | — | — | 1 778 | — | 1 778 | — | — | 1 778 |
| — | — | — | — | — | — | (39) | (39) | — | (39) | — | — | (39) |
| — | — | — | — | — | (850) | — | (850) | — | (850) | — | — | (850) |
| **—** | **153 397** | **—** | **242** | **47 687** | **(451)** | **268 301** | **469 176** | **12 638** | **481 814** | **4 010** | **37 846** | **523 670** |
| — | — | — | — | — | — | — | — | — | — | 35 508 | — | 35 508 |
| — | — | — | — | — | — | (17 954) | (17 954) | — | (17 954) | — | — | (17 954) |
| (14 484) | — | — | — | — | — | — | (10 161) | — | (10 161) | — | — | (10 161) |
| — | — | — | — | — | — | 19 121 | 19 121 | — | 19 121 | — | — | 19 121 |
| — | — | — | — | — | — | (1 050) | — | — | — | — | — | — |
| — | — | 786 | — | — | — | (786) | — | — | — | — | — | — |
| — | — | — | — | 980 | — | (980) | — | — | — | — | — | — |
| — | — | — | — | — | — | 3 311 | 3 311 | (7 103) | (3 792) | — | (2 482) | (6 274) |
| — | — | — | — | — | — | (268) | (268) | — | (268) | — | (5 860) | (6 128) |
| (82) | — | — | — | — | — | 82 | — | — | — | — | — | — |
| — | — | — | — | — | — | (37 187) | (37 187) | 10 603 | (26 584) | 21 299 | 5 285 | — |
| — | — | — | — | — | — | — | — | (10 603) | (10 603) | (21 299) | (5 285) | (37 187) |
| — | — | — | — | — | — | (53 346) | (53 346) | — | (53 346) | — | — | (53 346) |
| — | — | — | — | — | — | — | — | — | — | — | (32 385) | (32 385) |
| **(21 363)** | **515** | **42 132** | **(98 902)** | **(699 558)** | **(11 046)** | **3 772 628** | **4 234 997** | **174 053** | **4 409 050** | **335 111** | **568 335** | **5 312 496** |

## COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

| £'000 | Ordinary share capital | Ordinary share premium | Treasury shares |
|---|---|---|---|
| **At 31 March 2021** | **247** | **1 517 852** | **(267 508)** |
| **Movement in reserves 1 April 2021 – 31 March 2022** | | | |
| Profit after taxation | — | — | — |
| 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 | — | — | — |
| Gain on realisation of debt instruments at FVOCI recycled through the income statement | — | — | — |
| Foreign currency adjustments on translating foreign operations | — | — | — |
| Effect of rate change on deferred taxation relating to adjustment for IFRS 9 | — | — | — |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | — | — | — |
| Remeasurement of net defined benefit pension liability | — | — | — |
| Net gain attributable to own credit risk | — | — | — |
| **Total comprehensive income for the year** | **—** | **—** | **—** |
| Issue of other Additional Tier 1 security instruments | — | — | — |
| Repurchase of perpetual preference share capital | — | — | — |
| Share-buyback of ordinary share capital | — | (1 828) | — |
| Net equity movements in interests in associated undertakings | — | — | — |
| Movement of treasury shares | — | — | (51 479) |
| Share-based payments adjustments | — | — | — |
| Transfer to regulatory general risk reserve | — | — | — |
| Net equity impact of non-controlling interest movements | — | — | — |
| Dividends declared to other equity holders including other Additional Tier 1 securities | — | — | — |
| Dividends paid to perpetual preference shareholders included in non-controlling interests and other Additional Tier 1 securities | — | — | — |
| Dividends paid to ordinary shareholders | — | — | — |
| Dividends paid to non-controlling interests | — | — | — |
| **At 31 March 2022** | **247** | **1 516 024** | **(318 987)** |

# COMBINED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONTINUED

| **Other reserves** | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Capital reserve account | Fair value reserve | Regulatory general risk reserve | Cash flow hedge reserve | Foreign currency reserves | Own credit risk reserve | Retained income | **Ordinary shareholders' equity** | Perpetual preference share capital | **Shareholders' equity excluding non-controlling interests** | Other Additional Tier 1 securities in issue | Non-controlling interests | **Total equity** |
| **(21 363)** | **515** | **42 132** | **(98 902)** | **(699 558)** | **(11 046)** | **3 772 628** | **4 234 997** | **174 053** | **4 409 050** | **335 111** | **568 335** | **5 312 496** |
| | | | | | | | | | | | | |
| — | — | — | — | — | — | 516 204 | 516 204 | — | 516 204 | — | 40 170 | 556 374 |
| — | — | — | (4 311) | — | — | — | (4 311) | — | (4 311) | — | — | (4 311) |
| — | (301) | — | — | — | — | — | (301) | — | (301) | — | — | (301) |
| — | (2 010) | — | — | — | — | — | (2 010) | — | (2 010) | — | — | (2 010) |
| — | — | — | — | 127 523 | — | — | 127 523 | 8 738 | 136 261 | 9 020 | 27 879 | 173 160 |
| — | (47) | — | — | — | 664 | — | 617 | — | 617 | — | — | 617 |
| — | 3 420 | — | — | — | — | — | 3 420 | — | 3 420 | — | — | 3 420 |
| — | — | — | — | — | — | 40 | 40 | — | 40 | — | — | 40 |
| — | — | — | — | — | 11 095 | — | 11 095 | — | 11 095 | — | — | 11 095 |
| **—** | **1 062** | **—** | **(4 311)** | **127 523** | **11 759** | **516 244** | **652 277** | **8 738** | **661 015** | **9 020** | **68 049** | **738 084** |
| — | — | — | — | — | — | — | — | — | — | 67 552 | — | 67 552 |
| — | — | — | — | — | — | 1 255 | 1 255 | (7 922) | (6 667) | — | (71 168) | (77 835) |
| — | — | — | — | — | — | (34 322) | (36 150) | — | (36 150) | — | — | (36 150) |
| — | — | — | — | — | — | 6 788 | 6 788 | — | 6 788 | — | — | 6 788 |
| 4 365 | — | — | — | — | — | — | (47 114) | — | (47 114) | — | — | (47 114) |
| — | — | — | — | — | — | 23 932 | 23 932 | — | 23 932 | — | — | 23 932 |
| — | — | (2 404) | — | — | — | 2 404 | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | 443 | 443 |
| — | — | — | — | — | — | (40 735) | (40 735) | 8 606 | (32 129) | 26 757 | 5 372 | — |
| — | — | — | — | — | — | — | — | (8 606) | (8 606) | (26 757) | (5 372) | (40 735) |
| — | — | — | — | — | — | (178 418) | (178 418) | — | (178 418) | — | — | (178 418) |
| — | — | — | — | — | — | — | — | — | — | — | (29 287) | (29 287) |
| **(16 998)** | **1 577** | **39 728** | **(103 213)** | **(572 035)** | **713** | **4 069 776** | **4 616 832** | **174 869** | **4 791 701** | **411 683** | **536 372** | **5 739 756** |

## COMBINED CONSOLIDATED CASH FLOW STATEMENT

| £'000 | Notes | Year to 31 March 2022 | Year to 31 March 2021^ |
|---|---|---|---|
| **Cash inflow from operating activities** | | | |
| Profit before taxation adjusted for non-cash, non-operating items and other required adjustments | 51 | 816 404 | 519 452 |
| Taxation paid | | (152 140) | (108 395) |
| (Increase)/decrease in operating assets | 51 | (3 318 637) | 423 376 |
| Increase/(decrease) in operating liabilities | 51 | 5 725 913 | (1 454 151) |
| **Net cash inflow/(outflow) from operating activities** | | **3 071 540** | **(619 718)** |
| **Cash flows from investing activities** | | | |
| Cash inflow on disposal of Group operations | | 14 274 | 20 388 |
| Derecognition of cash on disposal of subsidiaries | | (4 152) | (7 799) |
| Cash outflow on acquisition of associates and joint venture holdings | 31 | (8 780) | — |
| Cash flow on disposal of associates and joint venture holdings | 31 | 39 222 | — |
| Cash flow on acquisition of property, equipment, software and other intangible assets | 34/35 | (9 323) | (13 338) |
| Cash flow on disposal of property, equipment, software and other intangible assets | 34/35 | 4 324 | 2 163 |
| **Net cash inflow from investing activities** | | **35 565** | **1 414** |
| **Cash flows from financing activities** | | | |
| Dividends paid to ordinary shareholders | 12 | (178 418) | (53 346) |
| Dividends paid to other equity holders | | (83 524) | (56 249) |
| Acquisition of non-controlling interest | | 443 | (245) |
| Repurchase of perpetual preference shares | | (77 835) | (6 274) |
| Proceeds on issue of other Additional Tier 1 securities in issue | 48 | 67 552 | 35 508 |
| Cash flow on acquisition of treasury shares, net of related costs | | (71 836) | (33 803) |
| Share buyback of ordinary share capital | | (36 150) | — |
| Proceeds on subordinated liabilities raised | 43 | 421 506 | 76 684 |
| Repayment of subordinated liabilities | 43 | (583 918) | (41 482) |
| Lease liabilities paid | 42 | (45 743) | (55 419) |
| **Net cash outflow from financing activities** | | **(587 923)** | **(134 626)** |
| **Effects of exchange rates on cash and cash equivalents** | | **90 928** | **146 030** |
| **Net increase/(decrease) in cash and cash equivalents** | | **2 610 110** | **(606 900)** |
| Cash and cash equivalents at the beginning of the year | | 6 489 630 | 7 096 530 |
| **Cash and cash equivalents at the end of the year** | | **9 099 740** | **6 489 630** |
| **Cash and cash equivalents is defined as including:** | | | |
| Cash and balances at central banks | | 5 998 270 | 3 517 100 |
| On demand loans and advances to banks | | 2 414 562 | 2 530 027 |
| Non-sovereign and non-bank cash placements | | 684 983 | 439 841 |
| Expected credit loss on cash and cash equivalents | | 1 925 | 2 662 |
| **Cash and cash equivalents at the end of the year** | | **9 099 740** | **6 489 630** |

^ Restated as detailed in note 61.

Cash and cash equivalents is defined as including: cash and balances at central banks, on demand loans and advances to banks and non-sovereign and non-bank cash placements (all of which have a maturity profile of less than three months).

The Group is required to maintain reserve deposits with central banks and other regulatory authorities and these amounted to £530.2 million (31 March 2021: £483.8 million).

# ACCOUNTING POLICIES

## Basis of presentation

The Group annual financial statements are prepared in accordance with UK adopted international accounting standards which comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. At 31 March 2022, 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.

As stated on page 4, 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.

The Group annual financial statements have been prepared on a historical cost basis, except otherwise indicated.

## Presentation of information

Capital disclosures relating to the nature and extent of risks have been included in sections marked as audited in the risk management report on pages 84 to 92 of the Investec Group's 2022 risk and governance report.

Certain disclosures required under IAS 24 Related Party Disclosures have been included in the section marked as audited in the in the Investec Group's 2022 remuneration report on pages 23 to 38 .

## Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited that operate under a dual listed Company (DLC) structure (Group). 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 IFRS.

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 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 commences until the date that significant influence 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 designated as held at fair value through profit or loss.

For equity accounted associates and joint venture holdings, the combined 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.

After application of the equity method, management evaluates if there is objective evidence that its net investment in the associate or joint venture is impaired.

Because goodwill forms part of the carrying amount of the net investments in an associate or a joint venture, it is not separately recognised, therefore it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount whenever there is objective evidence that the net investment may be impaired.

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 and 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

A geographical analysis is also presented in terms of the main geographies in which the Group operates representing the Group's exposure to various economic environments.

For further detail on the Group's segmental reporting basis refer to pages 46 to 72 of the divisional review section of the Investec Group's 2022 integrated and strategic annual report.

## 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 and in certain limited circumstances cash-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 liability, in respect of cash-settled share-based payments, is recognised at the current fair value taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered the service to date. The change in fair value is recognised in the income statement. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the income statement until such time as the liability is settled.

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

ACCOUNTING POLICIES
CONTINUED

recognised as an employee benefit expense. The liability is included in other liabilities on the balance sheet.

## Foreign currency transactions and foreign operations

The presentation currency of the Group is Pound Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

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 is reclassified to the income statement upon disposal of the net investment
- Non-monetary items that are measured at historical costs are translated using the exchange rates ruling at the date of the transaction. Non-monetary items that are measured at fair value are translated using the exchange rate at the date of the valuation, with movements due to changes in foreign currency being presented in terms of the accounting policy for changes in the fair value movement of the respective item.

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 and 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 instruments 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 and includes rental income from investment properties.

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.

Included in other operating income is incidental rental income, gains on realisation of properties (other than investment properties which is included in investment income), operating lease income, income from assurance activities and revenue from other investments. Operating costs associated with these investments are included in operating costs in the income statement.

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**Rewards programme**
The Group has a Rewards programme whereby account cardholders are awarded Rewards points in proportion to eligible transactions. Rewards points may be redeemed at a later stage for goods or services at a variety of lifestyle, shopping, travel and financial partners. Rewards points earned are valid for three years from allocation date. Client rewards are considered to be a cost of the interchange service fee revenue stream, where the cardholder is not considered to be the customer but rather that the associated rewards are incentives paid to cardholders in respect of this stream. As a result, the costs to provide cardholders with these rewards are considered to be expenses and recognised in fee and commission expenses as the related income is earned, with the obligation to settle these points reflected in other liabilities until such time as they are redeemed.

## 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
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**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.

**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 12-month ECL.

In line with regulatory and accounting bodies' guidance, exposures that have been granted COVID-19 relief measures such as payment holidays are not automatically considered to have been subject to a significant increase in credit risk and therefore do not alone result in a transfer across stages. Where relief measures are granted, there is no change in expectation of the total amount due. Should the expected recoverability of the loan remain the same, these exposures will remain reported in Stage 1 for the foreseeable future, and will not be required to hold a lifetime 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.

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. Currently in the UK, 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. In South Africa, the change in the lifetime PD from deal origination to the reporting date is monitored monthly. The absolute and relative changes in lifetime PDs are tested against predefined trigger levels. When the change in lifetime PDs exceeds the trigger levels, it is considered a significant increase in credit risk and the exposure is migrated to Stage 2. The trigger levels have been defined for each asset class and are a function of the internal credit rating and the remaining maturity of the exposure.

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.

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**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 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.

**Financial assets and liabilities held at fair value through profit and loss**
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 its 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.

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Changes in fair value of financial liabilities designated at fair value that is attributable to changes in own credit is recognised in other comprehensive income. Any other changes in fair value are recognised in the income statement.

**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).

**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, 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.

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 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%

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- 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 are accounted for in a way similar to cash flow hedges. 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 applied the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the year ended 31 March 2020. 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 required 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 early adopted the IBOR reform Phase 2 in the prior period. 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 pages 72 to 74 of the Investec Group's 2022 risk and governance report for more detail on the impact of IBOR reform.

**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.

**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 or Investec Limited are recorded as non-controlling interests on the balance sheet.

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

Treasury shares represent issued equity 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 (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders.

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### 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.

The cash collateral from agency-based scrip lending transactions are disclosed on a net basis, in accordance with master netting agreements and the intention to settle net.

### 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 amortisation and the expected credit loss. 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:

- Equipment 10% – 33%
- Furniture and vehicles 10% – 25%
- Freehold buildings 2% – 4%
- Leasehold property and improvements*
- Right of use assets*

* 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.

No depreciation is provided on freehold land. However, similar to other property-related assets, it is subject to impairment testing when an indication of impairment exists.

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.

### Investment properties

Properties held for capital appreciation or rental yield are classified as investment properties. Investment properties are initially measured at cost plus transaction costs and subsequently carried at fair value, with fair value gains or losses recognised in the income statement in investment income.

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and are supported by market evidence.

### 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 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

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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 other acquired intangible assets

Software and other acquired 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 8 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, other than investment property, for indication of impairment. 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.

## Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Assets in the measurement scope of IFRS 5 are carried at the lower of their carrying amount and fair value less costs to sell.

## 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 asset can be utilised. Items recognised directly in other comprehensive income are net of related current and deferred taxation.

ACCOUNTING POLICIES
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## Insurance contracts

Insurance contracts are those contracts in which the Group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in the period in which the Group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the Group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet. Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

Insurance income is included in other operating income.

## 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.

## 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 from 1 January 2023 and the Group is considering its impact.

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 judgement is applied include:

- The impact of COVID-19 and the Russian invasion of Ukraine required management to apply significant judgements and estimates to quantify the impact on the annual financial statements. The assumptions can specifically be viewed on page 75 of the Investec Group's 2022 integrated and strategic annual report and page 48 of Investec Group's 2022 risk and governance report and throughout the annual financial statements.
- 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 17.

Details of unlisted investments can be found in note 28 with further analysis contained in the risk management section on pages 54 and 55 in the Investec Group's 2022 risk and governance report.

- Valuation of investment properties is performed twice annually by qualified internal valuers and at least half of the portfolio is valued by independent external valuers annually. The valuation is performed by capitalising the budget net income of the property at the market-related yield applicable at the time. Properties in Investec Property Fund are valued according to the JSE Listings Requirements.

The carrying value of investment property can be found in note 35 with further analysis contained on pages 54 and 55 in the Investec Group's 2022 risk and governance report.

- 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

## ACCOUNTING POLICIES
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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 maintained an overlay provision in SA and the UK. Detail of the approach followed and management’s assumptions are set out on page 48 of the Investec Group’s 2022 risk and governance report.

- 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.
- 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.
- Management critically evaluated the equity accounted value of the Group's investment in IEP. The recoverable amount of the investment in IEP was determined to be the value-in-use. This was calculated by determining Investec's stake of the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments considering management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations. No impairment was recognised in the current year.
- 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 has early adopted IBOR reform Phase 2 in the prior period, which provided 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.
- As explained in the hedge accounting policy, the Group derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments have already been amended or will be amended as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. 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 has early adopted IBOR reform Phase 2 in the prior period which required 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 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.

ACCOUNTING POLICIES
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- 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 is 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 timeframe of the cashflows 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 1. Combined consolidated segmental analysis

| For the year to 31 March 2022<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – income statement** | | | |
| Net interest income | 482 719 | 462 551 | 945 270 |
| Net fee and commission income | 495 315 | 322 901 | 818 216 |
| Investment income | 10 847 | 17 127 | 27 974 |
| Share of post-taxation profit of associates and joint venture holdings | 47 266 | 32 290 | 79 556 |
| Trading income/(loss) arising from | | | |
| – customer flow | 60 372 | 67 905 | 128 277 |
| – balance sheet management and other trading activities | (7 104) | (14 024) | (21 128) |
| Other operating income | 11 533 | 657 | 12 190 |
| **Total operating income before expected credit loss impairment charges** | **1 100 948** | **889 407** | **1 990 355** |
| Expected credit loss impairment charges | (25 180) | (3 648) | (28 828) |
| **Operating income** | **1 075 768** | **885 759** | **1 961 527** |
| Operating costs | (775 866) | (458 082) | (1 233 948) |
| **Operating profit before goodwill, acquired intangibles and strategic actions** | **299 902** | **427 677** | **727 579** |
| Profit attributable to non-controlling interests | — | (40 170) | (40 170) |
| **Adjusted operating profit** | **299 902** | **387 507** | **687 409** |
| Impairment of goodwill | — | (1 962) | (1 962) |
| Amortisation of acquired intangibles | (12 936) | (2 541) | (15 477) |
| Amortisation of acquired intangibles of associates | (6 017) | (3 232) | (9 249) |
| Closure and rundown of the Hong Kong direct investments business | (1 203) | — | (1 203) |
| Implementation costs on distribution of associate to shareholders | (1 016) | (1 411) | (2 427) |
| **Earnings attributable to shareholders before taxation** | **278 730** | **378 361** | **657 091** |
| Taxation on operating profit before goodwill, acquired intangibles and strategic actions | (37 612) | (105 697) | (143 309) |
| Taxation on acquired intangibles and strategic actions | 1 678 | 744 | 2 422 |
| **Earnings attributable to shareholders** | **242 796** | **273 408** | **516 204** |
| **Selected returns and key statistics** | | | |
| ROE (post-taxation)* | 11.2% | 11.7% | 11.4% |
| Return on tangible equity (post-taxation)* | 12.9% | 11.7% | 12.3% |
| Cost to income ratio | 70.5% | 53.9% | 63.3% |
| Staff compensation to operating income | 51.3% | 39.0% | 45.8% |
| Adjusted operating profit per employee (£'000) | 87.4 | 87.5 | 87.4 |
| Effective operational tax rate | 14.9% | 26.7% | 22.1% |
| Total assets (£'million) | 27 805 | 31 039 | 58 844 |

* Refer to calculation on page 61 in Investec Group's 2022 year-end results booklet.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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## 1. Combined consolidated segmental analysis continued

| For the year to 31 March 2021<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – income statement** | | | |
| Net interest income | 399 714 | 378 392 | 778 106 |
| Net fee and commission income | 488 523 | 260 355 | 748 878 |
| Investment income | 22 414 | 9 588 | 32 002 |
| Share of post-taxation profit of associates and joint venture holdings | 35 972 | 6 487 | 42 459 |
| Trading income/(loss) arising from | | | |
| – customer flow | (11 025) | 46 591 | 35 566 |
| – balance sheet management and other trading activities | 11 262 | (30 165) | (18 903) |
| Other operating income | 15 831 | 7 122 | 22 953 |
| **Total operating income before expected credit loss impairment charges** | **962 691** | **678 370** | **1 641 061** |
| Expected credit loss impairment charges | (71 202) | (28 236) | (99 438) |
| **Operating income** | **891 489** | **650 134** | **1 541 623** |
| Operating costs | (766 367) | (398 146) | (1 164 513) |
| **Operating profit before goodwill, acquired intangibles and strategic actions** | **125 122** | **251 988** | **377 110** |
| Loss/(profit) attributable to other non-controlling interests | 861 | (389) | 472 |
| **Adjusted operating profit** | **125 983** | **251 599** | **377 582** |
| Impairment of goodwill | (11 248) | (351) | (11 599) |
| Impairment of associates and joint venture holdings | — | (16 773) | (16 773) |
| Loss attributable to non-controlling interests relating to impairments of associates | — | 9 126 | 9 126 |
| Amortisation of acquired intangibles | (12 851) | (2 436) | (15 287) |
| Amortisation of acquired intangibles of associates | (6 017) | (3 251) | (9 268) |
| Closure and rundown of the Hong Kong direct investments business | 7 386 | — | 7 386 |
| **Earnings attributable to shareholders before taxation** | **103 253** | **237 914** | **341 167** |
| Taxation on operating profit before goodwill, acquired intangibles and strategic actions | (24 243) | (50 296) | (74 539) |
| Taxation on acquired intangibles and strategic actions | 1 029 | 683 | 1 712 |
| **Earnings attributable to shareholders** | **80 039** | **188 301** | **268 340** |
| **Selected returns and key statistics** | | | |
| ROE (post-taxation)* | 4.0% | 9.4% | 6.6% |
| Return on tangible equity (post-taxation)* | 4.8% | 9.5% | 7.2% |
| Cost to income ratio | 79.5% | 58.7% | 70.9% |
| Staff compensation to operating income | 59.0% | 44.1% | 52.8% |
| Adjusted operating profit per employee (£'000) | 33.8 | 56.7 | 46.2 |
| Effective operational tax rate | 27.2% | 20.5% | 22.3% |
| Total assets (£'million) | 24 604 | 26 846 | 51 450 |

* Refer to calculation on page 61 in Investec Group's 2022 year-end results booklet.

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## 1. Combined consolidated segmental analysis continued

| For the year to 31 March 2022 | UK and Other | | | | | | |
|---|---|---|---|---|---|---|---|
| | Private Client | | | | | | |
| | | Specialist Banking | | | | | |
| £'000 | Wealth & Investment | Private Banking | Corporate, Investment Banking and Other | **Total Specialist Banking** | Group Investments | Group Costs | **Total** |
| Net interest income/(expense) | 2 268 | 70 692 | 409 759 | 480 451 | — | — | 482 719 |
| Net fee and commission income | 344 029 | 1 556 | 149 730 | 151 286 | — | — | 495 315 |
| Investment income/(loss) | (2) | 816 | 10 033 | 10 849 | — | — | 10 847 |
| Share of post-taxation profit/(loss) of associates and joint venture holdings | — | — | 13 879 | 13 879 | 33 387 | — | 47 266 |
| Trading income/(loss) arising from | | | | | | | |
| – customer flow | 1 194 | 2 228 | 56 950 | 59 178 | — | — | 60 372 |
| – balance sheet management and other trading activities | (307) | 2 | (6 799) | (6 797) | — | — | (7 104) |
| Other operating income | — | — | 11 533 | 11 533 | — | — | 11 533 |
| **Total operating income before expected credit loss impairment charges** | **347 182** | **75 294** | **645 085** | **720 379** | **33 387** | **—** | **1 100 948** |
| Expected credit loss impairment charges | (5) | (2 432) | (22 743) | (25 175) | — | — | (25 180) |
| **Operating income** | **347 177** | **72 862** | **622 342** | **695 204** | **33 387** | **—** | **1 075 768** |
| Operating costs | (259 496) | (42 034) | (459 517) | (501 551) | — | (14 819) | (775 866) |
| **Operating profit/(loss) before goodwill, acquired intangibles and strategic actions** | **87 681** | **30 828** | **162 825** | **193 653** | **33 387** | **(14 819)** | **299 902** |
| Profit attributable to non-controlling interests | — | — | — | — | — | — | — |
| **Operating profit before goodwill, acquired intangibles and after non-controlling interests** | **87 681** | **30 828** | **162 825** | **193 653** | **33 387** | **(14 819)** | **299 902** |
| **Selected returns and key statistics** | | | | | | | |
| ROE (post-taxation)* | 30.0% | 3.8% | 12.6% | 9.7% | 14.9% | n/a | 11.2% |
| Return on tangible equity (post-tax)* | 64.4% | 3.8% | 12.8% | 9.8% | 14.9% | n/a | 12.9% |
| Cost to income ratio | 74.7% | 55.8% | 71.2% | 69.6% | n/a | n/a | 70.5% |
| Total assets (£'million) | 1 062 | 4 528 | 21 985 | 26 513 | 230 | n/a | 27 805 |

* Refer to calculation on pages 62 and 63 in Investec Group's 2022 year-end results booklet.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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| Southern Africa | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Private Client | | Specialist Banking | | | | | | |
| Wealth & Investment | Private Banking | Corporate, Investment Banking and Other | **Total Specialist Banking** | Group Investments | Group Costs | **Total** | **Total Group** |
| 4 372 | 274 895 | 221 456 | 496 351 | (38 172) | — | 462 551 | 945 270 |
| 101 286 | 56 194 | 115 361 | 171 555 | 50 060 | — | 322 901 | 818 216 |
| 622 | 15 967 | (11 164) | 4 803 | 11 702 | — | 17 127 | 27 974 |
| — | 117 | 254 | 371 | 31 919 | — | 32 290 | 79 556 |
| (271) | — | 47 945 | 47 945 | 20 231 | — | 67 905 | 128 277 |
| 611 | (145) | 135 | (10) | (14 625) | — | (14 024) | (21 128) |
| 10 | 3 | 644 | 647 | — | — | 657 | 12 190 |
| **106 630** | **347 031** | **374 631** | **721 662** | **61 115** | **—** | **889 407** | **1 990 355** |
| — | 17 843 | (20 910) | (3 067) | (581) | — | (3 648) | (28 828) |
| **106 630** | **364 874** | **353 721** | **718 595** | **60 534** | **—** | **885 759** | **1 961 527** |
| (71 176) | (166 047) | (202 920) | (368 967) | (1 946) | (15 993) | (458 082) | (1 233 948) |
| **35 454** | **198 827** | **150 801** | **349 628** | **58 588** | **(15 993)** | **427 677** | **727 579** |
| — | — | (252) | (252) | (39 918) | — | (40 170) | (40 170) |
| **35 454** | **198 827** | **150 549** | **349 376** | **18 670** | **(15 993)** | **387 507** | **687 409** |
| 73.6% | 16.7% | 8.2% | 12.1% | 6.2% | n/a | 11.7% | 11.4% |
| 75.5% | 16.7% | 8.3% | 12.1% | 6.2% | n/a | 11.7% | 12.3% |
| 66.8% | 47.8% | 54.2% | 51.1% | n/a | n/a | 53.9% | 63.3% |
| 205 | 11 629 | 17 533 | 29 162 | 1 672 | n/a | 31 039 | 58 844 |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 1. Combined consolidated segmental analysis continued

| For the year to 31 March 2021<br>£'000 | UK and Other<br>Private Client<br>Wealth & Investment | Specialist Banking<br>Private Banking | Specialist Banking<br>Corporate, Investment Banking and Other | **Total Specialist Banking** | Group Investments | Group Costs | **Total** |
|---|---|---|---|---|---|---|---|
| Net interest income/(expense) | 2 296 | 34 664 | 362 754 | 397 418 | — | — | 399 714 |
| Net fee and commission income | 316 040 | 644 | 171 839 | 172 483 | — | — | 488 523 |
| Investment income/(loss) | 272 | 19 | 22 123 | 22 142 | — | — | 22 414 |
| Share of post-taxation profit/(loss) of associates and joint venture holdings | — | — | 10 830 | 10 830 | 25 142 | — | 35 972 |
| Trading income/(loss) arising from | | | | | | | |
| – customer flow | 920 | 1 196 | (13 141) | (11 945) | — | — | (11 025) |
| – balance sheet management and other trading activities | (9) | 13 | 11 258 | 11 271 | — | — | 11 262 |
| Other operating income | — | — | 15 831 | 15 831 | — | — | 15 831 |
| **Total operating income before expected credit loss impairment charges** | **319 519** | **36 536** | **581 494** | **618 030** | **25 142** | **—** | **962 691** |
| Expected credit loss impairment charges | (4) | (1 515) | (69 683) | (71 198) | — | — | (71 202) |
| **Operating income** | **319 515** | **35 021** | **511 811** | **546 832** | **25 142** | **—** | **891 489** |
| Operating costs | (245 175) | (38 033) | (464 873) | (502 906) | — | (18 286) | (766 367) |
| **Operating profit/(loss) before goodwill, acquired intangibles and strategic actions** | **74 340** | **(3 012)** | **46 938** | **43 926** | **25 142** | **(18 286)** | **125 122** |
| Loss/(profit) attributable to non-controlling interests | — | — | 861 | 861 | — | — | 861 |
| **Operating profit before goodwill, acquired intangibles and after non-controlling interests** | **74 340** | **(3 012)** | **47 799** | **44 787** | **25 142** | **(18 286)** | **125 983** |
| **Selected returns and key statistics** | | | | | | | |
| ROE (post-taxation)* | 23.8% | (0.7%) | 1.9% | 15.5% | n/a | 4% | 4.0% |
| Return on tangible equity (post-tax)* | 56.6% | (0.7%) | 1.9% | 15.5% | n/a | 5% | 4.8% |
| Cost to income ratio | 76.7% | 104.1% | 79.8% | 81.3% | n/a | 80% | 79.5% |
| Total assets (£'million) | 959 | 3 338 | 20 070 | 23 408 | 237 | n/a | 24 604 |

* Refer to calculation on pages 62 and 63 in Investec Group's 2022 year-end results booklet.

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| Southern Africa | | | | | | | |
|---|---|---|---|---|---|---|---|
| Private Client | | | | | | | |
| | Specialist Banking | | | | | | |
| Wealth & Investment | Private Banking | Corporate, Investment Banking and Other | **Total Specialist Banking** | Group Investments | Group Costs | **Total** | **Total Group** |
| 3 552 | 218 806 | 199 329 | 418 135 | (43 295) | — | 378 392 | 778 106 |
| 78 589 | 45 377 | 91 049 | 136 426 | 45 340 | — | 260 355 | 748 878 |
| 1 461 | 933 | (9 761) | (8 828) | 16 955 | — | 9 588 | 32 002 |
| — | (372) | (1 097) | (1 469) | 7 956 | — | 6 487 | 42 459 |
| 7 | (43) | 36 659 | 36 616 | 9 968 | — | 46 591 | 35 566 |
| 39 | 32 | (7 728) | (7 696) | (22 508) | — | (30 165) | (18 903) |
| 1 | 7 | 7 114 | 7 121 | — | — | 7 122 | 22 953 |
| **83 649** | **264 740** | **315 565** | **580 305** | **14 416** | **—** | **678 370** | **1 641 061** |
| — | (915) | (24 942) | (25 857) | (2 379) | — | (28 236) | (99 438) |
| **83 649** | **263 825** | **290 623** | **554 448** | **12 037** | **—** | **650 134** | **1 541 623** |
| (57 530) | (140 391) | (182 883) | (323 274) | (2 096) | (15 246) | (398 146) | (1 164 513) |
| **26 119** | **123 434** | **107 740** | **231 174** | **9 941** | **(15 246)** | **251 988** | **377 110** |
| — | — | 309 | 309 | (698) | — | (389) | 472 |
| **26 119** | **123 434** | **108 049** | **231 483** | **9 243** | **(15 246)** | **251 599** | **377 582** |
| 64.1% | 12.9% | 8.0% | 2.9% | n/a | 9.4% | 9.4% | 6.6% |
| 67.9% | 12.9% | 8.1% | 2.9% | n/a | 9.5% | 9.5% | 7.2% |
| 68.8% | 53.0% | 57.9% | 55.7% | n/a | 58.7% | 58.7% | 70.9% |
| 312 | 10 335 | 14 575 | 24 910 | 1 624 | n/a | 26 846 | 51 450 |

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## 1. Combined consolidated segmental analysis continued

| At 31 March 2022<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – balance sheet assets and liabilities** | | | |
| **Assets** | | | |
| Cash and balances at central banks | 5 379 994 | 618 276 | 5 998 270 |
| Loans and advances to banks | 1 459 590 | 1 092 471 | 2 552 061 |
| Non-sovereign and non-bank cash placements | — | 684 983 | 684 983 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 1 447 473 | 3 162 305 | 4 609 778 |
| Sovereign debt securities | 1 165 777 | 2 983 090 | 4 148 867 |
| Bank debt securities | 61 714 | 1 453 496 | 1 515 210 |
| Other debt securities | 427 761 | 801 526 | 1 229 287 |
| Derivative financial instruments | 692 975 | 924 265 | 1 617 240 |
| Securities arising from trading activities | 163 165 | 520 164 | 683 329 |
| Investment portfolio | 338 523 | 574 349 | 912 872 |
| Loans and advances to customers | 14 426 475 | 15 134 613 | 29 561 088 |
| Own originated loans and advances to customers securitised | — | 375 763 | 375 763 |
| Other loans and advances | 122 681 | 5 603 | 128 284 |
| Other securitised assets | 93 087 | 30 801 | 123 888 |
| Interests in associated undertakings and joint venture holdings | 296 951 | 437 483 | 734 434 |
| Current taxation assets | 33 448 | 205 | 33 653 |
| Deferred taxation assets | 110 377 | 148 993 | 259 370 |
| Other assets | 1 131 744 | 936 871 | 2 068 615 |
| Property and equipment | 155 055 | 180 365 | 335 420 |
| Investment properties | — | 820 555 | 820 555 |
| Goodwill | 249 836 | 8 568 | 258 404 |
| Software | 7 066 | 2 377 | 9 443 |
| Other acquired intangible assets | 40 807 | 3 345 | 44 152 |
| Non-current assets classified as held for sale | — | 79 229 | 79 229 |
| | **27 804 499** | **30 979 696** | **58 784 195** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | 59 549 | 59 549 |
| | **27 804 499** | **31 039 245** | **58 843 744** |
| **Liabilities** | | | |
| Deposits by banks | 2 022 679 | 1 155 989 | 3 178 668 |
| Derivative financial instruments | 859 922 | 1 677 381 | 2 537 303 |
| Other trading liabilities | 42 944 | 232 645 | 275 589 |
| Repurchase agreements and cash collateral on securities lent | 138 496 | 724 789 | 863 285 |
| Customer accounts (deposits) | 18 286 043 | 21 832 369 | 40 118 412 |
| Debt securities in issue | 1 648 177 | 395 463 | 2 043 640 |
| Liabilities arising on securitisation of own originated loans and advances | — | 238 370 | 238 370 |
| Liabilities arising on securitisation of other assets | 95 885 | — | 95 885 |
| Current taxation liabilities | 2 460 | 39 171 | 41 631 |
| Deferred taxation liabilities | — | 19 624 | 19 624 |
| Other liabilities | 1 368 868 | 946 973 | 2 315 841 |
| | **24 465 474** | **27 262 774** | **51 728 248** |
| Liabilities to customers under investment contracts | — | 56 475 | 56 475 |
| Insurance liabilities, including unit-linked liabilities | — | 3 074 | 3 074 |
| | **24 465 474** | **27 322 323** | **51 787 797** |
| Subordinated liabilities | 758 739 | 557 452 | 1 316 191 |
| | **25 224 213** | **27 879 775** | **53 103 988** |

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## 1. Combined consolidated segmental analysis continued

| At 31 March 2021^<br>£'000 | UK and Other | Southern Africa | Total |
|---|---|---|---|
| **Segmental geographic analysis – balance sheet assets and liabilities** | | | |
| **Assets** | | | |
| Cash and balances at central banks | 3 043 034 | 474 066 | 3 517 100 |
| Loans and advances to banks | 1 374 154 | 1 263 282 | 2 637 436 |
| Non-sovereign and non-bank cash placements | — | 439 841 | 439 841 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 065 232 | 1 510 481 | 3 575 713 |
| Sovereign debt securities | 1 108 253 | 2 603 370 | 3 711 623 |
| Bank debt securities | 48 044 | 1 073 686 | 1 121 730 |
| Other debt securities | 669 403 | 694 832 | 1 364 235 |
| Derivative financial instruments | 772 501 | 942 242 | 1 714 743 |
| Securities arising from trading activities | 278 074 | 746 597 | 1 024 671 |
| Investment portfolio | 355 974 | 553 076 | 909 050 |
| Loans and advances to customers | 12 335 837 | 13 705 250 | 26 041 087 |
| Own originated loans and advances to customers securitised | — | 401 912 | 401 912 |
| Other loans and advances | 93 233 | 8 902 | 102 135 |
| Other securitised assets | 111 676 | 28 411 | 140 087 |
| Interests in associated undertakings and joint venture holdings | 295 313 | 383 844 | 679 157 |
| Current taxation assets | 58 174 | 2 151 | 60 325 |
| Deferred taxation assets | 110 750 | 135 872 | 246 622 |
| Other assets | 1 388 431 | 777 007 | 2 165 438 |
| Property and equipment | 185 502 | 144 470 | 329 972 |
| Investment properties | — | 832 061 | 832 061 |
| Goodwill | 249 836 | 9 969 | 259 805 |
| Software | 7 791 | 4 783 | 12 574 |
| Other acquired intangible assets | 53 281 | 5 687 | 58 968 |
| Non-current assets classified as held for sale | — | 51 783 | 51 783 |
| | **24 604 493** | **26 793 575** | **51 398 068** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | 52 405 | 52 405 |
| | **24 604 493** | **26 845 980** | **51 450 473** |
| **Liabilities** | | | |
| Deposits by banks | 1 320 675 | 1 083 037 | 2 403 712 |
| Derivative financial instruments | 906 001 | 1 284 486 | 2 190 487 |
| Other trading liabilities | 49 055 | 277 134 | 326 189 |
| Repurchase agreements and cash collateral on securities lent | 139 014 | 864 298 | 1 003 312 |
| Customer accounts (deposits) | 16 070 313 | 18 379 117 | 34 449 430 |
| Debt securities in issue | 1 573 450 | 318 869 | 1 892 319 |
| Liabilities arising on securitisation of own originated loans and advances | — | 160 646 | 160 646 |
| Liabilities arising on securitisation of other assets | 108 281 | — | 108 281 |
| Current taxation liabilities | 36 862 | 41 928 | 78 790 |
| Deferred taxation liabilities | 19 984 | 20 349 | 40 333 |
| Other liabilities | 1 199 285 | 751 837 | 1 951 122 |
| | **21 422 920** | **23 181 701** | **44 604 621** |
| Liabilities to customers under investment contracts | — | 49 798 | 49 798 |
| Insurance liabilities, including unit-linked liabilities | — | 2 607 | 2 607 |
| | **21 422 920** | **23 234 106** | **44 657 026** |
| Subordinated liabilities | 771 481 | 709 470 | 1 480 951 |
| | **22 194 401** | **23 943 576** | **46 137 977** |

^ Restated as detailed in note 61.

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## 1. Combined consolidated segmental analysis continued

| For the year to 31 March 2022<br>£'000 | Private Client<br>Wealth & Investment | Private Client / Specialist Banking<br>Private Banking | Specialist Banking<br>Corporate, Investment Banking and Other | Group Investments | Group Costs | Total Group |
|---|---|---|---|---|---|---|
| UK and Other | 87 681 | 30 828 | 162 825 | 33 387 | (14 819) | 299 902 |
| Southern Africa | 35 454 | 198 827 | 150 549 | 18 670 | (15 993) | 387 507 |
| **Adjusted operating profit** | **123 135** | **229 655** | **313 374** | **52 057** | **(30 812)** | **687 409** |
| Non-controlling interest* | | | | | | 40 170 |
| **Adjusted operating profit before non-controlling interests** | | | | | | **727 579** |

| For the year to 31 March 2021<br>£'000 | Private Client<br>Wealth & Investment | Private Client / Specialist Banking<br>Private Banking | Specialist Banking<br>Corporate, Investment Banking and Other | Group Investments | Group Costs | Total Group |
|---|---|---|---|---|---|---|
| UK and Other | 74 340 | (3 012) | 47 799 | 25 142 | (18 286) | 125 983 |
| Southern Africa | 26 119 | 123 434 | 108 049 | 9 243 | (15 246) | 251 599 |
| **Adjusted operating profit** | **100 459** | **120 422** | **155 848** | **34 385** | **(33 532)** | **377 582** |
| Non-controlling interest* | | | | | | (472) |
| **Adjusted operating profit before non-controlling interests** | | | | | | **377 110** |

* Profit/(loss) attributable to non-controlling interests predominantly relates to the Investec Property Fund Limited.

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## 2. Net interest income

| | | UK and Other | | | Southern Africa | | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| **For the year to 31 March 2022 £'000** | Notes | Average balance sheet value | Interest income | Average yield | Average balance sheet value | Interest income | Average yield | **Average balance sheet value** | **Interest income** |
| Cash, near cash and bank debt and sovereign debt securities | 1 | 8 071 461 | 24 441 | 0.30% | 8 339 200 | 264 377 | 3.31% | 16 410 661 | 288 818 |
| Core loans | 2 | 13 435 691 | 624 516 | 4.65% | 14 505 948 | 932 626 | 6.71% | 27 941 639 | 1 557 142 |
| Private Client | | 4 013 304 | 123 740 | 3.08% | 10 843 207 | 673 590 | 6.48% | 14 856 511 | 797 330 |
| Corporate, Investment Banking and Other | | 9 422 387 | 500 776 | 5.31% | 3 662 741 | 259 036 | 7.38% | 13 085 128 | 759 812 |
| Other debt securities and other loans and advances | | 609 114 | 18 047 | 2.96% | 788 092 | 30 067 | 3.98% | 1 397 206 | 48 114 |
| Other | 3 | 233 801 | 51 442 | n/a | 25 528 | 5 693 | n/a | 259 329 | 57 135 |
| | | **22 350 067** | **718 446** | | **23 658 768** | **1 232 763** | | **46 008 835** | **1 951 209** |

| | | UK and Other | | | Southern Africa | | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| **For the year to 31 March 2022 £'000** | Notes | Average balance sheet value | Interest expense | Average yield | Average balance sheet value | Interest expense | Average yield | **Average balance sheet value** | **Interest expense** |
| Deposits by banks and other debt-related securities | 4 | 3 308 178 | (32 971) | 1.00% | 2 090 804 | (58 415) | 2.99% | 5 398 982 | (91 386) |
| Customer accounts (deposits) | | 16 761 883 | (93 235) | 0.56% | 19 729 284 | (651 198) | 3.53% | 36 491 167 | (744 433) |
| Subordinated liabilities | | 870 954 | (49 497) | 5.68% | 632 612 | (38 614) | 6.53% | 1 503 566 | (88 111) |
| Other | 5 | 363 193 | (60 024) | n/a | 131 534 | (21 985) | n/a | 494 727 | (82 009) |
| | | **21 304 208** | **(235 727)** | | **22 584 234** | **(770 212)** | | **43 888 442** | **(1 005 939)** |
| **Net interest income** | | | **482 719** | | | **462 551** | | | **945 270** |
| **Net interest margin** | | | **2.16%** | | | **1.95%**** | | | |

The average balance sheet value and average yield for Southern Africa have been determined in Rands. The average balance sheet value shown above has been translated using the average Rand: Pound Sterling exchange rate for the period of R20.28 (2021: R21.33).

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets, finance lease receivables 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 on securitisation of own originated loans and advances, lease liabilities as well as interest expense from derivative financial instruments where there is no associated balance sheet value.

** Impacted by debt funding issued by the Investec Property Fund in which the Group has a 24.31% interest. Excluding this debt funding cost, the net interest margin amounted to 2.07%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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## 2. Net interest income continued

| For the year to 31 March 2021 £'000 | Notes | UK and Other Average balance sheet value | UK and Other Interest income | UK and Other Average yield | Southern Africa Average balance sheet value | Southern Africa Interest income | Southern Africa Average yield | Total Average balance sheet value | Total Interest income |
|---|---|---|---|---|---|---|---|---|---|
| Cash, near cash and bank debt and sovereign debt securities | 1 | 7 699 932 | 27 785 | 0.36% | 7 796 968 | 252 532 | 3.28% | 15 496 900 | 280 317 |
| Core loans | 2 | 12 170 562 | 579 809 | 4.76% | 13 405 872 | 916 459 | 6.93% | 25 576 434 | 1 496 268 |
| Private Client | | 2 873 101 | 84 191 | 2.93% | 9 683 900 | 628 595 | 6.58% | 12 557 001 | 712 786 |
| Corporate, Investment Banking and Other | | 9 297 461 | 495 618 | 5.33% | 3 721 972 | 287 864 | 7.84% | 13 019 433 | 783 482 |
| Other debt securities and other loans and advances | | 851 397 | 34 207 | 4.02% | 759 892 | 41 571 | 5.55% | 1 611 289 | 75 778 |
| Other | 3 | 287 831 | 59 419 | n/a | 14 476 | 10 517 | n/a | 302 307 | 69 936 |
| | | **21 009 722** | **701 220** | | **21 977 208** | **1 221 079** | | **42 986 930** | **1 922 299** |

| For the year to 31 March 2021 £'000 | Notes | UK and Other Average balance sheet value | UK and Other Interest expense | UK and Other Average yield | Southern Africa Average balance sheet value | Southern Africa Interest expense | Southern Africa Average yield | Total Average balance sheet value | Total Interest expense |
|---|---|---|---|---|---|---|---|---|---|
| Deposits by banks and other debt-related securities | 4 | 3 098 976 | (44 378) | 1.43% | 3 324 792 | (94 908) | 2.92% | 6 423 768 | (139 286) |
| Customer accounts (deposits) | | 16 020 789 | (131 233) | 0.82% | 16 577 774 | (686 686) | 4.06% | 32 598 563 | (817 919) |
| Subordinated liabilities | | 789 555 | (48 145) | 6.10% | 655 582 | (43 746) | 6.81% | 1 445 137 | (91 891) |
| Other | 5 | 436 350 | (77 750) | n/a | 128 539 | (17 347) | n/a | 564 889 | (95 097) |
| | | **20 345 670** | **(301 506)** | | **20 686 687** | **(842 687)** | | **41 032 357** | **(1 144 193)** |
| **Net interest income** | | | **399 714** | | | **378 392** | | | **778 106** |
| **Net interest margin** | | | **1.90%** | | | **1.71%**** | | | |

The average balance sheet value and average yield for Southern Africa have been determined in Rands. The average balance sheet value shown above has been translated using the average Rand: Pound Sterling exchange rate for the period of R20.38 (2021: R21.33).

1. Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; bank debt securities.
2. Comprises (as per the balance sheet) loans and advances to customers; own originated loans and advances to customers securitised.
3. Comprises (as per the balance sheet) other securitised assets, finance lease receivables 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 on securitisation of own originated loans and advances, lease liabilities as well as interest expense from derivative financial instruments where there is no associated balance sheet value.

** Impacted by debt funding issued by the Investec Property Fund in which the Group has a 24.31% interest. Excluding this debt funding cost, the net interest margin amounted to 1.84%.

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## 3. Net fee and commission income

| **For the year to 31 March 2022**<br>**£'000** | UK and Other | Southern Africa | **Total** |
|---|---|---|---|
| **Wealth & Investment net fee and commission income** | **344 029** | **101 286** | **445 315** |
| Fund management fees/fees for funds under management | 301 950 | 55 697 | 357 647 |
| Private client transactional fees* | 42 735 | 47 351 | 90 086 |
| Fee and commission expense | (656) | (1 762) | (2 418) |
| **Specialist Banking net fee and commission income** | **151 286** | **171 555** | **322 841** |
| Specialist Banking fee and commission income** | 165 543 | 197 544 | 363 087 |
| Specialist Banking fee and commission expense | (14 257) | (25 989) | (40 246) |
| **Group Investments net fee and commission income** | **—** | **50 060** | **50 060** |
| Group Investments fee and commission income | — | 53 819 | 53 819 |
| Group Investments fee and commission expense | — | (3 759) | (3 759) |
| **Net fee and commission income** | **495 315** | **322 901** | **818 216** |
| Annuity fees (net of fees payable) | 318 389 | 253 049 | 571 438 |
| Deal fees | 176 926 | 69 852 | 246 778 |

| **For the year to 31 March 2021**<br>**£'000** | UK and Other | Southern Africa | **Total** |
|---|---|---|---|
| **Wealth & Investment net fee and commission income** | **316 040** | **78 589** | **394 629** |
| Fund management fees/fees for funds under management | 267 381 | 43 854 | 311 235 |
| Private client transactional fees* | 49 432 | 36 535 | 85 967 |
| Fee and commission expense | (773) | (1 800) | (2 573) |
| **Specialist Banking net fee and commission income** | **172 483** | **136 426** | **308 909** |
| Specialist Banking fee and commission income** | 184 981 | 159 686 | 344 667 |
| Specialist Banking fee and commission expense | (12 498) | (23 260) | (35 758) |
| **Group Investments net fee and commission income** | **—** | **45 340** | **45 340** |
| Group Investments fee and commission income** | — | 49 284 | 49 284 |
| Group Investments fee and commission expense | — | (3 944) | (3 944) |
| **Net fee and commission income** | **488 523** | **260 355** | **748 878** |
| Annuity fees (net of fees payable) | 284 745 | 211 316 | 496 061 |
| Deal fees | 203 778 | 49 039 | 252 817 |

* Trust and fiduciary fees amounted to £0.4 million (2021: £0.4 million) and are included in Private client transactional fees.
** Included in Group Investments and Specialist Banking is fee and commission income of £85.0 million (2021: £63.7 million) for operating lease income which is out of the scope of IFRS 15 – Revenue from contracts with customers.

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## 4. Investment income

| For the year to 31 March 2022 £'000 | Listed equities | Unlisted equities | Fair value loan investments | Warrants and profit shares | Investment portfolio | Debt securities (sovereign, bank and other) | Investment and trading properties | Other asset categories | Total |
|---|---|---|---|---|---|---|---|---|---|
| **UK and Other** | | | | | | | | | |
| Realised | 2 414 | 18 028 | — | 552 | 20 994 | 512 | (4 383) | 11 866 | 28 989 |
| Unrealised^ | (4 169) | 2 350 | — | 1 176 | (643) | (457) | 4 274 | (29 901) | (26 727) |
| Dividend income | 37 | 6 667 | — | — | 6 704 | — | — | 213 | 6 917 |
| Funding and other net related income | — | — | — | — | — | — | 1 668 | — | 1 668 |
| | **(1 718)** | **27 045** | **—** | **1 728** | **27 055** | **55** | **1 559** | **(17 822)** | **10 847** |
| **Southern Africa** | | | | | | | | | |
| Realised | 414 | 1 993 | 5 149 | 8 383 | 15 939 | 2 990 | 2 087 | 19 100 | 40 116 |
| Unrealised^ | 1 078 | (31 209)* | 10 910 | — | (19 221) | 589 | (25 536) | 2 288 | (41 880) |
| Dividend income | 1 344 | 10 782 * | — | — | 12 126 | — | — | 323 | 12 449 |
| Funding and other net related income (costs) | — | (1 078) | — | — | (1 078) | — | 7 520 | — | 6 442 |
| | **2 836** | **(19 512)** | **16 059** | **8 383** | **7 766** | **3 579** | **(15 929)** | **21 711** | **17 127** |
| **Investment income/(loss)** | **1 118** | **7 533** | **16 059** | **10 111** | **34 821** | **3 634** | **(14 370)** | **3 889** | **27 974** |

| For the year to 31 March 2021 £'000 | Listed equities | Unlisted equities | Fair value loan investments | Warrants and profit shares | Investment portfolio | Debt securities (sovereign, bank and other) | Investment and trading properties | Other asset categories | Total |
|---|---|---|---|---|---|---|---|---|---|
| **UK and Other** | | | | | | | | | |
| Realised | 9 367 | 971 | — | 13 | 10 351 | 6 121 | (1 755) | 23 165 | 37 882 |
| Unrealised^ | 6 449 | 7 485 | — | (35) | 13 899 | (2 967) | (3 141) | (29 489) | (21 698) |
| Dividend income | 21 | 3 906 | — | — | 3 927 | — | — | — | 3 927 |
| Funding and other net related income | — | — | — | — | — | — | 2 303 | — | 2 303 |
| | **15 837** | **12 362** | **—** | **(22)** | **28 177** | **3 154** | **(2 593)** | **(6 324)** | **22 414** |
| **Southern Africa** | | | | | | | | | |
| Realised | 14 380 | (2 191) | — | 2 451 | 14 640 | 2 985 | 1 287 | 16 018 | 34 930 |
| Unrealised^ | 4 583 | (6 374) | 18 386 | 2 | 16 597 | (907) | (46 736) | (8 347) | (39 393) |
| Dividend income | 5 722 | 4 688 | — | — | 10 410 | — | — | 50 | 10 460 |
| Funding and other net related costs | — | (1 145) | — | — | (1 145) | — | 4 736 | — | 3 591 |
| | **24 685** | **(5 022)** | **18 386** | **2 453** | **40 502** | **2 078** | **(40 713)** | **7 721** | **9 588** |
| **Investment income/(loss)** | **40 522** | **7 340** | **18 386** | **2 431** | **68 679** | **5 232** | **(43 306)** | **1 397** | **32 002** |

^ In a year of realisation, any prior period mark-to-market gains/(losses) recognised are reversed in the unrealised line item.
* Includes dividend income and unrealised fair value gains from unlisted equities classified as non-current assets held for sale.

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## 5. Other operating income

| For the year to 31 March £'000 | 2022 | 2021 |
|---|---|---|
| Income from government grants* | 7 833 | 4 218 |
| Gains on realisation of properties | 36 | 29 |
| Unrealised gains on other investments | 2 782 | 14 460 |
| Income from operating leases | 1 539 | 4 246 |
| | **12 190** | **22 953** |

* Income from government grants 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 | 2022 | 2021 |
|---|---|---|
| Expected credit loss impairment charges/(releases) is recognised on the following assets: | | |
| Loans and advances to customers | 22 524 | 88 470 |
| Expected credit loss impairment charges (refer to note 29) | 70 301 | 103 855 |
| Post write-off recoveries | (47 777) | (15 385) |
| Own originated loans and advances to customers securitised | 89 | 407 |
| **Core loans** | **22 613** | **88 877** |
| Other loans and advances | 9 | (70) |
| Other balance sheet assets | 6 884 | 4 780 |
| Off-balance sheet commitments and guarantees | (678) | 5 851 |
| | **28 828** | **99 438** |

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## 7. Operating costs

| For the year to 31 March £'000 | 2022 | 2021 |
|---|---|---|
| Staff costs | 911 734 | 866 558 |
| Salaries and wages^ | 467 712 | 499 543 |
| Variable remuneration^ | 279 779 | 220 696 |
| Share-based payments expense^ | 45 648 | 42 763 |
| Pension and provident fund contributions^ | 46 894 | 44 905 |
| Other | 71 701 | 58 651 |
| Business expenses* | 134 952 | 125 184 |
| Equipment expenses (excluding depreciation) | 84 532 | 76 830 |
| Premises expenses | 56 032 | 53 505 |
| Premises expenses (excluding depreciation) | 24 567 | 24 301 |
| Premises depreciation | 31 465 | 29 204 |
| Marketing expenses | 30 007 | 23 681 |
| Depreciation, amortisation and impairment on property, equipment, intangibles and software | 16 691 | 18 755 |
| **Total operating costs** | **1 233 948** | **1 164 513** |
| **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 fees paid to the audit firm by virtue of being the Group's auditor** | **11 642** | **10 156** |
| Audit of the Group's accounts | 3 098 | 2 433 |
| Audit of the Group's subsidiaries pursuant to legislation | 6 416 | 6 277 |
| Audit related assurance services | 2 128 | 1 441 |
| Other assurance services | — | 5 |
| **Total fees paid to the audit firm not in the capacity of being the Group's auditor** | **362** | **379** |
| Audit related assurance services | 228 | 244 |
| Tax compliance services | — | 5 |
| Other non-audit services | 134 | 130 |
| | **12 004** | **10 535** |
| **KPMG fees** | | |
| **Total fees paid to the audit firm by virtue of being the Group's subsidiary auditor** | **3 583** | **3 414** |
| Fees payable to the Group's subsidiary auditor and its associates for other services: | | |
| Audit of the Group's subsidiaries pursuant to legislation | 2 573 | 2 597 |
| Audit related assurance services | 400 | 316 |
| Other assurance services | 610 | 501 |
| **Total fees paid to the audit firm not in the capacity of being the Group's subsidiary auditor** | **18** | **194** |
| Tax compliance services | 10 | 17 |
| Tax advisory services in respect of fellow subsidiaries audited by EY | 8 | 177 |
| | **3 601** | **3 608** |
| **Total** | **15 605** | **14 143** |

* Business expenses mainly comprise insurance costs, consulting and professional fees, travel expenses and subscriptions.

^ For details of the directors' emoluments, pensions and their interests refer to pages 23 to 38 in the Investec Group's 2022 remuneration report.

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## 8. Share-based payments

The Group operates share option and long-term share incentive plans for employees which are on an equity-settled and cash-settled basis.

The purpose of the staff share schemes is to promote an esprit de corps within the organisation, create an awareness of the Investec Group 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.

**Further information on the Group share options and long-term incentive plans is provided in the Investec Group's 2022 remuneration report on page 39 and 40 and on our website.**

| For the year to 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Weighted average fair value of awards granted in the year | | |
| UK schemes | 42 990 | 11 696 |
| South African schemes | 24 250 | 15 391 |

| | UK schemes | | | | South African schemes | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| **Details of equity-settled awards outstanding during the year** | **Number of awards** | **Weighted average exercise price £** | Number of awards | Weighted average exercise price £ | **Number of awards** | **Weighted average exercise price R** | Number of awards | Weighted average exercise price R |
| Outstanding at the beginning of the year | 22 431 650 | 0.02 | 20 742 278 | 0.02 | 24 206 796 | — | 19 835 140 | — |
| Sale of business | (94 076) | — | — | — | — | — | — | — |
| Granted during the year | 14 657 836 | — | 8 455 609 | — | 7 922 242 | — | 9 566 636 | — |
| Exercised during the year^ | (5 595 039) | — | (5 649 509) | — | (4 647 193) | — | (4 551 536) | — |
| Awards forfeited during the year | (1 810 130) | 0.04 | (1 116 728) | 0.19 | (880 799) | — | (643 444) | — |
| **Outstanding at the end of the year** | **29 590 241** | **—** | **22 431 650** | **0.02** | **26 601 046** | **—** | **24 206 796** | **—** |
| **Vested and exercisable at the end of the year** | **487 445** | **—** | **401 818** | **—** | **396 541** | **—** | **373 239** | **—** |

^ The weighted average share price during the year was £3.40 (2021: £1.73) for the UK schemes and R68.09 (2021: R36.18) for the South African schemes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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## 8. Share-based payments continued

| | UK schemes | | South African schemes | |
|---|---|---|---|---|
| **Additional information relating to awards** | **2022** | 2021 | **2022** | 2021 |
| **Options with strike prices** | | | | |
| Exercise price range | £3.58 - £4.18 | £3.58 - £4.18 | n/a | n/a |
| Weighted average remaining contractual life | 0.22 years | 0.71 years | n/a | n/a |
| **Long-term incentive grants with no strike price** | | | | |
| Exercise price range | £nil | £nil | Rnil | Rnil |
| Weighted average remaining contractual life of outstanding awards | 2.26 years | 2.07 years | 1.98 years | 2.13 years |
| Weighted average fair value of options and long-term grants granted during the period | £2.93 | £1.38 | R60.18 | R34.08 |
| **The fair value of shares granted were calculated at market price. For shares granted during the period, the inputs were as follows:** | | | | |
| Share price at date of grant | £3.06 - £3.80 | £1.56 - £1.93 | R57.61 - R80.10 | R32.36 - R38.68 |
| Exercise price | £nil | £nil | Rnil | Rnil |
| Option life | 3 - 7.01 years | 0.50 - 7 years | 2.50 - 5.68 years | 3.73 - 4.76 years |
| Expected dividend yields | n/a | n/a | n/a | n/a |
| Risk-free rate | n/a | n/a | n/a | n/a |

For the year ended 31 March 2022, cash settled options were awarded to eligible participants. The award is made in terms of a cash-settled option scheme with a strike price of R54.03. The award shall only be exercisable if the sum of the exercise date price and the share distribution amount exceeds the option price. At 31 March 2022, Investec Limited has 3 606 097 options outstanding, the liability is valued at £1.6 million and £1.6 million has been recognised in share-based payments expense within operating costs on the income statement. The fair value of the liability was calculated by using the Black-Scholes option pricing model.

| | South African schemes | |
|---|---|---|
| **At 31 March** | **2022** | 2021 |
| The value of the cash-settled liability was calculated by using the Black-Scholes option pricing model: | | |
| **For the liability calculated the inputs into the model were as follows:** | | |
| Listed share price at 31 March | R97.51 | n/a |
| Exercise price | R54.03 | n/a |
| Expected volatility | 25.33% | n/a |
| Option life | 2.41 - 4.08 years | n/a |
| Expected dividend yields | 3.24% - 3.39% | n/a |
| Risk-free rate | 6.20% - 6.73% | n/a |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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## 9. Long-term employee benefits

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

Investec has an obligation to deliver Ninety One shares to the holders of Investec share awards, accordingly this obligation was classified and measured as another long-term liability in terms of IAS 19 Employee Benefits (IAS 19). The initial liability of £14.8 million was calculated at the date of demerger for the portion of the awards already vested. The total value of the liability represented was accounted for in retained income. In the current and prior year, the liability was subsequently measured through profit or loss.

Management concluded that the share price used to calculate the liability as at the date of the demerger (13 March 2020) approximated the fair value of the share price to be used to calculate the liability as at 31 March 2020. Management performed procedures to support this assumption.

The IAS 19 long-term employment benefit liability movement recognised in the income statement for the year ended 31 March 2022 was a loss of £7.7 million (2021: loss of £16.8 million).

| | UK schemes | | | | South African schemes | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | | 2021 | | **2022** | | 2021 | |
| **Details of awards outstanding during the year** | **Number of awards** | **Weighted average exercise price £** | Number of awards | Weighted average exercise price £ | **Number of awards** | **Weighted average exercise price R** | Number of awards | Weighted average exercise price R |
| Outstanding at the beginning of the year | 6 655 601 | 0.01 | 9 121 084 | 0.02 | 7 445 581 | — | 9 923 339 | — |
| Sale of business | (30 412) | — | — | — | — | — | — | — |
| Granted during the year^ | 3 961 | — | — | — | — | — | — | — |
| Exercised during the year | (2 058 445) | — | (2 092 045) | — | (2 341 563) | — | (2 233 363) | — |
| Lapsed during the year | (258 197) | 0.12 | (373 438) | 0.22 | (163 747) | — | (244 395) | — |
| **Outstanding at the end of the year** | **4 312 508** | **0.01** | **6 655 601** | **0.01** | **4 940 271** | **—** | **7 445 581** | **—** |
| **Exercisable at the end of the year** | **237 106** | **—** | **201 285** | **—** | **208 673** | **—** | **221 101** | **—** |

^ 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.

| | UK schemes | | South African schemes | |
|---|---|---|---|---|
| **At 31 March** | **2022** | 2021 | **2022** | 2021 |
| The exercise price range and weighted average remaining contractual life for options and shares outstanding were as follows: | | | | |
| **Options with strike prices** | | | | |
| Exercise price range | £2.90 - £3.39 | £2.90 - £3.39 | n/a | n/a |
| Weighted average remaining contractual life | 0.25 years | 0.71 years | n/a | n/a |
| **Long-term awards with no strike price** | | | | |
| Exercise price | £nil | £nil | Rnil | Rnil |
| Weighted average remaining contractual life | 1.05 years | 1.52 years | 0.92 years | 1.48 years |
| The fair value of the liability was calculated by using the Black-Scholes option pricing model | | | | |
| **For the liability calculated the inputs into the model were as follows:** | | | | |
| Listed share price at 31 March | £2.55 | £2.39 | R49.01 | R48.00 |
| Exercise price | Nil, £2.90 - £3.39 | Nil, £2.90 - £3.39 | Rnil | Rnil |
| Expected volatility | 35.03% | 35.35% | 35.03% | 35.35% |
| Option life | 0 - 4.42 years | 0 - 6.44 years | 0 - 2.16 years | 0 - 3.16 years |
| Expected dividend yields | 0% - 7.41% | 0% - 4.68% | 0% - 6.25% | 0% - 4.51% |
| Risk-free rate | 0.69% - 2.03% | 0% - 0.82% | 4.16% - 6.40% | 3.32% - 5.97% |

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## 10. Taxation

| For the year to 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Income statement taxation charge** | | |
| **Current taxation** | | |
| **UK** | | |
| – in respect of the current year | 53 932 | 4 258 |
| – in respect of prior year adjustments | 1 170 | (836) |
| Corporation tax before double tax relief | 55 102 | 3 422 |
| – Double taxation relief | (435) | — |
| | **54 667** | **3 422** |
| **Southern Africa** | | |
| – in respect of the current year | 110 115 | 66 699 |
| – in respect of release of taxation provisions no longer required | (2 120) | — |
| – in respect of prior year adjustments | 6 657 | — |
| | **114 652** | **66 699** |
| Europe | 1 505 | 1 560 |
| Australia | 329 | 74 |
| Other* | 3 055 | 931 |
| Withholding taxation on companies | 379 | 1 485 |
| **Total current taxation** | **174 587** | **74 171** |
| **Deferred taxation** | | |
| UK | (21 407) | 4 707 |
| Southern Africa | (10 078) | (18 570) |
| Europe | (2 447) | (116) |
| Australia | 1 008 | 13 722 |
| Other | (776) | (1 087) |
| **Total deferred taxation** | **(33 700)** | **(1 344)** |
| **Total taxation charge for the year** | **140 887** | **72 827** |
| **Total taxation charge for the year comprises:** | | |
| Taxation on operating profit before acquired intangibles | 143 309 | 74 539 |
| Taxation on acquired intangibles | (2 422) | (1 712) |
| | **140 887** | **72 827** |

* Where Other largely includes India and North America.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 10. Taxation continued

| For the year to 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Deferred taxation comprises:** | | |
| Origination and reversal of temporary differences | (22 028) | (2 354) |
| Changes in taxation rates | (9 361) | 154 |
| Adjustment in respect of prior years | (2 311) | 856 |
| | **(33 700)** | **(1 344)** |
| **The deferred taxation movements in the income statement arise from:** | | |
| Deferred capital allowance | (8 371) | (2 858) |
| Income and expenditure accruals | (5 023) | 473 |
| Asset in respect of unexpired options | (12 485) | (2 191) |
| Unrealised fair value adjustments on financial instruments | (8 342) | (1 612) |
| Movement in deferred tax assets related to assessed losses | 13 156 | 1 823 |
| Liability in respect of pension surplus | (68) | — |
| Deferred taxation on acquired intangibles | (2 321) | (3 064) |
| Revaluation of investment properties | (10 174) | 913 |
| Finance lease accounting | (201) | 1 823 |
| Other temporary differences | 129 | 3 349 |
| | **(33 700)** | **(1 344)** |
| **The rates of corporation taxation for the relevant years are:** | % | % |
| UK | 19 | 19 |
| South Africa | 28 | 28 |
| Europe (average) | 10 | 10 |
| Australia | 30 | 30 |
| **Profit before taxation** | **697 261** | **331 569** |
| **Taxation on profit before taxation** | **140 887** | **72 827** |
| Effective taxation rate (%) | 20.21% | 21.96% |
| Taxation on profit on ordinary activities before taxation at UK rate of 19% (2021: 19%) and SA rate of 28% (2021: 28%) | 170 148 | 83 624 |
| The standard rate of UK and South African normal taxation has been affected by: | | |
| Qualifying distribution | (12 010) | 6 893 |
| Release of provisions | (2 106) | (10 930) |
| Tax impact of equity accounted earnings of associate | (15 344) | (9 729) |
| Impairment of associates and subsidiaries | — | 4 894 |
| Taxation adjustments relating to foreign earnings | (7 364) | (274) |
| Unrealised capital losses | 8 086 | 4 028 |
| Bank surcharge | 10 481 | — |
| Impairment of goodwill and non-operating items | (6) | 2 162 |
| Taxation relating to prior years | 5 524 | (1 860) |
| Share options accounting expense | (2 658) | 214 |
| Non-taxable income | (15 682) | (21 978) |
| Net other permanent differences | 6 677 | 5 590 |
| Change in tax rate | (9 129) | 154 |
| Capital gains – non-taxable/covered by losses | (4 426) | (3 628) |
| Movement in unrecognised trading losses | 1 299 | 13 667 |
| Impairment of deferred taxation asset | 7 397 | — |
| **Total taxation charge as per income statement** | **140 887** | **72 827** |

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CONTINUED

## 10. Taxation continued

| For the year to 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Other comprehensive income taxation effects** | | |
| Fair value movements on cash flow hedges taken directly to other comprehensive income | (4 311) | 242 |
| – Pre-taxation | (3 757) | 1 734 |
| – Taxation effect | (554) | (1 492) |
| Gains on realisation of debt instruments at FVOCI recycled through the income statement | (2 010) | (717) |
| – Pre-taxation | (2 822) | (1 127) |
| – Taxation effect | 812 | 410 |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | (301) | 152 355 |
| – Pre-taxation | (642) | 190 111 |
| – Deferred taxation | 341 | (37 756) |
| Fair value movements on equity instruments at FVOCI taken directly to other comprehensive income | 3 420 | 1 778 |
| – Pre-taxation | 2 840 | 2 223 |
| – Deferred taxation | 580 | (445) |
| Net gain/(loss) attributable to own credit risk | 11 095 | (850) |
| – Pre-taxation | 15 813 | (713) |
| – Taxation effect | (4 718) | (137) |
| **Statement of changes in equity taxation effects** | | |
| Share-based payment IFRS 2 adjustment taxation effect | 4 538 | 107 |
| Additional Tier 1 Capital taxation effect | (16 875) | (16 875) |
| IFRS 9 transitional adjustments taxation effect | 617 | 380 |

The UK Government has also announced on 27 October 2021 that the current bank surcharge rate of 8% to be reduced to 3% and the surcharge allowances available for banking group to be increased to £100 million from £25 million with effect from 1 April 2023. This will increase the combined rate of corporation tax applicable to banking entities from 27% to 28% with effect from 1 April 2023.

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## 11. Earnings per share

| For the year to 31 March | 2022 | 2021 |
|---|---|---|
| **Earnings** | **£'000** | £'000 |
| Earnings attributable to shareholders from continuing operations | 516 204 | 268 340 |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (40 735) | (37 187) |
| Gain on repurchase of perpetual preference shares | 1 255 | 3 311 |
| **Earnings and diluted earnings attributable to ordinary shareholders** | **476 724** | **234 464** |
| **Adjusted earnings** | | |
| Earnings attributable to shareholders from continuing operations | 516 204 | 268 340 |
| Impairment of goodwill | 1 962 | 11 599 |
| Impairment of associates and joint venture holdings | — | 16 773 |
| Loss attributable to other non-controlling interests relating to impairments of associates | — | (9 126) |
| Amortisation of acquired intangibles | 15 477 | 15 287 |
| Amortisation of acquired intangibles of associates | 9 249 | 9 268 |
| Closure and rundown of the Hong Kong direct investments business | 1 203 | (7 386) |
| Implementation costs on distribution of associate to shareholders | 2 427 | — |
| Taxation on acquired intangibles and strategic actions | (2 422) | (1 712) |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (40 735) | (37 187) |
| Accrual adjustment on earnings attributable to other equity holders* | 1 802 | 2 413 |
| **Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items** | **505 167** | **268 269** |
| **Headline earnings** | | |
| Earnings attributable to shareholders from continuing operations | 516 204 | 268 340 |
| Impairment of goodwill | 1 962 | 11 599 |
| Impairment of associates and joint venture holdings | — | 16 773 |
| Loss attributable to other non-controlling interests relating to impairments of associates | — | (9 126) |
| Gain on disposal of Group operations | — | (20 388) |
| Remeasurement of Group investment | — | (10 770) |
| Dividends payable to perpetual preference shareholders and other Additional Tier 1 security holders (other equity holders) | (40 735) | (37 187) |
| Headline adjustments of associates | 5 625 | 7 782 |
| Property revaluation, net of taxation and non-controlling interests** | 5 066 | 16 047 |
| Other headline adjustments^ | — | 1 177 |
| Gain on repurchase of perpetual preference shares | 1 255 | 3 311 |
| **Headline earnings attributable to ordinary shareholders*** ** | **489 377** | **247 558** |
| **Weighted number of shares in issue** | | |
| Weighted total average number of shares in issue during the year | 1 014 217 111 | 1 014 987 327 |
| Weighted average number of treasury shares | (96 765 211) | (85 892 556) |
| **Weighted average number of shares in issue during the year** | **917 451 900** | **929 094 771** |
| Weighted average number of shares resulting from future dilutive potential shares | 31 296 653 | 10 889 323 |
| **Adjusted weighted number of shares potentially in issue** | **948 748 553** | **939 984 094** |
| **Earnings per share – pence** | **52.0** | **25.2** |
| Diluted earnings per share– pence | 50.2 | 24.9 |
| **Adjusted earnings per share – pence** | **55.1** | **28.9** |
| Diluted adjusted earnings per share – pence | 53.2 | 28.5 |
| **Headline earnings per share – pence*** ** | **53.3** | **26.6** |
| Diluted headline earnings per share – pence*** | 51.6 | 26.3 |

* In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises i.e. on declaration by the Board of Directors and approval by the shareholders where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

** Taxation on revaluation headline earnings adjustments amounted to £2.9 million (2021: £4.4 million) with an impact of £14.1 million (2021: £32.1 million) on earnings attributable to non-controlling interests. The amount includes property revaluations included in equity accounted earnings.

*** Headline earnings per share has been calculated and is disclosed in accordance with the JSE listing requirements, and in terms of circular 1/2021 issued by the South African Institute of Chartered Accountants.

^ Predominantly relates to disposal of associate.

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CONTINUED

## 12. Dividends

| | 2022 | | 2021 | |
|---|---|---|---|---|
| **For the year to 31 March** | **Pence per share** | **Total £'000** | Pence per share | Total £'000 |
| Ordinary dividend | | | | |
| Final dividend for prior year | 7.5 | 72 361 | — ^ | — ^ |
| Interim dividend for current year | 11.0 | 106 057 | 5.5 | 53 346 |
| **Total dividend attributable to ordinary shareholders** | **18.5** | **178 418** | **5.5** | **53 346** |

^ In light of regulatory guidance provided to banks in both South Africa and the UK, the directors decided not to declare a final ordinary dividend for the March 2020 financial year.

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

This will be paid as follows:

- For Investec Limited shareholders, through a dividend payment by Investec Limited of 279 cents per ordinary share
- For Investec plc non-South African shareholders, through a dividend paid by Investec plc of 14.0 pence per ordinary share
- For Investec plc South African shareholders, through a dividend payment by Investec Limited on the SA DAS share of 14.0 pence per ordinary share
- The final dividend to shareholders registered on 22 July 2022 is subject to the approval of the members of Investec plc and Investec Limited at the annual general meeting which is scheduled to take place on 4 August 2022 and, if approved, will be paid on 8 August 2022.

| For the year to 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Perpetual preference dividend*** | | |
| Final dividend for prior year | 6 681 | 8 952 |
| Interim dividend for current year | 7 297 | 6 936 |
| **Total dividend attributable to perpetual preference shareholders recognised in current financial year** | **13 978** | **15 888** |

* Perpetual preference share dividends from Investec Limited, Investec Bank Limited and Investec plc.

The directors have declared a final dividend in respect of the financial year ended 31 March 2022 of 6.41369 pence (Investec plc shares traded on the JSE Limited) and 6.41369 pence (Investec plc shares traded on the International Stock Exchange), 344.99315 cents (Investec plc Rand denominated shares) and 282.26249 cents (Investec Limited). All outstanding Investec Bank Limited preference shares were repurchased during the current year. The final dividend will be payable to shareholders on the register at the close of business on 13 June 2022 for all dividends except for the Investec plc shares traded on the International Exchange, which will be paid on 20 June 2022.

| | 2022 | 2021 |
|---|---|---|
| **Dividend attributable to other Additional Tier 1 securities in issue** | **26 757** | **21 299** |
| The dividends paid on other Additional Tier 1 floating rate notes pay dividends on a quarterly basis. Refer to note 48 for detail on rates. | | |
| **Total perpetual preference dividends and other Additional Tier 1 securities** | **40 735** | **37 187** |

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## 13. Financial impact of strategic actions

| For the year to 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Closure and rundown of the Hong Kong direct investments business* | (1 203) | 7 386 |
| Implementation costs on distribution of associate to shareholders^ | (2 427) | — |
| **Financial impact of strategic actions** | **(3 630)** | **7 386** |
| Taxation on financial impact of strategic actions | 633 | (1 390) |
| **Net financial impact of strategic actions** | **(2 997)** | **5 996** |

* Included within the balance are fair value gains of £0.7 million (March 2021: fair value losses of £10.3 million).
^ Refer to note 62 for details regarding the distribution.

## 14. Operating lease disclosures

| For the year to 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Operating lease income recognised in operating income:** | | |
| Minimum lease payments | 85 028 | 71 544 |
| | **85 028** | **71 544** |
| Rental income from leasing properties is included in 'other operating income' and 'fee and commission income' respectively. | | |
| **Operating lease receivables** | | |
| Future minimum lease payments under non-cancellable operating leases: | | |
| Less than one year | 72 649 | 71 462 |
| One to five years | 162 464 | 161 322 |
| Greater than five years | 98 327 | 108 229 |
| | **333 440** | **341 013** |

The Group leases property to third parties under operating lease arrangements. The term of the leases range between three and 10 years with annual escalation clauses. The majority of the leases have renewal options.

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## 15. Analysis of income and impairments by category of financial instrument

| For the year to 31 March<br>£'000 | At fair value through profit or loss<br>IFRS 9 mandatory<br>Trading** | <br><br>Non-trading** | <br><br>Designated at inception |
|---|---|---|---|
| **2022** | | | |
| Interest income | 43 959 | 89 067 | 78 596 |
| Interest expense | (52 510) | (2 719) | (57 924) |
| Fee and commission income | 28 494 | 1 092 | — |
| Fee and commission expense | (1 761) | (1) | — |
| Investment income/(loss) | 2 917 | 48 244 | 22 094 |
| Share of post-taxation profit of associates and joint venture holdings | — | — | — |
| Trading income/(loss) arising from | | | |
| – customer flow | 92 936 | 40 271 | (4 671) |
| – balance sheet management and other trading activities | (31 254) | (6 380) | 17 756 |
| Other operating income | — | 544 | — |
| **Total operating income before expected credit loss impairment charges** | **82 781** | **170 118** | **55 851** |
| Expected credit loss impairment charges | — | — | (4 409) |
| **Operating income** | **82 781** | **170 118** | **51 442** |
| | | | |
| **2021** | | | |
| Interest income | 51 672 | 101 521 | 55 674 |
| Interest expense | (70 663) | (1) | (63 849) |
| Fee and commission income | 29 219 | 3 216 | — |
| Fee and commission expense | (729) | — | — |
| Investment income/(loss) | 753 | 61 448 | 6 381 |
| Share of post-taxation profit of associates and joint venture holdings | — | — | — |
| Trading income/(loss) arising from | | | |
| – customer flow | 71 021 | (14 726) | (33 435) |
| – balance sheet management and other trading activities | (16 558) | (2 964) | 22 200 |
| Other operating income | — | 6 672 | — |
| **Total operating income/(expense) before expected credit loss impairment charges** | **64 715** | **155 166** | **(13 029)** |
| Expected credit loss impairment charges | — | — | (2 188) |
| **Operating income/(expense)** | **64 715** | **155 166** | **(15 217)** |

* 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 positions held for trading intent or 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 ANNUAL FINANCIAL STATEMENTS
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| **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** |
| 172 734 | — | 1 545 042 | 12 629 | 9 182 | 1 951 209 |
| — | — | (880 422) | (12 236) | (128) | (1 005 939) |
| — | — | 205 154 | 60 849 | 569 050 | 864 639 |
| (59) | — | (26 038) | (577) | (17 987) | (46 423) |
| 4 096 | 847 | (14 037) | (36 187) | — | 27 974 |
| — | — | — | 79 556 | — | 79 556 |
| — | — | 18 | — | (277) | 128 277 |
| — | — | (1 841) | (17) | 608 | (21 128) |
| — | — | 1 551 | 94 | 10 001 | 12 190 |
| **176 771** | **847** | **829 427** | **104 111** | **570 449** | **1 990 355** |
| 635 | — | (25 732) | — | 678 | (28 828) |
| **177 406** | **847** | **803 695** | **104 111** | **571 127** | **1 961 527** |
| | | | | | |
| 204 900 | — | 1 490 911 | 15 423 | 2 198 | 1 922 299 |
| — | — | (993 946) | (12 256) | (3 478) | (1 144 193) |
| — | — | 165 582 | 67 385 | 525 751 | 791 153 |
| (140) | — | (21 381) | (4 027) | (15 998) | (42 275) |
| (416) | 811 | (6 503) | (30 472) | — | 32 002 |
| — | — | — | 42 459 | — | 42 459 |
| — | — | 12 706 | — | — | 35 566 |
| — | — | (22 516) | 935 | — | (18 903) |
| — | — | 4 285 | 301 | 11 695 | 22 953 |
| **204 344** | **811** | **629 138** | **79 748** | **520 168** | **1 641 061** |
| (1 104) | — | (90 295) | — | (5 851) | (99 438) |
| **203 240** | **811** | **538 843** | **79 748** | **514 317** | **1 541 623** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 16. Analysis of financial assets and liabilities by category of financial instrument

| | At fair value through profit and loss | | |
|---|---|---|---|
| | IFRS 9 mandatory | | |
| **At 31 March 2022**<br>**£'000** | Trading* | Non-trading* | Designated at initial recognition |
| **Assets** | | | |
| Cash and balances at central banks | — | — | — |
| Loans and advances to banks | — | — | — |
| Non-sovereign and non-bank cash placements | — | 29 321 | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 460 264 | 1 383 934 | 38 649 |
| Sovereign debt securities | — | 405 930 | — |
| Bank debt securities | — | 14 994 | — |
| Other debt securities | — | 159 988 | — |
| Derivative financial instruments | 1 617 240 | — | — |
| Securities arising from trading activities | 641 868 | 21 108 | 20 353 |
| Investment portfolio | 9 879 | 888 811 | — |
| Loans and advances to customers | — | 688 645 | 1 000 469 |
| Own originated loans and advances to customers securitised | — | — | — |
| Other loans and advances | — | — | — |
| Other securitised assets | — | — | 93 087 |
| Interests in associated undertakings and joint venture holdings | — | — | — |
| Current taxation asset | — | — | — |
| Deferred taxation assets | — | — | — |
| Other assets | 226 663 | 51 226 | — |
| Property and equipment | — | — | — |
| Investment properties | — | — | — |
| Goodwill | — | — | — |
| Software | — | — | — |
| Other acquired intangible assets | — | — | — |
| Non-current assets classified as held for sale | — | 25 880 | — |
| | **2 955 914** | **3 669 837** | **1 152 558** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | — | — |
| | **2 955 914** | **3 669 837** | **1 152 558** |
| **Liabilities** | | | |
| Deposits by banks | — | — | — |
| Derivative financial instruments | 2 537 303 | — | — |
| Other trading liabilities | 275 589 | — | — |
| Repurchase agreements and cash collateral on securities lent | 163 877 | — | — |
| Customer accounts (deposits) | — | — | 2 945 831 |
| Debt securities in issue | — | — | 46 192 |
| Liabilities arising on securitisation of own originated loans and advances | — | — | — |
| Liabilities arising on securitisation of other assets | — | — | 95 885 |
| Current taxation liabilities | — | — | — |
| Deferred taxation liabilities | — | — | — |
| Other liabilities | 57 569 | 49 418 | — |
| | **3 034 338** | **49 418** | **3 087 908** |
| Liabilities to customers under investment contracts | — | — | — |
| Insurance liabilities, including unit-linked liabilities | — | — | — |
| | **3 034 338** | **49 418** | **3 087 908** |
| Subordinated liabilities | — | — | — |
| | **3 034 338** | **49 418** | **3 087 908** |

* 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 hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

| At fair value through other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|
| Debt instruments with a dual business model | Equity instruments | Financial assets linked to investment contract liabilities | **Total instruments at fair value** | **Amortised cost** | **Non-financial instruments or scoped out of IFRS 9** | **Total** |
| — | — | — | — | 5 998 270 | — | 5 998 270 |
| — | — | — | — | 2 552 061 | — | 2 552 061 |
| — | — | — | 29 321 | 655 662 | — | 684 983 |
| — | — | — | 1 882 847 | 2 726 931 | — | 4 609 778 |
| 2 965 774 | — | — | 3 371 704 | 777 163 | — | 4 148 867 |
| 892 815 | — | — | 907 809 | 607 401 | — | 1 515 210 |
| 560 281 | — | — | 720 269 | 509 018 | — | 1 229 287 |
| — | — | — | 1 617 240 | — | — | 1 617 240 |
| — | — | — | 683 329 | — | — | 683 329 |
| — | 14 182 | — | 912 872 | — | — | 912 872 |
| 685 386 | — | — | 2 374 500 | 27 186 588 | — | 29 561 088 |
| — | — | — | — | 375 763 | — | 375 763 |
| — | — | — | — | 128 284 | — | 128 284 |
| — | — | — | 93 087 | 30 801 | — | 123 888 |
| — | — | — | — | — | 734 434 | 734 434 |
| — | — | — | — | — | 33 653 | 33 653 |
| — | — | — | — | — | 259 370 | 259 370 |
| — | — | — | 277 889 | 1 349 259 | 441 467 | 2 068 615 |
| — | — | — | — | — | 335 420 | 335 420 |
| — | — | — | — | — | 820 555 | 820 555 |
| — | — | — | — | — | 258 404 | 258 404 |
| — | — | — | — | — | 9 443 | 9 443 |
| — | — | — | — | — | 44 152 | 44 152 |
| — | — | — | 25 880 | — | 53 349 | 79 229 |
| **5 104 256** | **14 182** | **—** | **12 896 747** | **42 897 201** | **2 990 247** | **58 784 195** |
| — | — | 59 549 | 59 549 | — | — | 59 549 |
| **5 104 256** | **14 182** | **59 549** | **12 956 296** | **42 897 201** | **2 990 247** | **58 843 744** |
| — | — | — | — | 3 178 668 | — | 3 178 668 |
| — | — | — | 2 537 303 | — | — | 2 537 303 |
| — | — | — | 275 589 | — | — | 275 589 |
| — | — | — | 163 877 | 699 408 | — | 863 285 |
| — | — | — | 2 945 831 | 37 172 581 | — | 40 118 412 |
| — | — | — | 46 192 | 1 997 448 | — | 2 043 640 |
| — | — | — | — | 238 370 | — | 238 370 |
| — | — | — | 95 885 | — | — | 95 885 |
| — | — | — | — | — | 41 631 | 41 631 |
| — | — | — | — | — | 19 624 | 19 624 |
| — | — | — | 106 987 | 1 330 695 | 878 159 | 2 315 841 |
| **—** | **—** | **—** | **6 171 664** | **44 617 170** | **939 414** | **51 728 248** |
| — | — | 56 475 | 56 475 | — | — | 56 475 |
| — | — | 3 074 | 3 074 | — | — | 3 074 |
| **—** | **—** | **59 549** | **6 231 213** | **44 617 170** | **939 414** | **51 787 797** |
| — | — | — | — | 1 316 191 | — | 1 316 191 |
| **—** | **—** | **59 549** | **6 231 213** | **45 933 361** | **939 414** | **53 103 988** |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 16. Analysis of financial assets and liabilities by category of financial instrument continued

| At 31 March 2021<br>£'000 | At fair value through profit and loss<br>IFRS 9 mandatory<br>Trading* | Non-trading* | Designated at initial recognition |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | — | — | — |
| Loans and advances to banks** | — | — | — |
| Non-sovereign and non-bank cash placements | 1 133 | — | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 363 070 | 805 446 | 119 714 |
| Sovereign debt securities | — | 197 053 | — |
| Bank debt securities | — | 14 139 | — |
| Other debt securities | — | 206 297 | — |
| Derivative financial instruments | 1 714 743 | — | — |
| Securities arising from trading activities | 972 927 | 32 762 | 18 982 |
| Investment portfolio | 8 790 | 889 217 | — |
| Loans and advances to customers | — | 588 995 | 1 094 623 |
| Own originated loans and advances to customers securitised | — | — | — |
| Other loans and advances | — | — | — |
| Other securitised assets | — | — | 111 676 |
| Interests in associated undertakings and joint venture holdings | — | — | — |
| Current taxation assets | — | — | — |
| Deferred taxation assets | — | — | — |
| Other assets | 159 178 | 56 773 | — |
| Property and equipment | — | — | — |
| Investment properties | — | — | — |
| Goodwill | — | — | — |
| Software | — | — | — |
| Other acquired intangible assets | — | — | — |
| Non-current assets classified as held for sale | — | 40 881 | — |
| | **3 219 841** | **2 831 563** | **1 344 995** |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | — | — | — |
| | **3 219 841** | **2 831 563** | **1 344 995** |
| **Liabilities** | | | |
| Deposits by banks | — | — | 294 |
| Derivative financial instruments | 2 190 487 | — | — |
| Other trading liabilities | 326 189 | — | — |
| Repurchase agreements and cash collateral on securities lent | 213 959 | — | — |
| Customer accounts (deposits) | — | — | 1 046 569 |
| Debt securities in issue | — | — | 118 690 |
| Liabilities arising on securitisation of own originated loans and advances | — | — | — |
| Liabilities arising on securitisation of other assets | — | — | 108 281 |
| Current taxation liabilities | — | — | — |
| Deferred taxation liabilities | — | — | — |
| Other liabilities** | 61 704 | 45 558 | — |
| | **2 792 339** | **45 558** | **1 273 834** |
| Liabilities to customers under investment contracts | — | — | — |
| Insurance liabilities, including unit-linked liabilities | — | — | — |
| | **2 792 339** | **45 558** | **1 273 834** |
| Subordinated liabilities | — | — | 334 804 |
| | **2 792 339** | **45 558** | **1 608 638** |

* 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 hedge elements of the trading book. Non-trading consists of positions that are expected to be held to maturity.

** Restated as detailed in note 61.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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| **At fair value through other comprehensive income** | | | | | | |
|---|---|---|---|---|---|---|
| Debt instruments with a dual business model | Equity Instruments | Financial assets linked to investment contract liabilities | **Total instruments at fair value** | **Amortised cost** | **Non-financial instruments or scoped out of IFRS 9** | **Total** |
| — | — | — | — | 3 517 100 | — | 3 517 100 |
| — | — | — | — | 2 637 436 | — | 2 637 436 |
| — | — | — | 1 133 | 438 708 | — | 439 841 |
| — | — | — | 1 288 230 | 2 287 483 | — | 3 575 713 |
| 3 066 096 | — | — | 3 263 149 | 448 474 | — | 3 711 623 |
| 858 151 | — | — | 872 290 | 249 440 | — | 1 121 730 |
| 423 983 | — | — | 630 280 | 733 955 | — | 1 364 235 |
| — | — | — | 1 714 743 | — | — | 1 714 743 |
| — | — | — | 1 024 671 | — | — | 1 024 671 |
| — | 11 043 | — | 909 050 | — | — | 909 050 |
| 534 059 | — | — | 2 217 677 | 23 823 410 | — | 26 041 087 |
| — | — | — | — | 401 912 | — | 401 912 |
| — | — | — | — | 102 135 | — | 102 135 |
| — | — | — | 111 676 | 28 411 | — | 140 087 |
| — | — | — | — | — | 679 157 | 679 157 |
| — | — | — | — | — | 60 325 | 60 325 |
| — | — | — | — | — | 246 622 | 246 622 |
| — | — | — | 215 951 | 1 351 142 | 598 345 | 2 165 438 |
| — | — | — | — | — | 329 972 | 329 972 |
| — | — | — | — | — | 832 061 | 832 061 |
| — | — | — | — | — | 259 805 | 259 805 |
| — | — | — | — | — | 12 574 | 12 574 |
| — | — | — | — | — | 58 968 | 58 968 |
| — | — | — | 40 881 | — | 10 902 | 51 783 |
| **4 882 289** | **11 043** | **—** | **12 289 731** | **36 019 606** | **3 088 731** | **51 398 068** |
| — | — | 52 405 | 52 405 | — | — | 52 405 |
| **4 882 289** | **11 043** | **52 405** | **12 342 136** | **36 019 606** | **3 088 731** | **51 450 473** |
| — | — | — | 294 | 2 403 418 | — | 2 403 712 |
| — | — | — | 2 190 487 | — | — | 2 190 487 |
| — | — | — | 326 189 | — | — | 326 189 |
| — | — | — | 213 959 | 789 353 | — | 1 003 312 |
| — | — | — | 1 046 569 | 33 402 861 | — | 34 449 430 |
| — | — | — | 118 690 | 1 773 629 | — | 1 892 319 |
| — | — | — | — | 160 646 | — | 160 646 |
| — | — | — | 108 281 | — | — | 108 281 |
| — | — | — | — | — | 78 790 | 78 790 |
| — | — | — | — | — | 40 333 | 40 333 |
| — | — | — | 107 262 | 1 003 108 | 840 752 | 1 951 122 |
| **—** | **—** | **—** | **4 111 731** | **39 533 015** | **959 875** | **44 604 621** |
| — | — | 49 798 | 49 798 | — | — | 49 798 |
| — | — | 2 607 | 2 607 | — | — | 2 607 |
| **—** | **—** | **52 405** | **4 164 136** | **39 533 015** | **959 875** | **44 657 026** |
| — | — | — | 334 804 | 1 146 147 | — | 1 480 951 |
| **—** | **—** | **52 405** | **4 498 940** | **40 679 162** | **959 875** | **46 137 977** |

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## 17. Financial instruments at fair value

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).

| At 31 March 2022<br>£'000 | Total instruments at fair value | Fair value category<br>Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-sovereign and non-bank cash placements | 29 321 | — | 29 321 | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 1 882 847 | — | 1 882 847 | — |
| Sovereign debt securities | 3 371 704 | 3 371 704 | — | — |
| Bank debt securities | 907 809 | 330 177 | 577 632 | — |
| Other debt securities | 720 269 | 46 310 | 568 928 | 105 031 |
| Derivative financial instruments | 1 617 240 | 19 | 1 573 271 | 43 950 |
| Securities arising from trading activities | 683 329 | 664 422 | 14 127 | 4 780 |
| Investment portfolio | 912 872 | 30 901 | 8 263 | 873 708 |
| Loans and advances to customers* | 2 374 500 | — | 1 122 268 | 1 252 232 |
| Other securitised assets | 93 087 | — | — | 93 087 |
| Other assets | 277 889 | 277 889 | — | — |
| Non-current assets classified as held for sale | 25 880 | — | — | 25 880 |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | 59 549 | 59 549 | — | — |
| | **12 956 296** | **4 780 971** | **5 776 657** | **2 398 668** |
| **Liabilities** | | | | |
| Derivative financial instruments | 2 537 303 | 36 289 | 2 455 245 | 45 769 |
| Other trading liabilities | 275 589 | 111 273 | 164 316 | — |
| Repurchase agreements and cash collateral on securities lent | 163 877 | — | 163 877 | — |
| Customer accounts (deposits) | 2 945 831 | — | 2 945 831 | — |
| Debt securities in issue | 46 192 | — | 46 192 | — |
| Liabilities arising on securitisation of other assets | 95 885 | — | — | 95 885 |
| Other liabilities | 106 987 | — | 57 569 | 49 418 |
| Liabilities to customers under investment contracts | 56 475 | | 56 475 | |
| Insurance liabilities, including unit-linked liabilities | 3 074 | | 3 074 | |
| | **6 231 213** | **147 562** | **5 892 579** | **191 072** |
| **Net financial assets/(liabilities) at fair value** | **6 725 083** | **4 633 409** | **(115 922)** | **2 207 596** |

* 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.

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## 17. Financial instruments at fair value continued

| At 31 March 2021<br>£'000 | Total instruments at fair value | Fair value category<br>Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-sovereign and non-bank cash placements | 1 133 | — | 1 133 | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 1 288 230 | — | 1 288 230 | — |
| Sovereign debt securities | 3 263 149 | 3 263 149 | — | — |
| Bank debt securities | 872 290 | 446 322 | 425 968 | — |
| Other debt securities | 630 280 | 68 401 | 458 475 | 103 404 |
| Derivative financial instruments | 1 714 743 | 303 | 1 687 635 | 26 805 |
| Securities arising from trading activities | 1 024 671 | 1 013 194 | 6 317 | 5 160 |
| Investment portfolio | 909 050 | 40 159 | 6 363 | 862 528 |
| Loans and advances to customers* | 2 217 677 | — | 1 170 287 | 1 047 390 |
| Other securitised assets | 111 676 | — | 4 417 | 107 259 |
| Other assets | 215 951 | 215 951 | — | — |
| Non-current assets classified as held for sale | 40 881 | — | — | 40 881 |
| Other financial instruments at fair value through profit or loss in respect of liabilities to customers | 52 405 | 52 405 | — | — |
| | **12 342 136** | **5 099 884** | **5 048 825** | **2 193 427** |
| **Liabilities** | | | | |
| Deposits by banks | 294 | — | — | 294 |
| Derivative financial instruments | 2 190 487 | 45 879 | 2 116 868 | 27 740 |
| Other trading liabilities | 326 189 | 151 460 | 174 729 | — |
| Repurchase agreements and cash collateral on securities lent | 213 959 | — | 213 959 | — |
| Customer accounts (deposits) | 1 046 569 | — | 1 046 569 | — |
| Debt securities in issue | 118 690 | — | 118 690 | — |
| Liabilities arising on securitisation of other assets | 108 281 | — | — | 108 281 |
| Other liabilities | 107 262 | — | 61 704 | 45 558 |
| Liabilities to customers under investment contracts | 49 798 | — | 49 798 | — |
| Insurance liabilities, including unit-linked liabilities | 2 607 | — | 2 607 | — |
| Subordinated liabilities | 334 804 | 334 804 | — | — |
| | **4 498 940** | **532 143** | **3 784 924** | **181 873** |
| **Net financial assets at fair value** | **7 843 196** | **4 567 741** | **1 263 901** | **2 011 554** |

* 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**
There were no significant transfers between level 1 and level 2 in the current and prior year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 17. Financial instruments at fair value continued

**Measurement of fair value financial assets and liabilities at level 2**
The table below sets out information about the valuation techniques used at the end of the reporting period in measuring financial instruments categorised as level 2 in the fair value hierarchy:

| | Valuation basis/techniques | Main inputs |
|---|---|---|
| **Assets** | | |
| Non-sovereign and non-bank cash placements | Discounted cash flow model | Yield curves |
| Reverse repurchase agreements and cash collateral on securities borrowed | Discounted cash flow model, Hermite interpolation, Black-Scholes | Yield curves, discount rates, volatilities |
| Bank debt securities | Discounted cash flow model | Yield curves |
| Other debt securities | Discounted cash flow model | Yield curves, NCD curves and swap curves, discount rates, external prices, broker quotes |
| Derivative financial instruments | Discounted cash flow model, Hermite interpolation, 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 | Standard industry derivative pricing model, discounted cash flow model | Interest rate curves, implied bond spreads, equity volatilities, yield curves |
| Investment portfolio | Discounted cash flow model, relative valuation model, comparable quoted inputs | Discount rate and fund unit price, net assets |
| Loans and advances to customers | Discounted cash flow model | Yield curves |
| Other securitised assets | Discounted cash flow model | Yield curves |
| **Liabilities** | | |
| Derivative financial instruments | Discounted cash flow model, Hermite interpolation, 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, 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 |
| Repurchase agreements and cash collateral on securities lent | Discounted cash flow model, Hermite interpolation | Yield curves, discount rates |
| Customer accounts (deposits) | Discounted cash flow model | Yield curves, discount rates |
| Debt securities in issue | Discounted cash flow model, Hermite interpolation, 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 |
| Other liabilities | Discounted cash flow model | Yield curves |
| Liabilities to customers under investment contracts | Current price of underlying unitised assets | Listed prices |
| Insurance liabilities, including unit-linked liabilities | Current price of underlying unitised assets | Listed prices |

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## 17. Financial instruments at fair value continued

### Level 3 financial instruments

The following tables show a reconciliation of the opening balances to the closing balances for level 3 financial instruments. All instruments are at fair value through profit or loss.

| £'000 | Investment portfolio | Loans and advances to customers | Other securitised assets | Other level 3 assets^^ | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Balance at 1 April 2020** | **848 670** | **1 101 666** | **106 218** | **178 840** | **2 235 394** |
| Total gains/(losses) | (20 077) | 21 188 | 8 732 | 11 787 | 21 630 |
| In the income statement | (20 077) | 23 380 | 8 732 | 11 787 | 23 822 |
| In the statement of comprehensive income | — | (2 192) | — | — | (2 192) |
| Purchases | 150 579 | 945 617 | — | 9 054 | 1 105 250 |
| Sales | (49 969) | (495 505) | — | (26 367) | (571 841) |
| Issues | — | — | — | 37 | 37 |
| Settlements | (23 935) | (480 644) | (7 691) | (29 409) | (541 679) |
| Transfers into level 3 | 13 | 7 802 | — | 5 032 | 12 847 |
| Transfers to non-current assets classified as held for sale^ | (39 093) | — | — | 39 093 | — |
| Foreign exchange adjustments | (3 660) | (52 734) | — | (11 817) | (68 211) |
| **Balance at 31 March 2021** | **862 528** | **1 047 390** | **107 259** | **176 250** | **2 193 427** |
| Total gains/(losses) | (1 434) | 63 202 | (657) | 22 116 | 83 227 |
| In the income statement | (1 434) | 63 768 | (657) | 22 116 | 83 793 |
| In the statement of comprehensive income | — | (566) | — | — | (566) |
| Purchases | 66 934 | 1 845 044 | — | 59 165 | 1 971 143 |
| Sales | (69 620) | (1 079 005) | — | (38 836) | (1 187 461) |
| Issues | 197 | — | — | — | 197 |
| Settlements | (21 931) | (696 114) | (13 515) | (49 391) | (780 951) |
| Transfers into level 3 | 621 | 37 262 | — | — | 37 883 |
| Foreign exchange adjustments | 36 413 | 34 453 | — | 10 337 | 81 203 |
| **Balance at 31 March 2022** | **873 708** | **1 252 232** | **93 087** | **179 641** | **2 398 668** |

^ As at 31 March 2021 certain equity investments to the value of £39.1 million were transferred out of investment portfolio to non-current assets held for sale in anticipation of the sale to occur in the short term. These equity investments form part of the Group Investments and Corporate, Investment Banking and Other segments.

^^ Comprises level 3 other debt securities, derivative financial instruments, securities arising from trading activities and non-current assets classified as held for sale.

For the year ended 31 March 2022, 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. In addition, £37.3 million of loans and advances to customers has been transferred from level 2 to level 3, due to inputs related to the measurement of credit risk to the valuation model becoming unobservable.

For the year ended 31 March 2021, following a review of the valuation methodology of a number of financial instruments, the following transfers were made during the year: loans and advances to customers of £7.8 million from level 2 to level 3; other debt securities of £4.6 million from level 2 to level 3 and derivative assets of £0.4 million from level 2 to level 3. The valuation methodologies were reviewed and unobservable inputs were used to determine the fair value.

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## 17. Financial instruments at fair value continued

| £'000 | Liabilities arising on securitisation of other assets | Other balance sheet liabilities^^^ | Total |
|---|---|---|---|
| **Liabilities** | | | |
| **Balance at 1 April 2020** | **110 679** | **27 602** | **138 281** |
| Total losses/(gains) in the income statement | 5 460 | 7 798 | 13 258 |
| Issues | — | 40 085 | 40 085 |
| Settlements | (7 858) | (1 186) | (9 044) |
| Foreign exchange adjustments | — | (707) | (707) |
| **Balance at 31 March 2021** | **108 281** | **73 592** | **181 873** |
| Total (gains)/losses in the income statement | (2 094) | 18 461 | 16 367 |
| Settlements | (10 303) | (1 451) | (11 754) |
| Foreign exchange adjustments | 1 | 4 585 | 4 586 |
| **Balance at 31 March 2022** | **95 885** | **95 187** | **191 072** |

^^^ Comprises level 3 deposits by banks, derivative financial instruments and other liabilities.

The Group transfers between levels within the fair value hierarchy when the significance of the unobservable inputs change or if the valuation methods change.

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

| For the year to 31 March<br>£'000 | Total | Realised | Unrealised |
|---|---|---|---|
| **2022** | | | |
| **Total gains/(losses) included in the income statement for the year** | | | |
| Net interest income | 66 069 | 58 038 | 8 031 |
| Investment income* | 4 901 | 47 671 | (42 770) |
| Trading income arising from customer flow | (2 194) | (491) | (1 703) |
| Trading income arising from balance sheet management and other trading activities | (1 350) | — | (1 350) |
| | **67 426** | **105 218** | **(37 792)** |
| **Total gains/(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)** |
| **2021** | | | |
| **Total gains/(losses) included in the income statement for the year** | | | |
| Net interest income | 61 446 | 52 093 | 9 353 |
| Investment (loss)/income* | (50 178) | (6) | (50 172) |
| Trading loss arising from customer flow | (2 389) | 428 | (2 817) |
| Trading income arising from balance sheet management and other trading activities | 1 685 | — | 1 685 |
| | **10 564** | **52 515** | **(41 951)** |
| **Total gains/(losses) included in other comprehensive income for the year** | | | |
| Gains on realisation on debt instruments at FVOCI recycled through the income statement | (1 031) | (1 031) | — |
| Fair value movements on debt instruments at FVOCI taken directly to other comprehensive income | (2 192) | — | (2 192) |
| | **(3 223)** | **(1 031)** | **(2 192)** |

* Included within the investment income statement balance are unrealised gains of £0.7 million (2021: unrealised gains of £10.3 million) presented within operational items in the income statement.

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## 17. Financial instruments at fair value 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 below valuations have been considered taking the global pandemic of COVID-19 into consideration. The following table shows the sensitivity of these fair values to reasonably possible alternative assumptions, determined at a transactional level:

| At 31 March 2022 | Balance sheet value £'000 | Significant unobservable input changed | Range which unobservable input has been changed | 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) |
| | | Underlying asset value^^ | ^^ | 4 026 | (4 028) |
| | | Cash flow adjustment | CPR 8.4% | — | (6) |
| | | 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 | 873 708 | Potential impact on income statement | | 104 279 | (137 434) |
| | | Price earnings multiple | 5.5x-15x | 9 505 | (18 206) |
| | | Underlying asset value^^ | ^^ | 9 636 | (20 897) |
| | | EBITDA | ** | 12 530 | (9 459) |
| | | Discount rate | 17.5 % | 620 | (623) |
| | | Cash flows | ** | 1 703 | (1 370) |
| | | Underlying asset value^^ | ^^ | 1 614 | (3 214) |
| | | Precious and industrial metal prices | (5%)-5% | 1 424 | (1 424) |
| | | Property prices | # | 51 361 | (51 361) |
| | | Other^ | ^ | 15 886 | (30 880) |
| Loans and advances to customers | 1 252 232 | Potential impact on income statement | | 32 727 | (52 588) |
| | | Credit spreads | 0.15%-34.3% | 10 656 | (27 586) |
| | | Property value | ** | 7 776 | (12 428) |
| | | Price earnings multiple | 3.5x-4.2x | 7 824 | (1 136) |
| | | Underlying asset value^^ | ^^ | 3 641 | (5 778) |
| | | 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) |
| Non-current assets classified as held for sale | 25 880 | Potential impact on income statement | | | |
| | | Discount rate | 13%-16% | 567 | (1 973) |
| **Total level 3 assets** | **2 398 668** | | | **155 324** | **(220 529)** |
| **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* | 95 885 | Potential impact on income statement | | | |
| | | Cash flow adjustments | CPR 4.4% | (292) | 299 |
| Other liabilities | 49 418 | Potential impact on income statement | | | |
| | | Property prices | # | (7 103) | 7 103 |
| **Total level 3 liabilities** | **191 072** | | | **(11 441)** | **11 462** |
| **Net level 3 assets** | **2 207 596** | | | **143 883** | **(209 067)** |

* 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, discount rates, 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.

** The EBITDA, cash flows and property values have been stressed on an investment-by-investment and loan-by-loan basis in order to obtain favourable and unfavourable valuations.

# Property values are the underlying input for the valuations where the capitalisation rate when valuing these properties has been stressed by 0.25bps.

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## 17. Financial instruments at fair value continued

| At 31 March 2021 | Balance sheet value £'000 | Significant unobservable input changed | Range which unobservable input has been changed | Potential impact on the income statement: Favourable changes £'000 | Potential impact on the income statement: Unfavourable changes £'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Other debt securities | 103 404 | Potential impact on income statement | | 3 789 | (10 320) |
| | | Credit spreads | 0.4%-3.3% | 107 | (198) |
| | | Cash flow adjustments | CPR 4.4% | 7 | (7) |
| | | Other | ^ | 3 675 | (10 115) |
| Derivative financial instruments | 26 805 | Potential impact on income statement | | 5 232 | (6 226) |
| | | Volatilities | 5.4%-21.4% | 51 | (148) |
| | | Cash flow adjustments | CPR 4.4% | 9 | (9) |
| | | Underlying asset value | ^^ | 4 724 | (4 724) |
| | | Other^ | ^ | 448 | (1 345) |
| Securities arising from trading activities | 5 160 | Potential impact on income statement | | | |
| | | Cash flow adjustments | CPR 8.0% | 1 310 | (1 686) |
| Investment portfolio | 862 528 | Potential impact on income statement | | 104 666 | (164 098) |
| | | Price earnings multiple | 4.2x-9.0x | 5 560 | (13 330) |
| | | Underlying asset value | ^^ | 2 561 | (5 967) |
| | | EBITDA | ** | 30 225 | (23 679) |
| | | Discount rate | 13%-17% | 2 482 | (4 149) |
| | | Cash flows | ** | 1 875 | (1 383) |
| | | Property values | (10%)-10% | 32 188 | (32 188) |
| | | Precious and industrial metal prices | (5%)-5% | 1 346 | (1 346) |
| | | Underlying asset value | ^^ | 1 991 | (3 707) |
| | | Other^ | ^ | 26 438 | (78 349) |
| Loans and advances to customers | 1 047 390 | Potential impact on income statement | | 25 603 | (43 785) |
| | | Credit spreads | 0.08%-37.3% | 9 439 | (14 745) |
| | | Price earnings multiple | 3.5x-4.1x | 4 200 | (2) |
| | | Underlying asset value | ^^ | 3 267 | (9 105) |
| | | Discount rate | 0.05 | — | — |
| | | Other^ | ^ | 8 697 | (19 933) |
| | | Potential impact on other comprehensive income | | | |
| | | Credit spreads | 0.12%-4.3% | 5 990 | (9 711) |
| Other securitised assets | 107 259 | Potential impact on income statement | | | |
| | | Cash flow adjustments | CPR 4.4% | 1 554 | (1 653) |
| Non-current assets classified as held for sale | 40 881 | Potential impact on income statement | | 2 417 | (2 533) |
| | | Discount rate | 13%-15% | 658 | (774) |
| | | Property prices | (10%)-10% | 1 759 | (1 759) |
| **Total level 3 assets** | **2 193 427** | | | **150 561** | **(240 012)** |

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## 17. Financial instruments at fair value continued

| At 31 March 2021 | Balance sheet value £'000 | Significant unobservable input changed | Range which unobservable input has been changed | Potential impact on the income statement: Favourable changes £'000 | Potential impact on the income statement: Unfavourable changes £'000 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Deposits by banks | 294 | Potential impact on income statement | | | |
| | | Underlying asset value | ^^ | — | 44 |
| Derivative financial instruments | 27 740 | Potential impact on income statement | | (4 750) | 4 800 |
| | | Volatilities | 5.4%-21.1% | (26) | 76 |
| | | Underlying asset value | ^^ | (4 724) | 4 724 |
| Liabilities arising on securitisation of other assets | 108 281 | Potential impact on income statement | | | |
| | | Cash flow adjustments | CPR 4.4% | (213) | 240 |
| Other liabilities | 45 558 | Potential impact on income statement | | | |
| | | Property prices | (10%)-10% | (4 556) | 4 556 |
| **Total level 3 liabilities** | **181 873** | | | **(9 519)** | **9 640** |
| **Net level 3 assets** | **2 011 554** | | | | |

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

In determining the value of level 3 financial instruments, the following are the principal input 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.

**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 which can be expected from the instrument and requires judgement.

**EBITDA**
The company's earnings before interest, taxes, depreciation and amortisation. This is the main input into a price earnings multiple valuation method.

**Price earnings multiple**
The price-to-earnings ratio is an equity valuation multiple. It is a key driver in the valuation of unlisted investments.

**Property values and precious and industrial metals**
The property value and precious and industrial metals is a key driver of future cash flows on these 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.

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## 18. Fair value of financial instruments at amortised cost

| At 31 March 2022<br>£'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 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances at central banks | 5 998 270 | 5 998 270 | — | — | — | — | — |
| Loans and advances to banks | 2 552 061 | 2 442 242 | 109 819 | 109 487 | — | 109 487 | — |
| Non-sovereign and non-bank cash placements | 655 662 | 655 662 | — | — | — | — | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 726 931 | 1 240 798 | 1 486 133 | 1 485 172 | — | 1 485 172 | — |
| Sovereign debt securities | 777 163 | — | 777 163 | 789 650 | 789 650 | — | — |
| Bank debt securities | 607 401 | 31 105 | 576 296 | 575 241 | 575 241 | — | — |
| Other debt securities | 509 018 | 193 284 | 315 734 | 316 570 | 43 691 | 272 879 | — |
| Loans and advances to customers | 27 186 588 | 13 773 367 | 13 413 221 | 13 400 546 | — | 1 022 302 | 12 378 244 |
| Own originated loans and advances to customers securitised | 375 763 | 375 763 | — | — | — | — | — |
| Other loans and advances | 128 284 | 67 032 | 61 252 | 61 253 | — | 61 253 | — |
| Other securitised assets | 30 801 | 30 801 | — | — | — | — | — |
| Other assets | 1 349 259 | 1 349 259 | — | — | — | — | — |
| | **42 897 201** | **26 157 583** | **16 739 618** | **16 737 919** | **1 408 582** | **2 951 093** | **12 378 244** |
| **Liabilities** | | | | | | | |
| Deposits by banks | 3 178 668 | 487 580 | 2 691 088 | 2 622 320 | — | 2 622 320 | — |
| Repurchase agreements and cash collateral on securities lent | 699 408 | 460 130 | 239 278 | 241 930 | — | 241 930 | — |
| Customer accounts (deposits) | 37 172 581 | 23 285 488 | 13 887 093 | 13 908 828 | — | 13 908 828 | — |
| Debt securities in issue | 1 997 448 | 342 119 | 1 655 329 | 1 654 527 | 1 006 663 | 647 864 | — |
| Liabilities arising on securitisation of own originated loans and advances | 238 370 | 238 370 | — | — | — | — | — |
| Other liabilities | 1 330 695 | 1 327 371 | 3 324 | 2 419 | — | — | 2 419 |
| Subordinated liabilities | 1 316 191 | 245 670 | 1 070 521 | 1 132 335 | 1 132 335 | — | — |
| | **45 933 361** | **26 386 728** | **19 546 633** | **19 562 359** | **2 138 998** | **17 420 942** | **2 419** |

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

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## 18. Fair value of financial instruments at amortised cost continued

| At 31 March 2021<br>£'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 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and balances at central banks | 3 517 100 | 3 517 100 | — | — | — | — | — |
| Loans and advances to banks* | 2 637 436 | 2 631 938 | 5 498 | 5 474 | — | — | 5 474 |
| Non-sovereign and non-bank cash placements | 438 708 | 438 708 | — | — | — | — | — |
| Reverse repurchase agreements and cash collateral on securities borrowed | 2 287 483 | 1 199 041 | 1 088 442 | 1 088 987 | — | 1 088 987 | — |
| Sovereign debt securities | 448 474 | — | 448 474 | 456 716 | 456 716 | — | — |
| Bank debt securities | 249 440 | 88 370 | 161 070 | 170 384 | 170 384 | — | — |
| Other debt securities | 733 955 | 254 240 | 479 715 | 483 461 | 56 094 | 420 432 | 6 935 |
| Loans and advances to customers | 23 823 410 | 12 556 718 | 11 266 692 | 11 258 257 | — | 969 764 | 10 288 493 |
| Own originated loans and advances to customers securitised | 401 912 | 401 912 | — | — | — | — | — |
| Other loans and advances | 102 135 | 39 920 | 62 215 | 62 916 | — | 62 916 | — |
| Other securitised assets | 28 411 | 28 411 | — | — | — | — | — |
| Other assets | 1 351 142 | 1 350 870 | 272 | 256 | — | — | 256 |
| | **36 019 606** | **22 507 228** | **13 512 378** | **13 526 451** | **683 194** | **2 542 099** | **10 301 158** |
| **Liabilities** | | | | | | | |
| Deposits by banks | 2 403 418 | 465 326 | 1 938 092 | 1 957 489 | — | 1 954 833 | 2 656 |
| Repurchase agreements and cash collateral on securities lent | 789 353 | 140 679 | 648 674 | 650 958 | — | 650 958 | — |
| Customer accounts (deposits) | 33 402 861 | 21 352 293 | 12 050 568 | 12 111 490 | — | 12 111 490 | — |
| Debt securities in issue | 1 773 629 | 497 583 | 1 276 046 | 1 303 071 | 432 052 | 871 019 | — |
| Liabilities arising on securitisation of own originated loans and advances | 160 646 | 160 646 | — | — | — | — | — |
| Other liabilities* | 1 003 108 | 998 831 | 4 277 | 3 660 | — | — | 3 660 |
| Subordinated liabilities | 1 146 147 | 154 489 | 991 658 | 1 107 936 | 1 107 936 | — | — |
| | **40 679 162** | **23 769 847** | **16 909 315** | **17 134 604** | **1 539 988** | **15 588 300** | **6 316** |

* Restated as detailed in note 61.

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.

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## 18. Fair value of financial instruments at amortised cost continued

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

| | |
|---|---|
| **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. |

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## 19. Financial instruments designated at fair value

| At 31 March £'000 | Carrying value | Fair value adjustment Current | Fair value adjustment Cumulative | Change in fair value attributable to credit risk* Current | Change in fair value attributable to credit risk* Cumulative | Maximum exposure to credit risk |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **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 |
| Loans and advances to customers | 1 000 469 | (22 804) | 5 798 | (3 864) | (14 051) | 994 673 |
| Other securitised assets | 93 087 | (4 106) | (6 382) | (4 106) | (6 382) | 93 087 |
| | **1 152 558** | **(26 442)** | **(250)** | **(7 964)** | **(20 338)** | **1 108 113** |
| **2021** | | | | | | |
| Reverse repurchase agreements and cash collateral on securities borrowed | 119 714 | (8 498) | 4 614 | — | — | — |
| Securities arising from trading activities | 18 982 | 2 707 | 915 | (1 128) | (1 380) | 18 982 |
| Loans and advances to customers | 1 094 623 | 1 454 | 34 724 | (2 325) | (5 608) | 1 059 900 |
| Other securitised assets | 111 676 | 5 462 | (3 173) | 5 462 | (3 173) | 111 676 |
| | **1 344 995** | **1 125** | **37 080** | **2 009** | **(10 161)** | **1 190 558** |

| At 31 March £'000 | Carrying value | Remaining contractual amount to be repaid at maturity | Fair value adjustment Current | Fair value adjustment Cumulative | Change in fair value attributable to credit risk* Current | Change in fair value attributable to credit risk* Cumulative |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| **2022** | | | | | | |
| Customer accounts (deposits) | 2 945 831 | 2 942 226 | (19 132) | (7 098) | (63) | (894) |
| 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) |
| | **3 087 908** | **3 086 204** | **(16 279)** | **(4 500)** | **(2 342)** | **(7 791)** |
| **2021** | | | | | | |
| Deposits by banks | 294 | 1 335 | (11) | (649) | — | — |
| Customer accounts (deposits) | 1 046 569 | 1 002 477 | 10 165 | 11 369 | 837 | 758 |
| Debt securities in issue | 118 690 | 107 028 | 30 559 | 18 178 | (972) | (1 320) |
| Liabilities arising on securitisation of other assets | 108 281 | 113 015 | 6 001 | (4 946) | 6 001 | (4 946) |
| Subordinated liabilities | 334 804 | 307 962 | (8 429) | 23 269 | (417) | 14 257 |
| | **1 608 638** | **1 531 817** | **38 285** | **47 221** | **5 449** | **8 749** |

* 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.

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## 20. Cash and balances at central banks

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Gross cash and balances at central banks | 5 998 270 | 3 517 100 |
| Expected credit loss on amortised cost | — | — |
| **Net cash and balances at central banks** | **5 998 270** | **3 517 100** |
| The country risk of cash and balances at central banks lies in the following geographies: | | |
| South Africa | 590 513 | 459 307 |
| United Kingdom | 5 326 540 | 2 993 129 |
| Europe (excluding UK) | 53 454 | 49 905 |
| Africa (excluding RSA) | 27 763 | 14 759 |
| | **5 998 270** | **3 517 100** |

## 21. Loans and advances to banks

| At 31 March<br>£'000 | 2022 | 2021^ |
|---|---|---|
| Gross loans and advances to banks | 2 552 253 | 2 637 705 |
| Expected credit loss on amortised cost | (192) | (269) |
| **Net loans and advances to banks** | **2 552 061** | **2 637 436** |
| The country risk of loans and advances to banks lies in the following geographies: | | |
| South Africa | 95 685 | 470 772 |
| United Kingdom | 927 030 | 626 263 |
| Europe (excluding UK) | 1 015 496 | 1 016 419 |
| North America | 249 521 | 288 177 |
| Africa (excluding RSA) | 174 831 | 64 626 |
| Asia | 29 343 | 59 463 |
| Australia | 59 770 | 111 561 |
| Other | 385 | 155 |
| | **2 552 061** | **2 637 436** |

^ Restated as detailed in note 61.

## 22. Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Gross reverse repurchase agreements and cash collateral on securities borrowed | 4 609 991 | 3 575 756 |
| Expected credit loss on amortised cost | (213) | (43) |
| **Net reverse repurchase agreements and cash collateral on securities borrowed** | **4 609 778** | **3 575 713** |
| Reverse repurchase agreements | 3 926 254 | 3 376 338 |
| Cash collateral on securities borrowed | 683 524 | 199 375 |
| | **4 609 778** | **3 575 713** |
| As part of the reverse repurchase and securities borrowing agreements the Group have received securities that they are allowed to sell or re pledge. £78.6 million (2021: £547.6 million) has been re-sold or re-pledged to third parties in connection with financing activities or to comply with commitments under short sale transactions. | | |
| **Liabilities** | | |
| Repurchase agreements | 464 816 | 916 502 |
| Cash collateral on securities lent | 398 469 | 86 810 |
| | **863 285** | **1 003 312** |

The assets transferred and not derecognised in the above repurchase agreements are fair valued at £411.9 million (2021: £928.7 million). They are pledged as security for the term of the underlying repurchase agreement. Refer to note 52.

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## 23. Sovereign debt securities

| At 31 March £'000 | 2022 | 2021 |
|---|---|---|
| Gross sovereign debt securities | 4 148 986 | 3 711 868 |
| Expected credit loss on amortised cost | (119) | (245) |
| **Net sovereign debt securities** | **4 148 867** | **3 711 623** |
| The country risk of the sovereign debt securities lies in the following geographies: | | |
| South Africa | 2 816 131 | 2 553 600 |
| United Kingdom | 378 941 | 359 523 |
| Europe (excluding UK) | 93 004 | 66 547 |
| North America | 818 926 | 668 490 |
| Africa (excl RSA) | — | 13 545 |
| Asia | 41 865 | — |
| Australia | — | 49 918 |
| | **4 148 867** | **3 711 623** |

## 24. Bank debt securities

| At 31 March £'000 | 2022 | 2021 |
|---|---|---|
| Gross bank debt securities | 1 515 670 | 1 121 883 |
| Expected credit loss on amortised cost | (460) | (153) |
| **Net bank debt securities** | **1 515 210** | **1 121 730** |
| Bonds | 1 052 255 | 807 757 |
| Floating rate notes | 462 955 | 313 973 |
| | **1 515 210** | **1 121 730** |
| The country risk of the bank debt securities lies in the following geographies: | | |
| South Africa | 370 193 | 293 576 |
| United Kingdom | 493 091 | 314 299 |
| Europe (excluding UK) | 355 251 | 254 722 |
| North America | 122 024 | 74 177 |
| Africa (excluding RSA) | 13 756 | 13 738 |
| Asia | 105 335 | 118 869 |
| Australia | 55 560 | 52 349 |
| | **1 515 210** | **1 121 730** |

## 25. Other debt securities

| At 31 March £'000 | 2022 | 2021 |
|---|---|---|
| Gross other debt securities | 1 234 928 | 1 365 985 |
| Expected credit loss on amortised cost | (5 641) | (1 750) |
| **Net other debt securities** | **1 229 287** | **1 364 235** |
| Bonds | 662 071 | 597 454 |
| Floating rate notes | 176 993 | 165 027 |
| Asset-based securities | 390 223 | 601 754 |
| | **1 229 287** | **1 364 235** |
| The country risk of the sovereign debt securities lies in the following geographies: | | |
| South Africa | 393 850 | 377 686 |
| United Kingdom | 319 497 | 430 228 |
| Europe (excluding UK) | 90 769 | 109 551 |
| North America | 376 920 | 407 655 |
| Asia | 48 251 | 39 115 |
| | **1 229 287** | **1 364 235** |

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## 26. Derivative financial instruments

The Group enters into various contracts for derivatives both as principal for trading purposes and as 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 present value of 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 balance sheet date.

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| **At 31 March<br>£'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 | 17 953 609 | 391 657 | 345 035 | 17 804 207 | 323 494 | 221 244 |
| Currency swaps | 14 500 680 | 91 809 | 129 347 | 13 374 264 | 396 199 | 446 176 |
| OTC options bought and sold | 4 516 072 | 57 192 | 65 884 | 5 500 526 | 82 600 | 96 918 |
| Other foreign exchange contracts | 86 025 | 256 | — | 206 629 | 2 934 | 567 |
| | **37 056 386** | **540 914** | **540 266** | **36 885 626** | **805 227** | **764 905** |
| **Interest rate derivatives** | | | | | | |
| Caps and floors | 10 391 928 | 66 032 | 62 375 | 9 584 616 | 20 976 | 14 989 |
| Swaps | 90 390 818 | 265 255 | 481 124 | 99 223 908 | 506 394 | 556 394 |
| Forward rate agreements | 24 495 332 | 8 149 | 3 018 | 26 680 182 | 12 552 | 17 057 |
| OTC options bought and sold | 49 233 | 573 | 68 | 62 176 | 831 | 132 |
| Other interest rate contracts | 357 085 | 10 447 | 2 120 | 116 508 | 5 043 | 1 726 |
| **OTC derivatives** | **125 684 396** | **350 456** | **548 705** | **135 667 390** | **545 796** | **590 298** |
| Exchange traded futures | — | — | — | 359 102 | — | — |
| | **125 684 396** | **350 456** | **548 705** | **136 026 492** | **545 796** | **590 298** |
| **Equity and stock index derivatives** | | | | | | |
| OTC options bought and sold | 5 769 167 | 512 580 | 1 096 496 | 4 783 183 | 305 805 | 552 738 |
| Equity swaps and forwards | 2 541 109 | 12 504 | 342 720 | 1 228 908 | 34 451 | 464 621 |
| **OTC derivatives** | **8 310 276** | **525 084** | **1 439 216** | **6 012 091** | **340 256** | **1 017 359** |
| Exchange traded futures | 169 227 | — | — | 502 917 | 281 | — |
| Exchange traded options | 15 492 162 | 8 115 | 25 831 | 16 930 831 | — | 232 642 |
| Warrants | — | 19 | — | 412 | 19 | — |
| | **23 971 665** | **533 218** | **1 465 047** | **23 446 251** | **340 556** | **1 250 001** |
| **Commodity derivatives** | | | | | | |
| OTC options bought and sold | 235 387 | 40 978 | 51 206 | 224 256 | 31 209 | 38 347 |
| Commodity swaps and forwards | 4 555 446 | 338 655 | 319 466 | 1 558 852 | 53 833 | 94 807 |
| | **4 790 833** | **379 633** | **370 672** | **1 783 108** | **85 042** | **133 154** |
| **Credit derivatives** | **22 774** | **13 263** | **5 174** | **808 982** | **12 488** | **5 007** |
| **Other derivatives** | | **6 029** | **—** | | **4 483** | **—** |
| **Cash collateral** | | **(206 273)** | **(392 561)** | | **(78 849)** | **(552 878)** |
| **Derivatives per balance sheet** | | **1 617 240** | **2 537 303** | | **1 714 743** | **2 190 487** |

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## 27. Securities arising from trading activities

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Bonds | 51 332 | 39 119 |
| Government securities | 13 210 | 4 101 |
| Listed equities | 574 180 | 926 174 |
| Unlisted equities | — | 5 319 |
| Floating rate notes | 39 827 | 47 634 |
| Other investments | 4 780 | 2 324 |
| | **683 329** | **1 024 671** |

## 28. Investment portfolio

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Listed equities* | 30 422 | 40 436 |
| Unlisted equities** | 496 021 | 503 650 |
| Fair value loan investments | 386 429 | 364 964 |
| | **912 872** | **909 050** |

As at 31 March 2021, certain equity investments to the value of £39.1 million were transferred out of investment portfolio to non-current assets held for sale in anticipation of the sale to occur in the short term. The value of unlisted investments at 31 March 2022 that are disclosed in Non-current assets held for sale is £25.9 million. These equity investments form part of the Group Investments and Corporate, Investment Banking and Other segments.

* Included in listed equities is an investment of £14.1 million (2021: £11.0 million) in a portfolio of perpetual preference shares issued by South African listed banks which is measured at FVOCI. Dividends recognised on the portfolio of preference shares were £0.8 million (2021: £0.8 million). The Group measures these investments at FVOCI as it considers them to be strategic investments.

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

## 29. Loans and advances to customers and other loans and advances

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Gross loans and advances to customers at amortised cost | 27 452 160 | 24 115 443 |
| Gross loans and advances to customers at FVOCI# | 685 386 | 534 059 |
| Gross loans and advances to customers designated at FVPL at inception^ | 1 004 402 | 1 099 781 |
| **Gross loans and advances to customers subject to expected credit losses** | **29 141 948** | **25 749 283** |
| Expected credit losses on loans and advances to customers at amortised cost and FVOCI^ | (269 505) | (297 191) |
| | **28 872 443** | **25 452 092** |
| Loans and advances to customers at fair value through profit and loss | 688 645 | 588 995 |
| **Net loans and advances to customers** | **29 561 088** | **26 041 087** |
| Gross other loans and advances | 129 557 | 103 367 |
| Expected credit losses on other loans and advances | (1 273) | (1 232) |
| **Net other loans and advances** | **128 284** | **102 135** |

^ These are fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans and advances measured at amortised cost.

# Expected credit losses above do not include £3 million (2021: £5 million) ECL held against financial assets held at FVOCI. This is reported on the balance sheet within the fair value reserve.

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Expected credit losses on loans and advances to customers at amortised cost and FVOCI** | | |
| Balance at the beginning of the year | 297 191 | 324 343 |
| Charge to the income statement | 70 301 | 103 855 |
| Utilised | (73 820) | (143 889) |
| Exchange adjustment | (24 167) | 12 882 |
| **Balance at the end of the year** | **269 505** | **297 191** |

For further analysis on loans and advances refer to pages 29 to 41 of the Investec Group's 2022 risk and governance report.

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## 30. Securitised assets and liabilities arising on securitisation

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Gross own originated loans and advances to customers securitised | 377 148 | 403 130 |
| Expected credit loss of own originated loans and advances to customers securitised | (1 385) | (1 218) |
| **Net own originated loans and advances to customers securitised** | **375 763** | **401 912** |
| Other securitised assets are made up of the following categories of assets: | | |
| Cash and cash equivalents | 30 801 | 28 411 |
| Loans and advances to customers | 88 004 | 105 902 |
| Other debt securities | 5 083 | 5 774 |
| **Total other securitised assets** | **123 888** | **140 087** |
| The associated liabilities are recorded on-balance sheet in the following line items: | | |
| **Liabilities arising on securitisation of own originated loans and advances** | **238 370** | **160 646** |
| **Liabilities arising on securitisation of other assets** | **95 885** | **108 281** |
| **Expected credit losses on own originated loans and advances to customers securitised at amortised cost** | | |
| Balance at the beginning of year | 1 218 | 721 |
| Charge to the income statement | 89 | 407 |
| Exchange adjustment | 78 | 90 |
| **Balance at the end of year** | **1 385** | **1 218** |

## 31. Interests in associated undertakings and joint venture holdings

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Analysis of the movement in interests in associated undertakings and joint venture holdings:** | | |
| At the beginning of the year | 679 157 | 701 311 |
| Acquisitions | 9 213 | — |
| Disposals | (2 476) | (34 637)* |
| Share of post-taxation profit of associates and joint venture holdings (excluding recycling of foreign exchange losses) | 79 556 | 47 086 |
| Profits or losses recognised in other comprehensive income and equity | 6 788 | (17 954) |
| Dividends declared by associate | (49 484) | (23 532) |
| Transfers between asset classes | — | 322 |
| Exchange adjustments | 20 929 | 32 602 |
| Impairment of associates and joint venture holdings^ | — | (16 773) |
| Amortisation of acquired intangibles of associates | (9 249) | (9 268) |
| **At the end of the year** | **734 434** | **679 157** |

^ Of the £16.8 million impairment of associates and joint venture holdings in 2021, £12.1 million relates to the impairment to transaction price for the sale of IPF's investment in associate, UK Nestor and £4.7 million impairment to equity accounted value of the Group's investment in IEP.
* The sale of UK Nestor, an associate of Investec Property Fund was effective 31 March 2021, the proceeds were received post 31 March 2021.

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## 31. Interests in associated undertakings and joint venture holdings continued

| | IEP Group Proprietary Limited | | UK Nestor# | Ninety One | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2021 | **2022** | 2021 |
| **Details of material associated companies** | | | | | |
| **Summarised financial information (R'million):** | | | | | |
| **For the year to 31 March** | | | | | |
| Revenue | 815 688 | 628 564 | 11 953 | 663 900 | 603 500 |
| Profit/(loss) after taxation | 45 269 | (1 219) | (12 468) | 205 300 | 154 600 |
| Total comprehensive income/(loss) | 46 453 | (375) | (12 468) | 216 500 | 161 000 |
| **At 31 March** | | | | | |
| **Assets** | | | | | |
| Non-current assets | 1 005 920 | 958 323 | — | 151 200 | 155 000 |
| Current assets | 350 868 | 302 923 | — | 11 530 900 | 9 749 600 |
| **Liabilities** | | | | | |
| Non-current liabilities | 437 481 | 439 454 | — | 160 200 | 175 400 |
| Current liabilities | 165 115 | 147 189 | — | 11 180 300 | 9 475 900 |
| **Net asset value** | **754 192** | **674 603** | **—** | **341 600** | **253 300** |
| Non-controlling interest | 151 598 | 137 121 | — | — | 200 |
| Shareholders' equity | 602 594 | 537 482 | — | 341 600 | 253 100 |
| Effective interest in issued share capital | 47.4% | 47.4% | —% | 25.0% | 25.0% |
| Net asset value | 282 648^ | 251 319^ | — | 177 436^^ | 164 560^^ |
| Goodwill | — | — | — | 205 202 | 198 015 |
| **Carrying value of interest – equity method** | **282 648** | **251 319** | **—** | **382 638** | **362 575** |

^ The Group's share of the net asset value of IEP is £285.6 million (47.4% of £602.6 million) (2021: £254.8 million, 47.4% of £537.5 million) reduced by the portion of the impairment of IEP that exceeded the value of the goodwill.

\# UK Nestor was an associate of Investec Property Fund that was disposed of during March 2021.

^^ The investment in Ninety One was initially recognised on 13 March 2020 at a fair value of £330.0 million with subsequent equity accounted earnings increasing the value to £382.6 million (2021: £362.6 million). The portion of the net asset value of Ninety One, was £37.7 million (25% of £150.7 million) on 31 March 2020. The difference between the carrying value of Ninety One and the Group's share of the net asset value relates to goodwill and intangibles recognised within the value of Ninety One at the time of gaining significant influence. The fair value of Ninety One is £587.8 million (2021: £548.4 million). The Group's interest in Ninety One has reduced to 10% subsequent to the 15% distribution to shareholders of Investec in May 2022.

Income statement and other comprehensive income items are only shown for the period for which they are equity accounted.

In the current year, no impairment on IEP was recognised. In the prior year, management critically evaluated the equity accounted value of the Group's investment in IEP and consequently recognised an impairment of £4.7 million. The recoverable amount of the investment in IEP was determined to be the value-in-use of the investment. The value-in-use was determined by calculating the sum of the fair values of the underlying investments held by IEP. This was done by determining the best estimates of the cash flows to be generated from the ultimate realisation of the underlying investments taking into account management's strategy with the investments, returns generated by the underlying investments, the nature of the assets and market considerations. This estimate was performed for each of the assets held by IEP, using valuation techniques and assumptions management believed to be most representative of the ultimate realisation of the investments.

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## 32. Deferred taxation

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Deferred taxation assets | 259 370 | 246 622 |
| Deferred taxation liabilities | (19 624) | (40 333) |
| **Net deferred taxation assets** | **239 746** | **206 289** |
| The net deferred taxation assets arise from: | | |
| Deferred capital allowances | 48 742 | 40 376 |
| Income and expenditure accruals | 94 476 | 85 369 |
| Asset in respect of unexpired options | 28 343 | 11 320 |
| Unrealised fair value adjustments on financial instruments | 31 470 | 35 186 |
| Losses carried forward | 23 348 | 33 263 |
| Assets in respect of pensions surplus | 383 | — |
| Deferred tax on acquired intangibles | (9 296) | (11 302) |
| Revaluation of property | (6 296) | (13 398) |
| Finance lease accounting | 2 547 | 2 263 |
| Cash flow hedges | 25 942 | 22 897 |
| Other temporary differences | 87 | 315 |
| **Net deferred taxation assets** | **239 746** | **206 289** |
| Reconciliation of net deferred taxation assets/(liabilities): | | |
| At the beginning of the year | 206 289 | 221 108 |
| Recovery to the income statement | 33 700 | 407 |
| Recovery directly in other comprehensive income | (3 157) | (31 321) |
| Acquisitions and disposals | (463) | (300) |
| Other | — | 737 |
| Exchange adjustments | 3 377 | 15 658 |
| **At the end of the year** | **239 746** | **206 289** |

Deferred taxation assets are recognised to the extent it is likely that profits will be available 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 as crystallisation of capital gains and the eligibility of potential losses is uncertain.

There are trading losses carried forward of £90.7 million (2021: £68.9 million), capital losses carried forward of £167.3 million (2021: £177.2 million) and excess management expenses of £2.5 million (2021: £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.

During the year, the SA Government announced a decrease in the SA rate of corporation tax from 28% to 27% effective for years of assessment ending on/after 1 March 2023. As a result, the deferred tax balances at 31 March 2022 have been adjusted to reflect this substantively enacted rate change.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. The UK Government has also announced on 27 October 2021 that the current bank surcharge rate of 8% would be reduced to 3% and the surcharge allowances available for a banking group to be increased to £100 million from £25 million with effect from 1 April 2023. This will increase the combined rate of corporation tax applicable to banking entities from 27% to 28% with effect from 1 April 2023. As these rates have now been substantively enacted at the year end, deferred tax has been calculated based on these rates.

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## 33. Other assets

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Gross other assets | 2 068 615 | 2 165 438 |
| Expected credit loss on amortised cost | — | — |
| **Net other assets** | **2 068 615** | **2 165 438** |
| Settlement debtors | 1 216 637 | 1 181 308 |
| Trading properties | 64 035 | 78 832 |
| Prepayments and accruals | 85 884 | 103 694 |
| Trading initial margin | 219 298 | 157 396 |
| Other investments* | 58 591 | 58 556 |
| Commodities | 40 975 | 28 523 |
| Building renovations in progress | — | 28 878 |
| Finance lease receivables (refer to note 50) | 223 902 | 252 797 |
| Fee debtors | 9 448 | 4 915 |
| Other | 149 845 | 270 539 |
| | **2 068 615** | **2 165 438** |

* Previously included in other.

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## 34. Property and equipment

| At 31 March £'000 | Freehold properties | Right-of-use assets* | Leasehold improvements | Furniture and vehicles | Equipment | Operating leases** | Total |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **Cost** | | | | | | | |
| At the beginning of the year | 140 787 | 150 211 | 85 438 | 16 244 | 56 702 | 5 721 | 455 103 |
| Exchange adjustments | 10 009 | (166) | 831 | 606 | 1 658 | — | 12 938 |
| Additions | 32 815 | 4 653 | 930 | 1 125 | 6 516 | 5 | 46 044 |
| Disposals | — | (6 514) | (5 990) | (446) | (4 126) | (2 260) | (19 336) |
| Reclassifications | — | — | — | (511) | 604 | — | 93 |
| **At the end of the year** | **183 611** | **148 184** | **81 209** | **17 018** | **61 354** | **3 466** | **494 842** |
| **Accumulated depreciation** | | | | | | | |
| At the beginning of the year | (13 770) | (32 637) | (24 666) | (9 577) | (39 242) | (5 239) | (125 131) |
| Exchange adjustments | (1 088) | 349 | (276) | (539) | (946) | 45 | (2 455) |
| Disposals | — | 1 869 | 2 233 | 289 | 3 823 | 2 178 | 10 392 |
| Depreciation | (5 313) | (19 473) | (6 679) | (1 058) | (9 408) | (204) | (42 135) |
| Reclassifications | — | — | — | 511 | (604) | — | (93) |
| **At the end of the year** | **(20 171)** | **(49 892)** | **(29 388)** | **(10 374)** | **(46 377)** | **(3 220)** | **(159 422)** |
| **Net carrying value** | **163 440** | **98 292** | **51 821** | **6 644** | **14 977** | **246** | **335 420** |
| **2021** | | | | | | | |
| **Cost** | | | | | | | |
| At the beginning of the year | 176 893 | 154 952 | 78 702 | 23 953 | 76 907 | 7 210 | 518 617 |
| Exchange adjustments | 2 939 | (475) | (2 794) | 45 | 2 984 | (113) | 2 586 |
| Additions | — | 6 737 | 1 338 | 792 | 4 949 | 56 | 13 872 |
| Disposals | — | (9 831) | (8 916) | (302) | (2 895) | (1 432) | (23 376) |
| Write-offs^ | — | (158) | — | (1 721) | (26 644) | — | (28 523) |
| Reclassifications | (39 045) | (1 014) | 17 108 | (6 523) | 1 401 | — | (28 073) |
| **At the end of the year** | **140 787** | **150 211** | **85 438** | **16 244** | **56 702** | **5 721** | **455 103** |
| **Accumulated depreciation** | | | | | | | |
| At the beginning of the year | (17 279) | (18 799) | (27 143) | (17 544) | (75 230) | (6 049) | (162 044) |
| Exchange adjustments | 2 939 | 612 | (513) | (84) | 2 928 | 77 | 5 959 |
| Disposals | — | 3 940 | 8 224 | 370 | 2 391 | 1 396 | 16 321 |
| Depreciation | (3 807) | (18 688) | (6 709) | (1 014) | (11 082) | (663) | (41 963) |
| Write-offs^ | — | 158 | — | 1 721 | 26 644 | — | 28 523 |
| Reclassifications | 4 377 | 140 | 1 475 | 6 974 | 15 107 | — | 28 073 |
| **At the end of the year** | **(13 770)** | **(32 637)** | **(24 666)** | **(9 577)** | **(39 242)** | **(5 239)** | **(125 131)** |
| **Net carrying value** | **127 017** | **117 574** | **60 772** | **6 667** | **17 460** | **482** | **329 972** |

* Right-of-use assets primarily comprises property leases under IFRS 16.

** On 3 December 2010 the Group acquired a portfolio of operating leased assets comprising motor vehicles. The operating lease income from this portfolio has been included in other operating income (note 5) and the depreciation of these operating leased assets has been included in operating costs in the income statement.

^ Fully depreciated assets with a net book value of zero were written off in the prior year.

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## 35. Investment properties

| At 31 March £'000 | 2022 | 2021 |
|---|---|---|
| At the beginning of the year | 832 061 | 863 864 |
| Additions | 11 498 | 7 568 |
| Disposals | (6 521) | (71 036) |
| Fair value movement | (20 872) | (46 736) |
| Reclassifications* | (44 076) | 7 197 |
| Exchange adjustments | 48 465 | 71 204 |
| **At the end of the year** | **820 555** | **832 061** |

* Reclassifications of £45.6 million (2021: £11.3 million) to non-current assets classified as held for sale and a reclassification of £1.6 million from other assets (2021: £4.1 million from trading properties) as there was a change in use of the property.

For total gains and losses on investment properties recognised in the income statement, refer to note 4.

Non-current assets held for sale comprises £53.3 million (2021: £10.9 million) of investment properties. These are excluded from the measurement scope of IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations and continue to be measured according to the fair value model. The majority of these properties are in the Group Investments business segment.

All investment properties are classified as level 3 in the fair value hierarchy.

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use. Properties are valued under the income capitalisation method and discounted cash flow method (DCF).

Under the income capitalisation method a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate.

Under the DCF method a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This involves the projection of a series of cash flows and, to this, an appropriate market-derived discount rate is applied to establish the present value of the income stream.

### Valuation techniques used to derive level 3 fair values

The significant unobservable inputs used to derive the fair value measurements are those relating to the valuation of underlying investment properties. The table below includes the following definitions and relationship between the unobservable inputs and fair value measurement:

| Significant unobservable inputs | Definitions |
|---|---|
| Expected Rental Value (ERV) | The rent at which space could be let in the market conditions prevailing at the date of valuation. |
| Capitalisation rate (cap rate) | The rate of return that is expected to be generated on the real estate investment property. |
| Long-term vacancy rate | The ERV of the expected long-term average structural vacant space divided by the ERV of the whole property. Long-term vacancy rate can also be determined based on the percentage of estimated vacant space divided by the total lettable area. |

### Level 3 valuations

| At 31 March 2022 Description | Average expected rental value per £/$m^2$ | Equivalent yield range | Weighted average cap rate | Long-term vacancy rates | Change in fair value (£'000) from a 0.25bp increase/ decrease in cap rate | Change in fair value (£'000) from a 5% increase/ decrease in expected rental value |
|---|---|---|---|---|---|---|
| Across South African sectors | 5.7 | 7.5% - 12.0% | 8.8% | 1.5% | 21 207 | 36 191 |
| SA Retail | 7.1 | 7.5% - 12.0% | 8.4% | 1.5% - 2.5% | 8 897 | 14 439 |
| SA Industrial | 2.9 | 8.0% - 12.0% | 9.4% | —% | 3 999 | 7 337 |
| SA Office | 8.5 | 7.8% - 12.0% | 8.9% | 1% - 5% | 8 312 | 14 415 |

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## 35. Investment properties continued

| At 31 March 2021 Description | Average expected rental value per £/m$^2$ | Equivalent yield range | Weighted average cap rate | Long-term vacancy rates | Change in fair value (£'000) from a 0.25bp increase/ decrease in cap rate | Change in fair value (£'000) from a 5% increase/ decrease in expected rental value |
|---|---|---|---|---|---|---|
| Across South African sectors | 4.9 | 6.9% – 14.2% | 8.9% | 1.5% | 21 027 | 36 887 |
| SA Retail | 5.8 | 7.3% – 11.6% | 8.4% | 1.4% | 8 575 | 14 715 |
| SA Industrial | 2.7 | 6.9% – 14.2% | 9.7% | 1.3% | 4 219 | 8 197 |
| SA Office | 7.7 | 7.1% – 14.1% | 9.0% | 1.9% | 8 300 | 13 976 |

## 36. Goodwill

| At 31 March £'000 | 2022 | 2021 |
|---|---|---|
| **Cost** | | |
| At the beginning of the year | 313 429 | 312 450 |
| Acquisitions | — | 11 |
| Disposal of subsidiary | — | (148) |
| Exchange adjustments | 1 374 | 1 116 |
| **At the end of the year** | **314 803** | **313 429** |
| **Accumulated impairments** | | |
| At the beginning of the year | (53 624) | (41 825) |
| Impairments | (1 962) | (11 599) |
| Exchange adjustments | (813) | (200) |
| **At the end of the year** | **(56 399)** | **(53 624)** |
| | | |
| **Net carrying values** | **258 404** | **259 805** |
| **Analysis of goodwill by line of business and geography:** | | |
| **UK and Other** | | |
| Wealth & Investment | 236 319 | 236 318 |
| Specialist Banking | 13 517 | 13 518 |
| | **249 836** | **249 836** |
| | | |
| **Southern Africa** | | |
| Wealth & Investment | — | 1 774 |
| Specialist Banking | 8 568 | 8 195 |
| | **8 568** | **9 969** |
| | **258 404** | **259 805** |

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.

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## 36. Goodwill continued

**UK and Other**
The most significant cash-generating unit giving rise to goodwill is Investec Wealth & Investment. For Wealth & Investment, goodwill of £236.3 million (2021: £236.3 million) has been tested for impairment on the basis of the cash flow projections for the next three years discounted at 9.2% (2021: 8.9%) which incorporates an expected revenue growth rate of 2% in perpetuity (2021: 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 Specialist Banking, the goodwill of £13.5 million (2021: £13.5 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.

**Southern Africa**
Goodwill attributed to the South African operations relates to the Investec for Business and the Investec Wealth & Investment Group.

The goodwill relating to Investec for Business has been identified as a separate cash-generating unit and has been tested for impairment, taking into account profitability, being the budgeted profits and the future profit growth for the next five years. The valuation is based on management's assessment of appropriate profit forecasts and discount rates to estimate the fair value. Discount rate applied of 4.25% (2021: 3.50%) is determined using the South African inter-bank lending rate, adjusted for business specific risk.

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.

The valuation of goodwill is a level 3 in the fair value hierarchy.

**Movement in goodwill**
The current year impairment predominantly relates to the write off of goodwill on a historical acquisition of the South African wealth business. The remaining impairment is attributable to Travel by Investec. In the prior year, goodwill of £11.2 million in relation to Investec Ireland was written off as a result of the change in business following the Brexit impact and as such there is limited linkage remaining between the business acquisition which gave rise to the goodwill and the ongoing business in Ireland.

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## 37. Software and other acquired intangible assets

| At 31 March<br>£'000 | Software<br>Acquired software | <br>Internally generated software | <br>Total | Other acquired intangible assets<br>Client relationships ^ | <br>Total | <br>Total |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| **Cost** | | | | | | |
| At the beginning of the year | 49 540 | 1 702 | 51 242 | 211 076 | 211 076 | 262 318 |
| Exchange adjustments | (3 266) | — | (3 266) | 1 634 | 1 634 | (1 632) |
| Additions | 1 327 | 1 402 | 2 729 | 463 | 463 | 3 192 |
| Disposals | (323) | — | (323) | — | — | (323) |
| **At the end of the year** | **47 278** | **3 104** | **50 382** | **213 173** | **213 173** | **263 555** |
| **Accumulated amortisation and impairments** | | | | | | |
| At the beginning of the year | (38 668) | — | (38 668) | (152 108) | (152 108) | (190 776) |
| Exchange adjustments | 3 452 | — | 3 452 | (1 436) | (1 436) | 2 016 |
| Disposals | 298 | — | 298 | — | — | 298 |
| Amortisation | (5 504) | (517) | (6 021) | (15 477)* | (15 477) | (21 498) |
| **At the end of the year** | **(40 422)** | **(517)** | **(40 939)** | **(169 021)** | **(169 021)** | **(209 960)** |
| **Net carrying value** | **6 856** | **2 587** | **9 443** | **44 152** | **44 152** | **53 595** |
| **2021** | | | | | | |
| **Cost** | | | | | | |
| At the beginning of the year | 73 686 | — | 73 686 | 211 719 | 211 719 | 285 405 |
| Exchange adjustments | (351) | — | (351) | 728 | 728 | 377 |
| Additions | 2 480 | 1 702 | 4 182 | 2 021 | 2 021 | 6 203 |
| Disposals | (2 187) | — | (2 187) | (3 392) | (3 392) | (5 579) |
| Write-offs** | (24 088) | — | (24 088) | — | — | (24 088) |
| **At the end of the year** | **49 540** | **1 702** | **51 242** | **211 076** | **211 076** | **262 318** |
| **Accumulated amortisation and impairments** | | | | | | |
| At the beginning of the year | (59 043) | — | (59 043) | (140 062) | (140 062) | (199 105) |
| Exchange adjustments | 101 | — | 101 | 724 | 724 | 825 |
| Disposals | 2 182 | — | 2 182 | 2 517 | 2 517 | 4 699 |
| Amortisation | (5 996) | — | (5 996) | (15 287)* | (15 287) | (21 283) |
| Write-offs** | 24 088 | — | 24 088 | — | — | 24 088 |
| **At the end of the year** | **(38 668)** | **—** | **(38 668)** | **(152 108)** | **(152 108)** | **(190 776)** |
| **Net carrying value** | **10 872** | **1 702** | **12 574** | **58 968** | **58 968** | **71 542** |

* Amortisation of acquired intangibles as disclosed in the income statement £15.5 million (2021: £15.3 million).
** Fully depreciated assets with a net book value of zero were written off in the prior year.
^ Client relationships all relate to the acquisition of Rensburg Sheppards plc in June 2010 and Evolution Group in December 2011 and Investec Import Solutions Group in July 2015.

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## 38. Acquisitions and disposals

There were no significant acquisitions of subsidiaries during the current and prior year. During the year, there were no significant disposals of subsidiaries.

For the year ended 31 March 2021, Investec Bank plc sold the Investec Australia Property Fund (IAPF) management Company for proceeds and a gain of £20.4 million. Additionally, a gain of £13 million was recognised from the formation of a joint venture with the State Bank of India, now measured at fair value, as a result of loss of control in Investec Capital Services (India) Private Limited.

## 39. Long-term assurance business attributable to policyholders

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Liabilities to customers under investment contracts** | | |
| Investec Life Limited | 56 475 | 49 798 |
| Insurance liabilities, including unit-linked liabilities – Investec Life Limited | 3 074 | 2 607 |
| | **59 549** | **52 405** |
| The assets of the long-term assurance fund attributable to policyholders are detailed below: | | |
| Investments | 59 549 | 52 405 |
| | **59 549** | **52 405** |
| Investments shown above comprise: | | |
| Interest-bearing securities | 2 443 | 11 544 |
| Stocks, shares and unit trusts | 57 002 | 39 830 |
| Deposits | 104 | 1 031 |
| | **59 549** | **52 405** |

## 40. Other trading liabilities

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Deposits | 207 138 | 204 041 |
| Short positions | | |
| – Equities | 53 526 | 103 677 |
| – Gilts | 14 925 | 7 815 |
| – Bank debt securities | — | 10 656 |
| | **275 589** | **326 189** |

## 41. Debt securities in issue

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Repayable in:** | | |
| Less than three months | 291 861 | 27 995 |
| Three months to one year | 159 995 | 93 639 |
| One to five years | 1 246 294 | 1 726 091 |
| Greater than five years | 345 490 | 44 594 |
| | **2 043 640** | **1 892 319** |

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## 42. Other liabilities

| At 31 March £'000 | 2022 | 2021^ |
|---|---|---|
| Settlement liabilities | 1 128 035 | 797 844 |
| Other creditors and accruals | 621 621 | 527 751 |
| Lease liabilities | 351 744 | 396 132 |
| Other non-interest bearing liabilities | 147 454 | 161 923 |
| Rewards Programme liability | 35 907 | 33 106 |
| Long service employee benefits liability (refer to note 9) | 19 061 | 21 913 |
| Expected credit loss on off-balance sheet commitments and guarantees | 12 019 | 12 453 |
| | **2 315 841** | **1 951 122** |

^ Restated as detailed in note 61.

**Reconciliation of lease liabilities**

| At 31 March £'000 | 2022 | 2021 |
|---|---|---|
| At the beginning of the year | 396 132 | 488 849 |
| Interest | 11 739 | 13 632 |
| Additional leases | 2 665 | 5 276 |
| Disposals and modifications | (11 812) | (15 351) |
| Remeasurement of lease liabilities | (281) | — |
| Repayment of lease liabilities | (57 482) | (69 051) |
| Exchange adjustments | 10 783 | (27 223) |
| **At the end of the year** | **351 744** | **396 132** |

**Lease liabilities included in other liabilities are due in:**

| | 2022 | | 2021 | |
|---|---|---|---|---|
| At 31 March £'000 | Undiscounted payments | Present value | Undiscounted payments | Present value |
| Less than one year | 57 047 | 54 235 | 60 309 | 57 580 |
| One to five years | 294 577 | 262 810 | 324 514 | 286 522 |
| Greater than five years | 36 266 | 34 699 | 54 664 | 52 030 |
| | **387 890** | **351 744** | **439 487** | **396 132** |

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## 43. Subordinated liabilities

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Issued by Investec Bank plc** | | |
| Subordinated fixed rate medium-term notes at FVPL | — | 334 804 |
| Subordinated fixed rate re-set callable medium-term notes – amortised cost | 427 019 | 436 677 |
| **Issued by Investec plc** | | |
| Subordinated callable fixed rate resettable medium term notes – amortised cost | 331 720 | — |
| **Issued by Investec Bank Limited** | | |
| IV019 indexed rate subordinated unsecured callable bonds | 12 250 | 9 750 |
| IV019A indexed rate subordinated unsecured callable bonds | 19 951 | 18 522 |
| IV035 variable rate subordinated unsecured callable bonds | 76 319 | 72 096 |
| IV036 variable rate subordinated unsecured callable bonds | — | 1 572 |
| IV037 variable rate subordinated unsecured callable bonds | — | 87 193 |
| IV038 variable rate subordinated unsecured callable bonds | — | 17 189 |
| IV039 indexed rate subordinated unsecured callable bonds | — | 9 602 |
| IV040 variable rate subordinated unsecured callable bonds | — | 28 927 |
| IV041 fixed rate subordinated unsecured callable bonds | — | 9 331 |
| IV042 variable rate subordinated unsecured callable bonds | — | 2 456 |
| IV043 fixed rate subordinated unsecured callable bonds | — | 7 367 |
| IV044 variable rate subordinated unsecured callable bonds | — | 11 787 |
| IV045 indexed rate subordinated unsecured callable bonds | — | 93 980 |
| IV046 variable rate subordinated unsecured callable bonds | 62 386 | 58 934 |
| IV047 variable rate subordinated unsecured callable bonds | 87 310 | 78 293 |
| IV049 variable rate subordinated unsecured callable bonds | 53 566 | 47 983 |
| **Issued by Investec Limited** | | |
| INLV07 variable rate subordinated unsecured callable bonds | 85 053 | 80 347 |
| INLV11 variable rate subordinated unsecured callable bonds | 20 795 | — |
| INLV12 variable rate subordinated unsecured callable bonds | 57 225 | — |
| INB001 variable rate subordinated unsecured callable bonds | 82 597 | 74 141 |
| | **1 316 191** | **1 480 951** |
| All subordinated debt issued by Investec Limited and its subsidiaries is denominated in South African Rand | | |
| **Remaining maturity*:** | | |
| In one year or less, or on demand | 362 178 | 604 208 |
| In more than one year, but not more than two years | 32 201 | 331 447 |
| In more than two years, but not more than five years | 105 848 | 108 619 |
| In more than five years | 815 964 | 436 677 |
| | **1 316 191** | **1 480 951** |
| **Reconciliation from opening balance to closing balance:** | | |
| Opening balance | 1 480 951 | 1 436 361 |
| Issue of subordinated liabilities | 421 506 | 76 684 |
| Interest accrued on subordinated liabilities | 89 910 | 91 891 |
| Net movements in capitalised interest | (18 098) | (19 827) |
| Repayment of interest | (74 562) | (73 412) |
| Transfer of interest accrued to other liabilities at the beginning of the year | 3 295 | 4 715 |
| Transfer of interest accrued to other liabilities at the end of the year | (2 184) | (3 295) |
| Redemption of subordinated liabilities | (583 918) | (41 482) |
| Consumer Price Index, effective interest rate adjustments and currency adjustments on foreign denominated bonds adjustment | (32 620) | (47 758) |
| Exchange adjustments | 31 911 | 57 074 |
| **Closing balance** | **1 316 191** | **1 480 951** |

* Maturities have been determined using the date on which the Company is able to call the bonds.

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.

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## 43. Subordinated liabilities continued

**Subordinated fixed rate medium-term notes (denominated in Pound Sterling) – accounted for as designated at fair value**
On 17 February 2011 Investec Bank plc issued £500 000 000 of 9.625% subordinated notes due in 2022 at a discount (2022 notes). Interest is paid annually. The notes are listed on the London Stock Exchange. The notes are redeemable at par on 17 February 2022.

On 29 June 2011 Investec Bank plc issued £75 000 000 of 9.625% subordinated notes due in 2022 at a premium (2022 notes) (to be consolidated and form a single series, and to be fungible, with the £500 000 000 2022 notes issued on 17 February 2011).

On 17 July 2018 Investec Bank plc completed a tender offer to purchase £267 038 000 aggregate nominal amount of the notes at a cash purchase price of 121.513 pence plus an accrued interest payment. The total value of the debt redeemed was £335 541 000.

The remaining notes in issue of £307 962 000 were redeemed at par on 17 February 2022.

**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 24 July 2023 subject to conditions.

**Subordinated callable fixed rate resettable medium-term notes (denominated in Pounds 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.

**IV019 indexed rate subordinated unsecured callable bonds**
R236 million (2021: R199 million) Investec Bank Limited IV019 locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019 is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the Company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

**IV019A indexed rate subordinated unsecured callable bonds**
R384 million (2021: R377 million) Investec Bank Limited IV019A locally registered subordinated unsecured callable bonds are due in March 2028. Interest on these inflation-linked bonds is payable semi-annually on 31 March and 30 September at a rate of 2.60%. The IV019A is a replica of the R210 South African government bond. The maturity date is 31 March 2028, but the Company has the option to call the bonds upon regulatory capital disqualification or from 3 April 2023.

**IV035 variable rate subordinated unsecured callable bonds**
R1 468 million Investec Bank Limited IV035 locally registered subordinated unsecured callable bonds are due in April 2027. Interest is payable quarterly on 7 April, 7 July, 7 October and 7 January at a rate equal to the three-month JIBAR plus 4.65% up to and excluding 7 April 2027. The maturity date is 7 April 2027, but the Company has the option to call the bonds upon regulatory capital disqualification or from 7 April 2022.

**IV036 variable rate subordinated unsecured callable bonds**
Rnil (2021: R32 million) Investec Bank Limited IV036 locally registered subordinated unsecured callable bonds were due in April 2026. Interest was payable quarterly on 22 April, 22 July, 22 October and 22 January at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 22 July 2026. The maturity date was 22 July 2026, but the Company had the option to call the bonds upon regulatory capital disqualification or from 22 July 2021. These notes were repaid in the current year.

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## 43. Subordinated liabilities continued

**IV037 variable rate subordinated unsecured callable bonds**
$nil (2021: $125 million) Investec Bank Limited IV037 locally registered subordinated unsecured Tier II callable bonds were due in October 2026 and were issued at an issue price of $91 million. The notes automatically converted from zero coupon notes to floating rate notes on the first optional redemption date, being 19 October 2021. The maturity date was 19 October 2026, but the Company had the option to call the bonds upon regulatory capital disqualification or from 19 October 2021. These notes were repaid in the current year.

**IV038 variable rate subordinated unsecured callable bonds**
Rnil (2021: R350 million) Investec Bank Limited IV038 locally registered subordinated unsecured callable bonds were due in September 2026. Interest was payable quarterly on 23 March, 23 June, 23 September and 23 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 23 September 2026. The maturity date was 23 September 2026, but the Company had the option to call the bonds upon regulatory capital disqualification or from 23 September 2021. These notes were repaid in the current year.

**IV039 indexed rate subordinated unsecured callable bonds**
Rnil (2021: R196 million) Investec Bank Limited IV039 locally registered subordinated unsecured callable bonds were due in January 2027. Interest was payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 31 January 2027. The maturity date was 31 January 2027, but the Company had the option to call the bonds upon regulatory capital disqualification or from 31 January 2022. These notes were repaid in the current year.

**IV040 variable rate subordinated unsecured callable bonds**
Rnil (2021: R589 million) Investec Bank Limited IV040 locally registered subordinated unsecured callable bonds were due in September 2026. Interest was payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date was 29 September 2026, but the Company had the option to call the bonds upon regulatory capital disqualification or from 29 September 2021. These notes were repaid in the current year.

**IV041 fixed rate subordinated unsecured callable bonds**
Rnil (2021: R190 million) Investec Bank Limited IV041 locally registered subordinated unsecured callable bonds were due in September 2026. Interest was payable quarterly on 29 March, 29 June, 29 September and 29 December at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 29 September 2026. The maturity date was 29 September 2026, but the Company had the option to call the bonds upon regulatory capital disqualification or from 29 September 2021. These notes were repaid in the current year.

**IV042 variable rate subordinated unsecured callable bonds**
Rnil (2021: R50 million) Investec Bank Limited IV042 locally registered subordinated unsecured callable bonds were due in November 2026. Interest was payable quarterly on 18 February, 18 May, 18 August and 18 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date was 18 November 2026, but the Company had the option to call the bonds upon regulatory capital disqualification or from 18 November 2021. These notes were repaid in the current year.

**IV043 fixed rate subordinated unsecured callable bonds**
Rnil (2021: R150 million) Investec Bank Limited IV043 locally registered subordinated unsecured callable bonds were due in November 2026. Interest was payable quarterly on 21 February, 21 May, 21 August and 21 November at a rate equal to the three-month JIBAR plus 4.25% up to and excluding 18 November 2026. The maturity date was 21 November 2026, but the Company had the option to call the bonds upon regulatory capital disqualification or from 18 November 2021. These notes were repaid in the current year.

**IV044 variable rate subordinated unsecured callable bonds**
Rnil (2021: R240 million) Investec Bank Limited IV044 locally registered subordinated unsecured callable bonds were due in January 2027. Interest was payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate equal to the three-month JIBAR plus 4.15% up to and excluding 18 November 2026. The maturity date was 31 January 2027, but the Company had the option to call the bonds upon regulatory capital disqualification or from 31 January 2022. These notes were repaid in the current year.

**IV045 indexed rate subordinated unsecured callable bonds**
Rnil (2021: R1 914 million) Investec Bank Limited IV045 locally registered subordinated unsecured callable bonds were due in January 2027. Interest was payable quarterly on 31 January, 30 April, 31 July and 31 October at a rate of 2.75%. The IV045 was a replica of the R212 South African government bond. The maturity date was 31 January 2027, but the Company had the option to call the bonds upon regulatory capital disqualification or from 31 January 2022. These notes were repaid in the current year.

**IV046 variable rate subordinated unsecured callable bonds**
R1 200 million Investec Bank Limited IV046 locally registered subordinated unsecured callable bonds are due in June 2027. Interest is payable quarterly on 21 September, 21 December, 21 March and 21 June at a rate equal to the three-month JIBAR plus 3.90%. The maturity date is 21 June 2027, but the Company has the option to call the bonds upon regulatory capital disqualification or from 21 June 2022.

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## 43. Subordinated liabilities continued

**IV047 variable rate subordinated unsecured callable bonds**
$116 million Investec Bank Limited IV047 locally registered subordinated unsecured Tier II callable bonds are due in June 2027 and were issued at an issue price of $86 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 30 June 2022. The implied zero coupon yield is 5.915966% nacq (ACT/360) up until 30 June 2022. If the issuer does not exercise the option to redeem the notes on 30 June 2022, then interest on the floating rate notes shall commence on 30 June 2022 and is payable quarterly on 30 September, 30 December, 30 June at a rate equal to the three-month USD LIBOR plus 4.5% up to and excluding 30 June 2027. The maturity date is 30 June 2027, but the Company has the option to call the bonds upon regulatory capital disqualification or from 30 June 2022.

**IV049 variable rate subordinated unsecured callable bonds**
R1 030 million (2021: R977 million) Investec Bank Limited IV049 locally registered subordinated unsecured callable bonds are due in December 2028. Interest is payable quarterly in arrears on 4 March, 4 June and 4 September and 4 December at a rate equal to three-month JIBAR plus 3.413% basis points up to and excluding 4 March 2028. The maturity date is 4 December 2028, but the Company has the option to call the bonds upon regulatory capital disqualification or from 4 March 2023.

**INLV07 variable rate subordinated unsecured callable bonds**
R1 636 million Investec Limited issued INLV07 locally registered subordinated unsecured floating rate notes are due in March 2031. Interest is payable quarterly on 9 March, 9 June, 9 September and 9 December at a rate equal to the three-month JIBAR plus 2.60%. The maturity date is 9 March 2031 but the issuer has the option to redeem on 9 March 2026 and on each interest payment date thereafter.

**INLV11 variable rate subordinated unsecured callable bonds**
R400 million Investec Limited issued INLV11 locally registered subordinated unsecured floating rate notes are due December 2031. Interest is payable quarterly on 22 March, 22 June, 22 September and 22 December at a rate equal to the three-month JIBAR plus 2.10%. The maturity date is 22 December 2031 but the issuer has the option to redeem on 22 March 2027 and on each interest payment date thereafter.

**INLV12 variable rate subordinated unsecured callable bonds**
R1 100 million Investec Limited issued INLV12 locally registered subordinated unsecured floating rate notes are due March 2032. Interest is payable quarterly on 25 March, 25 June, 25 September and 25 December at a rate equal to the three-month JIBAR plus 2.20%. The maturity date is 25 March 2032 but the issuer has the option to redeem on 25 June 2027 and on each interest payment date thereafter.

**INB001 variable rate subordinated unsecured callable bonds**
$113 million Investec Limited INB001 locally registered subordinated unsecured Tier II callable bonds are due in December 2027 and were issued at an issue price of $84 million. The notes will automatically convert from zero coupon notes to floating rate notes on the first optional redemption date, being 28 December 2022. The implied zero coupon yield is 5.86482% nacq (ACT/360) up until the 28 December 2022. If the issuer does not exercise the option to redeem the notes on 28 December 2022, then interest on the floating rate notes shall commence on 28 December 2022 and is payable quarterly on 28 March, 28 June, 28 September, 28 December at a rate equal to the three-month USD Libor plus 4% up to and excluding 28 December 2027. The maturity date is 28 December 2027, but the Company has the option to call the bonds upon regulatory capital disqualification or from 28 December 2022.

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## 44. Ordinary share capital

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Investec plc** | | |
| 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 |
| Buyback 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.

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## 44. Ordinary share capital continued

| At 31 March | 2022 | 2021 |
|---|---|---|
| **Investec Limited** | | |
| **Authorised** | **Number** | **Number** |
| The authorised share capital of Investec Limited is R1 960 002 (2021: R1 960 002), comprising: | | |
| – Ordinary shares of R0.0002 each | 450 000 000 | 450 000 000 |
| – Redeemable, non-participating preference shares with a par value of R0.01 each | 48 088 266 | 48 091 681 |
| – Class ILRP1 redeemable, non-participating preference shares of R0.01 each | 408 319 | 408 319 |
| – Class ILRP2 redeemable, non-participating preference shares of R0.01 each | 1 500 000 | 1 500 000 |
| – Non-redeemable, non-participating preference shares of R0.01 each | 20 000 000 | 20 000 000 |
| – Variable rate redeemable cumulative preference shares of R0.60 each | 50 000 | 50 000 |
| – Non-redeemable, non-cumulative, non-participating preference shares of R0.01 each | 100 000 000 | 100 000 000 |
| – Dividend Access (South African resident) redeemable preference share of R1.00 | 1 | 1 |
| – Dividend Access (non-South African resident) redeemable preference share of R1.00 | 1 | 1 |
| – Special convertible redeemable preference shares of R0.0002 each (special converting shares) | 700 000 000 | 700 000 000 |
| **Issued, allotted and fully paid** | | |
| **Number of ordinary shares** | **Number** | **Number** |
| At the beginning of the year | 318 904 709 | 318 904 709 |
| Buyback during the year^ | (8 496 839) | — |
| **At the end of the year** | **310 407 870** | **318 904 709** |
| **Nominal value of ordinary shares** | **£’000** | **£’000** |
| At the beginning of the year | 46 | 46 |
| Issued during the year | * | * |
| **At the end of the year** | **46** | **46** |
| **Number of special converting 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 special converting shares** | **£’000** | **£’000** |
| At the beginning of the year | 5 | 5 |
| Issued during the year | * | * |
| **At the end of the year** | **5** | **5** |
| **Number of SA DAN shares** | **Number** | **Number** |
| At the beginning and end of the year | **1** | **1** |
| **Nominal value of SA DAS 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 SA DAS share** | **£’000** | **£’000** |
| At the beginning and end of the year | ***** | ***** |
| **Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited** | **Number** | **Number** |
| Total called up share capital | 253 | 253 |
| Less: held by Investec Limited | (2) | (2) |
| Less: held by Investec plc | (4) | (4) |
| Total called up share capital | **247** | **247** |

* Less than £1 000.
^ Investec Limited repurchased 8 496 839 ordinary shares during the financial year ended 31 March 2022, representing 2.66% of the issued share capital.

The Investec Limited shares were issued in South African Rand. The amounts recorded above were calculated by reference to historic Pounds Sterling: Rand exchange rates. In terms of the DLC structure shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single Company. These include equivalent dividends on a per share basis, joint electorate and class right variations. The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.

The unissued shares are under the control of the directors until the next annual general meeting.

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## 44. 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 is disclosed in note 8.

Movements in the number of share options issued to employees are as follows (each option is in respect of one share):

| At 31 March<br>Number of shares | 2022 | 2021 |
|---|---|---|
| Opening balance | 46 638 446 | 40 577 418 |
| Sale of business | (94 076) | — |
| Issued during the year | 22 580 078 | 18 022 245 |
| Exercised | (10 242 232) | (10 201 045) |
| Forfeited | (2 690 929) | (1 760 172) |
| **Closing balance** | **56 191 287** | **46 638 446** |

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 and depending on the individual performance and contribution made by the respective staff members.

**The extent of the directors' and staff interests in the incentive scheme is detailed on pages 29 to 38 and 44 to 46 in the Investec Group's 2022 remuneration report.**

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## 45. Perpetual preference shares of holding Company

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Perpetual preference share capital | 31 | 31 |
| Perpetual preference share premium | 174 838 | 174 022 |
| | **174 869** | **174 053** |
| **Issued by Investec Limited** | | |
| 29 218 638 (2021: 30 756 461) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at various premiums: | | |
| – Perpetual preference share capital | 2 | 2 |
| – Perpetual preference share premium | 150 073 | 149 257 |
| Perpetual preference shareholders will be entitled to receive dividends if declared, at a rate limited to 77.77% of South African prime overdraft rate on R100 being the deemed value of the issue price of the perpetual preference share held. Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the Company not ranking prior or pari passu with the perpetual preference shares. | | |
| An ordinary dividend will not be declared by Investec Limited 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 Limited 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** | | |
| 2 754 587 (2021: 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 (2021: 131 447) non-redeemable, non-cumulative, non-participating perpetual preference shares of R0.001 each, issued at an average premium of R99.999 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 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. | | |
| | **174 869** | **174 053** |

* Less than £1 000.

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## 46. Ordinary share premium

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Share premium – Investec plc | 988 637 | 988 637 |
| Share premium – Investec Limited | 527 387 | 529 215 |
| | **1 516 024** | **1 517 852** |

The decrease in share premium in the current year relates ordinary share buy back (refer to note 44).

## 47. Treasury shares

| At 31 March | 2022 | 2021 |
|---|---|---|
| | **£'000** | **£'000** |
| Treasury shares held by subsidiaries of Investec Limited and Investec plc | 318 987 | 267 508 |
| | **Number** | **Number** |
| Investec plc ordinary shares held by subsidiaries | 48 997 877 | 41 576 257 |
| Investec Limited ordinary shares held by subsidiaries | 52 277 446 | 48 832 795 |
| **Investec plc and Investec Limited shares held by subsidiaries** | **101 275 323** | **90 409 052** |
| **Reconciliation of treasury shares** | **Number** | **Number** |
| At the beginning of the year | 90 409 052 | 82 770 689 |
| Purchase of own shares by subsidiary companies | 57 485 337 | 37 919 469 |
| Shares disposed of by subsidiaries | (46 619 066) | (30 281 106) |
| **At the end of the year** | **101 275 323** | **90 409 052** |
| **Market value of treasury shares** | **£'000** | **£'000** |
| Investec plc | 246 753 | 91 509 |
| Investec Limited | 263 269 | 107 481 |
| | **510 022** | **198 990** |

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## 48. Other Additional Tier 1 securities in issue

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Issued by Investec Limited** | | |
| Investec Limited issued R550 million Other Additional Tier 1 floating rate notes on 12 August 2014. Interest is payable quarterly on 12 August, 12 November, 12 February and 12 May at a rate equal to the three-month JIBAR plus 4.25%. There is no maturity date but the issuer has the option to redeem on 12 August 2024 and on every interest payment date thereafter. Interest is payable at the option of the issuer. | 28 594 | 27 012 |
| Investec Limited issued R350 million Other Additional Tier 1 floating rate notes on 15 March 2018. Interest is payable quarterly on 22 March, 22 June, 22 September, 22 December and at a rate equal to the three-month JIBAR plus 5.15%. There is no maturity date but the issuer has the option to redeem on 22 March 2023 and on every interest payment date thereafter. The interest is payable at the option of the issuer. | 18 196 | 17 189 |
| Investec Limited issued R128 million and R45 million and R100 million Other Additional Tier 1 floating rate notes on 22 October 2020 and 25 November 2020 and 15 December 2020. Interest is payable quarterly on 22 January, 22 April, 22 July and 22 October at a rate equal to the three-month JIBAR plus 4.85%. There is no maturity date but the issuer has the option to redeem on 22 January 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer. | 14 193 | 13 408 |
| Investec Limited issued R450 million Other Additional Tier 1 floating rate notes on 12 March 2021. Interest is payable quarterly on 12 March, 12 June, 12 September and 12 December at a rate equal to the three-month JIBAR plus 4.80%. There is no maturity date but the issuer has the option to redeem on 12 June 2026 or any interest payment date thereafter. The interest is payable at the option of the issuer. | 23 395 | 22 100 |
| Investec Limited issued R600 million and R177 million Other Additional Tier 1 floating rate notes on 29 July 2021. Interest is payable quarterly on 24 May, 24 August, 24 November and 24 February at a rate equal to the three-month JIBAR plus 4.40%. There is no maturity date but the issuer has the option to redeem on 24 August 2026 or any interest payment date thereafter. | 40 395 | — |
| Investec Limited issued R500 million and R100 million Other Additional Tier 1 floating rate notes on 6 December 2021 and 8 February 2022. Interest is payable quarterly on 6 March, 6 June, 6 September and 6 December at a rate equal to the three-month JIBAR plus 4.05%. There is no maturity date but the issuer has the option to redeem on 6 March 2027 or any interest payment date thereafter. | 31 192 | — |
| **Issued by Investec Limited subsidiary** | | |
| Investec Bank Limited issued R93 million and R17 million Other Additional Tier 1 floating rate notes on 26 March 2019 and 29 March 2019. Interest is payable quarterly on 26 June, 26 September, 26 December and 26 March at a rate equal to the three-month JIBAR plus 4.55%. There is no maturity date but the issuer has the option to redeem on 26 June 2024 and on any interest payment date thereafter. The interest is payable at the option of the issuer. | 5 718 | 5 402 |
| **Issued by Investec plc** | | |
| On 5 October 2017, the 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 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 Common Equity Tier 1 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. | 250 000 | 250 000 |
| | **411 683** | **335 111** |

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## 49. Non-controlling interests

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Perpetual preference shares issued by Investec Bank Limited | — | 72 750 |
| Non-controlling interests in partially held subsidiaries | 536 372 | 495 585 |
| | **536 372** | **568 335** |
| **Perpetual preferred securities issued by subsidiaries** | | |
| **Issued by an Investec Limited subsidiary** | — | 72 750 |
| Nil (2021: 14 917 559) non-redeemable, non-cumulative, non-participating preference shares of one cent each issued at various premiums.<br><br>Perpetual preference shareholders will be entitled to receive dividends, if declared, at a rate of 83.33% of South African prime overdraft rate on R100 being the deemed value of the issue price of the perpetual preference share held.<br><br>Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the Company not ranking prior or pari passu with the preference shares. These perpetual preference shares were redeemed during the year ended 31 March 2022. | | |
| | **—** | **72 750** |

The following table summarises the information relating to the Group's partially held subsidiary Investec Property Fund Limited (IPF) which has material non-controlling interests:

| | Investec Property Fund Limited* | |
|---|---|---|
| | 2022 | 2021 |
| Non-controlling interests (NCI) (%) | 75.7% | 75.7% |
| **Summarised financial information<br>£'000** | | |
| Total assets | 1 249 770 | 1 235 062 |
| Total liabilities | 540 023 | 577 039 |
| | | |
| Revenue | 77 897 | 68 787 |
| Profit/(loss) after taxation | 53 978 | (15 355) |
| | | |
| Carrying amount of NCI in IPF | 539 769 | 499 434 |
| Dividends paid to NCI in IPF | 29 287 | 32 385 |
| Profit attributable to NCI in IPF | 39 918 | 698 |
| Loss attributable to NCI relating to impairments of associates | — | (9 126) |

* Investec Property Fund Limited (IPF) is a subsidiary of Investec Limited.

For the year ended 31 March 2021, a subsidiary with a non-controlling interest (Outward VC Fund LLP) was deconsolidated by additional external investors investing in the entity, which resulted in loss of control. Net equity impact of non-controlling interests totalling £3.7 million in the statement of changes in equity related to changes in holding without a change in control of subsidiaries within the Investec Properties Group.

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## 50. Finance lease disclosures

| At 31 March<br>£'000 | 2022<br>Total future minimum payments | <br>Present value | 2021<br>Total future minimum payments | <br>Present value |
|---|---|---|---|---|
| **Finance lease receivables included in loans and advances to customers** | | | | |
| Lease receivables due in: | | | | |
| Less than one year | 255 404 | 215 847 | 339 519 | 289 175 |
| One to five years | 458 315 | 407 038 | 436 953 | 387 755 |
| Greater than five years | 6 349 | 5 886 | 5 650 | 5 229 |
| | **720 068** | **628 771** | **782 122** | **682 159** |
| Unearned finance income | (91 297) | | (99 963) | |
| **Net investment in lease** | **628 771** | | **682 159** | |

At 31 March 2022, unguaranteed residual values accruing to the benefit of Investec were £8.6 million (2021: £10.7 million). Finance leases in the Group mainly relate to leases on property, equipment and motor vehicles.

| At 31 March<br>£'000 | 2022<br>Total future undiscounted cash flows | <br>Present value | 2021<br>Total future undiscounted cash flows | <br>Present value |
|---|---|---|---|---|
| **Finance lease receivables included in other assets** | | | | |
| Lease receivables due in: | | | | |
| Less than one year | 38 401 | 37 647 | 40 448 | 41 596 |
| One to five years | 220 606 | 185 509 | 251 378 | 209 053 |
| Greater than five years | 748 | 746 | 2 183 | 2 148 |
| **Total undiscounted lease payments receivable** | **259 755** | **223 902** | **294 009** | **252 797** |
| Unearned finance income | (35 853) | | (41 212) | |
| **Net investment in lease** | **223 902** | | **252 797** | |

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## 51. Notes to cash flow statement

| At 31 March<br>£'000 | 2022 | 2021^ |
|---|---|---|
| **Profit before taxation adjusted for non-cash, non-operating items and other required adjustments is derived as follows:** | | |
| Profit before taxation | 697 261 | 331 569 |
| Adjustment for non-cash, non-operating items and other required adjustments included in net income before taxation: | | |
| Impairment of goodwill | 1 962 | 11 599 |
| Amortisation of acquired intangibles | 15 477 | 15 287 |
| Amortisation of acquired intangibles of associates | 9 249 | 9 268 |
| Net loss/(gain) on disposal of subsidiaries | 632 | (32 936) |
| Depreciation, amortisation and impairment of property, equipment, intangibles and software | 48 156 | 47 959 |
| Share of post-taxation profit of associates and joint venture holdings | (79 556) | (42 459) |
| Impairment of associate and joint venture holdings | — | 16 773 |
| Expected credit loss excluding ECL on Cash | 28 091 | 99 438 |
| Dividends received from associates | 49 484 | 20 191 |
| Share-based payment charges and employee benefit liability recognised | 45 648 | 42 763 |
| **Profit before taxation adjusted for non-cash, non-operating items and other required adjustments** | **816 404** | **519 452** |
| **(Increase)/decrease in operating assets** | | |
| Loans and advances to banks | 6 575 | 40 014 |
| Reverse repurchase agreements and cash collateral on securities borrowed | (865 957) | 329 671 |
| Sovereign debt securities | (273 758) | 700 599 |
| Bank debt securities | (314 525) | (451 818) |
| Other debt securities | 178 497 | 124 765 |
| Derivative financial instruments | 144 514 | 404 101 |
| Securities arising from trading activities | 371 165 | (254 476) |
| Investment portfolio | 28 225 | 180 088 |
| Loans and advances to customers | (2 721 123) | (559 273) |
| Securitised assets | 65 030 | (49 568) |
| Other assets | 32 601 | (126 305) |
| Investment properties | 57 141 | 99 342 |
| Assurance assets | (3 865) | (13 525) |
| Non-current assets classified as held for sale | (23 157) | (239) |
| | **(3 318 637)** | **423 376** |
| **Increase/(decrease) in operating liabilities** | | |
| Deposits by banks | 711 050 | (1 223 949) |
| Derivative financial instruments | 256 069 | (68 619) |
| Other trading liabilities | (63 706) | (210 961) |
| Repurchase agreements and cash collateral on securities lent | (180 861) | (659 532) |
| Customer accounts (deposits) | 4 485 194 | 810 167 |
| Debt securities in issue | 129 667 | 127 375 |
| Securitised liabilities | 52 405 | 71 286 |
| Other liabilities | 332 230 | (313 443) |
| Assurance liabilities | 3 865 | 13 525 |
| | **5 725 913** | **(1 454 151)** |

^ Restated as detailed in note 61.

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## 52. Commitments

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Undrawn facilities | 5 436 763 | 4 965 406 |
| Other commitments | 45 528 | 60 212 |
| | **5 482 291** | **5 025 618** |

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**<br>**£'000** | **2022** | 2021 | **2022** | 2021 |
| **Pledged assets** | | | | |
| Other loans and advances | 7 998 | 4 628 | 6 724 | 3 718 |
| Loans and advances to customers | 612 670 | 261 496 | 595 290 | 123 702 |
| Loans and advances to banks | 48 273 | 85 003 | 40 589 | 70 802 |
| Sovereign debt securities | 119 350 | 731 958 | 88 598 | 642 414 |
| Bank debt securities | 78 741 | 73 588 | 73 109 | 72 092 |
| Other debt securities | 64 236 | 138 898 | 59 931 | 123 963 |
| Securities arising from trading activities | 56 611 | 116 577 | 54 768 | 114 068 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 351 351 | 321 343 | 347 471 | 287 807 |
| | **1 339 230** | **1 733 491** | **1 266 480** | **1 438 566** |

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.

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## 53. Contingent liabilities and legal matters

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| Guarantees and assets pledged as collateral security: | | |
| Guarantees and irrevocable letters of credit | 1 625 001 | 1 365 097 |
| | **1 625 001** | **1 365 097** |

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 Limited on behalf of third parties and other Group companies. The guarantees are issued as part of the banking business.

**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 matters**
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.

**Historical German dividend tax arbitrage transactions**
Investec Bank plc has 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. Whilst no formal proceedings have been issued against Investec Bank plc by the Office of the Public Prosecutor, a provision was previously raised to reflect the potential financial outflows that could arise as a result of this matter. In addition, subsequent to the year-end date, 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. The FTO has provided limited information and Investec Bank plc has sought further information and clarification. Given the lack of information, it is not possible for Investec Bank plc to reliably estimate the potential liability, if any, in relation to this matter.

Investec Bank plc is co-operating with the German authorities and continues to conduct its own internal investigation into the matters in question. 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 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.

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## 54. Related party transactions

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Profit before taxation adjusted for non-cash items is derived as follows: Compensation of directors** | | |
| Details of directors' remuneration and interest in shares, including the disclosures required by IAS 24 Related Party Disclosures and Compensation of Directors and key management, are disclosed in the remuneration report on pages 23 to 38 and 46 in the Investec Group's 2022 remuneration report. | | |
| **Transactions, arrangements and agreements involving directors and key management personnel:** | | |
| Transactions, arrangements and agreements with directors, key management personnel 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 | 8 946 | 7 765 |
| Increase in loans* | 6 728 | 3 610 |
| Decrease in loans* | (1 231) | (2 430) |
| Exchange adjustments | — | 1 |
| **At the end of the year** | **14 443** | **8 946** |
| **Guarantees** | | |
| At the beginning of the year | 1 951 | 592 |
| Additional guarantees granted | 4 | 1 545 |
| Decrease in guarantees* | (1 877) | (187) |
| Exchange adjustments | — | 1 |
| **At the end of the year** | **78** | **1 951** |
| **Deposits** | | |
| At the beginning of the year | (14 231) | (11 989) |
| Increase in deposits | (3 906) | (10 549) |
| Decrease in deposits* | 5 235 | 8 307 |
| **At the end of the year** | **(12 902)** | **(14 231)** |

* Where a director or key management personnel has been appointed or has resigned in the current year, the prior year's balance will be included in the increase and decrease respectively.

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 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 have been impaired.

Where related parties have investment products (that may be included in funds under management) offered to clients on terms and conditions in the ordinary course of business, these have not been included above as the Group does not carry any exposure relating to these transactions (they are at client risk).

**Transactions with other related parties**
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 £55.5 million (2021: £54.4 million) with no further committed funding. The terms and conditions of the transaction were no more favourable than those available, on similar transactions to non-related entities on an arm's length basis.

During the year to 31 March 2022, Investec Wealth & Investment Limited paid a net amount of £nil (2021: £22 400) for research services provided by Grovepoint (UK) Limited (2021: paid a net amount of £15 500 for research services provided by Grovepoint (UK) Limited). Sir Bradley Fried is a former director of Investec Bank plc and Investec plc, and is a current director of Grovepoint (UK) Limited.

Due to 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.

**Transactions with associates and joint venture holdings**

| At 31 March<br>£'000 | 2022 | 2021 |
|---|---|---|
| **Amounts due from associates and joint venture holdings and their subsidiaries** | **558 769** | **512 926** |
| **Interest income from loans to associates and joint venture holdings** | **11 304** | **17 159** |
| **Interest expense from loans to associate and joint venture holdings** | **3** | **44** |

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## 54. Related party transactions continued

For the year to 31 March 2022, the Group received income from an associate in the Group of £nil (2021: £0.9 million) predominantly related to premises sublease income (which ceased during the year) and lease guarantee income. The Group also has £12.0 million (2021: £5.7 million) of customer accounts (deposits), derivative financial instruments valued at £2.3 million (2021: £0.6 million) and a £0.5 million (2021: £0.5 million) receivable for this associate. In addition, a lease guarantee of £8.0 million (31 March 2021: £8.0 million) has been provided by the Group to this associate.

The above arose from the ordinary course of business and are on the same terms, including interest rates and security, as for comparable transactions with third party counterparties.

## 55. 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 off, 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 | Notional value of hedging | 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 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| Hedged assets | Interest rate swap | 5 515 408 | 66 840 | 72 697 | 169 676 | (70 870) | (170 044) |
| Hedged liabilities | Interest rate swap | 2 455 015 | (66 619) | (66 619) | (66 952) | 66 460 | 66 764 |
| | | **7 970 423** | **221** | **6 078** | **102 724** | **(4 410)** | **(103 280)** |
| **2021** | | | | | | | |
| Hedged assets | Interest rate swap | 4 330 351 | (93 098) | (89 418) | 9 220 | 90 406 | (7 813) |
| Hedged liabilities | Interest rate swap | 401 899 | (445) | (445) | (1 582) | 469 | 1 760 |
| | | **4 732 250** | **(93 543)** | **(89 863)** | **7 638** | **90 875** | **(6 053)** |

There was no ineffective portion recognised in the income statement in the current and the prior year.

* Change in fair value used as the basis for recognising hedge effectiveness for the period.

**Carrying amount of the hedged items**

| At 31 March £'000 | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Sovereign debt securities | 1 584 951 | 1 359 339 |
| Bank debt securities | 542 445 | 178 375 |
| Other debt securities | 95 568 | 64 855 |
| Loans and advances to customers | 3 250 658 | 2 600 554 |
| Other assets | 116 704 | 141 426 |
| **Liabilities** | | |
| Debt securities in issue | 1 094 388 | 358 353 |
| Customer accounts (deposits) | 951 517 | 43 077 |
| Subordinated liabilities | 331 753 | — |

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## 55. Hedges continued

### Maturity analysis of hedged items

| At 31 March<br>£'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 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| **Assets – notionals** | | | | | | | |
| Sovereign debt securities | — | 12 997 | 90 979 | 103 976 | 847 144 | 477 851 | 1 532 947 |
| Bank debt securities | — | 10 398 | 118 637 | 67 793 | 283 960 | — | 480 788 |
| Other debt securities | — | — | — | 4 419 | 66 937 | 73 979 | 145 335 |
| 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** | | | | | | | |
| Customer accounts (deposits) | — | — | 230 000 | 723 001 | 2 533 | — | 955 534 |
| Debt securities in issue | — | 200 000 | — | 13 857 | 585 623 | 350 000 | 1 149 480 |
| Subordinated liabilities | — | — | — | — | 350 000 | — | 350 000 |
| **2021** | | | | | | | |
| **Assets – notionals** | | | | | | | |
| Sovereign debt securities | — | — | — | 119 284 | 318 870 | 831 489 | 1 269 643 |
| Bank debt securities | — | — | — | 24 556 | 186 429 | — | 210 985 |
| Other debt securities | — | — | — | 1 770 | 68 916 | 57 363 | 128 049 |
| Loans and advances to customers | — | 2 254 | 18 421 | 73 955 | 2 125 771 | 362 140 | 2 582 541 |
| Other assets | 2 277 | 4 566 | 6 894 | 14 000 | 113 689 | — | 141 426 |
| **Liabilities – notionals** | | | | | | | |
| Customer accounts (deposits) | — | — | 35 004 | 2 000 | 5 710 | — | 42 714 |
| Debt securities in issue | — | — | — | — | 353 894 | 5 292 | 359 186 |

Included within balance sheet management and other trading activities is £0.2 million loss (2021: £0.1 million gain) relating to hedge ineffectiveness.

There are no accumulated fair value hedge adjustments for hedged items that have ceased to be adjusted for hedging gains and losses.

### Cash flow hedges

The Group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates and foreign exchange rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in other comprehensive income and reclassified to the income statement when the cash flow affects the income statement.

| At 31 March<br>£'000 | Description of financial instrument being hedged | Fair value of hedging instrument | Period cash flows are expected to occur and affect income statement |
|---|---|---|---|
| **2022** | | | |
| Cross-currency swap | Bonds | (47 725) | Three months |
| Forward exchange contracts | Dividends | 4 055 | Three months |
| **2021** | | | |
| Cross-currency swap | Bonds | (42 580) | Three months |
| Forward exchange contracts | Dividends | 3 831 | Three months |

Cash flow hedges are held to mitigate interest rate and currency risk. 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 £2.8 million (2021: (£47.0 million)) are included in net interest income.

There are £4.1 million (2021: £3.8 million) accumulated cash flow hedge reserves for hedged items that have ceased to be adjusted for hedging gains and losses.

### Hedges of net investments in foreign operations

Investec Bank plc has entered into foreign exchange contracts to hedge its balance sheet exposure to its net investment, in Australian Dollars, in the Australian operations of the Group.

| At 31 March<br>£'000 | Hedging investment fair value |
|---|---|
| **2022** | — |
| **2021** | 145 |

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## 56. Liquidity analysis of financial liabilities based on undiscounted cash flows

| At 31 March<br>£'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 | 371 966 | 87 822 | 35 895 | 12 739 | 37 220 | 2 796 328 | 2 692 | 3 344 662 |
| Derivative financial instruments | 1 825 541 | 44 890 | 138 148 | 83 367 | 203 012 | 232 587 | (4 566) | 2 522 979 |
| – held for trading | 1 784 799 | — | — | — | — | — | — | 1 784 799 |
| – held for hedging risk | 40 742 | 44 890 | 138 148 | 83 367 | 203 012 | 232 587 | (4 566) | 738 180 |
| Other trading liabilities | 275 589 | — | — | — | — | — | — | 275 589 |
| Repurchase agreements and cash collateral on securities lent | 285 851 | 61 871 | 1 797 | 2 167 | 15 013 | 536 705 | 3 229 | 906 633 |
| Customer accounts (deposits) | 17 942 685 | 1 987 035 | 6 629 020 | 5 442 646 | 4 281 298 | 4 206 619 | 387 200 | 40 876 503 |
| Debt securities in issue | — | 21 756 | 297 608 | 66 449 | 160 203 | 1 305 684 | 367 623 | 2 219 323 |
| Liabilities arising on securitisation of own originated loans and advances | — | 94 518 | 8 933 | 6 118 | 11 200 | 67 765 | 87 463 | 275 997 |
| Liabilities arising on securitisation of other assets | — | — | 3 459 | 3 322 | 6 632 | 43 125 | 62 856 | 119 394 |
| Other liabilities* | 641 940 | 707 907 | 336 579 | 83 462 | 117 141 | 363 440 | 102 004 | 2 352 473 |
| Subordinated liabilities | — | 76 298 | 152 832 | 20 895 | 151 003 | 286 260 | 908 936 | 1 596 224 |
| **Total on-balance sheet liabilities** | **21 343 572** | **3 082 097** | **7 604 271** | **5 721 165** | **4 982 722** | **9 838 513** | **1 917 437** | **54 489 777** |
| Contingent liabilities | 244 680 | 21 670 | 156 714 | 59 706 | 354 804 | 550 007 | 251 360 | 1 638 941 |
| Commitments | 529 698 | 164 857 | 603 056 | 213 928 | 332 973 | 1 935 742 | 1 834 046 | 5 614 300 |
| **Total liabilities** | **22 117 950** | **3 268 624** | **8 364 041** | **5 994 799** | **5 670 499** | **12 324 262** | **4 002 843** | **61 743 018** |

* Included within other liabilities are £878.2 million of non-financial instruments scoped out of IFRS 9.

The balances in the tables above and below 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 pages 68 to 71 of the Investec Group's 2022 risk and governance report.

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## 56. Liquidity analysis of financial liabilities based on undiscounted cash flows continued

| At 31 March<br>£'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 |
|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Deposits by banks | 224 967 | 161 161 | 4 386 | 14 631 | 878 475 | 1 189 262 | 14 447 | 2 487 329 |
| Derivative financial instruments | 1 657 192 | 53 980 | 60 624 | 59 000 | 111 150 | 231 563 | 72 296 | 2 245 805 |
| – held for trading | 1 401 140 | — | — | — | — | — | — | 1 401 140 |
| – held for hedging risk | 256 052 | 53 980 | 60 624 | 59 000 | 111 150 | 231 563 | 72 296 | 844 665 |
| Other trading liabilities | 326 189 | — | — | — | — | — | — | 326 189 |
| Repurchase agreements and cash collateral on securities lent | 300 769 | 357 535 | 82 554 | 1 930 | 178 251 | 39 405 | 101 894 | 1 062 338 |
| Customer accounts (deposits) | 14 388 643 | 2 760 284 | 6 023 899 | 4 502 436 | 3 128 094 | 4 026 100 | 252 760 | 35 082 216 |
| Debt securities in issue | 1 194 | 9 375 | 88 591 | 84 557 | 154 014 | 1 598 455 | 46 877 | 1 983 063 |
| Liabilities arising on securitisation of own originated loans and advances | — | — | 4 771 | 3 457 | 4 872 | 1 676 | 167 939 | 182 715 |
| Liabilities arising on securitisation of other assets | — | — | 2 348 | 2 178 | 4 256 | 31 307 | 85 503 | 125 592 |
| Other liabilities^* | 332 501 | 526 618 | 417 646 | 97 978 | 126 687 | 376 450 | 107 710 | 1 985 590 |
| Subordinated liabilities | 39 | 1 839 | 3 777 | 24 485 | 682 477 | 546 550 | 473 550 | 1 732 717 |
| **Total on-balance sheet liabilities** | **17 231 494** | **3 870 792** | **6 688 596** | **4 790 652** | **5 268 276** | **8 040 768** | **1 322 976** | **47 213 554** |
| Contingent liabilities | 182 476 | 31 293 | 27 827 | 130 047 | 332 682 | 608 079 | 104 661 | 1 417 065 |
| Commitments | 473 178 | 220 090 | 443 978 | 180 377 | 313 752 | 1 777 697 | 1 777 051 | 5 186 123 |
| **Total liabilities** | **17 887 148** | **4 122 175** | **7 160 401** | **5 101 076** | **5 914 710** | **10 426 544** | **3 204 688** | **53 816 742** |

^ Restated as detailed in note 61.
* Included within other liabilities are £840.8 million of non-financial instruments scoped out of IFRS 9.

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## 57. Principal subsidiaries, associated companies and joint venture holdings – Investec plc

| At 31 March | Principal activity | Country of incorporation | Interest 2022 | Interest 2021 |
|---|---|---|---|---|
| **Direct subsidiaries of Investec plc** | | | | |
| Investec 1 Limited | Investment holding | England and Wales | 100.0% | 100.0% |
| **Indirect subsidiaries of Investec plc** | | | | |
| Investec Asset Finance PLC | Leasing | England and Wales | 100.0% | 100.0% |
| Investec Bank plc | Investment holding | England and Wales | 100.0% | 100.0% |
| Investec Bank (Channel Islands) Limited | Banking institution | Guernsey | 100.0% | 100.0% |
| Investec Bank (Switzerland) AG | Banking institution and wealth manager | Switzerland | 100.0% | 100.0% |
| Investec Group Investments (UK) Limited | Investment holding | England and Wales | 100.0% | 100.0% |
| Investec Holdings Australia Pty Limited | Holding company | Australia | 100.0% | 100.0% |
| Investec Investments (UK) Limited | Investment holding | England and Wales | 100.0% | 100.0% |
| Investec Europe Limited | MiFiD Firm | Ireland | 100.0% | 100.0% |
| Investec Securities (US) LLC | Financial services | USA | 100.0% | 100.0% |
| Investec Wealth & Investment Limited | Investment management services | England and Wales | 100.0% | 100.0% |
| Reichmans Geneva SA | Trading company | Switzerland | 100.0% | 100.0% |

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, principally affected the financial statements.

For more details on associated companies and joint venture holdings refer to note 31.

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 151 to 156.

**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 30.

For details of the risks to which the Group is exposed through all of its securitisations are included in the Investec Group's 2022 risk and governance report on pages 56 and 57.

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## 57. 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 £26 million (2021: £86 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 Investec Group's 2022 risk and governance report on pages 84 to 92.

**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 30.

**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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 57. Principal subsidiaries, associated companies and joint venture holdings – Investec plc continued

| 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 2022<br>£'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 loss | 1 782 |

| At 31 March 2021<br>£'000 | Line on the balance sheet | Carrying value £'000 | Maximum exposure to loss | Income earned from structured entity | £'000 |
|---|---|---|---|---|---|
| Aircraft investment funds | Investment portfolio | 8 550 | Limited to the carrying value | Investment loss | 204 |

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 47 to 59.

| 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 | |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 57. Principal subsidiaries, associated companies and joint venture holdings – Investec plc continued

The table below sets out an analysis of the carrying amounts held by the Group in unconsolidated structured entities.

The maximum exposure to loss is the carrying amount of the assets held.

| At 31 March 2022<br>£'000 | Line on the balance sheet | Carrying value £'000 | Maximum exposure to loss of the Group | Total assets of the entity £'000 | Income earned from structured entity | £'000 |
|---|---|---|---|---|---|---|
| Investment funds | Investment portfolio | — | Limited to the carrying value | — | Investment loss | — |
| Residential mortgage securitisations | Other Debt Securities | — | Limited to the carrying value | — | Net interest expense | — |
| | | | | | Investment loss | |
| | Other loans and advances | — | Limited to the carrying value | — | Net interest expense | 71 |

| At 31 March 2021<br>£'000 | Line on the balance sheet | Carrying value £'000 | Maximum exposure to loss of the Group | Total assets of the entity £'000 | Income earned from structured entity | £'000 |
|---|---|---|---|---|---|---|
| Investment funds | Investment portfolio | 193 | Limited to the carrying value | — | Investment loss | (61) |
| Residential mortgage securitisations | Other Debt Securities | — | Limited to the carrying value | — | Net interest expense | — |
| | | | | | Investment loss | — |
| | Other loans and advances | 627 | Limited to the carrying value | 1 583 | 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 on pages 56 and 57 of the Investec Group's 2022 risk and governance report.**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 58. Principal subsidiaries, associated companies and joint venture holdings – Investec Limited

| | | | Interest | |
|---|---|---|---|---|
| **At 31 March** | **Principal activity** | **Country of incorporation** | **2022** | 2021 |
| **Material direct subsidiaries of Investec Limited** | | | | |
| Investec Bank Limited | Banking institution | South Africa | 100.0% | 100.0% |
| Investec Employee Benefits Holdings Proprietary Limited | Investment holding | South Africa | 100.0% | 100.0% |
| Investec Wealth and Investment International Proprietary Limited* | Registered stockbroker | South Africa | 100.0% | 100.0% |
| Investec Property Group Holdings Proprietary Limited | Investment holding | South Africa | 100.0% | 100.0% |
| Investec Investments Proprietary Limited | Investment company | South Africa | 100.0% | 100.0% |
| Investec Specialist Investments (RF) Limited | Investment holding | South Africa | 100.0% | 100.0% |
| Investec Markets Proprietary Limited | Stockbroking | South Africa | 100.0% | 100.0% |
| Investec Property Fund Limited | Engage in long-term immovable property investment | South Africa | 24.3% | 24.3% |
| **Material indirect subsidiaries of Investec Limited** | | | | |
| Investec Bank (Mauritius) Limited | Banking institution | Mauritius | 100.0% | 100.0% |
| Investec Property Proprietary Limited | Property trading | South Africa | 100.0% | 100.0% |
| Investec Life Limited | Long-term insurance | South Africa | 100.0% | 100.0% |

* Previously Investec Securities Proprietary Limited.

Details on associated companies and joint venture holdings refer to note 31.

The following subsidiary is not consolidated for regulatory purposes:

Investec Employee Benefits Holdings Proprietary Limited and its subsidiaries, including Investec Life Limited.

There are no subsidiaries which are consolidated for regulatory, but not for accounting purposes.

The Group considers that it has control over Investec Property Fund Limited as a result of the common directors with the holding Company, control over the management Company and the impact this has on the beneficial returns. Any change in the holding in Investec Property Fund Limited would require a reassessment of the facts and circumstances.

### Consolidated structured entities

Investec Limited has residual economic interests 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, 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 |
|---|---|
| Fox Street 1 (RF) Limited | Securitised residential mortgages |
| Fox Street 2 (RF) Limited | Securitised residential mortgages |
| Fox Street 3 (RF) Limited | Securitised residential mortgages |
| Fox Street 4 (RF) Limited | Securitised residential mortgages |
| Fox Street 5 (RF) Limited | Securitised residential mortgages |
| Fox Street 6 (RF) Limited | Securitised residential mortgages |
| Fox Street 7 (RF) Limited | Securitised residential mortgages |
| Integer Home Loans Proprietary Limited | Securitised third party originated residential mortgages |
| Grayston Drive Autos (RF) Limited | Securitised vehicle instalment sale agreements |
| Richefond Circle (RF) Limited | Securitised commercial mortgages |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 58. Principal subsidiaries, associated companies and joint venture holdings – Investec Limited 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 subordinated notes. 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.

**Securitised third party originated residential mortgages**
The Group has a senior and subordinated investment in a third party originated structured entity. This structured entity is consolidated due to the Group's exposure to residual economic benefits. The Group is not required to fund any losses above those incurred on the investments made.

**Securitised vehicle instalment sale agreements**
The Group has securitised vehicle instalment sale agreements in order to provide investors with exposure to vehicle instalment sale risk and to raise funding. The structured entity is consolidated due to the Group's holdings of subordinated notes. 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 instalment sale agreements as those assets have not been derecognised.

**Securitised commercial mortgages**
The Group has securitised commercial mortgages in order to provide investors with exposure to commercial mortgage risk and to raise funding. The relevant structured entity is consolidated due to the Group's holding of subordinated notes and a subordinated loan. The Group is not required to fund any losses above those incurred on the notes and subordinated loan it has retained, such losses are reflected in any impairment of securitised commercial mortgages as those assets have not been derecognised.

**Interest in Wealth & Investment Funds**
Management has concluded that the investment funds in the Wealth & Investment business do not meet the definition of structured entities as the Group does not hold material interests in these funds and currently does not provide financial support or other support. Support transactions with these funds are conventional customer-supply relationships.

For additional detail on the assets and liabilities arising on securitisation refer to note 30. For details of the risks to which the Group is exposed through all of its securitisations are included in the Investec Group's 2022 risk and governance report on pages 56 and 57.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 59. 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 |
| **2022** | | | | | | |
| **Assets** | | | | | | |
| Cash and balances at central banks | 5 998 270 | — | 5 998 270 | — | — | 5 998 270 |
| Loans and advances to banks | 2 944 622 | (392 561) | 2 552 061 | — | (45 950) | 2 506 111 |
| Non-sovereign and non-bank cash placements | 684 983 | — | 684 983 | — | — | 684 983 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 4 661 032 | (51 254) | 4 609 778 | (252 892) | (15 538) | 4 341 348 |
| Sovereign debt securities | 4 148 867 | — | 4 148 867 | (92 519) | — | 4 056 348 |
| Bank debt securities | 1 515 210 | — | 1 515 210 | (70 573) | — | 1 444 637 |
| Other debt securities | 1 229 287 | — | 1 229 287 | (64 236) | — | 1 165 051 |
| Derivative financial instruments | 1 923 624 | (306 384) | 1 617 240 | (558 337) | (209 749) | 849 154 |
| Securities arising from trading activities | 1 172 909 | (489 580) | 683 329 | (54 768) | — | 628 561 |
| Investment portfolio | 912 872 | — | 912 872 | — | — | 912 872 |
| Loans and advances to customers | 29 561 088 | — | 29 561 088 | — | — | 29 561 088 |
| Own originated loans and advances to customers securitised | 375 763 | — | 375 763 | — | — | 375 763 |
| Other loans and advances | 128 284 | — | 128 284 | — | (5 930) | 122 354 |
| Other securitised assets | 123 888 | — | 123 888 | — | — | 123 888 |
| Other assets | 2 068 615 | — | 2 068 615 | — | — | 2 068 615 |
| | **57 449 314** | **(1 239 779)** | **56 209 535** | **(1 093 325)** | **(277 167)** | **54 839 043** |
| **Liabilities** | | | | | | |
| Deposits by banks | 3 384 941 | (206 273) | 3 178 668 | — | (215 054) | 2 963 614 |
| Derivative financial instruments | 3 029 975 | (492 672) | 2 537 303 | (584 231) | (47 482) | 1 905 590 |
| Other trading liabilities | 275 589 | — | 275 589 | (38 287) | — | 237 302 |
| Repurchase agreements and cash collateral on securities lent | 914 539 | (51 254) | 863 285 | (385 514) | (4 348) | 473 423 |
| Customer accounts (deposits) | 40 118 412 | — | 40 118 412 | — | (10 233) | 40 108 179 |
| Debt securities in issue | 2 043 640 | — | 2 043 640 | (46 142) | (50) | 1 997 448 |
| Liabilities arising on securitisation of own originated loans and advances | 238 370 | — | 238 370 | — | — | 238 370 |
| Liabilities arising on securitisation of other assets | 95 885 | — | 95 885 | — | — | 95 885 |
| Other liabilities | 2 805 421 | (489 580) | 2 315 841 | — | — | 2 315 841 |
| Subordinated liabilities | 1 316 191 | — | 1 316 191 | — | — | 1 316 191 |
| | **54 222 963** | **(1 239 779)** | **52 983 184** | **(1 054 174)** | **(277 167)** | **51 651 843** |

* 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 ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 59. Offsetting continued

| At 31 March<br>£'000 | Amounts subject to enforceable netting arrangements: Effects of offsetting on-balance sheet: Gross amounts | Amounts offset | Net amounts reported on the balance sheet | Related amounts not offset*: Financial instruments (including non-cash collateral) | Cash collateral | Net amount |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Assets** | | | | | | |
| Cash and balances at central banks | 3 517 100 | — | 3 517 100 | — | — | 3 517 100 |
| Loans and advances to banks^ | 3 190 314 | (552 878) | 2 637 436 | (14 496) | (124 649) | 2 498 291 |
| Non-sovereign and non-bank cash placements | 439 841 | — | 439 841 | — | — | 439 841 |
| Reverse repurchase agreements and cash collateral on securities borrowed | 3 624 108 | (48 395) | 3 575 713 | (283 710) | (43 280) | 3 248 723 |
| Sovereign debt securities | 3 711 623 | — | 3 711 623 | (691 286) | — | 3 020 337 |
| Bank debt securities | 1 121 730 | — | 1 121 730 | (73 588) | — | 1 048 142 |
| Other debt securities | 1 364 235 | — | 1 364 235 | (138 898) | — | 1 225 337 |
| Derivative financial instruments | 1 940 113 | (225 370) | 1 714 743 | (798 661) | (144 900) | 771 182 |
| Securities arising from trading activities | 1 501 869 | (477 198) | 1 024 671 | (114 091) | — | 910 580 |
| Investment portfolio | 909 050 | — | 909 050 | — | — | 909 050 |
| Loans and advances to customers | 26 189 978 | (148 891) | 26 041 087 | — | — | 26 041 087 |
| Own originated loans and advances to customers securitised | 401 912 | — | 401 912 | — | — | 401 912 |
| Other loans and advances | 102 135 | — | 102 135 | — | (4 628) | 97 507 |
| Other securitised assets | 140 087 | — | 140 087 | — | — | 140 087 |
| Other assets | 2 165 438 | — | 2 165 438 | — | — | 2 165 438 |
| | **50 319 533** | **(1 452 732)** | **48 866 801** | **(2 114 730)** | **(317 457)** | **46 434 614** |
| **Liabilities** | | | | | | |
| Deposits by banks | 2 482 561 | (78 849) | 2 403 712 | — | (219 440) | 2 184 272 |
| Derivative financial instruments | 2 889 886 | (699 399) | 2 190 487 | (1 031 253) | (63 783) | 1 095 451 |
| Other trading liabilities | 326 189 | — | 326 189 | (25 830) | — | 300 359 |
| Repurchase agreements and cash collateral on securities lent | 1 051 707 | (48 395) | 1 003 312 | (854 233) | (4 551) | 144 528 |
| Customer accounts (deposits) | 34 598 321 | (148 891) | 34 449 430 | — | (29 336) | 34 420 094 |
| Debt securities in issue | 1 892 319 | — | 1 892 319 | (118 690) | (347) | 1 773 282 |
| Liabilities arising on securitisation of own originated loans and advances | 160 646 | — | 160 646 | — | — | 160 646 |
| Liabilities arising on securitisation of other assets | 108 281 | — | 108 281 | — | — | 108 281 |
| Other liabilities^ | 2 428 320 | (477 198) | 1 951 122 | — | — | 1 951 122 |
| Subordinated liabilities | 1 480 951 | — | 1 480 951 | — | — | 1 480 951 |
| | **47 419 181** | **(1 452 732)** | **45 966 449** | **(2 030 006)** | **(317 457)** | **43 618 986** |

^ Restated as detailed in note 61.
* 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 ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 60. Derecognition

**Transfers 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. The associated liabilities represent the amount of external notes in issue.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| **At 31 March**<br>**£'000** | **Carrying amount of assets that are continued to be recognised** | **Carrying amount of associated liabilities** | Carrying amount of assets that are continued to be recognised | Carrying amount of associated liabilities |
| **No derecognition achieved** | | | | |
| Loans and advances to customers | 730 310 | — | 648 612 | — |
| Loans and advances to banks | 53 192 | — | 113 864 | — |
| | **783 502** | **—** | **762 476** | **—** |

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 see note 22.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

## 61. Restatements

**Balance sheet restatements**
**Loans and advances to banks and other liabilities**
As at 31 March 2021, there was a gross up on-balance sheet in loans and advances to banks and other liabilities as a result of client funds being recorded on-balance sheet. The prior year balance sheet has been restated to correct the gross up previously reported. This change has no impact on the Income Statement.

The impact of this change on the 31 March 2021 balance sheet is:

| £'000 | At 31 March 2021 as previously reported | Restatement | At 31 March 2021 restated |
|---|---|---|---|
| **Assets** | | | |
| Loans and advances to banks | 2 699 317 | (61 881) | 2 637 436 |
| Total assets | 51 512 354 | (61 881) | 51 450 473 |
| **Liabilities** | | | |
| Other liabilities | 2 013 003 | (61 881) | 1 951 122 |
| Total liabilities | 46 199 858 | (61 881) | 46 137 977 |

As at 31 March 2020, the gross up on-balance sheet in loans and advances to banks and other liabilities as a result of client funds being recorded on-balance sheet was £13.1 million.

The impact of this change on the 31 March 2021 cash flow statement is:

| £'000 | Year to 31 March 2021 as previously reported | Restatement | Year to 31 March 2021 restated |
|---|---|---|---|
| Net cash outflow from operating activities | (557 837) | (61 881) | **(619 718)** |
| Cash and cash equivalents at the end of the year | 6 551 511 | (61 881) | **6 489 630** |

## 62. Events after the reporting date

On 31 May 2022, a distribution of 138.4 million Ninety One shares (representing a 15% shareholding in Ninety One DLC) was successfully completed. The total value of the distribution of the 15% shareholding was £315.3 million. Considering the equity accounted carrying value of the 25% investment in Ninety One DLC at 31 March 2022 of £382.6 million and the total market value of the 25% stake as at 30 May 2022 of £527.8 million, a gain of approximately £145.2 million (pre-tax) would be recognised in profit and loss as a result of the distribution. This gain will be adjusted by the equity accounted earnings between 1 April 2022 and 30 May 2022 when that information is available. The remaining shareholding in Ninety One will be accounted for at fair value through other comprehensive income from 31 May 2022.

The distribution was classified as a non-adjusting event after the reporting date as defined by IAS 10 Events after the Reporting Period.

## 63. Investec Limited parent company accounts

For regulatory compliance purposes the Investec Limited parent Company accounts are presented in the Investec Limited Annual Financial Statements and audited by EY Inc and KPMG Inc as statutory auditors.

INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS

## Balance sheet

| At 31 March 2022<br>£'000 | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | | | |
| Investments in subsidiary undertakings | b | 1 701 774 | 1 701 774 |
| Securities and subordinated liabilities issued by subsidiary undertaking | c | 599 967 | 250 000 |
| | | **2 301 741** | **1 951 774** |
| **Current assets** | | | |
| Investments in listed equities | | 355 801 | 358 341 |
| Amounts owed by Group undertakings | | 523 320 | 517 696 |
| Taxation | | 15 006 | 11 790 |
| Deferred tax assets | | — | 900 |
| Prepayments and accrued income | | 1 471 | 1 035 |
| Cash at bank and in hand | | | |
| – with subsidiary undertakings | | 261 089 | 136 264 |
| – balances with other banks | | 578 | 520 |
| | | **1 157 265** | **1 026 546** |
| **Current liabilities** | | | |
| **Creditors: amounts falling due within one year** | | | |
| Amounts owed to Group undertakings | | — | 6 244 |
| Other liabilities | | 3 748 | 5 467 |
| Accruals and deferred income | | 10 533 | 8 513 |
| **Net current assets** | | **1 142 984** | **1 006 322** |
| **Creditors: amounts falling due after one year** | | | |
| Debt securities in issue | d | 537 215 | 418 980 |
| Subordinated liabilities | e | 349 967 | — |
| **Net assets** | | **2 557 543** | **2 539 116** |
| **Capital and reserves** | | | |
| Ordinary share capital | h | 202 | 202 |
| Ordinary share premium | h | 806 812 | 806 812 |
| Capital reserve | h | 180 606 | 180 606 |
| Fair value reserve | | 159 661 | 136 798 |
| Retained earnings | h | 1 135 468 | 1 139 904 |
| **Ordinary shareholders' equity** | | **2 282 749** | **2 264 322** |
| Perpetual preference share capital and premium | h | 24 794 | 24 794 |
| **Shareholders' equity excluding non-controlling interests** | | **2 307 543** | **2 289 116** |
| Other Additional Tier 1 securities in issue | h | 250 000 | 250 000 |
| **Total capital and reserves** | | **2 557 543** | **2 539 116** |

**The notes on pages 149 to 156 form an integral part of the financial statements.**

The Company's profit for the year, determined in accordance with the Companies Act 2006, was £76 115 356 (2021: £15 284 317). Approved and authorised for issue by the Board of Directors on 22 June 2022 and signed on its behalf by:

**Fani Titi**

Chief Executive

22 June 2022

INVESTEC PLC 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 2020** | **202** | **806 812** | **180 606** | **37 515** | **1 159 109** | **2 184 244** | **24 794** | **2 209 038** | **250 000** | **2 459 038** |
| Total comprehensive income | — | — | — | 99 283 | 16 119 | 115 402 | — | 115 402 | — | 115 402 |
| Dividends paid to preference shareholders | — | — | — | — | (437) | (437) | — | (437) | — | (437) |
| Dividends paid to ordinary shareholders | — | — | — | — | (18 007) | (18 007) | — | (18 007) | — | (18 007) |
| 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 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** |

INVESTEC PLC 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.

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.

### 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 securities measured at fair value with fair value movements presented in other comprehensive income

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).

### 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

# INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## a. Basis of preparation continued

- 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 loans and receivables 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<br>£'000 | 2022 | 2021 |
|---|---|---|
| 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 Common Equity Tier 1 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 £50m of AT1 securities issued by Investec Bank plc.

## 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'). The notes mature on 5 May 2022 and pay interest at a fixed rate annually in arrears. 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%, which has been consolidated with and form a single series with the existing notes.

## 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.

## 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 12 of the Group financial statements.

## h. Share capital

Details of the Company's ordinary share capital are set out in note 44 of the Group financial statements. Details of the perpetual preference shares are set out in note 45 of the Group financial statements. Details of the Additional Tier 1 securities are set out in note 48 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 combined consolidated Investec annual financial statements of Investec plc and Investec Limited for the year ended 31 March 2022.

INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## j. Subsidiaries

| At 31 March 2022 | 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 | Holding company | 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% |
| IEC UK Investment Management Limited | Leasing company | 100% |
| Investec Finance Limited | Debt issuance | 100% |
| Investec Group Investments (UK) Limited | Investment holding company | 100% |
| Investec Capital Solutions Limited | Lending company | 100% |
| Diagonal Nominees Limited | Nominee | 100% |
| F&K SPF Limited | Property company | 100% |
| GFT Holdings Limited | Holding company | 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 | Investment holding company | 100% |
| Technology Nominees Limited | Nominee | 100% |
| Torteval LM Limited | Investment holding company | 100% |
| Torteval Funding LLP | Financing company | 100% |
| Nars Holdings Limited | Holding company | 100% |
| Tudor Tree Properties Limited | Property company | 100% |
| Willbro Nominees Limited | Nominee | 100% |
| Evolution Capital Investment Limited | Investment holding company | 100% |

* Directly owned by Investec plc.

INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## j. Subsidiaries continued

| At 31 March 2022 | Principal activity | Interest held |
|---|---|---|
| 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 | 84% |
| Investec Alternative Investment Management Limited | Fund management activities | 100% |
| Investec Capitalmind Investment Ltd | Non-trading Company | 100% |
| **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 services | 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 services | 100% |
| Scarwood Nominees Limited | Non-trading | 100% |
| Spring Nominees Limited | Non-trading | 100% |
| Tudor Nominees Limited | Non-trading | 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% |
| **Australia**<br>**Registered office: Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000, Australia** | | |
| Investec Holdings Australia Pty Limited | Holding Company | 100% |
| Investec Australia Property Investments Pty Limited | Holding Company for property investment | 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% |
| Investec Australia Funds Management Pty Limited | Aviation trustee Company | 100% |
| Investec (Australia) Investment Management Pty Limited | Aviation fund Company | 100% |
| IWPE Nominees Pty Limited | Custodian | 100% |

# INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## j. Subsidiaries continued

| At 31 March 2022 | Principal activity | Interest held |
|---|---|---|
| **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% |
| **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: Glategny Court, Glategny Esplanade, St. Peter Port, GY1 3LP, Guernsey, Channel Islands** | | |
| Investec Bank (Channel Islands) Limited | Banking institution | 100% |
| Investec Bank (Channel Islands) Nominees Limited | Nominee | 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% |

INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## j. Subsidiaries continued

| At 31 March 2022 | Principal activity | Interest held |
|---|---|---|
| **Registered office: P.O. Box 188, Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3LP, Channel Islands** | | |
| Investec Asset Finance (Channel Islands) Limited | Leasing company | 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% |
| **Hong Kong** | | |
| **Registered office: Suites 3901-3908, 39/F, Jardine House, 1 Connaught Place, Central, Hong Kong** | | |
| Investec Capital Markets Limited | Investment banking | 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% |
| **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 | Retail credit firm | 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% |
| **Singapore** | | |
| **Registered office: 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095** | | |
| Investec Singapore Pte Limited | Securities services | 100% |

INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## j. Subsidiaries continued

| At 31 March 2022 | Principal activity | Interest held |
|---|---|---|
| **Switzerland**<br>**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**<br>**Registered office: 10 E. 53rd St., 22nd floor, New York, NY 10022, USA** | | |
| US Multifamily GP LLC | Investment holding company | 100% |
| Investec USA Holdings Corporation Inc | 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% |

# INVESTEC PLC PARENT COMPANY ANNUAL FINANCIAL STATEMENTS
CONTINUED

## j. Subsidiaries continued

### Associates and joint ventures holdings

| At 31 March 2022 | Principal activity | Interest held |
|---|---|---|
| **Australia**<br>**Registered office: Point Cook Road, Point Cook, Victoria, Australia** | | |
| Point Cook (Trust Project No 9) | Property development | 50% |
| **British Virgin Islands**<br>**Registered office: Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands** | | |
| imarkets (Holdings) Limited | Online trading platform | 33% |
| **Luxembourg**<br>**Registered office: 19, Rue Eugene Ruppert, L-2453 Luxembourg** | | |
| Grovepoint S.a.r.l. | Investment and advisory | 42% |
| **India**<br>**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% |
| **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% |
| **France**<br>**Registered Office: 151 Boulevard Haussman, 75008 Paris, France** | | |
| Capitalmind SAS | Advisory services | 30% |
| **Germany**<br>**Registered Office: Sonnenberger Strabe 16, 65193 Wiesbaden** | | |
| Capitalmind GmbH | Advisory services | 30% |
| **Netherlands**<br>**Registered Office: Reitschweg 49, 5232BX's-Hertogenbosch, the Netherlands** | | |
| Capitalmind Partner B.V. | Advisory services | 30% |
| **Hong Kong**<br>**Registered office: Suites 3901-3908, 39/F, Jardine House, 1 Connaught Place, Central, Hong Kong** | | |
| Templewater Hong Kong Limited | Investment banking | 50% |

# Annexures

IN THIS SECTION

# 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. External auditors Ernst & Young Inc. performed a review of the pro-forma financial information and the opinion is available for inspection at the registered office of Investec upon request.

| | |
|---|---|
| Adjusted earnings attributable to ordinary shareholders | Earnings attributable to shareholders adjusted to remove goodwill, acquired intangibles, strategic actions, and earnings attributable to perpetual preference shareholders and Other Additional Tier 1 security holders.<br>Refer to note 11 on page 81 for the reconciliation of earnings attributable to shareholders to adjusted earnings attributable to ordinary shareholders |
| Adjusted earnings per share | Adjusted earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.<br>Refer to note 11 on page 81 for calculation |
| Adjusted operating profit | Refer to the calculation in the table below: |

| **£'000** | **31 March 2022** | 31 March 2021 |
|---|---|---|
| Operating profit before goodwill, acquired intangibles and strategic actions | 727 579 | 377 110 |
| Less: Profit attributable to other non-controlling interests | (40 170) | 472 |
| **Adjusted operating profit** | **687 409** | **377 582** |

| | |
|---|---|
| Adjusted operating profit per employee | Adjusted operating profit divided by average total employees including permanent and temporary employees.<br>Refer to calculation on page 58 of the Investec Group's 2022 year-end results booklet |
| Annuity income | Net interest income (refer to note 2 page 69 and 70) plus net annuity fees and commissions (refer to note 3 on page 71) |
| Core loans | The table below describes the differences between 'loans and advances to customers' as per the balance sheet and gross core loans |

## ALTERNATIVE PERFORMANCE MEASURES
CONTINUED

| £'million | UK and Other 31 March 2022 | UK and Other 31 March 2021 | Southern Africa 31 March 2022 | Southern Africa 31 March 2021 | Total Group 31 March 2022 | Total Group 31 March 2021 |
|---|---|---|---|---|---|---|
| Loans and advances to customers per the balance sheet | 14 426 | 12 336 | 15 135 | 13 705 | 29 561 | 26 041 |
| Add: own originated loans and advances to customers per the balance sheet | — | — | 376 | 402 | 376 | 402 |
| Add: ECL held against FVOCI loans reported on the balance sheet within reserves | (3) | (5) | — | — | (3) | (5) |
| **Net core loans** | **14 423** | **12 331** | **15 511** | **14 107** | **29 934** | **26 438** |
| of which subject to ECL* | 13 814 | 11 819 | 15 431 | 14 030 | 29 245 | 25 849 |
| Net core loans at amortised cost and FVOCI | 13 814 | 11 819 | 14 431 | 12 935 | 28 245 | 24 754 |
| Net fixed rate loans designated at FVPL (on which ECL is calculated for management purposes)^ | — | — | 1 000 | 1 095 | 1 000 | 1 095 |
| of which FVPL (excluding fixed rate loans above) | 609 | 512 | 80 | 77 | 689 | 589 |
| Add: ECL | 134 | 170 | 140 | 134 | 274 | 304 |
| **Gross core loans** | **14 557** | **12 501** | **15 651** | **14 241** | **30 208** | **26 742** |
| of which subject to ECL* | 13 948 | 11 989 | 15 571 | 14 164 | 29 519 | 26 153 |
| of which FVPL (excluding fixed rate loans above) | 609 | 512 | 80 | 77 | 689 | 589 |

^ Fixed rate loans which have passed the solely payments of principal and interest test (SPPI) and are held in a business model to collect contractual cash flows but have been designated at FVPL to eliminate accounting mismatches (interest rate risk is being economically hedged). The underlying loans have been fair valued and management performs an ECL calculation in order to obtain a reasonable estimate of the credit risk component. The portfolio is managed on the same basis as gross core loans measured at amortised cost. The drawn (£1.0 billion) exposure falls predominantly into Stage 1 (consistent throughout the period) (31 March 2021: £1.1 billion). The ECL on the portfolio is £3.9 million (31 March 2021: £5.2 million).

| | |
|---|---|
| Core loans to equity ratio | Net core loans divided by total shareholders' equity per the balance sheet |
| Cost to income ratio | Refer to calculation in the table below: |

| £'000 | 31 March 2022 | 31 March 2021 |
|---|---|---|
| Operating costs (A) | 1 233 948 | 1 164 513 |
| Total operating income before expected credit losses | 1 990 355 | 1 641 061 |
| Less: Profit/loss attributable to other non-controlling interests | (40 170) | 472 |
| Total (B) | 1 950 185 | 1 641 533 |
| **Cost to income ratio (A/B)** | **63.3%** | **70.9%** |

## ALTERNATIVE PERFORMANCE MEASURES
CONTINUED

| | |
|---|---|
| Coverage ratio | ECL as a percentage of gross core loans subject to ECL |
| Credit loss ratio | Annualised ECL impairment charges on core loans as a percentage of average gross core loans subject to ECL |
| Dividend payout ratio | Ordinary dividend per share divided by adjusted earnings per share |
| Gearing ratio | Total assets excluding assurance 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 tangible asset value per share | Refer to calculation on page 59 of the Investec Group's 2022 year-end results booklet. |
| Net interest margin | Annualised interest income net of interest expense, divided by average interest-earning assets. Refer to calculation on pages 69 and 70 |
| Return on average ordinary shareholders' equity (ROE) | Adjusted earnings attributable to ordinary shareholders divided by average ordinary shareholders' equity Refer to calculation on pages 60 to 63 of the Investec Group's 2022 year-end results booklet |
| Return on average tangible ordinary shareholders' equity | Adjusted earnings attributable to ordinary shareholders divided by average tangible ordinary shareholders' equity Refer to calculation on pages 60 to 63 of the Investec Group's 2022 year-end results booklet |
| Return on risk-weighted assets | Adjusted earnings attributable to ordinary shareholders divided by average risk-weighted assets, where risk-weighted assets is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pound Sterling) |
| Staff compensation to operating income ratio | All staff compensation costs expressed as a percentage of operating income before ECL (net of operating profits or losses attributable to other non-controlling interests) |

# DEFINITIONS

**Cash and near cash**
Includes cash, near cash (other 'monetisable assets') and Central Bank cash placements and guaranteed liquidity.

**Diluted earnings per share**
Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year.

Refer to page 81 for the calculation of diluted earnings per share.

**Earnings per share**
Basic earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year.

Refer to page 81 for the calculation of earnings per share.

**Effective operational tax rate**
Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit before goodwill and acquired intangibles and excluding share of post-taxation profit of associates and joint venture holdings.

**Headline earnings per share**
Headline earnings is calculated in accordance with the JSE listing requirements and in terms of circular 1/2021 issued by the South African Institute of Chartered Accountants. Headline earnings per share calculated by dividing the Group's headline earnings by the average number of shares which it had in issue during the accounting period.

Refer to page 81 for the calculation of headline earnings per share.

**Interest-bearing liabilities**
Deposits by banks, debt securities in issue, repurchase agreements and cash collateral on securities lent, customer accounts (deposits), subordinated liabilities, liabilities arising on securitisation of own originated loans and advances, and finance lease liabilities. Refer to page 69 for calculation.

**Interest-earning assets**
Cash and near cash, bank debt securities, sovereign debt securities, core loans, other debt securities, other loans and advances, other securitised assets, and finance lease receivables. Refer to page 69 for calculation.

**Market capitalisation**
Total number of shares in issue (including Investec plc and Investec Limited) excluding treasury shares, multiplied by the closing share price of Investec plc on the London Stock Exchange.

**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.

**Strategic actions**
Comprises the closure and rundown of the Hong Kong direct investments business, the demerger of the asset management business and the financial impact of Group restructures.

**Subject to ECL**
Includes financial assets held at amortised cost and FVOCI as well as designated at FVPL loan portfolios for which ECL is not required for IFRS purposes, but for which management evaluates on this basis.

**Total Group**
Total Group represents the Group's results including the results of discontinued operations in the prior period.

**Weighted number of ordinary shares in issue**
The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the Group less treasury shares. Refer to calculation on page 81.

GLOSSARY

| | |
|---|---|
| AFS | Available for sale |
| AGM | Annual general meeting |
| ALCO | Asset and Liability Committee |
| ANC | African National Congress |
| AT1 | Additional Tier 1 |
| BCBS | Basel Committee of Banking Supervision |
| BIS | Bank for International Settlements |
| BoE | Bank of England |
| BOM | Bank of Mauritius |
| BSE | Botswana Stock Exchange |
| CA | Chartered Accountant |
| CDO | Collateralised debt obligation |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CFO | Chief Financial Officer |
| CLF | Committed liquidity facility |
| CLO | Collateralised loan obligation |
| CMD | Capital Markets Day |
| CMI | Continuous Mortality Investigation |
| COO | Chief Operating Officer |
| CPI | Consumer Price Index |
| CPR | Conditional prepayment rate |
| CRDIV (BASEL III) | Capital Requirements Directive IV |
| CRO | Chief Risk Officer |
| CVA | Credit value adjustment |
| DCF | Discounted cash flow |
| 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 |
| EBITDA | Earnings before interest, taxes, depreciation and amortisation |
| ECB | European Central Bank |
| ECL | Expected credit losses |
| EPS | Earnings per share |
| ESG | Environmental, social and governance |
| ERV | Expected rental value |
| ESMA | European Securities and Markets Authority |
| EU | European Union |
| FCA | Financial Conduct Authority |
| FINMA | Swiss Financial Market Supervisory Authority |
| FIRB | Foundation Internal Ratings-Based |
| FRC | Financial Reporting Council |
| FSB | Financial Services Board |
| FSC | Financial Sector Code |
| FSCS | Financial Services Compensation Scheme |
| FUM | Funds under management |
| FVOCI | Fair value through other comprehensive income |
| FVPL | Fair value through profit and loss |

| | |
|---|---|
| GDP | Gross Domestic Product |
| GFSC | Guernsey Financial Services Commission |
| GM | Guinness Mahon |
| HNW | High net worth |
| IAM | Investec Asset Management |
| IASB | International Accounting Standards Board |
| IASs | International Accounting Standards |
| IBL | Investec Bank Limited |
| IBL BRCC | IBL Board Risk and Capital Committee |
| IBL ERC | IBL Executive Risk Committee |
| IBP | Investec Bank plc |
| IBP BRCC | IBP Board Risk and Capital Committee |
| IBP ERC | IBP Executive Risk Committee |
| IFRS | International Financial Reporting Standard |
| ISAs (UK) | International Standards on Auditing (UK) |
| JSE | Johannesburg Stock Exchange |
| LCR | Liquidity Coverage Ratio |
| LGD | Loss given default |
| LIBOR | London Inter-Bank Offered Rate |
| LSE | London Stock Exchange |
| MD | Managing Director |
| MiFID | Markets in Financial Instruments Directive |
| NCI | Non-controlling interests |
| NSFR | Net Stable Funding Ratio |
| NSX | Namibian Stock Exchange |
| OCI | Other comprehensive income |
| OECD | Organisation for Economic Co-operation and Development |
| OTC | Over the counter |
| PACCC | Prudential Assurance Conduct and Controls Committee |
| PCCC | Prudential Conduct and Controls Committee |
| PD | Probability of default |
| Policy ERRF | Policy Executive Risk Review Forum |
| PRA | Prudential Regulation Authority |
| PRASA | Passenger Rail Agency of South Africa |
| ROE | Return on equity |
| ROU | Right use of asset |
| RPI | Retail Price Index |
| S&P | Standard & Poor's |
| SARS | South African Revenue Service |
| SDGs | Sustainable Development Goals |
| SME | Small and Medium-sized Enterprises |
| SMMEs | Small, Medium & Micro Enterprises |
| South African PA | South African Prudential Authority (previously known as the Banking Supervision Division of the South African Reserve Bank) |
| SOE | State-Owned Enterprise |
| SPPI | Solely payments of principal and interest |
| UKLA | United Kingdom Listing Authority |
| W&I | Wealth & Investment |
| WACC | Weighted average cost of capital |
| YES | Youth Employment Service |

CORPORATE INFORMATION

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**Directorate as at 22 June 2022**
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
David Friedland
Stephen Koseff
Nicky Newton-King
Jasandra Nyker
Vanessa Olver
Philisiwe Sibiya
Khumo Shuenyane
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